



CITY OF POWAY CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013



City of Poway

Poway, California

Comprehensive Annual Financial Report

For the year ended June 30, 2013

Prepared by the
Administrative Services Department
of the
City of Poway

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2013

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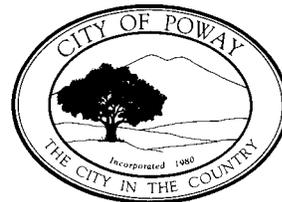
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CITY OF POWAY

DON HIGGINSON, Mayor
DAVE GROSCH, Deputy Mayor
JIM CUNNINGHAM, Councilmember
JOHN MULLIN, Councilmember
STEVE VAUS, Councilmember



December 30, 2013

Honorable Mayor and Members of the City Council
Poway, California

This Comprehensive Annual Financial Report (CAFR) is prepared in order to provide you and the community with a report of the financial transactions of the City of Poway, for the year ended June 30, 2013. Responsibility for the accuracy, completeness, and fairness of the report rests with the City.

We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, as measured by the financial activity of its various fund types; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The significant accounting policies of the City are described in the Notes to Financial Statements. These accounting policies have been approved by the City's independent certified public accountants, and are in conformance with the recommendations of the American Institute of Certified Public Accountants and the Governmental Accounting Standards Board (GASB).

This report is prepared following the guidelines set forth by the Government Finance Officers Association of the United States and Canada and the California Society of Municipal Finance Officers.

In accordance with the above-mentioned guidelines, the report is divided into three sections:

1. Introductory Section - including this letter of transmittal, the City's organizational chart, and the list of principal officers.
2. Financial Section - including the independent report from the City's certified public accountants, management's discussion and analysis, basic financial statements, notes to financial statements, and required supplementary information.
3. Statistical Section - including other pertinent unaudited financial tables and information that presents historical trends, demographics, and miscellaneous data about the City.

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

City Hall Located at 13325 Civic Center Drive
Mailing Address: P.O. Box 789, Poway, California 92074-0789

Attachment 1

The Reporting Entity and Its Services

Included within the City's financial statements is the financial information of the former Poway Redevelopment Agency, the Poway Housing Authority, and the Poway Public Financing Authority. Although the entities are legally separate from the City, their financial operations are closely related. Their activities are included with the activities of the City, because the City Council serves as the Board of Directors and is able to impose its will on these entities. There is, therefore, a financial benefit/burden relationship. This financial presentation is in accordance with GASB Codification, Section 2100.

The City of Poway was incorporated December 1, 1980, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (law enforcement, fire suppression/paramedics), community services, development services, public works, general administrative services, and capital improvements.

The Poway Redevelopment Agency was established April 26, 1983, pursuant to the State of California Health and Safety Codes, Section 33000, entitled "Community Redevelopment Law." Its purpose was to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities.

The Redevelopment Agency was dissolved effective February 1, 2012 pursuant to the schedule set forth by the California Supreme Court in *California Redevelopment Association et al. v. Ana Matosantos*. Prior to its dissolution, on January 17, 2012, the Poway City Council elected to be Successor Agency to the Redevelopment Agency, and continue to implement "enforceable obligations" which were in place prior to dissolution. These include existing contracts, bonds, leases, etc.

The Poway Housing Authority was established by Resolution of the Poway City Council at a meeting on March 1, 2011 in accordance with the State of California Health and Safety Codes, Section 34200, entitled "Housing Authorities Law." Its purpose is to monitor rent and income compliance at affordable housing developments and partner with developers to construct and operate affordable housing in Poway.

The Poway Public Financing Authority is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated October 8, 1991, between the City of Poway and the former Poway Redevelopment Agency. Its purpose is to assist in financing and refinancing projects for the benefit of the City and the former Agency.

History

Poway, from Indian words meaning "where the waters meet," first gained prominence in the 1800s as an important link in Southern California's stagecoach network. Today the City is a thriving, civic-spirited community, located in the coastal foothills of San Diego County, just twenty miles north of downtown San Diego and three miles east of Interstate 15.

The City of Poway flourishes with a family-oriented population of 48,559 and covers 39 square miles with elevations ranging from 450 to 2,250 feet above sea level. The City absorbed existing special districts as of February 1, 1981. Poway is a full-service general-law city governed by a council of five members-at-large serving staggered four-year terms. In 1990, the City had its first mayor directly elected by the voters. The City provides water, sewage collection, fire, paramedic, parks and recreation, planning and building, and street maintenance. Law enforcement services are contracted through the San Diego County Sheriff's Department, and wastewater treatment is provided by the City of San Diego.

Poway is predominately a single-family community, balanced by well-paying desirable jobs and one of the lowest crime rates in the County. The Poway Unified School District is a top performer in the State and nation, and is a source of great pride for the City.

As part of San Diego County, Poway has a relatively dry climate with frost-free temperatures over 300 days per year, and rainfall of about 10 inches, which falls principally between October and April. The average daytime temperature in Poway is about 74° F.

Poway has been popularly dubbed the "City in the Country." Poway has set aside over 65 percent of total land use as open space, nearly 3,000 acres of dedicated public open space, 232 acres of developed parkland featuring community parks and centers, and 56 miles of riding and hiking trails. Poway boasts over 680 volunteers to support our services.

Economic Condition and Outlook

Over the past year, the national and state economy steadily continued to recover. Home sales increased, the economy improved modestly, and job growth ticked up slightly. For the first time since 2007, the State of California will post budget reserves. The State's surplus was created by temporarily increasing sales and income taxes to fund schools with the passage of Proposition 30, realigning prison populations from State prisons to county jails, and abolishing local redevelopment agencies. The ripples and long range consequences of these actions will be better known in the future.

On a local level, Poway has continued to show restraint by protecting core programs and services and safeguarding reserves. The City remains committed to its consistent and conservative fiscal policies. At the time of FY 2012-13 budget adoption, the City saw signs of a modest economic recovery, including stable property tax and increased sales tax revenues. Despite these indicators, the City remained cautious. Revenues continued to stabilize as the year progressed and, by the end of the fiscal year, on a budgetary basis an operating surplus of \$1.37 million resulted for the General Fund.

While the State budget benefited from the dissolution of more than 400 redevelopment agencies across California, the consequences are profound for the City of Poway and will be felt for years to come. In addition to supporting administrative costs, tax increment financing by the Poway Redevelopment Agency was a major funding source for infrastructure, affordable housing, and economic development projects in Poway.

In addition to eliminating redevelopment as a source of capital financing, the Supreme Court decision and legislation that followed placed substantial work plans at the feet of successor agencies in order to wind down former redevelopment agencies. Poway staff has worked closely with the Oversight Board to the Successor Agency to complete and submit the necessary audits and reviews, payment schedules, and long range property management plan within the mandated timeframes.

The due diligence reviews required for housing and all other funds have been completed by staff and approved by the California Department of Finance, with funds remitted to the County and redistributed to the taxing entities. This process resulted in the distribution of one-time monies to the City in excess of \$5 million in FY 2012-13. These funds, combined with a General Fund operating surplus and some other one-time monies, totaled \$8.1 million by the end of the fiscal year. In keeping with the City's Financial Principles, these one-time monies were not used for operations; they were set aside by the City Council for future capital needs. Without tax increment financing, these funds are more important than ever.

Notwithstanding the loss of redevelopment as a source of capital financing, the City enjoys a strong economic base. New businesses continue to take up shop in the Poway Business Park and along Poway Road, the City's commercial corridor. Sales tax revenue for the year was 2.55% higher compared to the prior year.

The City remains well positioned to address economic uncertainty. Perhaps more importantly, the City is prepared for the future. Strong leadership from the City Council, combined with ample reserves, a well-trained and equipped workforce, continued investment in infrastructure and public facilities, and robust technology, will carry the City forward.

Economic Development

The City has seen significant economic growth in the military and defense contracting industry. Over the past several years, more than 100 businesses in the City have entered into contracts with the United States Department of Defense. In 2012 Poway businesses received \$2.2 billion in defense contracts, representing an increase of 24% over the prior year of \$1.7 billion. The San Diego region has been successful in producing and attracting a sufficient labor force in the Science, Technology, Engineering, and Math (STEM) industries to support defense contractors in the City.

Additionally, several national retail tenants will soon begin construction or have recently opened new stores in the City. Business owners are also reinvesting in their businesses. Vacancy rates for the City's retail shopping centers have been low over the past year averaging 4.5%. Poway's unemployment rate of 4.3% continues to be lower than the rest of the state at 8.9% and the nation at 7.4%. These are all positive indications of Poway's economic stability.

Another important economic indicator is Poway's household income. Poway has the third highest median household income in San Diego County, at \$100,335 for FY 2012-13. Housing prices have remained relatively high; however, have decreased slightly over the past year. In June 2013 the median sales price of homes in Poway was \$525,000. This represents a 2.78% decrease from the June 2012 median sales price of \$540,000. Regionally, the median sales price of homes in San Diego County fluctuated dramatically and ranged from -25% to +73%.

Poway's local economy is well served by moderate growth in sales transactions primarily based in general consumer goods, automobile and transportation related sales, and business and industry. While automobile sales have traditionally led the way, with the development of the Business Park, other sectors such as business and industry and general consumer goods have helped to diversify the City's sales tax base. This includes sales of electrical equipment, building materials, office supplies and furniture, food products, and bulk sales items.

The Business Park represents approximately 8.9 million square feet of developed space, with an average overall vacancy rate of 4.5%, which is among the lowest in San Diego County. The Park is comprised of approximately 400 businesses, with a workforce of more than 17,000 people. Besides adding diversity to the City's sales tax base, the Business Park is home to several of the City's major employers such as GEICO Direct, Sysco Food Services, and General Atomics Aeronautical Systems.

Major Accomplishments

Administrative Services:

Technology: The City successfully completed a number of Information Technology projects in FY 2012-13, including a major upgrade of the server infrastructure at the Public Works datacenter. The upgrade increased data storage capacity while improving the City's disaster recovery and business continuity efforts through the creation of a secondary site to the main City Hall datacenter. Additionally, the City transitioned its primary internet connection to a monitored fiber optic line. This new connection provides a more robust and reliable internet service that can be expanded over time, providing increased bandwidth to support the City's growth in on-line services.

In January 2013, the City applied the use of Geographic Information System (GIS) technology to streamline meter reading operations. Utilizing meter location data in GIS, staff completed a meter

rerouting project that resulted in efficiencies saving the City in meter-reading time and fuel costs. Completing the meter rerouting project was the first step in preparing for a new Utility Billing System to be implemented in FY 2013-14.

In May 2013, the City contracted with a vendor to conduct a security assessment of the City's internal infrastructure environment, including physical security, electronic file systems and our directory and network health. Overall, the City was rated as "reasonably secure," with recommendations and a remediation plan to adhere to best security practices. All of the recommendations were completed over a several month period.

The City has also expanded its use of the Public Works Cartegraph Operations Management System. Cartegraph is software used to manage service (i.e., maintenance) requests generated by the public and City staff for areas such as water, sewer, signage, and signals. Expanding the use of Cartegraph was achieved by equipping City work crews with mobile devices, which increases operational efficiencies by collecting asset data and updating work orders directly from field locations.

Risk Management: The City is a member of the California Joint Power Insurance Authority (CJPIA), which is one of the largest municipal self-insurance pools in the state, with over 120 public agency members. The CJPIA conducts routine Risk Management Evaluations (RME) for its members generally every four years. The City works closely with its assigned Regional Risk Manager to correct any identified areas of concern, with recommended changes in operations or practices that may reduce the City's risk exposure or potential for loss. The City received an RME this past summer, which also included an overview of the City's claims costs for FY 2012-13 relative to the pool member average (normalized claim costs per \$100 payroll). The City's costs for General Liability claims were \$1.19 vs. the pool average of \$2.53, and the City's costs for Workers Compensation claims were \$1.95 vs. the pool average of \$2.28.

General Fund Surplus: With the year-end closing, total General Fund operating activity resulted in a surplus of \$1.37 million on a budgetary basis. Consistent with early observations, the surplus was primarily attributable to Property Tax revenues (including RPTTF distributions) as well as higher than anticipated Development Fees and Safety Services fees. Early increases in Sales Tax were not sustained throughout the fiscal year. FY 2012-13 operating expenditures included fully funding the City's high quality road maintenance standards, with over \$1 million from the General Fund. Expenditures also reflected a one-time increase in the set-aside for long-term maintenance of City facilities.

Planning and Development Services: In December 2012, Toyota of Poway completed construction of a new \$13 million dollar facility. The project included renovation of existing onsite buildings and approximately 9,000 square-feet of new building space. This relocation was made possible in part by the Poway Redevelopment Agency investing \$3 Million to purchase the vacant Chrysler dealership in September 2010. Ultimately, the City of Poway as Successor Agency executed a ground lease with Toyota of Poway enabling them to expand their operations to the Successor Agency-owned property combined with two adjacent parcels owned by Toyota.

Building Permits were issued to *Walmart* in April 2013, for a significant expansion and remodel of the existing retail store. The project includes demolition of the existing automotive service area and an adjacent 7,000 square-foot vacant commercial structure. The expansion involves the addition of 36,996 square feet of commercial retail uses, resulting in a 179,933 square-foot store with a full-service grocery department. Construction is underway and should be finished in June 2014.

Hoist Fitness built a new 130,000 square foot office/manufacturing facility on seven acres in the Poway Business Park in early 2013.

In August 2013, the *Perry Ford* auto dealership submitted construction plans for the expansion and remodel of the dealership. The project includes the demolition of the existing sales and administrative office buildings and construction of a new two-story, 17,500 square-foot sales and administrative office building. The existing 14,900 square-foot automotive repair facility will remain unchanged, except for some minor exterior and interior enhancements. Staff anticipates construction to begin in December 2013 and be completed by October 2014.

Lowe's Home Improvement has received City Council approval to construct a new commercial retail project on Poway Road. The project will redevelop the former Toyota and Chevrolet automobile dealership sites, to include a 121,000 square-foot Lowe's building and attached 31,500 square-foot attached garden center, and a separate 4,500 square-foot building for a retail business. Revised plans were recently submitted which reduces the size of the Lowe's building to 111,500 square-feet and reduces the garden center to 27,700 square-feet. Additional revisions include minor exterior architectural changes, additional onsite parking spaces, rearrangement of the loading and other outdoor activity areas located in the rear portion of the site, and creation of a third lot, which could potentially accommodate another small retail building in the future. Lowe's anticipates starting construction of the site in January 2014.

The *Poway Plaza* is experienced significant remodeling to the former Dixieline Lumber building. The former Dixieline building was transformed into two retail spaces. The building will contain a 16,150 square-foot Grocery Outlet, and 23,400 square-foot Michaels Crafts store. The renovation also included enhancements to the exterior building facades of the two new stores. Construction was completed in October 2013.

In January 2013, *Poway Auto Group*, owner of *Poway Mitsubishi Hyundai*, acquired approximately 1.36 acres located behind the Mitsubishi Hyundai dealership from the Poway Housing Authority. In July 2013, Poway Auto Group went through a process to rezone the property from Single Family Residential (RS-7) to Automotive General Commercial (AGC), which allows for commercial/automotive uses. A Conditional Use Permit (CUP) to expand parking for the Poway Mitsubishi Hyundai dealership on this site was recently submitted and is currently under review.

Additionally, Poway Auto Group purchased the former Breathe fitness facility, and completed renovations to the property to accommodate used automotive sales. They also purchased the nearby former Richardson GMC dealership property, which is now home to Poway Chrysler Jeep Dodge Ram.

Construction of the outdoor *Blue Sky Ecological Reserve Amphitheater* was completed In January 2013. The amphitheater, funded by the Blue Sky Community Foundation, consists of five rows of seats facing a 20-foot diameter circular stage, and can accommodate up to 150 people. The new amphitheater features public art donated by Karen Wooton and Karen Bouse. A decomposed granite pathway provides access to the amphitheater from the parking lot. An observation area offers scenic views of the Reserve, and the use of concrete and earthen materials to construct the facility, make it low-maintenance and help it blend into the surrounding environment. This facility will attract more visitors to the 700-acre Reserve, and generate interest in expanded programming for diverse audiences.

Affordable Housing: A *Supporting Home Ownership in Poway* (SHOP) loan was issued this year for the purchase of a Meadows affordable income home. This loan represents the first Meadows home to be resold. The original homeowner relocated for employment and fortunately, another qualified buyer was able to purchase the home. SHOP loans allow low to moderate-income individuals and families the opportunity to realize the dream of homeownership.

Construction of *Brighton Place* was completed in February 2012. The 77-unit Craftsman and Americana style town homes are designated for low and very-low income. In September 2012, the developer successfully converted the construction loan for the project to a permanent loan realizing \$267,148 in project cost savings. These funds were deposited into the Housing Authority Fund for future affordable housing activities.

In late 2012, rehabilitation of the 52-unit *Orange Gardens* affordable rental housing development for low and very-low income families and individuals was completed. This project included a new community building; outdoor recreation area; masonry wall; drought tolerant landscaping; and resurfaced parking areas. Interior improvements included new flooring, complete kitchen and bathroom renovations, and new heating and cooling systems. Exterior improvements included stucco repair, new paint, upgraded energy-efficient windows and doors, and architectural roof enhancements. A private driveway adjacent to the property was also redesigned and included speed pillows, new sidewalk, decorative lighting, paving, and landscaping. In June 2013, the developer completed the conversion of the construction loan for the project to a permanent loan. At the close of escrow, \$40,070 in project cost savings came back to the Housing Authority Fund, which will be used to fund future affordable housing activities.

In January 2013, the Poway Housing Authority sold two residential parcels and an access strip to an adjacent property owner. This property was purchased in 2004 with the intention of developing for-sale, affordable housing for low and moderate-income households. Since that time, the Housing Authority had deemed development of this property as economically infeasible. Proceeds from the sale of the property were deposited into the Housing Authority Fund for future affordable housing activities.

Community Services: Through volunteers and community partnerships the City hosted 23 events and community celebrations that promote family-friendly fun. Here are a few examples:

- The Summer Concert in the Park Series attracted 18,000 attendees to 7 concerts, an increase of 2,400 people over last year. This year, \$11,500 in sponsorship was raised to support the program.
- Two new sponsorships helped enhance Christmas in the Park for over 10,000 people to enjoy.
- The Old-fashioned Fourth of July, with 6,500 attendees, was enhanced through a new partnership with a Model "A" Car Club.
- The City partnered with the Poway Band Boosters to hold the WinterFest at Community Park, where more than 2,500 attendees enjoyed ice skating, crafts and a snow hill.

In FY 2012-13, the City focused on expanding recreational opportunities for teens, as well as creating opportunities for them to develop leadership and employment skills. The community benefitted from more than 500 hours of teen volunteer service provided at special events and program sites. In exchange, teens gained valuable experience. The Community Services department also offered lifeguard training and counselor-in-training programs for teens, which helps build a qualified applicant pool of future aquatics and recreation workers. The City and the Poway Unified School District (PUSD) partnered to provide gymnasium access during holiday and summer breaks for camps and programs for ages 13-15 years, and to utilize the gyms for the After School Education and Safety (ASES) program.

The City further addressed the community's interest in summer camps by successfully expanding the number and variety of camps offered in 2013. The number of contract summer camps offered increased from 48 camps in 2012 to 104 camps in 2013. The wide range of themes captured the interest of 1,028 children and teens, which was an 87% increase in participation in 2013 compared with 2012. Correspondingly, net revenue increased by 92%.

The City of Poway operates cultural, historical, and outdoor recreation facilities that are enjoyed by residents and visitors from all over the region. With the help of volunteers who donated more than

4,000 hours to the community in FY 2012-13, over 3,000 students and individuals participated in educational tours of the Kumeyaay-Ipai Interpretive Center and the Blue Sky Ecological Reserve. More than 17,000 people visited the Heritage Museum and Nelson House, and rode the Poway Midland Railroad at Old Poway Park. Ten thousand fishing permits were issued and 3,600 boats were rented at the Lake Poway Recreation Area. An estimated 20,000 visitors hiked in Poway's 55-mile trail system throughout the year.

Lake Poway Concession and ADA Upgrades: In October, 2012, the City entered into an agreement with a new concession operator at Lake Poway. The operator made a significant first-year investment to remodel the interior of the concession building, and purchase equipment and supplies. The City also completed the renovation of restrooms in the building. The concessionaire now operates a full service convenience store that caters to the variety of visitors to the Lake Poway Recreation Area. It is stocked with bait, tackle, beverages, snacks, easy-to-serve food products, and recreation items to meet the needs and interests of fishermen, hikers, campers, sports enthusiasts, and picnickers.

Housing-Related Parks Grant Community Park Improvements: The Department of Housing and Community Development (HCD) provides funding for local park enhancements to cities that have recently approved the development of affordable housing. In September, 2012 the City of Poway received a grant allocation of \$200,850, which was used to refresh Community Park with a number of improvements including: painting of the auditorium, Swim Center and Senior Center; renovation of two ball fields and the bocce courts; construction of a new gazebo, picnic area, and BBQ; and installation of new operable walls and partitions at the senior center.

Public Works: The City recognizes that creating and maintaining a safe and livable community is a fundamental responsibility. As such, continued reinvestment in streets and roads, parks and public facilities has remained a priority. The Public Works Department also made great strides in the area of asset management with enhancement of data collection for inventory and mapping efforts, as well as asset characteristics. These asset management achievements give the City better and more complete data for needs assessment; maintenance, repair and capital forecasting; and budgeting; thus resulting in service quality gains and efficiency improvements.

Utilities: Of particular note for the Utilities Divisions, Wastewater Collection completed work to integrate wastewater inspection video with historical records and the Geographic Information System (GIS). Crews can now access all available information for a location from field computers, increasing productivity and customer care standards with on-the-spot problem solving.

Efforts to provide virtual field capabilities for the recycled water program were completed. Field personnel now have access to GIS, site plans, historical records and email from the field. Staff can now provide customers with immediate site information, appointment scheduling and real-time problem solving, resulting in better customer service and increased efficiency.

The City saw a slight increase in customer water demand over FY 2011-12, but wastewater flows were reduced just over 17%, perhaps reflecting indoor water conservation gains and the City's pipe relining to eliminate infiltration. Repairs eliminated an estimated 37 million gallons of infiltration, saving the City over \$100,000 in unnecessary treatment costs.

Wastewater collection maintenance inspected almost 168,000 feet of the collection system; cleaned over 307,000 feet of pipeline; maintained five lift stations that pumped 617,000 gallons of sewage a day; and had zero reportable mainline sewer spills.

Customer Service Field Workers completed about 85,000 meter reads, including a special read cycle to implement a re-routing project in partnership with the Administrative Services Department. Additionally, 100% of all City and private backflow devices were tested; over 1,900 water distribution system valves were exercised; 760 fire hydrants were inspected; and 74 Fats, Oils and Grease permits were issued

(a 48% increase over last year possible due to recycled water program efficiency gains noted above). The Recycled Water Program completed 174 site inspections and 37 shutdown tests. Twenty-five site violations were issued and 100% compliance was achieved.

Operations: The Operations Divisions completed inventory and asset detail collection for the City's street and public facility tree database, resulting in the identification and mapping of over 15,000 trees representing 170 species. The database provides a dynamic accounting of tree assets and provides a tool for implementing a comprehensive, systematic public inspection and maintenance program.

As part of meeting new Federal mandates for roadway signs, crews inventoried and plotted the City's 5,000-plus regulatory street signs, using the data to develop a multi-year program to systematically achieve new requirements.

Asset management efforts also resulted in the completion of inventory and characteristic data collection for the City's streetlights, identifying and mapping over 3,000 lights. This information was used to implement a comprehensive, multi-year re-lamping program that will make the best use of budget and contract resources.

Operations' Crews filled over 600 potholes; performed 459,000 feet of crack sealing, almost 14,000 square feet of skin patching and 120,000 square feet of deep patch; cleaned almost 21,000 linear feet of concrete channel; mowed over 24 acres of earthen channel; and removed about 19,000 square feet of invasive plant material to support re-establishment of native habitat and enhance flood control.

The Capital Asset Reinvestment Program continued, with highlights including special attention for the popular Weingart Senior Center. Work included a new roof, exterior painting, installation of additional electrical circuits, and continued lighting retrofits.

Public Safety: The City of Poway is the safest incorporated city in San Diego County with a crime index of 14.4 crimes per 1,000 residents.

This low crime rate can be attributed, in part, to proactive law enforcement. The Poway Criminal Apprehension Team (PCAT), comprised of five deputies and one sergeant, focuses on drug and gang-related crimes. Over the past year, deputies partnered with the San Diego County Probation Department and targeted criminals who violated conditions of probation or parole. Additionally, Sheriff's personnel held monthly Information Managed Policing Addressing Criminal Threats (IMPACT) meetings, where the group focused on specific crimes, criminals and locations of criminal activity in Poway.

PCAT continues to be successful in arresting drug traffickers, dealers, and users and seizing assets. The team's deputies work closely with crime analysts, the California Department of Alcohol and Beverage Control and other law enforcement agencies to keep drugs and alcohol out of the hands of minors and to reduce drug-related criminal activities. In addition, PCAT investigates crimes committed on Poway school campuses, which included several high-profile threats this year.

The Poway Sheriff's Department provides additional community services that enhance safety through its School Resource Officer (SRO) program and medication drop-off program. This past year, the SRO and PCAT provided PUSD staff with active-shooter training where staff learned strategies to use during an on-campus incident. Additionally, the Poway Station provided a prescription drug drop-off box, giving the public an opportunity to safely dispose of expired or unneeded medications.

The Sheriff's Department also provides traffic safety programs. In FY 2012-13, the Traffic Division provided 14 Start Smart driver safety presentations to 622 new or soon-to-be-licensed drivers and their parents. The Division also established a Juvenile Diversion Program for first-time traffic offenders. Participants of this program complete assignments and sign a pledge to be law abiding citizens. In

exchange for this, the violation is not taken to court. In addition, thanks to a California Office of Traffic Safety grant, six Driving Under the Influence (DUI) checkpoints were held, during which motorists were given information regarding the City's social host ordinance, and the costs associated with a DUI citation. Several DUI saturation patrols were also conducted throughout the year.

The Poway Sheriff's Crime Prevention Specialist provides additional crime prevention resources such as Neighborhood Watch Programs and the Crime-Free, Multihousing (CFMH) program. The CFMH program certified 13 apartment complexes last year. The program holds apartment managers accountable to meet property standards and ensures tenants are law abiding.

Fire: The Poway Fire Department provides emergency medical services and fire suppression services. The department responds to fires, traffic collisions, rescues, medical emergencies, hazardous materials incidents, and requests for aid from other jurisdictions. In 2012, the Poway Fire Department responded to 3,760 emergency responses with 2,703 (approximately 72 percent) of the incidents related to emergency medical services.

The Department also conducts fire prevention and preparedness activities. In 2012, the Fire Department conducted 2,687 fire safety inspections, of which 1,104 were conducted by on-duty firefighters as part of the Fire Company Inspection Program. In addition, the department has developed over 200 emergency preplans that are accessible by onboard computers in first-responder vehicles.

The Poway Fire Department conducts regular training activities to ensure emergency responders are fully prepared to protect people and property during emergencies. This training is provided at the City's fire tower training facility, in classroom sessions, and through computer-based trainings. The training tower facility includes a burn room, roof props for ventilation practice, forcible entry props, and wrecked vehicles for extrication training.

In addition to well-trained staff, efficient and accurate emergency response relies on well-maintained communication technology. The City maintains the latest in communication technology including two separate radio systems and mobile data computers. Over the past year, several mobile and portable radios were replaced. One-third of the mobile data computers were upgraded to computers equipped with external modems and faster speeds. This enhanced technology increases emergency incident management, response mapping, and resource allocation capabilities. Two paramedic gurneys and EKG heart monitors were upgraded with the latest in advanced life-saving equipment.

This past year, the Fire Department updated incident response maps, increased the use of computer pre-incident plans, and conducted 1,296 business inspections. In addition, staff completed 510 permit inspections, 41 apartment inspections, 46 educational and preschool inspections, and 47 engine company referral inspections.

Major Ongoing Initiatives

Disaster Preparedness: The City continues to improve emergency and disaster preparedness. These improvements build upon the effectiveness of the City's Emergency Operations Plan by maintaining up-to-date information in the City's Emergency Operations Center (EOC). The City maintains a care and shelter program with three local faith-based organizations. When combined with the City's care and shelter facility at Community Park, the community can temporarily care for and shelter over 2,400 evacuees.

Emergency planning is heavily supported by local volunteers of the Community Emergency Response Team (CERT) Program and other neighborhood preparedness groups. This past year, the Fire Department and Palomar College partnered to provide a 10-week CERT training course for 24 volunteers. The program now has 79 members working in four teams. Program participants also

participated in bimonthly training sessions, several community education events, and a County-wide disaster drill.

City employees serve as Disaster Service Workers in the event of a community-wide disaster. To maintain the readiness of Poway's employees, the City provides annual Emergency Operations Center training. In addition, the City coordinates with the Unified Disaster Council to maintain the local Emergency Operations Plan, and is also in the process of developing a Continuity of Operations Plan.

Housing Element Update: In May 2013, the City Council adopted the City of Poway Housing Element Update for 2013-2020, as required by state law. The document was certified by the State Department of Housing and Community Development in June 2013. The Housing Element, a component of the City's General Plan, establishes policies for the production of affordable housing and identifies affordable housing sites consistent with regional and state housing regulations. The City will continue to implement programs identified in the Housing Element including the placement of an Affordable Housing Overlay Zone on several properties identified for affordable housing and amending the Poway Municipal Code to allow the by-right use of year-round homeless shelters in the Residential Apartment zoning district.

Capital Improvement Projects (CIP): During FY 2012-13, ten CIP projects were completed including Valle Verde Road Traffic Calming/Solera Way Sidewalk Improvements, Midland Road utility undergrounding, Blue Sky Ecological Reserve Amphitheater, and the Sewer Master Plan Update.

By June 2013, five CIP projects were under construction and two were substantially complete. The projects included Rattlesnake Creek Streambank Stabilization, Fire Protection Upgrades, and Traffic Signal Synchronization. The Traffic Signal Synchronization project involved the collection of traffic volume data at 33 signalized intersections and using this data to generate timing plans for signal synchronization along Poway Road, Twin Peaks Road, Community Road, and Espola Road.

There are currently seven projects in the pre-construction phase including the Corrugated Metal Pipe Repair Replacement project and the Annual Street Maintenance & Overlay project. These projects have a combined estimated construction cost of over \$2,300,000.

There are another 17 CIP projects in various stages of design, including the Oak Knoll Siphon Air Jumper and the Clearwell Redundant Hi-Line projects. It is expected that construction of many of these projects will begin within the next two years.

Water and Wastewater: Several regional issues in the areas of water and wastewater have the potential to result in noticeable rate impacts for Poway residents.

Water: FY 2012-13 regional water supply conditions were improved primarily because of investments made by the San Diego County Water Authority on behalf of its member agencies which includes Poway. Projects for water supply diversification, such as the Imperial Valley canal-lining project, expansion of recycled water, and programs that garnered permanent water savings through increased efficiency, made a big difference in water availability. Without these successful efforts, the region would likely have experienced another round of drought restrictions in FY 2012-13.

Water use in Poway showed increases in this fiscal year, but is still under peak usage years in 2006 and 2007. Poway's Lester J. Berglund Water Treatment Plant treated over 3.7 billion gallons of water for our customers compared to 3.4 billion gallons in FY 2011-12.

In December 2012, construction began on what will be the nation's largest seawater desalination plant in Carlsbad, California. The plant will produce 50 million gallons of water a day starting in 2016. By 2020, it will generate enough water to meet 7% of the region's demand. The total cost, including a

major pipeline to deliver the desalinated water, is projected at \$2,014 to \$2,257 per acre-foot which is more than two times the cost of imported water today.

Although there is uncertainty about the region's water supply as well as the cost to ensure an adequate water supply for the region, it is certain that Poway's residents will be faced with increasing water rates for the foreseeable future.

Wastewater: The City of Poway was one of five agencies appointed to a Metro Wastewater Joint Powers Authority (JPA) Ad Hoc Permit/Reuse Steering Committee this year. This group's work on behalf of the 14-member JPA is focused on furthering efforts to implement a regional potable reuse plan that would offload flow from the Point Loma Wastewater Treatment Plant (PLWTP).

PLWTP operates under a modified federal permit that is subject to review every five years. The current modification allows Point Loma to treat wastewater to an advanced primary level before discharge into the ocean. Point Loma is the only remaining facility in the United States allowed this modification; all other plants have been required to implement multi-billion dollar upgrades to secondary treatment levels.

Twenty years of PLWTP monitoring data indicate that the plant is doing no harm to the ocean environment, making an over \$2 billion upgrade to secondary treatment levels unnecessary from the JPA's perspective. Rather than being ordered to pursue this upgrade, the JPA is advocating for a potable reuse plan that uses that \$2 billion to both offload Point Loma and generate a new local water supply.

This potable water reuse effort could result in offloading 100 million gallons of wastewater a day, permanent acceptance by the federal government of a smaller PLWTP, and generating over 80 million gallons of "new" water a day for the region.

Final decisions in this area will undoubtedly impact Poway's ratepayers either due to a multi-billion dollar cost required to upgrade PLWTP to the secondary level or a potable water reuse project that diverts flows from Point Loma and generates new water for the region.

Technology: Several information technology projects will continue in the next year, including the implementation of a new Utility Billing System to provide customers with an enhanced web-payment and consumption information portal. The City will also implement a mobile and web-based application named YourGOV, which will establish an easy way for residents to report issues such as street light outages, graffiti and potholes. Additionally, the City anticipates upgrading its main website, including a new homepage design that improves functionality and provides more community-focused web content. Other projects include implementing web-based viewing of archived City Council meetings and an internal meeting management system to streamline the Council agenda process.

Community Reinvestment: The City Council combined one-time funds from the dissolution of redevelopment with the FY 2013-14 operating surplus, and appropriated approximately \$8.1 million for capital projects that reinvest in the Poway community, including: \$2.4 million for Espola Road Safety – Design and Construction; \$375,000 towards a \$1.5 million remodel of the Poway Library in partnership with San Diego County and the Friends of the Library; \$1 million for Sensitive Lands Acquisition to ensure that the public has access to adequate parking in the Old Poway area; and \$4.3 million for capital improvements to be identified at a future date.

Independent Audit

The Government Code of the State of California requires general law cities such as Poway to be audited annually by independent certified public accountants selected by the City Council. This requirement has been met and the auditors' independent report is included in this report. Also, please

refer to the Management Discussion and Analysis section for an in-depth review of this year's Financial Statements.

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

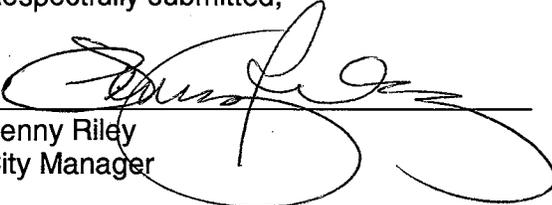
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poway, California, for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a government must publish an easily readable, efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current report conforms to the program requirements, and we are submitting it to the GFOA to determine its eligibility for the certificate.

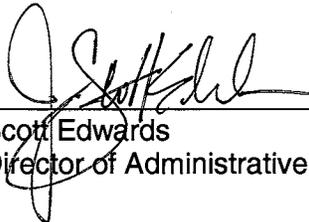
Acknowledgments

Preparation of the City's Comprehensive Annual Financial Report is an undertaking of the Administrative Services Department. Special credit is due to Andrew White, Finance Manager; Maria Weston, Senior Accountant; Debra Oestreich, Senior Accountant; and the entire Finance Division staff. Their yearlong hard work and dedication have made this report possible.

This letter represents my final report on the City's budget and work plan before my retirement. We also thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner and to the Assistant City Manager Tina White for her leadership.

Respectfully submitted,


Penny Riley
City Manager


Scott Edwards
Director of Administrative Services

City of Poway
Principal Officers

City Council

Mayor
Deputy Mayor
Council:

Don Higginson
John Mullin
Jim Cunningham
Dave Grosch
Steve Vaus

Appointed Officials

City Manager
City Attorney

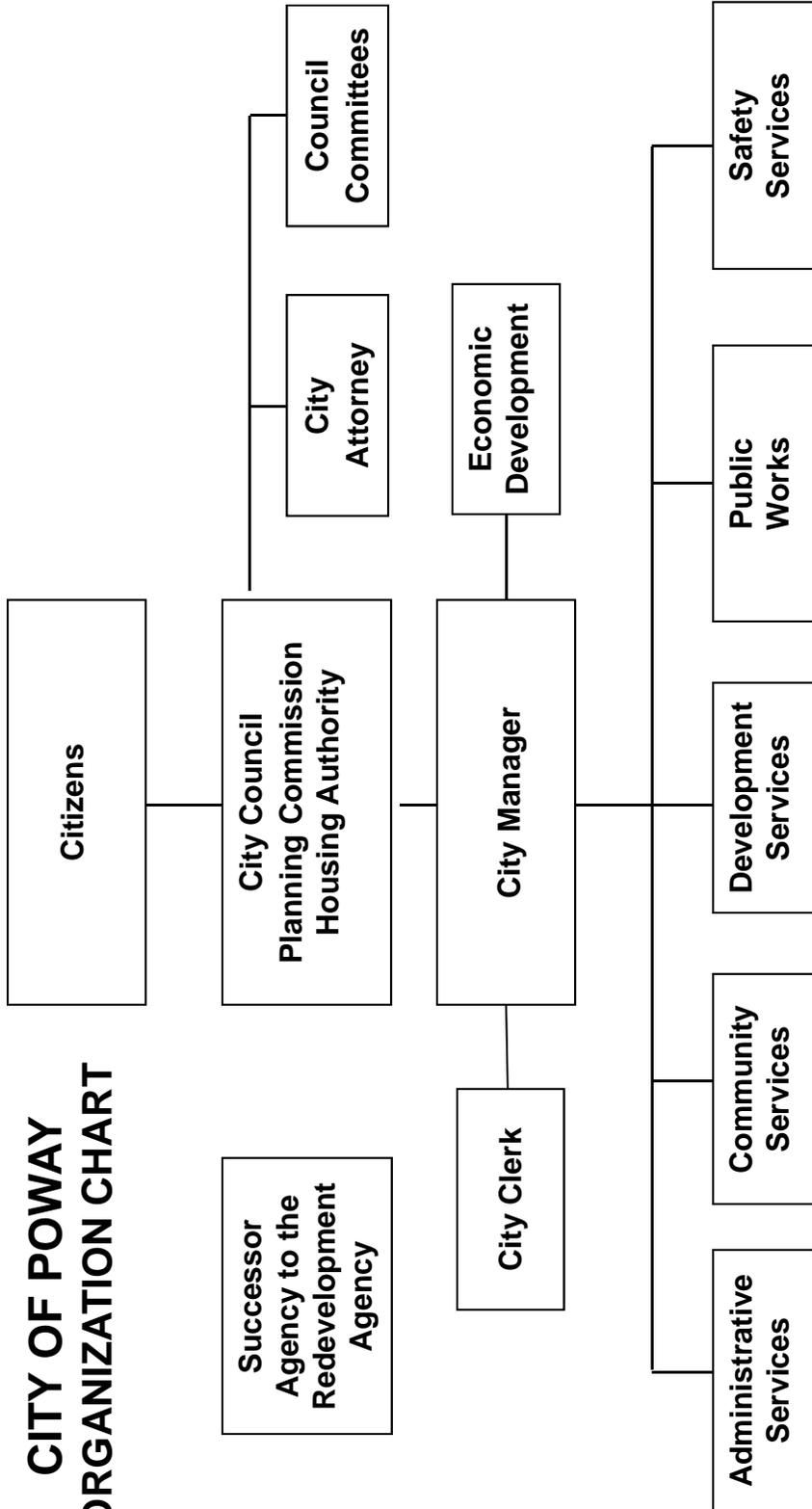
Penny Riley
Morgan Foley

Administrative Personnel

Assistant City Manager
Director of Administrative Services/Treasurer
Director of Development Services
Director of Public Works
Director Community Services
Director of Safety Services
City Clerk

Tina White
Scott Edwards
Robert Manis
Leah Browder
Robin Bettin
Mark Sanchez
Sheila Cobian

CITY OF POWAY ORGANIZATION CHART



- | | | | | |
|---|--|--|--|--|
| <ol style="list-style-type: none"> 1. Human Resources 2. Customer Services 3. Finance 4. Information Technology 5. Support Services 6. Risk Management 7. Capital Management | <ol style="list-style-type: none"> 1. Leisure Services 2. Lake Operations 3. Aquatics Center 4. Performing Arts Center 5. Old Poway Park Library 7. Interpretive Services 8. Community Park | <ol style="list-style-type: none"> 1. Planning 2. Building Inspection 3. Capital Projects 4. Land Development 5. Engineering Inspection 6. Traffic Engineering 7. Storm Water Management 8. Housing Programs 9. SA Administration | <ol style="list-style-type: none"> 1. Utility System Operations 2. Water Supply 3. Sewer Pumping & Disposal 4. Water Distribution 5. Wastewater Collection 6. Reclaimed Water 7. Maintenance Operations 8. Street Maintenance 9. Storm Water & Flood Control 10. Vehicle & Equip. Maint. 11. Environmental Programs 12. Parks, Trails & Landscape Maintenance 13. Facilities Maintenance 14. Special Dist. & Contracts | <ol style="list-style-type: none"> 1. Fire Suppression 2. Fire Prevention 3. Paramedics 4. Law Enforcement |
|---|--|--|--|--|



Government Finance Officers Association

**Certificate of
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Reporting**

Presented to

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California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



6265 Greenwich Drive
Suite 220
San Diego, California 92122

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Fax: (858) 242-5150
www.pm-llp.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poway, California (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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California
Page Two

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Information and Budgetary Comparison Schedules General Fund and Housing Authority Special Revenue Fund, and Schedules of Funding Progress, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory Section, Combining and Individual Nonmajor Fund Financial Statements, Budgetary Comparison Schedules, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements.

The Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedules all remaining governmental funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In our opinion, the Combining and Individual Nonmajor Fund Financial Statements and the Budgetary Comparison Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, 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.

To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California
Page Three

For $\frac{1}{2}$ Mc Geady LLP

San Diego, California
December 30, 2013

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poway, California ("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, and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive style with a large, stylized "P" and "M".

San Diego, California
December 30, 2013

City of Poway
Schedule of Findings
For the year ended June 30, 2013

FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted for the year ended June 30, 2013.

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding: 2012-01 Internal Control Over Financial Reporting

Criteria:

Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing.

Condition:

We noted the City recorded a prior period adjustment on the Government-Wide Statement of Activities and Changes in Net Assets in the amount of \$4,017,874 primarily in order to remove capital assets that had been transferred to developers for affordable housing in prior years. This resulted in a restatement and reduction of the June 30, 2011 Net Assets.

Cause:

The City did not properly follow its policies and procedures for evaluating, reviewing, and properly recording financial transactions arising from the transfer of capital assets to developers in the prior year.

Effect:

The Government-Wide Statement of Activities and Changes in Net Assets' beginning net assets were overstated by \$4,017,874.

Recommendation:

The City should enhance its review processes over transactions arising from the transfer of capital assets to developers to ensure that they are thoroughly evaluated, reviewed and recorded in order to facilitate the accurate and complete year-end closing of the general ledger and the preparation of its basic financial statements.

Status:

Implemented.

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City of Poway
Schedule of Findings
For the year ended June 30, 2013

FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted for the year ended June 30, 2013.

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding: 2012-01 Internal Control Over Financial Reporting

Criteria:

Effective internal control over financial reporting provides reasonable assurance for the completeness and accuracy of accounting records and proper year-end closing.

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Cause:

The City did not properly follow its policies and procedures for evaluating, reviewing, and properly recording financial transactions arising from the transfer of capital assets to developers in the prior year.

Effect:

The Government-Wide Statement of Activities and Changes in Net Assets' beginning net assets were overstated by \$4,017,874.

Recommendation:

The City should enhance its review processes over transactions arising from the transfer of capital assets to developers to ensure that they are thoroughly evaluated, reviewed and recorded in order to facilitate the accurate and complete year-end closing of the general ledger and the preparation of its basic financial statements.

Status:

Implemented.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Poway (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. It should be read in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's net assets increased by 1.33% to \$258,555 primarily as a result of normal operations.
- During the year, the City's revenues including program revenues, taxes, and other governmental revenues were greater than governmental and business activity expenses by \$3,399.
- The total revenues from all sources were \$83,318.
- The total cost of all City programs was \$79,918.
- Governmental net assets were \$184,223.
- The General Fund reported excess revenues over expenditures and other financing uses of \$8,215.
- Actual revenues received in the General Fund were more than the final budget by \$6,745 while actual expenditures were \$3,242 less than final budget before other financing sources and uses.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$30,696 or 84.6% of total General Fund expenditures (excluding other financing uses).

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements describe how City services are financed in the short term as well as what resources are available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. 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 accounted for regardless of when cash is received or paid.

These two statements report the City's net assets and changes thereto. Net assets, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other nonfinancial

factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Assets and the Statement of Activities present information about the following:

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, and community services. Property taxes, sales taxes, motor vehicle license fees and franchise fees finance most of these activities.
- Proprietary activities/Business-type activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's Water and Sewer systems are reported in this category.
- Component units - The City's governmental activities include the blending of two separate legal entities: the Poway Housing Authority and the Poway Public Financing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds that aid in the administration of resources for particular purposes or to meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two kinds of funds, *governmental* and *proprietary*, use different accounting approaches as explained below.

- *Governmental funds* - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual*, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* through reconciliation in Note 1 in the Notes to Basic Financial Statements.
- *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 Assets and the Statement of Activities.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the

City's other financial statements because the assets cannot be used to finance operations. The newly created Successor Agency to the Poway Redevelopment Agency is a Private Purpose Trust Fund and is included in the Fiduciary Fund Financial Statements.

THE CITY AS A WHOLE

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business activities, as well as a brief discussion of the private purpose trust.

Table 1
City of Poway Net Assets
(in Thousands)

	Governmental Activities		Business Activities		Total		Private Purpose Trust	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets:								
Current and other assets	\$ 95,733	\$ 84,172	\$ 37,990	\$ 36,521	\$ 133,723	\$ 120,693	\$ 43,249	\$ 72,008
Capital assets	111,411	117,568	41,492	43,816	152,903	161,384	47,530	48,544
Total assets	207,144	201,740	79,482	80,337	286,626	282,077	90,779	120,552
Liabilities:								
Long-term debt outstanding	18,171	19,034	1,036	1,261	19,207	20,295	220,343	227,534
Other liabilities	4,750	5,219	4,114	1,407	8,864	6,626	15,465	20,371
Total liabilities	22,921	24,253	5,150	2,668	28,071	26,921	235,808	247,905
Net assets:								
Invested in capital assets, net of debt	94,657	93,098	40,746	42,847	135,403	135,945		
Held in trust							(145,029)	(127,353)
Restricted	25,930	23,734	280	279	26,210	24,013		
Unrestricted	63,636	60,655	33,306	34,543	96,942	95,198		
Total net assets	\$ 184,223	\$ 177,487	\$ 74,332	\$ 77,669	\$ 258,555	\$ 255,156	\$ (145,029)	\$ (127,353)

The City's combined net assets for the fiscal year ended June 30, 2013, were \$258,555. The City has chosen to account for its water and sewer operations as enterprise funds, which is shown as Business Activities on Table 1. Post dissolution the former Poway Redevelopment Agency is now accounted for as a Private Purpose Trust Fund. The City's net assets for governmental activities increased 3.8% from \$177,487 to \$184,223.

The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets increased \$11,561 or 13.7% principally due to increases in Cash and Investments from normal operations as described below.
- Capital assets decreased \$6,157 (net of depreciation and disposition) as detailed in Table 4. This decrease was primarily caused by depreciation (\$5,623) as well as the sale of land (\$1,200).
- Governmental long-term debt decreased \$862. The decrease was attributable to scheduled principal payments as well as the refunding of the 2003 Certificates of Participation.

- Governmental other liabilities decreased by \$469. The decrease is primarily attributable to the reduction in capital projects activity, also related to the dissolution of the Poway Redevelopment Agency.
- Invested in capital assets net of debt increased \$1.6 million due to the combination of debt payments and capital asset additions not funded with debt.
- Restricted net assets increased by \$2.2 million, or 9.3%. The increase in restricted funds for Housing purposes contributed \$1.9 million towards the total increase. As discussed elsewhere, funds accumulated during the year while the City and Housing Authority explored how to best use these funds going forward. The additional changes were primarily related to normal activity within the restricted funds.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements, increased by \$3.0 million, or 4.9%, again primarily due to normal operations. Any significant items will be discussed below in the Governmental Activities section.

Governmental Activities

The cost of all Governmental activities this year was \$47,482 as shown on Table 2 and 2.1. Of this cost, \$8,640 was paid for by those who directly benefited from the programs, \$1,911 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$43,260 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$10,551. Items of significance within Table 2 are described after the table:

Table 2
City of Poway Changes in Net Assets
(in Thousands)

	Governmental Activities		Business Activities		Total		Private Purpose Trust	
	2013	2012	2013	2012	2013	2012	2013	2012
Revenues:								
Program Revenues:								
Charges for services	\$ 8,640	\$ 8,544	\$ 29,435	\$ 27,913	\$ 38,075	\$ 36,457	\$ -	\$ -
Operating grants and contributions	1,811	1,790	-	-	1,811	1,790	-	-
Capital grants and contributions	100	317	-	-	100	317	-	-
General Revenues:								
Property taxes	21,378	35,782	-	-	21,378	35,782	39,512	16,048
Other taxes	17,506	16,153	-	-	17,506	16,153	-	-
Other	4,375	279	72	342	4,447	621	4,354	741
Total revenues	53,810	62,865	29,507	28,255	83,317	91,120	43,866	16,789
Expenses:								
General Government	5,357	14,227	-	-	5,357	14,227	50,324	11,044
Public safety	20,214	19,514	-	-	20,214	19,514	-	-
Public works	12,284	12,484	-	-	12,284	12,484	-	-
Development services	3,745	2,768	-	-	3,745	2,768	-	-
Community services	5,063	4,849	-	-	5,063	4,849	-	-
Interest & charges	375	8,247	-	-	375	8,247	11,218	4,692
	444	-	-	-	444	-	-	-
Water	-	-	22,367	20,653	22,367	20,653	-	-
Sewer	-	-	10,069	8,374	10,069	8,374	-	-
Total expenses	47,482	62,089	32,436	29,027	79,918	91,116	61,542	15,736
Change in net assets before transfers	6,328	776	(2,929)	(772)	3,399	4	(17,676)	1,053
Transfers	408	2,285	(408)	(2,285)	-	-	-	-
Extraordinary Item	-	128,406	-	-	-	128,406	-	-
Change in net assets after transfers	6,736	131,467	(3,337)	(3,057)	3,399	128,410	(17,676)	1,053
Net assets - 7/1	177,487	46,020	77,669	80,726	255,156	126,746	(127,353)	-
Net assets - 2/1	-	-	-	-	-	-	-	(128,406)
Net assets - 6/30	\$ 184,223	\$ 177,487	\$ 74,332	\$ 77,669	\$ 258,555	\$ 255,156	\$ (145,029)	(127,353)

Revenues:

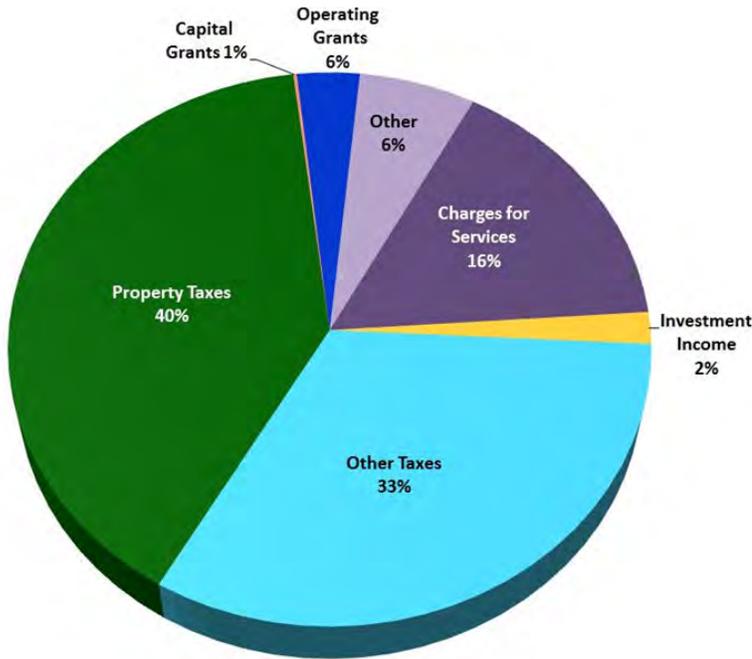
- Property taxes decreased by 38.4% due to dissolution of the Poway Redevelopment Agency and the elimination of tax increment revenue. However, when adjustments are made for fiscal year 2011-12 tax increment and fiscal year 2012-13 distributions from the Redevelopment Property Tax Trust Fund, the remaining property taxes increased by 2.3%.
- Sales taxes increased by 2.6% with the automobile and transportation category having the largest increase of all the major sales tax categories.
- Other taxes increased by \$1.1 million, or 38.2%. This category includes taxes that are used for street purposes. The City's distribution from the state for Highway Users Taxes decreased by \$.3 million, but that was offset by an increase of \$1.4 million from Transnet Taxes that are collected by the San Diego Association of Governments and then distributed for approved street projects, which often results in large variances from year-to-year.
- The Miscellaneous revenue category increased by \$2.5 million, or 270.9% with \$1.1 million being related to revenues from the Successor Agency to the Poway Redevelopment Agency for administration and revenue for a judgment, \$.7 million from non-profit housing partners, \$.3 million from a sale of land, and \$.3 from a San Diego County refund for prior year's property tax administration fees.
- Investment earnings decreased by 31.3% primarily due to maturing investments having to be reinvested at lower interest rates.
- Charges for services increased by 1.1% with no unusual activity.
- Operating Grants and contributions increased by 1.2% with no unusual activity.
(Certain prior year revenues have been reclassified from one category to another to be consistent with the current year classifications. Total prior year revenues did not change.)

Expenses:

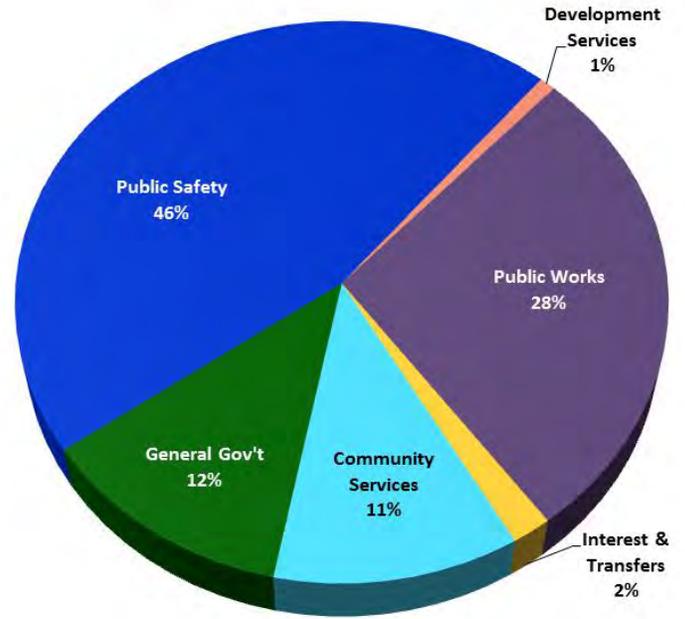
- General Government Expenses decreased \$8.9 million, or 62.4%. The decrease was the cumulative result of reduced administrative expenditures of \$1.0 (substantially related to the dissolution of the Poway Redevelopment Agency), a decrease in spending on projects for which financial assistance was provided but were not capitalized of \$7.0 million and a \$.4 million decrease in depreciation, also related to the dissolution of the former Poway Redevelopment Agency.
- The Public Safety line increased by 3.6%. Law enforcement and fire suppression increased slightly as compared to the prior year, but there were no significant changes that contributed to the increase.
- Public Works had an immaterial 1.6% decrease in expenses. There were no significant changes in this category.
- The Development Services department increased by \$.98 million, or 35.3%. The increase is primarily attributable to the absorption of costs due to the dissolution of the Poway Redevelopment Agency as well as stormwater management costs due to the elimination of the Stormwater Fund in fiscal year 2011-12.
- Community Services increased by \$.2 million or 4.4%. There were no significant changes in this category.
- Interest and fiscal charges decreased by \$7,872, or 95.5%. The prior year included approximately half a year's debt service expense for Poway Redevelopment Agency prior to its dissolution. Additionally, an immaterial portion of the decrease was due to the refunding of the 2003 Certificates of Participation.

**Fiscal Year 2013
Governmental Activities**
(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



Net Cost of Governmental Activities

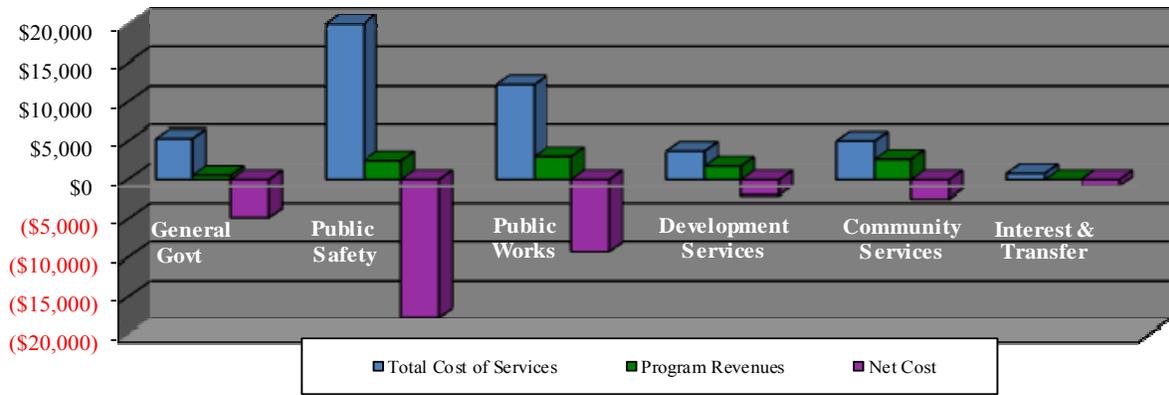
The City's programs include: General Government, Public Safety, Public Works, Development Services and Community Services. Each program's net cost (total cost less revenues generated by the activities) is presented on Table 2.1. The net cost shows the extent to which the City's general taxes support each of the City's programs.

**Table 2.1
Net Cost of Governmental Activities**
(in Thousands)

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2013	2012	2013	2012	2013	2012
General government	\$ 5,357	\$ 14,227	\$ 559	\$ 897	\$ (4,798)	\$ (13,330)
Public safety	20,214	19,514	2,485	2,190	(17,729)	(17,324)
Public works	12,284	12,484	3,030	3,424	(9,254)	(9,060)
Development services	3,745	2,768	1,796	1,106	(1,949)	(1,662)
Community services	5,063	4,849	2,681	3,034	(2,382)	(1,815)
Interest and fiscal charges	375	8,247	-	-	(375)	(8,247)
Transfer to fiduciary fund	444	-	-	-	(444)	-
Totals	\$ 47,482	\$ 62,089	\$ 10,551	\$ 10,651	\$ (36,931)	\$ (51,438)

Fiscal Year 2013

Total Cost of Services, Program Revenues & Net Cost – Governmental Activities (in thousands)



Total resources available during the year to finance governmental operations were \$231,705 consisting of Net Assets at July 1, 2012, of \$177,487, Program Revenues of \$10,551, General Revenues of \$43,260, and \$408 of Transfers. Total Governmental Activities during the year were \$47,482; thus Net Assets increased by \$6,736 to \$184,223. As noted elsewhere the dissolution of the former Poway Redevelopment Agency continued to impact both revenues and expenses and therefore the increase in Net Assets.

Business-Type Activities

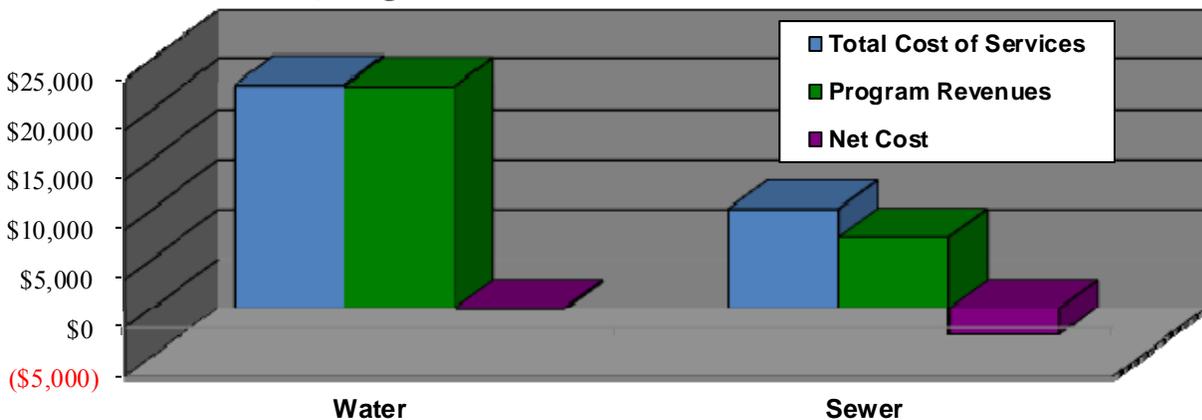
Net assets of the Proprietary Funds (Business-Type activities) at June 30, 2013, as reflected in Table 1 were \$74,332. As shown in Table 2.2, program revenues were \$29,435, while the cost of providing all Proprietary (Business-Type) Activities this year was \$32,436 resulting in a decrease of \$3,001. The net use of \$336 from other revenues, non-operating activity and transfers resulted in a Net Assets decrease of \$3,337 or 4.3%. The water revenue increase was attributable to both rate and volume increases. The increased cost of water services was primarily attributable to water purchases. Although the Sewer fund experienced higher sewage transportation and treatment costs, revenues declined due to a rate reduction attributable to the planned use of accumulated reserves.

Table 2.2
Net Cost of Business Activities
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2013	2012	2013	2012	2013	2012
Water	\$ 22,367	\$ 20,653	\$ 22,207	\$ 20,612	\$ (160)	\$ (41)
Sewer	10,069	8,374	7,228	7,301	(2,841)	(1,073)
Totals	\$ 32,436	\$ 29,027	\$ 29,435	\$ 27,913	\$ (3,001)	\$ (1,114)

Fiscal Year 2013

Total Cost of Services, Program Revenues & Net Cost – Business Activities (in thousands)



Major Funds Budgetary Highlights

General Fund:

The final appropriations for the City's General Fund at year-end were \$3,241 more than actual expenditures prior to other financing uses. The largest components of the budget to actual variance were in the General government and Capital outlay categories. The General government variance is primarily attributable to a delay in purchasing several items including vehicles and software. The variance in the Capital outlay category is attributable to delays in several projects that are only just starting or are partially complete. The savings in the remaining expenditure categories is reflective of the City's ongoing efforts to manage costs. There were no unusual items that contributed to the savings in any of these categories. Actual revenues compared favorably to the final budget resulting in a \$6,745 positive variance (excluding other financing sources). The major variances were in Taxes, Charges for Services and Developer Fees. Actual Taxes revenue was higher than budgeted because of residual distributions from the Redevelopment Property Tax Trust Fund which accounted for \$5.9 million of the variance. This variance was primarily caused by the payments the City received for its share as a result of the Housing and Non-Housing Due Diligence Reviews. Charges for Services exceeded its budget primarily because of \$630,611 received for administration of the Successor Agency. The Developer Fee category was slightly higher than expected due to planning and inspection fees. During the fiscal year the City produced quarterly budget updates in addition to its traditional midyear budget update, which enhanced focus on the City's financial position and the current factors affecting that position.

Housing Authority Special Revenue Fund:

The City of Poway created its Housing Authority during fiscal year 2010-11 and transferred all of the Poway Redevelopment Agency's housing assets to the Housing Authority. As a result of ABX1 26 the Housing Authority was able to retain its capital assets, and any related income, but was required to transfer its liquid assets to the Successor Agency effective February 1, 2012. With the passage of subsequent legislation, AB 1484, twenty-percent of the City's advances to the former Poway Redevelopment Agency were transferred to the Housing Authority. The Housing Authority's revenues and other financing sources exceeded its expenditures by \$1,111. Revenues were primarily made up of lease payments from properties owned by the Housing Authority and residual payments from its non-profit partners that own and operate affordable housing projects. Additionally, there were proceeds from a sale of land that are included as an other financing source. Expenditures during the year were minimal as the Housing Authority is exploring how best to use these funds to improve the quantity and quality of affordable housing in the City.

Other Governmental Funds:

There was no unusual activity in the Other Governmental grouping of funds during the fiscal year. The only change in fund balance of note was for the Housing Special Programs Fund. Its fund balance increased due to there being no expenditure activity. As further discussed in the Contingent Liability and Commitments note the disposition of this fund is under dispute, and consequently the City deemed it prudent to not make expenditures from the fund until its status is resolved.

Successor Agency to the City of Poway Redevelopment Agency:

The provisions of ABX1 26 include the creation of the Successor Agency to the City of Poway Redevelopment Agency effective February 1, 2012. All balances previously associated with the Poway Redevelopment Agency were transferred to the Successor Agency. A seven member Oversight Board was created to oversee the Successor Agency. The Successor Agency is accounted for as a Private Purpose Trust Fund and therefore both capital assets and long term liabilities are included in the fund. The Successor Agency must prepare Recognized Obligation Payment Schedules (ROPS) for review and approval by its Oversight Board, as well as the State Controller's Office, the State Department of Finance, and the County of San Diego. Through this process the Successor Agency is to receive sufficient funding (formerly the Poway Redevelopment Agency's tax increment revenue) to pay the approved items on the ROPS. Any funds in excess of ROPS requirements are distributed to the appropriate taxing agencies based on each agency's pro rata share of the one-percent property tax. The Successor Agency's net position decreased by \$17,676 during the fiscal year which was primarily due to the payment of \$16,693 in "excess" funds as a result of the Housing and Non-Housing Due Diligence Reviews that were required by the dissolution legislation. The "excess" funds were then distributed proportionately to the taxing agencies that fell within the former Poway Redevelopment Agency's project area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

The capital assets of the City are those assets that are used in the performance of City functions. Capital Assets include land, buildings, facility improvements, infrastructure, equipment and vehicles. Construction in Progress decreased by \$793 due to the completion of community service improvements as well as water and sewer pipeline projects. Total capital assets decreased by \$9,495 mainly due to the sale of Housing Authority land of \$1,200 and current year depreciation of \$8,316. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See Table 4 & Note 4, A to the financial statements)

Table 4
City of Poway Capital Assets at Year-End
(Net of Depreciation)
(In Thousands)

	Governmental Activities		Business Activities		Fiduciary		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Land	\$ 29,971	\$ 31,171	\$ 77	\$ 77	\$ 24,732	\$ 24,732	\$ 54,780	\$ 55,980
Buildings	31,512	32,925	4,610	5,023	6,522	7,181	42,644	45,129
Improvements	2,204	1,226	34,964	37,012	-	-	37,168	38,238
Infrastructure	41,447	44,329	-	-	16,276	16,631	57,723	60,960
Equip & Vehicles	6,277	6,927	1,060	1,120	-	-	7,337	8,047
Construction in Prog	-	990	781	584	-	-	781	1,574
	<u>\$ 111,411</u>	<u>\$ 117,568</u>	<u>\$ 41,492</u>	<u>\$ 43,816</u>	<u>\$ 47,530</u>	<u>\$ 48,544</u>	<u>\$ 200,433</u>	<u>\$ 209,928</u>

Debt:

At year-end, the City had \$18,171 in governmental-type debt and \$1,036 in Proprietary debt and \$220,343 in Fiduciary debt (Table 5). The overall decrease in bond balances was primarily due to scheduled principal payments and premium/discount amortizations. As described in the notes, the 2003 Certificates of Participation (COPS) were refunded during the year, resulting in an additional \$215 decrease in the balance of the COPS. The increased Loans Payable balance was attributable to accrued interest related to the operating covenant with AZ Poway, LLC (dba Mossy Nissan) which exceeded the payment required under the covenant. Finally, the Compensated Absences balances had minor changes, but again there was no unusual activity. (See Table 5 & Note 5 to financial statements, number 5)

Table 5
City of Poway Outstanding Debt at Year-End
(In Thousands)

	Governmental Activities		Business Activities		Fiduciary		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Tax Allocation Bonds	\$ -	\$ -	\$ -	\$ -	\$ 215,576	\$ 222,517	\$ 215,576	\$ 222,517
Certificates of Participation	16,753	17,628	-	-	1,986	2,344	18,739	19,972
Revenue Bonds	-	-	746	969	-	-	746	969
Loans Payable	-	-	-	-	2,781	2,673	2,781	2,673
Comp Absences	1,418	1,406	290	292	-	-	1,708	1,698
Total	\$ 18,171	\$ 19,034	\$ 1,036	\$ 1,261	\$ 220,343	\$ 227,534	\$ 239,550	\$ 247,829

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2013-2014, the City Council and management continue to be cautious but do expect a modest recovery in the local economy. Property taxes remain stable and modest increases in sales taxes are expected to continue. These two revenue sources are the primary reason that General Fund revenue was budgeted to increase by 4.0% when compared to fiscal year 2012-13 budgeted revenue. Beyond the projected increase in sales tax previously noted, property tax revenue continues to increase due to the City now receiving its share of the property taxes that formerly went to the Poway Redevelopment Agency. General Fund expenditures are budgeted to increase by less than 1.0%, which was a result of decreases in Risk Management and Development Services which helped offset other increases. The City continues its safety education to help contain its liability insurance costs, and the decrease in Development Services is a combination of projected lower building inspection activity, reorganization in the Stormwater Compliance area, and a continued evaluation of former redevelopment activities that were absorbed in this department. The City's initial projections showed a moderate operating surplus of \$742,618. Aside from the General Fund, the only other budget activity of note is the continued and planned net use of the Sewer Fund's reserves. The Sewer Fund had accumulated resources over several years in anticipation of significant sewer treatment upgrade expenditures being required for its share of City of San Diego's sewage treatment plant. It now appears those costs will be significantly lower so Poway's sewer service fees were temporally lowered and have been kept in check. The fund is analyzed on an ongoing basis to ensure its long term stability.

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 fiduciary responsibility for the funds it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Department, at the City of Poway, 13325 Civic Center Drive, Poway, California 92064 or online: <http://www.poway.org>.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Poway
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 71,344,461	\$ 22,888,749	\$ 94,233,210
Cash and investments with fiscal agents	665,755	279,604	945,359
Receivables:			
Taxes	3,131,519	-	3,131,519
Accounts	403,640	5,289,051	5,692,691
Interest	723,886	-	723,886
Due from other government agencies	520,232	127,555	647,787
Prepaid items	17,117	-	17,117
Inventories	121,554	2,351,323	2,472,877
Total current assets	<u>76,928,164</u>	<u>30,936,282</u>	<u>107,864,446</u>
Noncurrent assets:			
Notes receivable	10,018,416	-	10,018,416
Internal balances	(214,500)	214,500	-
Loans due from Successor Agency to the Poway Redevelopment Agency	8,592,553	6,283,981	14,876,534
Loans to Business Park Fiduciary Fund	-	540,000	540,000
Deferred charges, net	408,690	15,019	423,709
Capital assets:			
Nondepreciable assets	29,971,363	857,959	30,829,322
Depreciable assets, net	81,439,202	40,634,413	122,073,615
Total capital assets	<u>111,410,565</u>	<u>41,492,372</u>	<u>152,902,937</u>
Total noncurrent assets	<u>130,215,724</u>	<u>48,545,872</u>	<u>178,761,596</u>
Total assets	<u>207,143,888</u>	<u>79,482,154</u>	<u>286,626,042</u>

City of Poway
Statement of Net Position (Continued)
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,724,563	\$ 3,968,550	\$ 7,693,113
Accrued liabilities	791,131	73,823	864,954
Accrued interest payable	231,385	6,875	238,260
Deposits	2,100	65,029	67,129
Long-term debt - due within one year	2,046,249	463,246	2,509,495
Total current liabilities	<u>6,795,428</u>	<u>4,577,523</u>	<u>11,372,951</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	16,125,040	572,660	16,697,700
Total noncurrent liabilities	<u>16,125,040</u>	<u>572,660</u>	<u>16,697,700</u>
Total liabilities	<u>22,920,468</u>	<u>5,150,183</u>	<u>28,070,651</u>
NET POSITION			
Net investment in capital assets	<u>94,657,067</u>	<u>40,746,468</u>	<u>135,403,535</u>
Restricted for:			
Special revenue:			
Streets	3,237,542	-	3,237,542
Drainage	2,527,167	-	2,527,167
Maintenance districts	7,048,772	-	7,048,772
Grants	275,076	-	275,076
Miscellaneous	1,760,322	-	1,760,322
Affordable housing	8,665,657	-	8,665,657
Debt service	1,949,651	279,604	2,229,255
Capital improvement projects	375,661	-	375,661
Permanent:			
Expendable	90,073	-	90,073
Total restricted	<u>25,929,921</u>	<u>279,604</u>	<u>26,209,525</u>
Unrestricted	<u>63,636,432</u>	<u>33,305,899</u>	<u>96,942,331</u>
Total net position	<u>\$ 184,223,420</u>	<u>\$ 74,331,971</u>	<u>\$ 258,555,391</u>

City of Poway
Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,356,979	\$ 118,347	\$ 440,830	\$ -	\$ 559,177
Public safety	20,213,645	2,155,607	329,172	-	2,484,779
Public works	12,283,876	2,738,196	292,212	-	3,030,408
Development services	3,745,329	1,384,543	411,531	-	1,796,074
Community services	5,063,022	2,243,495	337,458	99,831	2,680,784
Interest and fiscal charges	374,700	-	-	-	-
Transfers to fiduciary funds	444,282	-	-	-	-
Total governmental activities	<u>47,481,833</u>	<u>8,640,188</u>	<u>1,811,203</u>	<u>99,831</u>	<u>10,551,222</u>
Business-Type activities:					
Water	22,367,122	22,207,174	-	-	22,207,174
Sewer	10,069,336	7,228,097	-	-	7,228,097
Total business-type activities	<u>32,436,458</u>	<u>29,435,271</u>	<u>-</u>	<u>-</u>	<u>29,435,271</u>
Total primary government	<u><u>\$ 79,918,291</u></u>	<u><u>\$ 38,075,459</u></u>	<u><u>\$ 1,811,203</u></u>	<u><u>\$ 99,831</u></u>	<u><u>\$ 39,986,493</u></u>

City of Poway
Statement of Activities and Changes in Net Position (Continued)
For the year ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,797,802)	\$ -	\$ (4,797,802)
Public safety	(17,728,866)	-	(17,728,866)
Public works	(9,253,468)	-	(9,253,468)
Development services	(1,949,255)	-	(1,949,255)
Community services	(2,382,238)	-	(2,382,238)
Interest and fiscal charges	(374,700)	-	(374,700)
Transfers to fiduciary funds	(444,282)	-	(444,282)
Total governmental activities	<u>(36,930,611)</u>	<u>-</u>	<u>(36,930,611)</u>
Business-Type activities:			
Water	-	(159,948)	(159,948)
Sewer	-	(2,841,239)	(2,841,239)
Total business-type activities	<u>-</u>	<u>(3,001,187)</u>	<u>(3,001,187)</u>
Total primary government	<u>(36,930,611)</u>	<u>(3,001,187)</u>	<u>(39,931,798)</u>
General revenues:			
Taxes:			
Property taxes	21,378,147	-	21,378,147
Sales taxes	11,564,533	-	11,564,533
Motor vehicle license taxes	22,085	-	22,085
Transient occupancy taxes	483,568	-	483,568
Franchise taxes	1,491,227	-	1,491,227
Other taxes	3,944,594	-	3,944,594
Total taxes	<u>38,884,154</u>	<u>-</u>	<u>38,884,154</u>
Investment earnings	1,000,883	23,733	1,024,616
Miscellaneous	3,374,664	47,583	3,422,247
Transfers	<u>407,588</u>	<u>(407,588)</u>	<u>-</u>
Total general revenues and transfers	<u>43,667,289</u>	<u>(336,272)</u>	<u>43,331,017</u>
Change in net position	6,736,678	(3,337,459)	3,399,219
Net position - beginning of year	<u>177,486,742</u>	<u>77,669,430</u>	<u>255,156,172</u>
Net position - end of year	<u>\$ 184,223,420</u>	<u>\$ 74,331,971</u>	<u>\$ 258,555,391</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

**City of Poway
Balance Sheet
Governmental Funds
June 30, 2013**

	Major Funds				Total Governmental Funds
	General Fund	City Debt Service Fund	Housing Authority Fund	Other Governmental Funds	
ASSETS					
Cash and investments	\$ 44,070,176	\$ 1,426,138	\$ 1,241,849	\$ 17,888,235	\$ 64,626,398
Receivables:					
Taxes	3,121,629	-	-	9,890	3,131,519
Notes	10,018,416	-	-	-	10,018,416
Accounts	354,277	-	-	49,363	403,640
Interest	722,466	8	-	1,412	723,886
Due from other funds	92,265	-	-	-	92,265
Due from other governments	240,942	-	-	279,290	520,232
Prepaid items	17,117	-	-	-	17,117
Inventories, at cost	121,554	-	-	-	121,554
Advances to other funds	798,299	-	-	17,576	815,875
Advances to fiduciary funds	2,641,166	-	2,975,307	2,976,080	8,592,553
Restricted assets:					
Cash and investments with fiscal agents	-	665,755	-	-	665,755
Total assets	\$ 62,198,307	\$ 2,091,901	\$ 4,217,156	\$ 21,221,846	\$ 89,729,210
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,405,547	\$ -	\$ 2,083	\$ 288,892	\$ 3,696,522
Accrued liabilities	759,835	-	-	25,382	785,217
Due to other funds	-	-	-	92,265	92,265
Deposits	-	-	2,100	-	2,100
Deferred revenue	6,787	142,250	-	17,635	166,672
Advances from other funds	-	-	-	1,030,375	1,030,375
Total liabilities	4,172,169	142,250	4,183	1,454,549	5,773,151
Fund Balances:					
Nonspendable	10,157,087	-	-	-	10,157,087
Restricted	-	1,949,651	4,212,973	19,767,297	25,929,921
Committed	9,999,309	-	-	-	9,999,309
Assigned	7,173,822	-	-	-	7,173,822
Unassigned	30,695,920	-	-	-	30,695,920
Total fund balances	58,026,138	1,949,651	4,212,973	19,767,297	83,956,059
Total liabilities and fund balances	\$ 62,198,307	\$ 2,091,901	\$ 4,217,156	\$ 21,221,846	\$ 89,729,210

City of Poway
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds	<u>\$ 83,956,059</u>
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Nondepreciable	29,971,363
Depreciable, net of accumulated depreciation	<u>81,439,202</u>
Total capital assets	<u>111,410,565</u>
Deferred charges, such as bond issuance costs from issuing debt, were expenditures in the fund financial statements but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Position.	
	408,690
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Long-term liabilities - due within one year	(2,046,249)
Long-term liabilities - due in more than one year (net of \$29,715 reported in Internal Service Fund)	<u>(16,095,325)</u>
Total long-term liabilities	<u>(18,141,574)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	
	<u>(231,385)</u>
Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
	<u>166,672</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Position.	
	<u>6,654,393</u>
Net Position of Governmental Activities	<u><u>\$ 184,223,420</u></u>

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City of Poway
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	Major Funds				Total Governmental Funds
	General Fund	City Debt Service Fund	Housing Authority Fund	Other Governmental Funds	
REVENUES:					
Taxes	\$ 33,634,582	\$ -	\$ -	\$ 5,362,267	\$ 38,996,849
Licenses and permits	543,838	-	-	-	543,838
Intergovernmental	407,200	-	-	655,651	1,062,851
Charges for services	1,671,506	-	-	-	1,671,506
Fines and forfeitures	527,006	-	-	-	527,006
Use of money and property	1,831,225	287,466	25,418	44,461	2,188,570
Developer fees	3,630,255	-	-	398,977	4,029,232
Assessment levied	-	-	-	1,895,888	1,895,888
Other revenues	957,944	-	815,355	1,089,044	2,862,343
Total revenues	43,203,556	287,466	840,773	9,446,288	53,778,083
EXPENDITURES:					
Current:					
General government	4,232,082	-	7,742	-	4,239,824
Public safety	19,422,840	-	-	113,871	19,536,711
Public works	3,954,035	-	-	6,017,348	9,971,383
Development services	3,779,577	-	-	-	3,779,577
Community services	4,733,922	-	-	-	4,733,922
Capital outlay	165,111	-	-	694,928	860,039
Debt service:					
Principal	-	635,000	-	-	635,000
Interest and fiscal charges	-	570,087	-	-	570,087
Transfers to fiduciary funds	-	444,282	-	-	444,282
Total expenditures	36,287,567	1,649,369	7,742	6,826,147	44,770,825
REVENUES OVER (UNDER) EXPENDITURES	6,915,989	(1,361,903)	833,031	2,620,141	9,007,258
OTHER FINANCING SOURCES (USES):					
Proceeds from debt issuance	-	14,350,000	-	-	14,350,000
Premium on debt issuance	-	256,626	-	-	256,626
Deposit to escrow for bond refunding	-	(14,845,897)	-	-	(14,845,897)
Costs of issuance	-	(424,079)	-	-	(424,079)
Sale of capital assets	564,000	-	278,166	-	842,166
Transfers in	1,699,848	932,726	-	319,711	2,952,285
Transfers out	(964,639)	(37,135)	-	(725,325)	(1,727,099)
Total other financing sources (uses)	1,299,209	232,241	278,166	(405,614)	1,404,002
NET CHANGE IN FUND BALANCE	8,215,198	(1,129,662)	1,111,197	2,214,527	10,411,260
FUND BALANCES:					
Beginning of year	49,810,940	3,079,313	3,101,776	17,552,770	73,544,799
End of year	<u>\$ 58,026,138</u>	<u>\$ 1,949,651</u>	<u>\$ 4,212,973</u>	<u>\$ 19,767,297</u>	<u>\$ 83,956,059</u>

City of Poway
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 10,411,260
Amounts reported for governmental activities in the Statement of Activities were different because	
Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets will be allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period with the balance of \$190,982 charged as maintenance expenditures for a total capital outlay expenditure of \$860,039.	669,057
Depreciation was reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, depreciation and amortization expense was not reported as expenditures in governmental funds.	(5,622,881)
Disposal of City's property provides current financial resources to governmental funds, but disposal of capital assets decrease capital assets in the Government-Wide Statement of Net Position.	(1,203,531)
Compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in governmental funds. This amount represents the change in compensated absences from prior year (net of \$2,542 reported in internal service funds).	(123,827)
Issuance costs from issuing debt were expenditures at the fund level but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Position.	
Capitalization of bond issuance costs	424,079
Amortization of bond issuance costs	(15,389)
Proceeds from issuance of long-term debt and bond premiums provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Position. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Position.	
Proceeds from bond issuance	(14,350,000)
Premium on bond issuance	(256,626)
Principal payment	635,000
Deposit to escrow for bond refunding used current financial resources in the governmental funds, the deposit decreased the long-term liabilities in the Government-Wide Statement of Net Position.	14,845,897
Amortization on bond premium was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, amortization was not reported as expenditures in governmental funds.	
2003 Certificates of Participation	114,443
2005 Certificates of Participation	4,445
2012 Certificates of Participation	4,318
Amortization of deferred loss on refunding was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore amortization was not reported as an expenditure in the governmental funds.	(8,761)
Interest expense on long-term debt was reported in the government-wide Statement of Activities and Changes in Net Position, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from the prior year.	696,638
Revenues in the Government-Wide Statement of Activities and Changes in Net Position that did not provide current financial resources are not reported as revenues in the funds.	(20,869)
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	533,425
Change in Net Position of Governmental Activities	\$ 6,736,678

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

City of Poway
Statement of Net Position
Proprietary Funds
June 30, 2013

	Major Funds		Total	Governmental
	Water	Sewer		Internal
				Service Fund
ASSETS				
Current assets:				
Cash and investments	\$ 6,272,344	\$ 16,616,405	\$ 22,888,749	\$ 6,718,063
Cash and investments with fiscal agents	279,604	-	279,604	-
Receivables:				
Accounts	4,030,669	1,258,382	5,289,051	-
Due from other governments	3,459	124,096	127,555	-
Inventories	2,340,349	10,974	2,351,323	-
Total current assets	<u>12,926,425</u>	<u>18,009,857</u>	<u>30,936,282</u>	<u>6,718,063</u>
Noncurrent assets:				
Due from other funds	-	-	-	-
Advances to other funds	-	214,500	214,500	-
Advances to Fiduciary Funds	2,085,083	4,738,898	6,823,981	-
Deferred charges	15,019	-	15,019	-
Capital assets:				
Nondepreciable	781,162	76,797	857,959	-
Depreciable	58,188,106	36,055,507	94,243,613	-
Less accumulated depreciation	<u>(34,665,863)</u>	<u>(18,943,337)</u>	<u>(53,609,200)</u>	<u>-</u>
Total net capital assets	<u>24,303,405</u>	<u>17,188,967</u>	<u>41,492,372</u>	<u>-</u>
Total noncurrent assets	<u>26,403,507</u>	<u>22,142,365</u>	<u>48,545,872</u>	<u>-</u>
Total assets	<u>39,329,932</u>	<u>40,152,222</u>	<u>79,482,154</u>	<u>6,718,063</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,819,108	1,149,442	3,968,550	28,041
Accrued liabilities	63,762	10,061	73,823	5,914
Deposits	65,029	-	65,029	-
Accrued interest payable	6,875	-	6,875	-
Compensated absences due within one year	196,235	32,011	228,246	-
Long-term debt due within one year	<u>235,000</u>	<u>-</u>	<u>235,000</u>	<u>-</u>
Total current liabilities	<u>3,386,009</u>	<u>1,191,514</u>	<u>4,577,523</u>	<u>33,955</u>
Noncurrent liabilities:				
Compensated absences	60,482	1,274	61,756	29,715
Long-term debt due in more than one year	<u>510,904</u>	<u>-</u>	<u>510,904</u>	<u>-</u>
Total noncurrent liabilities	<u>571,386</u>	<u>1,274</u>	<u>572,660</u>	<u>29,715</u>
Total liabilities	<u>3,957,395</u>	<u>1,192,788</u>	<u>5,150,183</u>	<u>63,670</u>
NET POSITION				
Net investment in capital assets	23,557,501	17,188,967	40,746,468	-
Restricted for debt service	279,604	-	279,604	-
Unrestricted	<u>11,535,432</u>	<u>21,770,467</u>	<u>33,305,899</u>	<u>6,654,393</u>
Total net position	<u>\$ 35,372,537</u>	<u>\$ 38,959,434</u>	<u>\$ 74,331,971</u>	<u>\$ 6,654,393</u>

City of Poway
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended June 30, 2013

	Major Funds		Total	Governmental Activities Internal Service Fund
	Water	Sewer		
OPERATING REVENUES:				
Charges for services	\$ 22,083,665	\$ 7,044,719	\$ 29,128,384	\$ 2,464,793
Connection fees	123,509	183,378	306,887	-
Other	29,982	17,601	47,583	140
Total operating revenues	<u>22,237,156</u>	<u>7,245,698</u>	<u>29,482,854</u>	<u>2,464,933</u>
OPERATING EXPENSES:				
Personnel services	3,331,810	528,077	3,859,887	318,506
Maintenance and operations	4,647,018	8,407,582	13,054,600	849,113
Cost of purchased water	12,828,768	-	12,828,768	-
Depreciation	1,559,526	1,133,677	2,693,203	-
Total operating expenses	<u>22,367,122</u>	<u>10,069,336</u>	<u>32,436,458</u>	<u>1,167,619</u>
OPERATING INCOME (LOSS)	<u>(129,966)</u>	<u>(2,823,638)</u>	<u>(2,953,604)</u>	<u>1,297,314</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	19,309	51,554	70,863	53,709
Interest expense and fiscal charges	(47,130)	-	(47,130)	-
Total nonoperating revenues (expenses)	<u>(27,821)</u>	<u>51,554</u>	<u>23,733</u>	<u>53,709</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(157,787)</u>	<u>(2,772,084)</u>	<u>(2,929,871)</u>	<u>1,351,023</u>
TRANSFERS:				
Transfers out	(254,910)	(152,678)	(407,588)	(817,598)
Total contributed capital and transfers	<u>(254,910)</u>	<u>(152,678)</u>	<u>(407,588)</u>	<u>(817,598)</u>
Change in net assets	<u>(412,697)</u>	<u>(2,924,762)</u>	<u>(3,337,459)</u>	<u>533,425</u>
NET ASSETS:				
Beginning of year	35,785,234	41,884,196	77,669,430	6,120,968
End of year	<u>\$ 35,372,537</u>	<u>\$ 38,959,434</u>	<u>\$ 74,331,971</u>	<u>\$ 6,654,393</u>

City of Poway
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2013

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 21,981,182	\$ 7,250,391	\$ 29,231,573	\$ 2,466,480
Cash receipts from other funds	-	160,000	160,000	-
Cash paid to employees for services	(3,260,513)	(527,067)	(3,787,580)	(312,592)
Cash paid to suppliers for goods or services	(16,099,748)	(7,312,496)	(23,412,244)	(940,811)
Other	29,982	17,601	47,583	-
Net cash provided (used) by operating activities	<u>2,650,903</u>	<u>(411,571)</u>	<u>2,239,332</u>	<u>1,213,077</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	91	(120,661)	(120,570)	-
Transfers out	(254,910)	(152,678)	(407,588)	(817,598)
Net cash provided (used) by noncapital financing activities	<u>(254,819)</u>	<u>(273,339)</u>	<u>(528,158)</u>	<u>(817,598)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	(369,744)	-	(369,744)	-
Principal paid on long-term debt	(223,245)	-	(223,245)	2,542
Payment of interest and fees	(49,193)	-	(49,193)	53,709
Net cash provided (used) by capital and related financing activities	<u>(642,182)</u>	<u>-</u>	<u>(642,182)</u>	<u>56,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	19,309	51,554	70,863	-
Net cash provided (used) by investing activities	<u>19,309</u>	<u>51,554</u>	<u>70,863</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1,773,211	(633,356)	1,139,855	451,730
CASH AND EQUIVALENTS:				
Beginning of year	<u>4,778,737</u>	<u>17,249,761</u>	<u>22,028,498</u>	<u>6,266,333</u>
End of year	<u>\$ 6,551,948</u>	<u>\$ 16,616,405</u>	<u>\$ 23,168,353</u>	<u>\$ 6,718,063</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET POSITION				
Cash and investments	6,272,344	16,616,405	22,888,749	6,718,063
Cash with investments with fiscal agents	279,604	-	279,604	-
Total cash and investments	<u>\$ 6,551,948</u>	<u>\$ 16,616,405</u>	<u>\$ 23,168,353</u>	<u>\$ 6,718,063</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (129,966)	\$ (2,823,638)	\$ (2,953,604)	\$ 1,297,314
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,559,526	1,133,677	2,693,203	-
Changes in operating assets and liabilities:				
Accounts receivable	(240,622)	22,294	(218,328)	1,547
Inventories	(155,292)	(549)	(155,841)	-
Deferred charges	6,436	-	6,436	-
Advances to other funds	-	160,000	160,000	-
Accounts payable	1,524,894	1,095,635	2,620,529	(91,698)
Accrued liabilities	63,762	10,061	73,823	5,914
Compensated absences	7,535	(9,051)	(1,516)	-
Deposits	14,630	-	14,630	-
Total adjustments	<u>2,780,869</u>	<u>2,412,067</u>	<u>5,192,936</u>	<u>(84,237)</u>
Net cash provided (used) by operating activities	<u>\$ 2,650,903</u>	<u>\$ (411,571)</u>	<u>\$ 2,239,332</u>	<u>\$ 1,213,077</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds.

RDA Successor Agency Private Purpose Trust Fund is used to account for monies received from the San Diego County Auditor Controller for the repayment of the enforceable obligations of the former Poway Redevelopment Agency. These funds are restricted for the sole purpose of payment of items on an approved Recognized Payment Obligation Schedule (ROPS).

City of Poway
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds	Successor Agency to the Poway Redevelopment Agency
ASSETS		
Current assets:		
Cash and investments	\$ 7,094,537	\$ 15,914,429
Receivables:		
Taxes	3,609	-
Accounts	540,000	-
Interest	15	33,361
Notes	-	7,761,626
Due from other governments	-	4,705
Cash and investments with fiscal agent	1,708,398	19,059,581
Total current assets	9,346,559	42,773,702
Noncurrent assets:		
Deferred charges, net	-	475,682
Capital assets:		
Nondepreciable	-	24,731,737
Depreciable	-	35,320,861
Less accumulated depreciation	-	(12,522,701)
Total noncurrent assets	-	48,005,579
Total assets	\$ 9,346,559	\$ 90,779,281
LIABILITIES		
Accounts payable	\$ 22,047	\$ 100,570
Deposits	3,301,869	1,830
Due to bondholders	5,482,643	-
Advances from City of Poway	540,000	14,876,534
Deferred revenue	-	4,180
Interest payable	-	481,820
Long-term debt due within one year	-	7,485,000
Long-term debt due in more than one year	-	212,858,226
Total liabilities	\$ 9,346,559	\$ 235,808,160
NET POSITION (DEFICITS)		
Held in trust for retirement of obligations of the former Poway Redevelopment Agency		\$ (145,028,879)

City of Poway
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Successor Agency to the Poway Redevelopment Agency
ADDITIONS:	
Redevelopment Property Tax Trust Fund	\$ 39,511,570
Investment earnings	980,887
Other revenue	2,929,235
Transfer from City	444,282
Total additions	43,865,974
 DEDUCTIONS:	
Enforceable obligations payments	48,166,009
Administration expenses	1,143,900
Depreciation	1,014,092
Interest expense and fiscal charges	11,217,911
Total deductions	61,541,912
Change in net position	(17,675,938)
 NET POSITION:	
Beginning of year	(127,352,941)
End of year	\$ (145,028,879)

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City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2013

Notes to Basic Financial Statements

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City of Poway
Notes to Basic Financial Statements
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The basic financial statements of the City of Poway, California, (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below:

A. Financial Reporting Entity

The City was incorporated December 1, 1980, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides the following services: public safety (police – through the County of San Diego, and fire), community services, engineering services, planning services, public works, general administrative services, and capital improvements.

As required by U.S. GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization’s governing body and either 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. Component units for which the City is considered financially accountable are described below:

Poway Public Financing Authority

The Poway Public Financing Authority (the “Authority”) is a joint powers authority organized pursuant to the State of California Government Code, Section 6500. The Authority exists under a Joint Exercise of Power Agreement dated October 8, 1991, between the City and the former Poway Redevelopment Agency (the “Agency”). Its purpose is to assist in financing and refinancing projects for the benefit of the City and the Agency. The Authority was included within the scope of the reporting entity of the City because its governing body is composed in its entirety of council members of the City. Separate financial statements are not prepared.

Housing Authority

On March 1, 2011, the City Council of the City of Poway declared a need for a housing authority in the City of Poway and adopted a resolution forming the Poway Housing Authority (the “Housing Authority”). The creation of the Housing Authority provides the City legal authority to continue monitoring ongoing rent and income compliance at affordable housing developments.

The former Poway Redevelopment Agency (the “Agency”) and the Housing Authority prepared a Cooperation Agreement to provide for implementation of certain low and moderate income housing projects and to make payments by the Agency to the Housing Authority for the costs to the Housing Authority for performing its obligations. The Agency was dissolved due to the passage of Assembly Bill x1 26 which became effective on October 1, 2011. In accordance with Health and Safety code 34175(b), on February 1, 2012, all housing assets, liabilities and fund balance of the Agency were transferred to the Housing Authority as the Successor Agency to the Poway Redevelopment Agency.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity, Continued

Housing Authority, Continued

The Housing Authority was included within the scope of the reporting entity of the City because its governing body is composed in its entirety of council members of the City. Separate financial statements can be obtained from the Department of Administrative Services located at Poway City Hall.

B. Basis of Accounting and Measurement Focus

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

In 2013, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

Government-Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental and business-type activities for the City accompanied by a total column.

These basic financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government–Wide and Fund Financial Statements (Continued)

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to and from other funds
- Advances to and from other funds
- Transfers in and out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are real and personal property tax, other local taxes, franchise fees, forfeitures and penalties, motor license fees, rents and concessions, interest revenue, and state and federal grants and subventions. Expenditures are recorded in the accounting period in which the related fund liability is incurred except for interest on long-term debt, claims and judgments, and compensated absences, which are recorded only when due.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

The City reports the following major governmental funds:

The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **City of Poway Debt Service Fund** receives lease payments and transfers in from other funds that are used to make debt service payments.

The **Housing Authority Fund** receives lease payments from properties owned by the Authority as well as residual payments from its non-profit partners that own and operate affordable housing projects that received funding from the former Redevelopment Agency.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for all proprietary funds.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Change in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

The **Water Enterprise Fund** is used to account for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

The **Sewer Enterprise Fund** is used to account for the provision of sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Fiduciary Fund Financial Statements

The **Agency Funds** are custodial in nature (assets equal liabilities) and use the accrual basis of accounting, but do not involve measurement of results of operations.

The **Private Purpose Trust Fund** is used to account for non-housing activities of the City of Poway Successor Agency on behalf of the former Poway Redevelopment Agency.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and highly liquid investments held with financial institutions, a fiscal agent, and in a pooled account with the State, to be cash equivalents.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates.

The City adheres to certain disclosure requirements, if applicable for deposit and investment risk that are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - ❖ Overall
 - ❖ Custodial Credit Risk
 - ❖ Concentration of Credit Risk
- Foreign Currency Risk

The cash flow statements require presentation of "cash and cash equivalents." For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as "cash and cash equivalents," as such funds are available to the various funds as needed. With respect to cash and investments with fiscal agents, the City considers all investments with an original maturity of less than three months to be cash equivalents.

D. Inter-fund Transactions

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

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

E. Inventories

Inventories within the various fund types consist of water, materials and supplies which are valued at cost on a first-in, first-out basis. Reported expenditures reflecting the purchase of supplies have been restated to reflect the consumption method of recognizing inventory-related expenditures. A reservation of fund balance has been reported in the governmental funds to show that inventories do not constitute “*available spendable resources*,” even though they are a component of net current assets.

F. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, streets, sidewalks, medians and storm drains), are reported in the applicable governmental or business-type activities in the Government-Wide Financial Statements. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated assets are valued at their estimated fair market value on the date donated.

Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	10-50 years
Buildings improvements	10-100 years
Furniture and Equipment	5-20 years
Infrastructure	20-50 years

The City defines infrastructure as the basic physical assets that allow the City to function. These assets include streets, bridges, sidewalks, drainage systems, and lighting systems, etc. Each major infrastructure system can be divided into subsystems. For example the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems are not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

For infrastructure systems, the City elected to use the “Basic Approach” for infrastructure reporting.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest on construction-related debt incurred during the period of construction for business-type and proprietary fund assets is capitalized as a cost of the constructed assets. Capital assets acquired under capital lease are capitalized at the net present value of the total lease payments.

Capital Assets Acquired Under Lease Purchase Contracts

The long-term principal portion of debt on non-proprietary capital assets acquired through lease purchase contracts is accounted for in the government-wide financial statements as “capital lease obligations.” A capital asset is recorded at the net present value of total lease payments in the government-wide financial statements.

G. Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

G. *Compensated Absences (Continued)*

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences are recorded in proprietary funds as an expense and liability of those funds as the benefits accrue to employees.

H. *Long-Term Debt*

Government-Wide Financial Statements

Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The governmental fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

I. *Net Position*

In the governmental-wide financial statements and proprietary fund financial statements, net position is classified as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net position first, then unrestricted net position as it is needed.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

J. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted – Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributions, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the City Manager for that purpose.

Unassigned – This category is for any balances that have no restrictions placed upon them.

The City Council is authorized to determine the components of fund balance classified as “Committed Fund Balance,” and has designated the City Manager as the City official to determine the components of fund balance that are classified as “Assigned Fund Balance.” It is the City’s policy that expenditures from fund balance, unless otherwise specified by the requirement of a fund, will be made in the following order: Restricted, Unassigned, Assigned and Committed.

K. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and the disclosure of contingent assets and liabilities at the date of the basic financial statements and the related reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that the estimates are reasonable.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Accounting Changes

GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* (“SCA”). The requirements of this statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The requirements of this statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement became effective for periods beginning after June 15, 2012 and did not have a significant impact on the City’s financial statements for year ended June 30, 2013.

GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants (“AICPA”). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. This statement became effective for period beginning after December 15, 2011 and did not have a significant impact on the City’s financial statements for the year ended June 30, 2013.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of the deferred inflows and outflows of resources and their effects on a government’s net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the City was limited to renaming of “Net Assets” to “Net Position”.

Note 2 – Cash, Cash Equivalents and Investments

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to enhance earnings. The pooled interest earned is allocated to the funds based on average month-end cash balances of the various funds.

The following is a summary of cash and investments at June 30, 2013:

	Government-Wide Statement of Net Assets		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Assets	
Cash and investments	\$ 71,344,461	\$ 22,888,749	\$ 23,008,966	\$ 117,242,176
Cash and investments with fiscal agents	665,755	279,604	20,767,979	21,713,338
Total	\$ 72,010,216	\$ 23,168,353	\$ 43,776,945	\$ 138,955,514

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash, Cash Equivalents and Investments (Continued)

Cash, cash equivalents, and investments consisted of the following at June 30, 2013:

Cash on hand	\$ 7,650
Demand deposits	1,112,404
Investments	<u>137,835,460</u>
Total	<u>\$ 138,955,514</u>

A. Cash Deposits

The carrying amounts of the City’s demand deposits were \$1,112,404 at June 30, 2013. Bank balances at June 30, 2013, were \$2,042,303 which were fully insured or collateralized with securities held by the pledging financial institutions in the City’s name as discussed below:

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agency Securities	5 years	75%	25%
Bankers' Acceptances	180 days	40%	5%
Medium-Term and Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Backed Securities	5 years	20%	None
Asset Backed Securities	5 years	20%	5%
Commercial Paper	270 days	25%	5%
Negotiable Certificates of Deposits	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
County of San Diego Investment Pool	N/A	None	None
CalTrust Joint Powers Authority	N/A	None	None
Obligation of any State	5 years	30%	5%

* Excluding amounts held by trustee that are not subject to California Government Code restriction.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash, Cash Equivalents and Investments (Continued)

C. Investment Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreement, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Repurchase agreement	1 year	None	30%
Money Market Mutual Funds	N/A	None	None
U.S. Agency Securities	5 years	75%	25%
Investment Contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

D. Risk Disclosures

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

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

Investment Type	Amounts	Remaining Maturities			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Treasury Bills	\$ 2,005,860	\$ 2,005,860	\$ -	\$ -	\$ -
U.S. Agencies	9,109,462	-	1,003,515	8,105,947	-
CalTrust Investment Pool-Short term	20,294,625	20,294,625	-	-	-
CalTrust Investment Pool-Medium term	29,080,922	29,080,922	-	-	-
Commercial Paper	1,997,996	1,997,996	-	-	-
Medium-Term and Corporate Notes	26,745,475	6,694,617	1,525,540	8,438,323	10,086,995
Local Agency Investment Fund (LAIF)	26,688,083	26,688,083	-	-	-
San Diego County Investment Pool	47,209	47,209	-	-	-
Improvement Bond Act of 1915	102,491	23,516	24,868	54,107	-
Certificates of Deposit	50,000	50,000	-	-	-
Held by bond trustee:					
Money Market Funds	10,639,405	10,639,405	-	-	-
Investment Contracts	11,073,932	-	-	-	11,073,932
Total	\$ 137,835,460	\$97,522,233	\$ 2,553,923	\$16,598,377	\$21,160,927

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash, Cash Equivalents and Investments (Continued)

E. Risk Disclosures (Continued)

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. The following presentation 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 June 30, 2013 for each investment type:

Investment Type	Amounts	Minimum Rating	Exempt	AAA/AAA	AA+/AA+	AA-/AA-	AA+/A1	AA/A1	AA/A2	AA/A3	AA+/Aa3	AA-/Aa3	AA+/Aa2	AA-/Aa2	AA+/Aa1	AA/A1	AA/A2	AA/A3	A-/A1	A-/A3	A/PI	AA	AA+	AAAm/AAamf	Not Rated
U.S. Treasury Bills	\$ 2,005,860	Aaa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Agencies	9,109,462	Aaa	-	\$ 2,005,860	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CalTrust Investment Pool-Short term	20,294,625	AA+	-	9,109,462	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	20,294,625	-	-	-
CalTrust Investment Pool-Medium term	29,080,922	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,080,922	-
Commercial Paper	1,997,996	A-1/P-1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,997,996	-	-	-	-
Medium-Term and Corporate Notes	26,745,475	A1	-	2,031,645	-	2,068,680	2,176,643	2,229,666	3,993,736	1,457,437	1,007,105	2,033,753	2,006,538	1,555,378	1,001,687	5,183,207	-	-	-	-	-	-	-	-	-
Local Agency Investment Fund (LAIF)	26,688,083	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,688,083	-
San Diego County Investment Pool	47,209	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	47,209	-	-	-
Obligation of any State	102,491	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of Deposit	50,000	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Held by bond trustee:																									
Money Market Funds	10,639,405	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,639,405	-
Investment Contracts	11,073,932	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 137,835,460		\$11,226,423	\$ 2,031,645	\$ 2,068,680	\$ 2,176,643	\$ 2,229,666	\$ 3,993,736	\$ 1,457,437	\$ 1,555,378	\$ 1,007,105	\$ 2,033,753	\$ 2,006,538	\$ 1,457,437	\$ 1,001,687	\$ 5,183,207	\$ 47,209	\$ 20,294,625	\$ 10,639,405	\$ 55,769,005					

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash, Cash Equivalents and Investments (Continued)

E. Risk Disclosures (Continued)

Concentration of Credit Risk

The City’s Policy states that not more than 25% of the portfolio shall be invested in any one entity or any one instrument to protect the City from concentration of credit risk, with the following exceptions: U.S. Treasury Obligations and investments pools (State of California – Local Agency Investment Fund and CalTrust Investment Pool). In addition, purchases of commercial paper must not exceed 25% of the value of the portfolio at any time and single issuer holdings must not exceed 5% per issuer. The City is in compliance with these provisions of the Policy.

The following is a chart of the City’s investment portfolio:

<u>Trustee/Custodian</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Union Bank	U.S. Treasuries	\$ 2,005,860
Union Bank	U.S. Agencies	9,109,462
Union Bank	Commercial Paper	1,997,996
Union Bank	Corporates	26,745,475
Wells Fargo	CalTrust Investment Pool	49,375,547
Wells Fargo	Certificates of Deposit	50,000
State Treasurer Office	LAIF	26,688,083
San Diego County	Investment Pool	47,209
US Bank	Investment Contract	11,073,932
US Bank	Money Market	8,984,761
Bank of New York Mellon	Money Market	1,654,644
City of Poway	Improvement Bond Act of 1915	102,491

F. Investment in Local Agency Investment Funds

The City’s investments with Local Agency Investment Funds (“LAIF”) at June 30, 2013, included a portion of the pooled funds invested in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

The Local Investment Advisory Board provides oversight for LAIF. The Board consists of five members as designated by statute. The State Treasurer, as Chairman, or his designated representative appoints two members qualified by training and experience in the field of investment or finance, and two members who are treasurers, finance or fiscal officers or business managers employed by any county, city or local district or municipal corporation of this state.

As of June 30, 2013, the City had \$26,688,083 invested in LAIF, which had invested 1.96% of the pooled investment funds in short-term and medium-term Structured Notes and Asset-Backed Securities. The fair value of the City’s position in the pool is the same as the value of the pool shares.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 2 – Cash, Cash Equivalents and Investments (Continued)

G. Investment in San Diego County Investment Pool

The City is a voluntary participant in the County Treasury Pool (“County Pool”) which is regulated under the oversight of the Treasurer of the County of San Diego. The fair value of the City’s investment in the County Pool is reported in the accompanying financial statements based upon the City’s pro-rata share of the fair value provided by the County Pool for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the Pool. Included in the County Pool’s investment portfolio are collateralized and negotiable certificates of deposit, floating rate securities issued by federal agencies and corporations, money market funds, repurchase agreements and commercial paper.

At June 30, 2013, the City had \$47,209 invested in the San Diego County Investment Pool.

Note 3 – Interfund Transactions

A. Due To and Due From Other Funds

As of June 30, 2013, balances were as follows:

	Due from other funds	
	General Fund	Total
Due to other funds		
Governmental Activities:		
Non-major Governmental Funds	\$ 92,265	\$ 92,265
Total	\$ 92,265	\$ 92,265

These balances resulted from loans to cover negative cash balances as of June 30, 2013.

B. Advances To and Advances From Other Funds

	Advances from other funds			
	Non-major Governmental Funds	Agency Funds	Successor Agency to the Poway RDA	Total
Governmental Activities:				
General Fund	\$ 798,299	\$ -	\$ 2,641,166	\$ 3,439,465
Housing Authority	-	-	2,975,307	2,975,307
Non-major Governmental Funds	17,576	-	2,976,080	2,993,656
Business-Type Activities:				
Water	-	-	2,085,083	2,085,083
Sewer	214,500	540,000	4,198,898	4,953,398
Total	\$ 1,030,375	\$ 540,000	\$ 14,876,534	\$ 16,446,909

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 3 – Interfund Transactions (Continued)

B. Advances To and Advances From Other Funds (Continued)

The advances were primarily used for the following:

The City Council authorized various loans to the former Poway Redevelopment Agency, which now reside in the Successor Agency, totaling \$14,876,534 and to other Non-major Government funds totaling \$1,030,375 at various interest rates. The terms of the loans are indefinite. Accrued interest on the loans of \$1,064,193 is not reflected in the accompanying basic financial statements as payment is contingent upon the availability of funds. Interest is recorded when it becomes payable from available spendable resources. Repayment of the former Poway Redevelopment Agency loans is also contingent upon approval of the Successor Agency's Oversight Board per the AB 1484 legislation.

The City's Sewer Fund has an outstanding loan balance of \$540,000 due from the Parkway Business Center CFD #88-1 Bond Deposit Fiduciary Fund. Interest on this loan is paid on an annual basis and the outstanding principal balance will be paid with the final bond maturity in August 2015.

C. Transfers To and From Other Funds

Transfers for the year ended June 30, 2013, were as follows:

	Transfers In						Transfers Out						
	General	City Debt Service Fund	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	General	City Debt Service Fund	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	Total
General Fund	\$ -	\$ 37,135	\$ 725,325	\$ 86,650	\$ 33,140	\$ 817,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,699,848
City Debt Service Fund	932,726	-	-	-	-	-	-	-	-	-	-	-	932,726
Non-major Governmental Funds	31,913	-	-	168,260	119,538	-	-	-	-	-	-	-	319,711
Total	\$ 964,639	\$ 37,135	\$ 725,325	\$ 254,910	\$ 152,678	\$ 817,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,952,285

Transfers are primarily used for the following:

- Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them;
- Move receipt restricted to the debt service from the funds collecting the receipts, to the debt service fund as debt service payments become due;
- Move available funds to capital project funds for approved projects;
- Move available funds to new funds, or closed funds, at the direction of the Council.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 3 – Interfund Transactions (Continued)

D. Transfers To and From Fiduciary Funds

During the year, the City Debt Service Fund transferred \$444,282 to the Successor Agency to the Poway Redevelopment Agency fiduciary fund in order to cover the City’s portion of the 2005 Certificates of Participation debt service payments.

Note 4 – Capital Assets

A. Government-Wide Financial Statements

Summary of changes in capital assets for governmental activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
Non-Depreciable Assets:					
Land	\$ 31,171,363	\$ -	\$ (1,200,000)	\$ -	\$ 29,971,363
Construction in progress	989,904	-	-	(989,904)	-
Total non-depreciable assets	<u>32,161,267</u>	<u>-</u>	<u>(1,200,000)</u>	<u>(989,904)</u>	<u>29,971,363</u>
Depreciable Assets:					
Buildings	51,091,788	-	-	-	51,091,788
Improvements other than buildings	1,978,038	85,232	-	989,904	3,053,174
Infrastructure	128,788,431	-	-	-	128,788,431
Machinery and equipment	17,016,023	583,825	(262,204)	-	17,337,644
Total depreciable assets, at cost	<u>198,874,280</u>	<u>669,057</u>	<u>(262,204)</u>	<u>989,904</u>	<u>200,271,037</u>
Less accumulated depreciation:					
Buildings	(18,167,144)	(1,412,654)	-	-	(19,579,798)
Improvements other than buildings	(752,355)	(96,252)	-	-	(848,607)
Infrastructure	(84,458,765)	(2,883,505)	-	-	(87,342,270)
Machinery and equipment	(10,089,363)	(1,230,470)	258,673	-	(11,061,160)
Total accumulated depreciation	<u>(113,467,627)</u>	<u>(5,622,881)</u>	<u>258,673</u>	<u>-</u>	<u>(118,831,835)</u>
Total depreciable assets, net	<u>85,406,653</u>	<u>(4,953,824)</u>	<u>(3,531)</u>	<u>989,904</u>	<u>81,439,202</u>
Total governmental activities	<u>\$ 117,567,920</u>	<u>\$ (4,953,824)</u>	<u>\$ (1,203,531)</u>	<u>\$ -</u>	<u>\$ 111,410,565</u>

Governmental activities depreciation expense for capital assets for the year ended June 30, 2013 is as follows:

General government	\$ 1,045,699
Public safety	1,003,079
Public works	3,209,067
Community services	365,036
Total depreciation expense	<u>\$ 5,622,881</u>

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 4 – Capital Assets (Continued)

A. Government-Wide Financial Statements (Continued)

Summary of changes in capital assets for business-type activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
Non-Depreciable Assets:					
Land	\$ 76,797	\$ -	\$ -	\$ -	\$ 76,797
Construction in progress	583,590	317,876	-	(120,304)	781,162
Total non-depreciable assets	660,387	317,876	-	(120,304)	857,959
Depreciable Assets:					
Buildings	21,076,441	51,868	-	-	21,128,309
Improvements other than buildings	69,538,752	-	-	-	69,538,752
Machinery and equipment	3,459,571	-	(3,323)	120,304	3,576,552
Total depreciable assets, at cost	94,074,764	51,868	(3,323)	120,304	94,243,613
Less accumulated depreciation:					
Buildings	(16,052,996)	(465,123)	-	-	(16,518,119)
Improvements other than buildings	(32,526,336)	(2,048,306)	-	-	(34,574,642)
Machinery and equipment	(2,339,988)	(179,774)	3,323	-	(2,516,439)
Total accumulated depreciation	(50,919,320)	(2,693,203)	3,323	-	(53,609,200)
Total depreciable assets, net	43,155,444	(2,641,335)	-	120,304	40,634,413
Total business-type activities	\$ 43,815,831	\$ (2,323,459)	\$ -	\$ -	\$ 41,492,372

Business-type activities depreciation expense for capital assets for the year ended June 30, 2013 is as follows:

Water Enterprise Fund	\$ 1,559,526
Sewer Enterprise Fund	1,133,677
Total depreciation expense	\$ 2,693,203

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 4 – Capital Assets (Continued)

B. Fiduciary Activities

Summary of changes in capital assets for fiduciary activities for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Deletions	Reclassification	Balance June 30, 2013
Non-Depreciable Assets:					
Land	\$ 24,731,737	\$ -	\$ -	\$ -	\$ 24,731,737
Total non-depreciable assets	24,731,737	-	-	-	24,731,737
Depreciable Assets:					
Buildings	17,581,603	-	-	-	17,581,603
Infrastructure	17,739,258	-	-	-	17,739,258
Total depreciable assets, at cost	35,320,861	-	-	-	35,320,861
Less accumulated depreciation:					
Buildings	(10,400,592)	(659,306)	-	-	(11,059,898)
Infrastructure	(1,108,019)	(354,784)	-	-	(1,462,803)
Total accumulated depreciation	(11,508,611)	(1,014,090)	-	-	(12,522,701)
Total depreciable assets, net	23,812,250	(1,014,090)	-	-	22,798,160
Total fiduciary activities	\$ 48,543,987	\$ (1,014,090)	\$ -	\$ -	\$ 47,529,897

All depreciation was recorded in the Successor Agency to the Poway Redevelopment Agency private purpose trust fund.

Note 5 – Long Term Debt

Summary of changes in long-term debt for the year ended June 30, 2013:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance July 1, 2013	Classification	
					Due Within One Year	Due In More Than One Year
Governmental Activities:						
Certificates of Participation	\$ 17,627,771	\$ 14,365,172	\$ (15,239,445)	\$ 16,753,498	\$ 700,000	\$ 16,053,498
Compensated Absences	1,405,865	1,346,851	(1,334,925)	1,417,791	1,346,249	71,542
Total governmental activities	\$ 19,033,636	\$ 15,712,023	\$ (16,574,370)	\$ 18,171,289	\$ 2,046,249	\$ 16,125,040
Business-Type Activities:						
Revenue Bonds	\$ 969,149	\$ -	\$ (223,245)	\$ 745,904	\$ 235,000	\$ 510,904
Compensated Absences	291,518	227,923	(229,439)	290,002	228,246	61,756
Total business-type activities	\$ 1,260,667	\$ 227,923	\$ (452,684)	\$ 1,035,906	\$ 463,246	\$ 572,660
Fiduciary Funds:						
Certificates of Participation	\$ 2,344,312	\$ -	\$ (358,001)	\$ 1,986,311	\$ 365,000	\$ 1,621,311
Tax Allocation Bonds	222,516,942	-	(6,940,490)	215,576,452	7,020,000	208,556,452
Notes Payable	2,672,503	187,824	(79,864)	2,780,463	100,000	2,680,463
Total fiduciary activities	\$ 227,533,757	\$ 187,824	\$ (7,378,355)	\$ 220,343,226	\$ 7,485,000	\$ 212,858,226

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

Certificates of Participation (Continued)

Certificates of Participation at June 30, 2013, consisted of the following:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due Within One Year	Due In More Than One Year
2003 Certificates of Participation	\$ 14,490,000	\$ -	\$ (14,490,000)	\$ -	\$ -	\$ -
Bond Premium	114,443	-	(114,443)	-	-	-
2005 Certificates of Participation	2,985,000	-	(150,000)	2,835,000	155,000	2,680,000
Bond Premium	38,328	-	(4,445)	33,883	-	33,883
2012 Certificates of Participation	-	14,350,000	(485,000)	13,865,000	545,000	13,320,000
Bond Premium	-	256,626	(4,318)	252,308	-	252,308
Deferred Loss on Refunding	-	(241,454)	8,761	(232,693)	-	(232,693)
Total Certificates of Participation	\$ 17,627,771	\$ 14,365,172	\$ (15,239,445)	\$ 16,753,498	\$ 700,000	\$ 16,053,498

2003 Certificates of Participation

In January 2003, the City issued 2003 Certificates of Participation in the amount of \$17,655,000 for the construction of a City office building. The 2003 Certificates of Participation consisted of \$5,930,000 serial certificates maturing from 2004 through 2011 in annual installments of \$350,000 to \$515,000 and term certificates of \$3,005,000, \$3,830,000 and \$4,890,000 maturing in 2023, 2028 and 2033, respectively. Interest is payable semi-annually on July 1 and January 1 at rates ranging from 3.00% to 5.00%. Certificates maturing on or after January 1, 2018 are subject to optional redemption in whole or in part, on or after January 1, 2017. Certificates maturing on January 1, 2033 are subject to mandatory redemption, without premium, on January 1, 2019. During the year, the remaining balance of the 2003 Certificates of Participation was refunded through the issuance of the 2012 Certificates of Participation.

2005 Certificates of Participation

In April 2005, the City issued 2005 Refunding Certificates of Participation in the amount of \$8,245,000 to refund and defease the City's outstanding 1995 Certificates of Participation and the 1996 Certificates of Participation. The original 1995 Certificates of Participation were used for several projects such as the City's pool and Performing Arts Center, while the 1996 Certificates of Participation were used to build the City's Sheriff Substation. The 2005 Refunding Certificates of Participation consisted of \$6,830,000 serial certificates maturing from 2005 through 2020 in annual installments of \$305,000 to \$610,000 and term certificates of \$1,415,000 maturing in 2026. Interest is payable semi-annually on February 1 and August 1 at rates ranging from 3.00% to 4.50%. Certificates maturing on or after August 1, 2016 are subject to optional redemption in whole or in part, on any date beginning August 1, 2015. Certificates maturing on August 1, 2026 are subject to mandatory redemptions on August 1 of each year beginning August 1, 2021. At February 1, 2012, \$2,335,000 was transferred to the Successor Agency. At June 30, 2013, the City's portion of the outstanding balance of the 2005 Certificates of Participation was \$2,835,000.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

Certificates of Participation (Continued)

The annual requirements to amortize the City portion of Certificates of Participation outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 155,000	\$ 119,325	\$ 274,325
2015	160,000	112,338	272,338
2016	165,000	105,744	270,744
2017	175,000	98,713	273,713
2018	180,000	91,175	271,175
2019-2023	1,015,000	336,156	1,351,156
2024-2027	985,000	91,238	1,076,238
Total	\$ 2,835,000	\$ 954,689	\$ 3,789,689

2012 Certificates of Participation

On October 5, 2012, the City issued the 2012 Refunding Certificates of Participation to provide for the defeasance and refunding of the 2003 Certificates of Participation, to fund a reserve account for the Certificates, and to pay costs incurred in connection with executing and delivering the Certificates. The City will lease certain existing property to the Public Financing Authority (the "PFA") pursuant to a Site and Facilities Lease dated as of January 1, 2003, as amended by an Amendment to Site and Facilities Lease, dated as of October 1, 2012. The Certificates are payable solely from and secured by certain lease payments to be made by the City to the PFA. The interest with respect to the Certificates is payable on January 1 and July 1 of each year, commencing January 1, 2013 at rates ranging from 2.00% to 3.25%. At June 30, 2013, the outstanding balance of the 2012 Certificates of Participation was \$13,865,000.

The annual requirements to amortize Certificates of Participation outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 545,000	\$ 383,670	\$ 928,670
2015	555,000	372,770	927,770
2016	570,000	361,670	931,670
2017	580,000	350,270	930,270
2018	590,000	338,670	928,670
2019-2023	3,160,000	1,490,438	4,650,438
2024-2028	3,635,000	1,009,588	4,644,588
2029-2033	4,230,000	417,633	4,647,633
Total	\$ 13,865,000	\$ 4,724,709	\$ 18,589,709

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

Economic Gain/Loss

The net present value of economic gain (difference between the present value of the debt service payments on the 2012 Certificates and the present value of the debt service payments on the refunded 2003 Certificates) on the refunding was \$2,473,789.

Debt service payments remaining on 2003 COPs	\$ 23,357,870
Debt service payments on 2012 COPs	19,171,103
Debt service savings	\$ 4,186,767
Gross present value of debt service savings	\$ 3,146,741
2003 COPs debt service reserve funds	(1,131,329)
Deposit into new 2012 COP debt service reserve fund	473,913
Contingency/rounding	(15,536)
Economic gain on refunding	\$ 2,473,789

B. Business-Type Activities Long-Term Debt

Revenue Bonds

Revenue Bonds at June 30, 2013, consisted of the following:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due Within One Year	Due In More Than One Year
1995 Revenue Bonds	\$ 975,000	\$ -	\$ (225,000)	\$ 750,000	\$ 235,000	\$ 515,000
Bond Discount	(5,851)	-	1,755	(4,096)	-	(4,096)
Total Revenue Bonds	\$ 969,149	\$ -	\$ (223,245)	\$ 745,904	\$ 235,000	\$ 510,904

1995 Revenue Bonds

In November 1995, the Poway Public Financing Authority issued the 1995 Revenue Bonds in the amount of \$3,380,000 to provide funds to construct certain water facility improvements. The bonds consist of \$2,190,000 in serial bonds maturing from 1996 to 2010 in annual installments of \$105,000 to \$200,000 and \$1,190,000 in term bonds maturing in 2015.

Interest is payable semi-annually on May 1 and November 1 with rates ranging from 3.70% to 5.75%. Bonds maturing on or after November 1, 2006 are subject to optional redemption prior to maturity, in whole or in part, on any date on or after November 1, 2005. The term bonds are subject to mandatory redemption in part on November 1, 2011 to 2015 in the amounts ranging from \$215,000 to \$265,000. At June 30, 2013, the outstanding balance of the 1995 Revenue Bonds was \$750,000.

The City has pledged a portion of future water revenue to repay the 1995 Revenue Bonds. Total principal and interest remaining on the bond is \$813,526 payable through 2016.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

B. Business-Type Activities Long-Term Debt (Continued)

1995 Revenue Bonds (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2013 are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 235,000	\$ 34,788	\$ 269,788
2015	250,000	21,450	271,450
2016	265,000	7,288	272,288
Total	\$ 750,000	\$ 63,526	\$ 813,526

C. Fiduciary Funds Long Term Debt

Certificates of Participation

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due Within One Year	Due In More Than One Year
2005 Certificates of Participation	\$ 2,335,000	\$ -	\$ (355,000)	\$ 1,980,000	\$ 365,000	\$ 1,615,000
Bond Premium	9,312	-	(3,001)	6,311	-	6,311
Total Certificates of Participation	\$ 2,344,312	\$ -	\$ (358,001)	\$ 1,986,311	\$ 365,000	\$ 1,621,311

2005 Certificates of Participation

In April 2005, the City issued 2005 Refunding Certificates of Participation in the amount of \$8,245,000 to refund and defease the City's outstanding 1995 Certificates of Participation and the 1996 Certificates of Participation. The original 1995 Certificates of Participation were used for several projects such as the City's pool and Performing Arts Center, while the 1996 Certificates of Participation were used to build the City's Sheriff Substation. The 2005 Refunding Certificates of Participation consisted of \$6,830,000 serial certificates maturing from 2005 through 2020 in annual installments of \$305,000 to \$610,000 and term certificates of \$1,415,000 maturing in 2026. Interest is payable semi-annually on February 1 and August 1 at rates ranging from 3.00% to 4.50%. Certificates maturing on or after August 1, 2016 are subject to optional redemption in whole or in part, on any date beginning August 1, 2015. Certificates maturing on August 1, 2026 are subject to mandatory redemptions on August 1 of each year beginning August 1, 2021. At February 1, 2012, \$2,335,000 was transferred to the Successor Agency. At June 30, 2013, the Successor Agency's portion of the outstanding balance of the 2005 Certificates of Participation was \$1,980,000.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

2005 Certificates of Participation (Continued)

The annual requirements to amortize the Successor Agency portion of 2005 Certificates of Participation (previously discussed) outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 365,000	\$ 75,300	\$ 440,300
2015	380,000	58,775	438,775
2016	395,000	43,056	438,056
2017	410,000	26,425	436,425
2018	430,000	8,600	438,600
Total	\$ 1,980,000	\$ 212,156	\$ 2,192,156

Tax Allocation Bonds

Tax Allocation Bonds at June 30, 2013, consisted of the following:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due Within One Year	Due In More Than One Year
2000 Tax Allocation Bonds	\$ 5,815,000	\$ -	\$ -	\$ 5,815,000	\$ -	\$ 5,815,000
2001 Tax Allocation Bonds	70,535,000	-	(2,200,000)	68,335,000	2,295,000	66,040,000
2003 Tax Allocation Bonds	118,490,000	-	(4,465,000)	114,025,000	4,695,000	109,330,000
Bond Premium	1,948,644	-	(182,085)	1,766,559	-	1,766,559
2007 Tax Allocation Bonds	24,590,000	-	(30,000)	24,560,000	30,000	24,530,000
Bond Premium	1,138,298	-	(63,405)	1,074,893	-	1,074,893
Total Tax Allocation Bonds	\$ 222,516,942	\$ -	\$ (6,940,490)	\$ 215,576,452	\$ 7,020,000	\$ 208,556,452

2000 Tax Allocation Bonds

In March 2000, the former Poway Redevelopment Agency (the “Agency”) issued the 2000 Tax Allocation Refunding Bonds in the amount of \$39,915,000. The bonds were issued on a subordinate basis to the portion of the Agency’s previously issued \$21,595,000 Paguay Redevelopment Project Tax Allocation Refunding Bonds, Series 1990A, of which \$5,855,000 were not refunded and \$4,305,000 are currently outstanding. The bonds consisted of serial bonds of \$9,940,000 maturing from 2000 to 2011 in semi-annual installments of \$45,000 to \$785,000 and term bonds of \$29,975,000 maturing in 2033. Interest is paid semiannually on June 15 and December 15 at rates ranging from 3.75% to 5.75%.

Bonds maturing on or after June 11, 2011 are subject to optional redemption in whole or in part on any interest payment date. Bonds maturing on June 15, 2033 are subject to mandatory redemption on each interest payment date beginning June 15, 2027.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Tax Allocation Bonds (Continued)

2000 Tax Allocation Bonds (Continued)

The Successor Agency has pledged a portion of future Redevelopment Property Tax Trust Fund distribution revenue to repay the 2000 Tax Allocation Refunding Bonds. The bonds required 0.85% of Redevelopment Property Tax Trust Fund distributions received by the project area. Future principal and interest payments will be funded by Redevelopment Property Tax Trust Fund distributions received by the Successor Agency Private Purpose Trust Fund.

The outstanding balance of the bonds in the amount of \$5,815,000 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. Total principal and interest remaining on the bond is \$11,564,707 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ -	\$ 334,362	\$ 334,362
2015	-	334,362	334,362
2016	-	334,362	334,362
2017	-	334,362	334,362
2018	-	334,362	334,362
2019-2023	-	1,671,810	1,671,810
2024-2028	1,160,000	1,639,181	2,799,181
2029-2033	4,655,000	766,906	5,421,906
Total	\$ 5,815,000	\$ 5,749,707	\$ 11,564,707

2001 Tax Allocation Bonds

In July 2001, the former Poway Redevelopment Agency (the “Agency”) issued the 2001 Tax Allocation Bonds in the amount of \$76,395,000 for the purpose of refinancing the Agency’s outstanding Paguay Redevelopment Project Subordinate Tax Allocation Bonds of 1999, financing certain improvements, including low and moderate income housing improvements in the Paguay Redevelopment Project Area, funding an escrow for future capital improvement, funding a reserve account and paying the bond issuance costs. The bonds bear interest from 3% to 5.25%, payable semi-annually on June 15 and December 15 through 2033. Payment of the bonds is collateralized by a pledge of tax revenues to be received by the Agency. The bonds maturing on or after June 15, 2012 are subject to redemption prior to maturity at the option of the Agency.

The Successor Agency has pledged a portion of future Redevelopment Property Tax Trust Fund distributions to repay the 2001 Tax Allocation Bonds. The bonds required 14.70% of Redevelopment Property Tax Trust Fund distributions received by the project area. Future principal and interest payments will be funded by Redevelopment Property Tax Trust Fund distributions received by the Successor Agency Private Purpose Trust Fund.

The outstanding balance of the bonds in the amount of \$71,225,000 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. Total principal and interest remaining on the bond is \$110,117,614, payable through 2033.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Tax Allocation Bonds (Continued)

2001 Tax Allocation Bonds (Continued)

The annual requirements to amortize the bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 2,295,000	\$ 3,507,414	\$ 5,802,414
2015	2,410,000	3,395,149	5,805,149
2016	2,225,000	3,269,861	5,494,861
2017	2,345,000	3,152,011	5,497,011
2018	2,475,000	3,024,355	5,499,355
2019-2023	12,520,000	13,198,529	25,718,529
2024-2028	21,785,000	9,145,119	30,930,119
2029-2033	22,280,000	3,090,176	25,370,176
Total	\$ 68,335,000	\$ 41,782,614	\$ 110,117,614

2003 Tax Allocation Bonds

In October 2003, the former Poway Redevelopment Agency (the “Agency”) issued the 2003 Series A Tax Allocation Bonds in the amount of \$150,300,000 for the purpose of refinancing the outstanding 1993 Tax Allocation Refunding Bonds in the amount of \$94,740,000, paying approximately \$10,983,000 owed under two owner participation agreements related to the properties located in the City’s business parks, with one being paid in full, providing financing for certain improvements in the Paguay Redevelopment Project Area, funding a reserve account and paying the bond issuance costs. The bonds bear interest from 2.0% to 5.25% and are payable semi-annually on June 15 and December 15 through 2033. Payment of the bonds is collateralized by a pledge of tax revenues to be received by the Agency. The bonds maturing on or after June 15, 2028 are subject to redemption prior to maturity at the option of the Agency.

The Successor Agency has pledged a portion of future Redevelopment Property Tax Trust Fund distributions to repay the 2003 Tax Allocation Bonds. The bonds required 26.49% of Redevelopment Property Tax Trust Fund distributions received by the project area. Future principal and interest payments will be funded by Redevelopment Property Tax Trust Fund distributions received by the Successor Agency Private Purpose Trust Fund.

The outstanding balance of the bonds in the amount of \$122,440,000 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. Total principal and interest remaining on the bond is \$172,436,014 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 4,695,000	\$ 5,824,950	\$ 10,519,950
2015	5,010,000	5,614,300	10,624,300
2016	5,225,000	5,352,475	10,577,475
2017	5,490,000	5,079,263	10,569,263
2018	5,780,000	4,792,038	10,572,038
2019-2023	33,825,000	19,088,538	52,913,538
2024-2028	31,850,000	9,329,825	41,179,825
2029-2033	22,150,000	3,329,625	25,479,625
Total	\$ 114,025,000	\$ 58,411,014	\$ 172,436,014

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Tax Allocation Bonds (Continued)

2007 Tax Allocation Bonds

In February 2007, the former Poway Redevelopment Agency (the “Agency”) issued the 2007 Tax Allocation Bonds in the amount of \$24,965,000 for the purpose of refinancing a portion of the 2000 Tax Allocation Refunding Bonds, originally issued in the principal amount of \$39,915,000, of which \$36,610,000 is currently outstanding (and of which \$12,450,000 will remain outstanding upon issuance of the Bonds), finance and refinance certain improvements in the Paguay Redevelopment Project Area and paying the bond issuance costs. The bonds bear interest from 3.5% to 4.125% and are payable semi-annually on June 15 and December 15 through 2033. Payments of the bonds are collateralized by a pledge of tax revenues to be received by the Agency. The bonds maturing on or before June 15, 2017 are not subject to call and optional redemption prior to maturity. Bonds maturing on or after December 15, 2017 are subject to redemption prior to maturity at the option of the Agency.

The Successor Agency has pledged a portion of future Redevelopment Property Tax Trust Fund distributions to repay the 2007 Tax Allocation Bonds. The bonds required 3.17% of Redevelopment Property Tax Trust Fund distributions received by the project area. Future principal and interest payments will be funded by Redevelopment Property Tax Trust Fund distributions received by the Successor Agency Private Purpose Trust Fund.

The outstanding balance of the bonds in the amount of \$24,560,000 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. Total principal and interest remaining on the bond is \$43,354,718 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 30,000	\$ 1,222,628	\$ 1,252,628
2015	30,000	1,221,525	1,251,525
2016	30,000	1,220,415	1,250,415
2017	40,000	1,219,188	1,259,188
2018	40,000	1,217,668	1,257,668
2019-2023	205,000	6,064,513	6,269,513
2024-2028	5,045,000	5,898,281	10,943,281
2029-2033	19,140,000	2,730,500	21,870,500
Total	\$ 24,560,000	\$ 20,794,718	\$ 45,354,718

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long-Term Debt (Continued)

Notes Payable

Notes payable at June 30, 2013, consisted of the following:

	Balance July 1, 2012	Debt Issued	Debt Retired	Balance June 30, 2013	Classification	
					Due Within One Year	Due In More Than One Year
Mossy Nissan	\$ 2,672,503	\$ 187,824	\$ (79,864)	\$ 2,780,463	\$ 100,000	\$ 2,680,463
Total Notes Payable	\$ 2,672,503	\$ 187,824	\$ (79,864)	\$ 2,780,463	\$ 100,000	\$ 2,680,463

The former Poway Redevelopment Agency (the “Agency”) entered into an Owner Participation Agreement with AZ Poway LLC (dba Mossy Nissan) that went into effect upon issuance of the certificate of completion for the Mossy Nissan automobile dealership on July 11, 2003. The Agency purchased an operating covenant for \$1,900,000 that accrues interest at the rate of 7% per annum. Annual payment of the operating covenant is based on 50% of the net new sales in effect until (i) the purchase price and accrued interest is paid in full, or (ii) the fifteenth annual payment is made. The operating covenant is deemed paid in full after the fifteenth annual payment is made, and all remaining balances, including accrued interest, are forgiven. The outstanding balance in the amount of \$2,598,406 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. The remaining balance on the notes was \$2,780,463 at June 30, 2013.

D. Compensated Absences

This liability represents the total unpaid vacation and compensatory time earned by employees of the City. Since this amount is paid to the employee upon termination of employment, there is no fixed payment schedule for earned but unpaid compensated absences. The compensated absences are predominately associated with the General Fund, Water Fund and Sewer Fund. At June 30, 2013, the outstanding balance of governmental activities and business-type activities compensated absences were \$1,417,791 and \$290,002, respectively.

Note 6 – Assessment District and Community Facilities Districts Bonds Issue

Community Facilities District Special Refunding Bonds

In May 1998, the City issued \$35,445,000 in Special Tax Refunding Bonds to refund the outstanding portion of the \$30,000,000 and \$8,000,000 Community Facilities District No. 88-1 (Parkway Business Centre) Special Tax Bonds, Series 1990, respectively. In December 2009 the City issued \$16,545,000 in Special Tax Refunding Bonds to refund the outstanding portion of the \$35,445,000 Community Facilities District No. 88-1 (Parkway Business Centre) Special Tax Refunding Bonds Series 1998. The bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982 and are secured by and payable from the proceeds of annual special assessment taxes levied and collected on the property within the District. The Bonds are not general or special obligations of the City. The City is acting as agent only for the property owners in collecting the special assessments and forwarding the collections to the fiscal agents. Neither faith and credit nor the taxing power of the City is pledged to the payment of these bonds. At June 30, 2013, the outstanding balance of December 2009 issuance was \$7,660,000.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 6 – Assessment District and Community Facilities Districts Bonds Issue (Continued)

Integrated Financing Assessment District No. 96-1 Limited Obligation Improvement Bonds

In June 1996, the City issued the \$586,470 Integrated Financing Assessment District No. 96-1 (High Valley Roads) Limited Obligation Improvement Bonds to finance the cost of acquisition and construction of certain public infrastructure improvements, benefiting properties within the boundaries of the assessment district. The bonds are authorized pursuant to the Improvement Bond Act of 1915 and are secured by and payable from the proceeds of annual special assessment taxes levied and collected on the property within the District. The Bonds are not general or special obligations of the City. The City is only acting as an agent for the property owners in collecting the special assessments and forwarding the collections to the fiscal agents. Neither faith and credit nor the taxing power of the City is pledged to the payment of these bonds. At June 30, 2013, the outstanding balance of the bonds was \$180,000.

Old Coach Water Line Assessment District No. 2001-01 Limited Obligation Improvement Bonds

In July 2001, the City issued the \$290,350 Old Coach Water Line Assessment District No. 2001-01 Limited Obligation Improvement Bonds to finance the cost of acquisition and construction of certain public infrastructure improvements benefiting properties within the boundaries of the assessment district. The bonds are authorized pursuant to the Improvement Bond Act of 1915 and are secured by and payable from the proceeds of annual special assessment taxes levied and collected on the property within the District. The Bonds are not general or special obligations of the City. The City is acting as agent only for the property owners in collecting the special assessments and forwarding the collections to the fiscal agents. Neither faith and credit nor the taxing power of the City is pledged to the payment of these bonds. At June 30, 2013, the outstanding balance of the bonds was \$102,491.

Note 7 – Retirement Benefits

A. California Public Employees' Retirement Plan (PERS)

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. The City has a three tiered retirement plan with PERS for both its Miscellaneous and Safety members.

For Miscellaneous (non-safety) members hired on or before December 31, 2011, (Tier 1) the City provides the 2%-at-55 formula with the one year highest compensation option. For Miscellaneous members hired after December 31, 2011, (Tier 2) the City provides the 2%-at-60 formula with the three year highest average compensation option. For Miscellaneous members hired on or after January 1, 2013 (Tier 3), the City will provide the 2%-at-62 formula with the three year highest average compensation option. For Miscellaneous members considered classic PERS members hired on or after January 1, 2013, the City provides the 2%-at-60 formula with the three-year highest average compensation option.

For Safety members hired on or before December 31, 2011, (Tier 1) the City provides the 3%-at-50 formula with the three year highest average compensation option. For Safety members hired after December 31, 2011, (Tier 2) the City provides the 3%-at-55 formula with the three year highest average compensation option. For Safety members hired on or after January 1, 2013 (Tier 3), the City will provide the 2.7%-at-57 formula with the three-year average compensation option. For Safety members considered classic members of PERS hired on or after January 1, 2013, the City provides the 3%-at-55 formula with the final three-year average compensation option.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 7 – Retirement Benefits (Continued)

Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

A. California Public Employees' Retirement Plan (PERS) (Continued)

Funding Policy

Active members are required by State statute to contribute the following percentage of their annual covered salary: 7% if a Miscellaneous Tier 1 or 2 member, and 50% of normal cost for Miscellaneous Tier 3 members, currently 6.25%, 9% if a Safety Tier 1 or 2 member, and 50% of normal cost for Safety Tier 3 members, currently 11.5%. All active members pay 100% of their required contribution. For the current fiscal year, the City's required employer contribution rate was 15.521% for all Miscellaneous employees and 25.168%, 20.774%, and 11.5% for Safety employees, Tiers 1, 2 and 3 respectively.

Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of \$2,528,392 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.55% to 14.45% for miscellaneous employees and 3.55% to 14.45% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. 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 three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2010, was 23 years for miscellaneous employees and 19 years for safety employees for prior and current service unfunded liability.

Three-Year Trend Information for PERS

(\$ Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation
	Safety	Miscellaneous	Total		
6/30/2011	\$ 855	\$ 1,292	\$ 2,147	100%	\$ -
6/30/2012	\$ 1,022	\$ 1,411	\$ 2,433	100%	\$ -
6/30/2013	\$ 1,099	\$ 1,429	\$ 2,528	100%	\$ -

Most Recent Actuarial Study – Schedule of Funding Progress

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employee Group	6/30/2012	\$ 69,323	\$ 81,942	\$ 12,619	84.60%	\$ 10,458	120.66%
Public Safety Employee Group	The City's safety plan became part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost sharing multiple-employer defined benefits plan, disclosures of the schedule of funding progress is not required.						

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 7 – Retirement Benefits (Continued)

A. California Public Employees’ Retirement Plan (PERS) (Continued)

Most Recent Actuarial Study – Schedule of Funding Progress (Continued)

The schedules of funding progress, presented as required supplementary information (“RSI”) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liabilities for benefits.

B. Public Agency Retirement Plan (PARS)

Plan Description

The City sponsors the PARS Retirement Enhancement Plan for Miscellaneous employees hired before January 1, 2012. The PARS benefit can be received only if the employee retires from the City, and the vesting period ranges from five years to twenty years depending on the employee’s job classification at retirement. For employees hired before March 28, 2008, the benefit applies to the City of Poway and all prior CalPERS or reciprocal agency service. For employees hired between March 28, 2008 and December 31, 2011, the benefit applies only to service with the City of Poway. Employees hired after December 31, 2011, do not receive this benefit. The plan provides a benefit equal to the 2.7% at 55 plan factor, less the CalPERS 2% at 55 plan factors, based upon the above described benefit. Sample rates are as follows:

<u>Age</u>	<u>Net Factor</u>	<u>Age</u>	<u>Net Factor</u>	<u>Age</u>	<u>Net Factor</u>
50	1.426%	55	2.000%	60	2.262%
51	1.522%	56	2.052%	61	2.314%
52	1.628%	57	2.104%	62	2.366%
53	1.742%	58	2.156%	63	2.418%
54	1.866%	59	2.210%	64 +	2.418%

Funding Policy

The City’s funding policy is to contribute the annual required contribution. The annual required contribution equals the sum of:

- Normal cost (3.69%)
- Amortization of the unfunded actuarial accrued liability (9.09%)
- Total contribution rate (12.78%)

Annual Pension Cost

For the year ended June 30, 2013, the City's annual required contribution is \$1,241,591. The required contribution was based on the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.0% investment return (net of administrative expenses), (b) the CalPERS 1997 – 2007 Experience Study table for Males and Females, (c) projected salary increases range from 3.85% to 12.65%, and (d) cost-of-living adjustment of 2% per year. Both (a) and (c) included an inflation component of 3.00%. In addition, the change in the amortization technique from level percent of pay to level dollar amortization, to comply with GASB requirements increases the Unfunded Actuarial Liability contribution percentage by approximately 1.31 %, assuming the initial 20 year closed amortization period, and 1.55% assuming an initial 30 year closed amortization period. The City based its contribution rate on the 20 year amortization period which has 11 years remaining at June 30, 2013.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 7 – Retirement Benefits (Continued)

B. Public Agency Retirement Plan (PARS) (Continued)

Three-Year Trend Information for PARS

(\$ Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 1,085	100%	\$ -
6/30/2012	\$ 1,031	100%	\$ -
6/30/2013	\$ 1,242	100%	\$ -

Most Recent Actuarial Study – Schedule of Funding Progress

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employee Group	6/30/2011	\$ 4,665	\$ 12,177	\$ 7,512	38.31%	\$ 10,981	68.41%

The actuarial calculation for the PARS benefit is performed every two years, with the next one being for the fiscal year ended June 30, 2013. As of June 30, 2012, the Asset Market Value is \$5,363,186.

C. Defined Contribution Plan

The City provides pension benefits for all of its part-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan is administered as part of the Public Agency Retirement System (“PARS”). All part-time employees are eligible to participate from the date of employment. Federal legislation requires contributions of at least 7.5% to a retirement plan, and City Council resolved to match the employees’ contribution of 3.75% for employees hired prior to July 1, 1996. Employees hired after July 1, 1996 pay 7.5% of the contributions. The City’s contributions for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2013, the City’s payroll covered by the plan was \$695,339. The City made employer contributions of \$659 (0.09% of current covered payroll), and employees contributed \$51,491 (7.41% of current covered payroll).

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 8 – Rehabilitation Loan Programs

A. City and Housing Authority Loan Programs

Housing Rehabilitation Loan Program

There are two types of housing rehabilitation loans. Forgivable rehabilitation loans are forgiven at a rate of 10% per year given all loan covenants are met. Non-forgivable loans are due upon the sale, transfer or foreclosure of the property. Due to the contingent repayment schedule of these loans, an expenditure is recorded when the loan is made and no receivable is included in the accompanying basic financial statements. The balance of the forgivable rehabilitation loans at June 30, 2013 is \$70,584, and the balance of the non-forgivable rehabilitation loans at June 30, 2013 is \$104,068.

BEGIN Program Loans

This program is sponsored by a State of California grant to aid first-time buyers in the purchase of affordable housing in the City of Poway. These loans have a thirty year term with a one percent interest rate. If the property is transferred or sold within five years the loan must be repaid. After five years, if the property is transferred or sold the loan must be assumed by the buyer for the remaining term. At the end of the thirty years the loan must be repaid with principal and interest. Per the grant terms, loan repayments must be re-loaned. Due to the contingent nature of the repayment schedule of these loans, an expenditure is recorded when the loan is made and no receivable is included in the accompanying basic financial statements. The balance of the BEGIN loans, including accrued interest, at June 30, 2013 is \$1,568,851.

Affordable Housing Loans

These loans are made to aid in the purchase of affordable housing in the City of Poway. They are for a 45 year term with no interest and if there is a sale, transfer or foreclosure before the end of the term the loan must be assumed by an income qualified buyer and the 45 year term starts over. Due to the contingent nature of the repayment schedule of these loans, an expenditure is recorded when the loan is made and no receivable is included in the accompanying basic financial statements. The balance of these Affordable Housing loans at June 30, 2013 is \$4,107,632.

Development Loans

The City, through the Housing Authority, has development loans primarily for affordable rental housing projects and for one group home for the developmentally disabled. The affordable rental housing loans have 55 year terms with three percent simple interest. Loan payments are made from residual receipts and generally do not cover the annual accrued interest. Therefore, due to the contingent nature of the repayment schedule of these loans, an expenditure is recorded when the loan is made and no receivable is included in the accompanying basic financial statements. The balance of the development loans, including accrued interest, at June 30, 2013 is \$33,574,320.

Note 9 – Risk Management

The City is a member of the California Joint Powers Insurance Authority (“Authority”). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. Seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. The Authority’s pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee. The audited Financial Statements can be obtained from the City of Poway. No settlements have exceeded the City’s insurance coverage for each of the past three years.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 9 – Risk Management (Continued)

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

A. General Liabilities

In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$25 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

B. Workers' Compensation

In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 9 – Risk Management (Continued)

B. Workers’ Compensation (Continued)

Employer’s Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer’s Liability losses from \$5 million to \$10 million are pooled among members.

C. Environmental Insurance

The City of Poway participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Poway. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

D. Property Insurance

The City of Poway participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Poway property is currently insured according to a schedule of covered property submitted by the City of Poway to the Authority. City of Poway property currently has all-risk property insurance protection in the amount of \$159,217,628. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

E. Fidelity Bonds

The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments. At June 30, 2013, no liability was recorded in the accompanying basic financial statements.

Note 10 – Joint Venture

The City is a member of the Regional Solid Waste Association Joint Powers Authority (“JPA”). The JPA was formed on September 1, 1997 by the cities of Del Mar, Encinitas, National City, Poway, Solana Beach and Vista to provide stable, long-term, cost effective options for all aspects of regional solid waste disposal. Each member provides a proportionate percentage of revenue to cover all costs related to the obligations and liabilities of the JPA when they become due and payable. In the event of dissolution of the JPA, any money or assets in possession of the Regional Solid Waste Association after the payment of all liabilities, costs, expenses and charges shall be distributed to the member agencies in proportion to their contributions determined as of the time of termination. The activities of the JPA are supervised by a board consisting of one elected member of the legislative body of each of the member agencies. The City of Escondido joined the JPA as a special contract party for the purpose of working on Regional Household Hazardous Waste issues. Summarized unaudited information of the JPA for the fiscal year ended June 30, 2013 is as follows:

Amounts in Thousands	
Total Assets	\$ 368,279
Total Liabilities	\$ 11,363
Total Equity	\$ 356,916
Total Revenues	\$ 276,829
Total Expenses	\$ 268,638
Net Increase in Fund Equity	\$ 8,191

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 10 – Joint Venture (Continue)

City’s share of the JPA’s assets and liabilities are not available. Separate financial statements of the JPA are available at the City of Poway.

Note 11 – Deficit Net Position

At June 30, 2013, the following funds had deficit net position:

Fund Type	Fund	Deficit
Fiduciary Fund	Successor Agency to the Poway Redevelopment Agency	\$ (145,028,879)

Successor Agency to the Poway Redevelopment Agency - The Successor Agency to the Poway Redevelopment Agency Private Purpose Trust fund had an accumulated deficit of \$(145,028,879), which resulted from the issuance of tax allocation bonds that were intended to be repaid by the former Poway Redevelopment Agency’s future property tax increment revenue. Now that the Redevelopment Agency has been dissolved, the Successor Agency expects to receive sufficient Redevelopment Property Tax Trust Fund distributions through the remaining life of the bonds to fully fund their repayment.

Note 12 – Property Taxes

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (the “County”) bills and collects property taxes and remits them to the City according to a payment schedule established by the County.

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic tax levy proportionate to what it received during the years 1980-1981.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided the taxes are received within 60 days after the end of the fiscal year. Property taxes received after this date are not considered available as a resource that can be used to finance the current year operations of the City and, therefore, are not recorded as revenue until collected.

No allowance for doubtful accounts was considered necessary.

Note 13 – Contingent Liabilities and Commitments

A. Litigation

The City is a defendant in certain legal actions arising in the normal course of operations. The accompanying basic financial statements reflect a liability for the probable amounts of loss associated with these claims.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 13 – Contingent Liabilities and Commitments (Continued)

B. Grants

The City participates in a number of programs that are fully or partially funded by grants received from federal, state, and county governments. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor agency. As of June 30, 2013, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City's overall financial position.

C. Construction

Various construction projects were in progress at June 30, 2013 with an estimated cost to complete of approximately \$7,309,233 in all fund types.

D. Successor Agency – Long Range Property Management Plan

The City, acting as the Successor Agency to the Poway Redevelopment Agency, prepared a Long Range Property Management Plan (LRPMP) in compliance with AB 1484. The Successor Agency Oversight Board reviewed and approved the LRPMP on September 25, 2013 and submitted it to the California Department of Finance for review on November 15, 2013. The Department of Finance has not yet issued a determination letter regarding the LRPMP.

E. Smith Judgment

As a result of a 1995 court judgment, known as the Smith Judgment, the former Poway Redevelopment Agency was required to allocate 2% of its annual gross tax increment for distribution to non-profit housing entities for specified housing uses. Per the Judgment this practice is required to continue through the life of the redevelopment project area.

Funds related to the Smith Judgment have been separately accounted for in the Housing Special Projects Fund. In March 2011, the former Poway Redevelopment Agency transferred all rights, interests, and obligations under the Smith Judgment to the City of Poway as part of an Amended and Restated Cooperation Agreement. Since that time, the City has administered the Housing Special Projects Fund pursuant to the City's obligations as a defendant in the Smith Judgment, and to fulfill the Agency obligations under the Smith Judgment as required by the Cooperation Agreement. Through their review of Poway's Due Diligence Review (DDR), the California Department of Finance (DOF) confirmed in May 2013 that funds related to the Smith Judgment are restricted and cannot be used for distribution to other taxing entities; however, they directed that the funds be moved to the Successor Agency.

It is the City of Poway's position, acting as the Successor Agency to the Poway Redevelopment Agency, that under Assembly Bill No. 26 and Assembly Bill No. 1484 (collectively "Dissolution Act") the Smith Judgment qualifies as an Enforceable Obligation and its funding should continue as required by the Judgment. Furthermore, based on the Dissolution Act requirement that all housing assets and functions be transferred to the housing successor, and given the restricted housing related use and purpose of the Housing Special Projects Fund, the Poway City Council, Poway Housing Authority, and Oversight Board to the Successor Agency of the Poway Redevelopment Agency passed resolutions in August 2013, authorizing the transfer of the Housing Special Projects Fund from the City of Poway to the Poway Housing Authority, as the housing successor, rather than moving it to the Successor Agency as previously directed by DOF.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 13 – Contingent Liabilities and Commitments (Continued)

E. Smith Judgment (Continued)

As a result of DOF's review of the August 2013 actions taken by the Oversight Board, the initial DDR finding by DOF was revised and it is now DOF's position that the Judgment is not an Enforceable Obligation and the funds should be used to pay other enforceable obligations of the former Redevelopment Agency. The City objects to this interpretation and intends to pursue this matter to the greatest extent possible in order to ensure the intent and terms of the original judgment are carried out, and therefore, the fund continues to be classified as a City special revenue fund in these financial statements.

F. Other Matters

As of June 30, 2013, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

Note 14 – Commitments Under Developer Agreements

On April 1, 1999, the former Poway Redevelopment Agency (the "Agency") entered into an Owner Participation Agreement with a developer with regard to certain parcels of real estate located in the Project Area within the boundaries of Community Facilities District ("CFD") No. 88-1. In order to provide for the funding of certain public improvements associated with the project, the Agency will pay the developer on each annual payment date, an amount equal to gross property tax increment allocated to and received by the Agency with respect to the site, less the housing set-aside and the County and City administrative charges for the previous fiscal year ending June 30 preceding the annual payment date.

On June 22, 1999, the Agency entered into an Owner Participation Agreement with a developer with regard to certain parcels of real estate located in the Project Area. In order to provide for the funding of certain public improvements associated with the project, the Agency will pay the developer on each annual payment date, an amount equal to gross property tax increment allocated to and received by the Agency with respect to the site, less the housing set-aside and the County and City administrative charges for the previous fiscal year ending June 30 preceding the annual payment date.

City of Poway
Notes to Basic Financial Statements (Continued)
For the year ended June 30, 2013

Note 15 – Fund Balances Classification

The City's fund balances at June 30, 2013 are tabulated below by fund types.

	Major Funds			Other Governmental Fund	Total
	General Fund	City Debt Service Fund	Housing Authority Fund		
Nonspendable:					
Prepaid Items	\$ 17,117	\$ -	\$ -	\$ -	\$ 17,117
Inventories	121,554	-	-	-	121,554
Notes Receivable	10,018,416	-	-	-	10,018,416
Total nonspendable	<u>10,157,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,157,087</u>
Restricted:					
Debt Service Payments	-	1,949,651	-	-	1,949,651
Drainage	-	-	-	2,527,167	2,527,167
Fire Protection	-	-	-	72,465	72,465
Grants	-	-	-	275,076	275,076
Housing	-	-	4,212,973	4,452,684	8,665,657
Maintenance Districts	-	-	-	7,048,772	7,048,772
Other Purposes	-	-	-	1,691,659	1,691,659
Parks and Recreation	-	-	-	461,932	461,932
Streets	-	-	-	2,413,518	2,413,518
Transportation	-	-	-	824,024	824,024
Total restricted	<u>-</u>	<u>1,949,651</u>	<u>4,212,973</u>	<u>19,767,297</u>	<u>25,929,921</u>
Committed:					
Economic Stabilization	3,097,260	-	-	-	3,097,260
Street Maintenance	4,479,324	-	-	-	4,479,324
Pension Stabilization	2,422,725	-	-	-	2,422,725
Total committed	<u>9,999,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,999,309</u>
Assigned:					
Capital Projects	405,280	-	-	-	405,280
Community Relations	-	-	-	-	-
Contractual Services	63,515	-	-	-	63,515
Education and Training	450,307	-	-	-	450,307
Equipment	-	-	-	-	-
Landscape Maintenance	-	-	-	-	-
Library	889,442	-	-	-	889,442
Parks and Recreation	591,808	-	-	-	591,808
Printing	-	-	-	-	-
Public Safety	82,380	-	-	-	82,380
Repair and Maintenance	4,691,090	-	-	-	4,691,090
Traffic Engineering	-	-	-	-	-
Total assigned	<u>7,173,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,173,822</u>
Unassigned	30,695,920	-	-	-	30,695,920
Total unassigned	<u>30,695,920</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,695,920</u>
Total fund balances	<u>\$ 58,026,138</u>	<u>\$ 1,949,651</u>	<u>\$ 4,212,973</u>	<u>\$ 19,767,297</u>	<u>\$ 83,956,059</u>

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2013

Required Supplementary Information (Unaudited)

City of Poway
Required Supplementary Information
For the year ended June 30, 2013

Note 1 – Budgetary Information

The City prepares its budgets on the basis of estimated expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis consistent with generally accepted accounting principles.

The City Manager submits a proposed budget to the City Council during early May. The City Council holds budget hearings during May and early June. The final budget is adopted by the City Council during late June.

No budget expenditures can be disbursed without proper appropriations. Once the budget is adopted, no additional fund appropriations can be authorized without the Council's approval. The level of budget control (the level on which expenditures may not legally exceed appropriations) is the individual fund level. The City Manager can authorize budget transfers between departments without additional appropriations.

The City holds a mid-year budget review meeting. During the meeting, all the budget expenditures are reviewed and projections for the whole year are made. Therefore, any necessary changes are submitted for approval by the City Council with a resolution.

Annual appropriated budgets are adopted for the general, special revenue (except for the Performing Arts Center Trust), the permanent funds, and one debt service fund. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council. Capital improvement projects budgets are adopted upon project approval and remaining project balances are carried forward to subsequent fiscal years until the project's completion.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities. The commitments will be reappropriated and honored in the subsequent year.

City of Poway
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

The following is the budget comparison schedules for the General Fund and all major special revenue funds.

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 27,939,270	\$ 27,939,270	\$ 33,634,582	\$ 5,695,312
Licenses and permits	443,760	443,760	543,838	100,078
Intergovernmental	303,000	303,000	407,200	104,200
Charges for services	1,015,540	1,015,540	1,671,506	655,966
Fines and forfeitures	551,500	551,500	527,006	(24,494)
Use of money and property	1,850,850	1,880,640	1,831,225	(49,415)
Developer fees	3,044,520	3,430,368	3,630,255	199,887
Other revenues	294,810	894,810	957,944	63,134
Total revenues	35,443,250	36,458,888	43,203,556	6,744,668
EXPENDITURES:				
Current:				
General government	4,689,407	5,183,643	4,232,082	951,561
Public safety	19,477,695	19,616,995	19,422,840	194,155
Public works	4,182,400	4,189,636	3,954,035	235,601
Development Services	3,794,164	4,071,711	3,779,577	292,134
Community services	4,801,145	4,831,085	4,733,922	97,163
Capital outlay	1,936,559	1,636,256	165,111	1,471,145
Total expenditures	38,881,370	39,529,326	36,287,567	3,241,759
REVENUES OVER (UNDER) EXPENDITURES	(3,438,120)	(3,070,438)	6,915,989	9,986,427
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	-	-	564,000	564,000
Transfers in	1,598,070	2,256,416	1,699,848	(556,568)
Transfers out	(1,101,570)	(1,101,570)	(964,639)	136,931
Total other financing sources (uses)	496,500	1,154,846	1,299,209	144,363
NET CHANGE IN FUND BALANCE	\$ (2,941,620)	\$ (1,915,592)	8,215,198	\$ 10,130,790
FUND BALANCES:				
Beginning of year			49,810,940	
End of year			<u>\$ 58,026,138</u>	

See accompanying Notes to Basic Financial Statements.

City of Poway
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 1 – Budgetary Information (Continued)

The following is the budget comparison schedules for the General Fund and all major special revenue funds.

Budget Comparison Schedule, Housing Authority Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 25,960	\$ 25,960	\$ 25,418	\$ (542)
Other revenues	120,000	120,000	815,355	695,355
Sale of capital assets	-	-	278,166	(278,166)
Total revenues	145,960	145,960	1,118,939	416,647
EXPENDITURES:				
Current:				
General government	7,750	7,750	7,742	8
Total expenditures	7,750	7,750	7,742	8
REVENUES OVER (UNDER) EXPENDITURES	138,210	138,210	1,111,197	416,655
NET CHANGE IN FUND BALANCE	\$ 138,210	\$ 138,210	1,111,197	\$ 416,655
FUND BALANCES:				
Beginning of year			3,101,776	
End of year			\$ 4,212,973	

City of Poway
Required Supplementary Information (Continued)
For the year ended June 30, 2013

Note 2 – Defined Benefit Pension Plans

A. California Public Employees' Retirement Plan (PERS)

A schedule of funding progress for the year ended June 30, 2013 including the past three actuarial valuations is presented below.

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employee Group	6/30/2010	\$ 62,915	\$ 73,762	\$ 10,847	85.29%	\$ 11,972	90.60%
	6/30/2011	\$ 66,319	\$ 78,673	\$ 12,354	84.30%	\$ 11,191	110.39%
	6/30/2012	\$ 69,323	\$ 81,942	\$ 12,619	84.60%	\$ 10,458	120.66%
Public Safety Employee Group Tier 1	6/30/2011	\$ 34,926	\$ 39,552	\$ 4,626	88.30%	\$ 4,684	98.76%
	6/30/2012	\$ 35,828	\$ 40,700	\$ 4,872	88.03%	\$ 4,500	108.27%
Public Safety Employee Group Tier 2	6/30/2012	\$ 1,574	\$ 1,744	\$ 170	90.25%	\$ 36	472.22%

B. Public Agency Retirement Services (PARS)

A schedule of funding progress for the year ended June 30, 2013 including the past three actuarial valuations is presented below.

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employee Group	6/30/2007	\$ 1,336	\$ 7,799	\$ 6,463	17.13%	\$ 13,167	49.08%
	6/30/2009	\$ 2,409	\$ 9,755	\$ 7,346	24.70%	\$ 12,112	60.65%
	6/30/2011	\$ 4,665	\$ 12,177	\$ 7,512	38.31%	\$ 10,981	68.41%

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Fire Protection Fund - Used to account for revenues received from the Fire Protection Special Tax. Voters approved this special tax in June 1997. It is used to pay for a portion of the costs of fire protection within the City of Poway.

800 MHz Regional Communication System Fund - Used to account for revenues received from the 800 MHz Regional Communication System Special Tax. Voters approved this special tax in June 1998. It is used to pay for the City's share of the County-wide radio backbone system, and a portion of the annual maintenance expenses.

Gas Tax Fund - Used to account for revenues received and expenditures made for street maintenance. Financing is provided by the City's share of State gasoline taxes made pursuant to the California State Constitution and authorized by the State Legislature.

Street Improvement Fund - Used to account for revenues received and expenditures made for street improvements. Financing is provided primarily from developer's traffic mitigation fees. City Ordinance No. 80 authorized the collection and the segregation of the funding.

Drainage Fund - Used to account for operations of the flood control and drainage division. Financing is provided by developer's drainage fees and flood zone fees from the County. Poway Municipal Code Section 16.72 requires the segregation of the funding.

Maintenance Districts Fund - Used for lighting, landscape and maintenance. Costs of the districts are estimated and property owners are assessed their proportionate share based on an engineer's report. The assessments are collected via the tax rolls.

Miscellaneous Grants Fund - Used to account for grants from various agencies used for operations and maintenance, and to account for specific in-lieu fees from developers. Financing for grants is provided by the State, County and Federal Government. Such grants provide for payment of all current operating costs and may be used only for specified purposes.

AB 939 Integrated Waste Management Fund - Used to account for revenue received from a fee collected with solid waste disposal that was created as a result of AB 939. All revenues in this fund are to be used to reduce the toxicity of solid waste in landfills and improve the management of waste resources.

Community Development Block Grant Fund - Used to account for revenues received and expenditures made for community development and housing assistance. Financing is provided under agreement with the county whereby the City is a secondary recipient with funds made available from the U.S. Department of Housing and Urban Development under the Housing and Community Development Acts of 1974 and 1977.

Transportation Development Act Fund - Used to account for revenues received and expenditures made for transportation development, transit and related studies. Funding is provided to the City as secondary recipient under agreements with the county and with the San Diego Association of Governments.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued):

Proposition A Fund - To account for the San Diego County special Proposition A one-half (1/2) cent transportation sales tax which became effective July 1, 1988. All revenues of this fund must be expended for certain transportation-related purposes.

SB 1186 Disabled Access Law Fund - Used to account for revenue received from a fee collected upon issuance of a business registration that was created as a result of AB 1186. All revenues in this fund are to be used to pay for certified access specialists in local building departments and to pay for educational and training resources at the state and local level to promote compliance.

Excess SAFE Reserve Fund - Used to account for revenue received related to the dissolution of the San Diego Service Authority for Freeway Emergencies (SAFE), and their expenditure for motorist aid services and support.

Regional Arterial Traffic Mitigation Fund - Used to account for new fees required by SANDAG.

Fire Protection Impact Fees Fund - Used to account for revenues received and expenditures made for fire protection improvements. Financing is provided primarily from developer fees.

BEGIN Program Fund - The Building Equity and Growth in Neighborhoods program (BEGIN) is funded by the California Department of Housing and Community Development to provide down payment assistance to low and moderate income first-time home buyers of newly constructed homes.

Housing In-lieu Fund – Used to account for revenues received and expenditures made for affordable housing. Funding is provided primarily from developer fees that are collected in-lieu of the developer providing inclusionary affordable housing units. The funds are used by the City to support its first-time home buyer program, Supporting Home Ownership in Poway (SHOP), which is available to low and moderate income homebuyers.

Habitat In-lieu Fund – Used to account for revenues received and expenditures made for the mitigation of environmental impacts to natural habitat. Funding is provided primarily from developer fees that are collected in-lieu of the developer providing actual land. The funds are used by the City to purchase open space as land and funding become available.

Housing Special Programs Fund - Used to account for revenue related to the Smith Judgment. The former Poway Redevelopment Agency was required to allocate 2% of its annual gross tax increment to this fund. Subsequent to the Redevelopment Agency's dissolution 2% percent of the Redevelopment Property Tax Trust Fund gross revenues have been allocated to this fund. These funds are to be distributed to non-profit entities for specific housing uses as specified by the judgment.

NON-MAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS:

Mary Patricia Ross Trust Fund - Used to account for revenue and expenses provided by a private estate to finance community park and recreation purposes. The principal must be maintained intact until 2006. Interest income must also be used to finance such recreational purposes.

CAPITAL PROJECTS FUNDS:

Park Improvement Fund - Used to account for the financing and construction of park facilities throughout the City.

Municipal Improvement Fund - Used to account for the financing and construction of the Old Coach water line. The remaining funds are to be used for the maintenance and operation costs of the water line.

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Street Improvement	Drainage
ASSETS					
Cash and investments	\$ -	\$ 47,209	\$ 1,478,034	\$ 137,447	\$ 940,696
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	1,827	14	-	-	2,702
Accounts	-	-	314	-	-
Interest	-	33	-	-	-
Due from other governments and agencies	-	-	104,792	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	17,576
Advances to fiduciary funds	-	-	-	1,314,355	1,661,725
Total assets	<u>\$ 1,827</u>	<u>\$ 47,256</u>	<u>\$ 1,583,140</u>	<u>\$ 1,451,802</u>	<u>\$ 2,622,699</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 8,985	\$ 44,459	\$ -	\$ 85,517
Accrued liabilities	-	-	13,478	-	10,015
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	723,147	-
Total liabilities	<u>-</u>	<u>8,985</u>	<u>57,937</u>	<u>723,147</u>	<u>95,532</u>
Fund Balances:					
Restricted	1,827	38,271	1,525,203	728,655	2,527,167
Total fund balances	<u>1,827</u>	<u>38,271</u>	<u>1,525,203</u>	<u>728,655</u>	<u>2,527,167</u>
Total liabilities and fund balances	<u>\$ 1,827</u>	<u>\$ 47,256</u>	<u>\$ 1,583,140</u>	<u>\$ 1,451,802</u>	<u>\$ 2,622,699</u>

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2013

	Special Revenue Funds				
	Maintenance Districts	Miscellaneous Grants	AB 939 Integrated Waste Management	Community Development Block Grant	Transportation Development Act
ASSETS					
Cash and investments	\$ 7,137,708	\$ 252,794	\$ 415,677	\$ -	\$ 504,135
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	5,347	-	-	-	-
Accounts	-	-	49,049	-	-
Interest	-	-	-	-	-
Due from other governments and agencies	-	60,172	-	96,058	18,268
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Advances to fiduciary funds	-	-	-	-	-
Total assets	\$ 7,143,055	\$ 312,966	\$ 464,726	\$ 96,058	\$ 522,403
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 92,394	\$ 500	\$ 28,854	\$ 25,741	\$ 2,284
Accrued liabilities	1,889	-	-	-	-
Due to other funds	-	21,948	-	70,317	-
Deferred revenue	-	17,635	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	94,283	40,083	28,854	96,058	2,284
Fund Balances:					
Restricted	7,048,772	272,883	435,872	-	520,119
Total fund balances	7,048,772	272,883	435,872	-	520,119
Total liabilities and fund balances	\$ 7,143,055	\$ 312,966	\$ 464,726	\$ 96,058	\$ 522,403

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2013

	Special Revenue Funds				
	Proposition A	SB 1186 Disabled Access Law	Excess SAFE Reserve	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees
ASSETS					
Cash and investments	\$ 24,161	\$ 825	\$ 159,660	\$ 279,744	\$ 32,367
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Due from other governments and agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Advances to fiduciary funds	-	-	-	-	-
Total assets	\$ 24,161	\$ 825	\$ 159,660	\$ 279,744	\$ 32,367
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 158	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	158	-	-	-
Fund Balances:					
Restricted	24,161	667	159,660	279,744	32,367
Total fund balances	24,161	667	159,660	279,744	32,367
Total liabilities and fund balances	\$ 24,161	\$ 825	\$ 159,660	\$ 279,744	\$ 32,367

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2013

	Special Revenue Funds				Permanent Fund
	BEGIN Program	Housing In-lieu	Habitat In-lieu	Housing Special Programs	Mary Patricia Ross Trust
ASSETS					
Cash and investments	\$ 814	\$ 889,501	\$ 1,251,318	\$ 3,563,183	\$ 90,073
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest	1,379	-	-	-	-
Due from other governments and agencies	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Advances to fiduciary funds	-	-	-	-	-
Total assets	<u>\$ 2,193</u>	<u>\$ 889,501</u>	<u>\$ 1,251,318</u>	<u>\$ 3,563,183</u>	<u>\$ 90,073</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted	2,193	889,501	1,251,318	3,563,183	90,073
Total fund balances	<u>2,193</u>	<u>889,501</u>	<u>1,251,318</u>	<u>3,563,183</u>	<u>90,073</u>
Total liabilities and fund balances	<u>\$ 2,193</u>	<u>\$ 889,501</u>	<u>\$ 1,251,318</u>	<u>\$ 3,563,183</u>	<u>\$ 90,073</u>

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds (Continued)
June 30, 2013

	Capital Projects Funds		Total Other Governmental Funds
	Park Improvement	Municipal Improvement	
	<u> </u>	<u> </u>	
ASSETS			
Cash and investments	\$ 679,087	\$ 3,802	\$ 17,888,235
Cash and investments with fiscal agents	-	-	-
Receivables:			
Taxes	-	-	9,890
Accounts	-	-	49,363
Interest	-	-	1,412
Due from other governments and agencies	-	-	279,290
Due from other funds	-	-	-
Advances to other funds	-	-	17,576
Advances to fiduciary funds	-	-	2,976,080
Total assets	<u>\$ 679,087</u>	<u>\$ 3,802</u>	<u>\$ 21,221,846</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 288,892
Accrued liabilities	-	-	25,382
Due to other funds	-	-	92,265
Deferred revenue	-	-	17,635
Advances from other funds	307,228	-	1,030,375
Total liabilities	<u>307,228</u>	<u>-</u>	<u>1,454,549</u>
Fund Balances:			
Restricted	371,859	3,802	19,767,297
Total fund balances	<u>371,859</u>	<u>3,802</u>	<u>19,767,297</u>
Total liabilities and fund balances	<u>\$ 679,087</u>	<u>\$ 3,802</u>	<u>\$ 21,221,846</u>

(Concluded)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2013

	Special Revenue Funds				
	Fire	800 MHz	Gas	Street	Drainage
	Protection	Communication System	Tax	Improvement	
REVENUES:					
Taxes	\$ 624,517	\$ 134,818	\$ 1,192,057	\$ -	\$ 938,476
Intergovernmental	-	-	20	-	74
Charges for services	-	-	-	-	-
Development fees	-	-	-	196,783	62,182
Assessment levied	-	-	-	-	-
Use of money and property	-	-	2,310	67	1,630
Other revenues	-	-	10,774	10,405	-
Total revenues	624,517	134,818	1,205,161	207,255	1,002,362
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	113,871	-	-	-
Public works	-	-	919,640	-	618,683
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	156,744
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	-	113,871	919,640	-	775,427
REVENUES OVER (UNDER) EXPENDITURES	624,517	20,947	285,521	207,255	226,935
OTHER FINANCING SOURCES (USES):					
Sale of property	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(624,880)	-	-	-	-
Total other financing sources (uses)	(624,880)	-	-	-	-
NET CHANGE IN FUND BALANCE	(363)	20,947	285,521	207,255	226,935
FUND BALANCES:					
Beginning of year	2,190	17,324	1,239,682	521,400	2,300,232
End of year	<u>\$ 1,827</u>	<u>\$ 38,271</u>	<u>\$ 1,525,203</u>	<u>\$ 728,655</u>	<u>\$ 2,527,167</u>

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the year ended June 30, 2013

	Special Revenue Funds				
	Maintenance Districts	Miscellaneous Grants	AB 939		
			Integrated Waste Management	Community Development Block Grant	Transportation Development Act
REVENUES:					
Taxes	\$ 344,418	\$ -	\$ -	\$ -	\$ -
Intergovernmental	12	237,799	22,599	155,947	5,000
Charges for services	-	-	-	-	-
Development fees	-	-	-	-	-
Assessment levied	1,895,888	-	-	-	-
Use of money and property	18,098	610	1,154	-	1,488
Other revenues	66,758	-	196,942	-	13,268
Total revenues	<u>2,325,174</u>	<u>238,409</u>	<u>220,695</u>	<u>155,947</u>	<u>19,756</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	2,346,648	-	-	-	13,268
Community services	-	-	-	-	-
Capital outlay	5,065	114,125	160,087	155,947	21,066
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>2,351,713</u>	<u>114,125</u>	<u>160,087</u>	<u>155,947</u>	<u>34,334</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(26,539)</u>	<u>124,284</u>	<u>60,608</u>	<u>-</u>	<u>(14,578)</u>
OTHER FINANCING SOURCES (USES):					
Sale of property	-	-	-	-	-
Transfers in	319,711	-	-	-	-
Transfers out	-	(100,445)	-	-	-
Total other financing sources (uses)	<u>319,711</u>	<u>(100,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>293,172</u>	<u>23,839</u>	<u>60,608</u>	<u>-</u>	<u>(14,578)</u>
FUND BALANCES:					
Beginning of year	6,755,600	249,044	375,264	-	534,697
End of year	<u>\$ 7,048,772</u>	<u>\$ 272,883</u>	<u>\$ 435,872</u>	<u>\$ -</u>	<u>\$ 520,119</u>

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the year ended June 30, 2013

	Special Revenue Funds				
	Proposition A	SB 1186 Disabled Access Law	Excess SAFE Reserve	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees
REVENUES:					
Taxes	\$ 2,127,981	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	175,344	-	-
Charges for services	-	-	-	-	-
Development fees	-	-	-	30,310	7,096
Assessment levied	-	-	-	-	-
Use of money and property	-	1	712	766	82
Other revenues	-	666	-	-	-
Total revenues	2,127,981	667	176,056	31,076	7,178
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	2,119,109	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	16,396	6,642	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,119,109	-	16,396	6,642	-
REVENUES OVER (UNDER) EXPENDITURES	8,872	667	159,660	24,434	7,178
OTHER FINANCING SOURCES (USES):					
Sale of property	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	8,872	667	159,660	24,434	7,178
FUND BALANCES:					
Beginning of year	15,289	-	-	255,310	25,189
End of year	\$ 24,161	\$ 667	\$ 159,660	\$ 279,744	\$ 32,367

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the year ended June 30, 2013

	Special Revenue Funds				Permanent Fund
	BEGIN Program	Housing In-lieu	Habitat In-lieu	Housing Special Programs	Mary Patricia Ross Trust
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	58,856	-	-	-	-
Charges for services	-	-	-	-	-
Development fees	-	7,800	30,938	-	-
Assessment levied	-	-	-	-	-
Use of money and property	1,379	2,495	3,473	8,093	254
Other revenues	-	-	-	790,231	-
Total revenues	60,235	10,295	34,411	798,324	254
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	58,856	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	58,856	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	1,379	10,295	34,411	798,324	254
OTHER FINANCING SOURCES (USES):					
Sale of property	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCE	1,379	10,295	34,411	798,324	254
FUND BALANCES:					
Beginning of year	814	879,206	1,216,907	2,764,859	89,819
End of year	\$ 2,193	\$ 889,501	\$ 1,251,318	\$ 3,563,183	\$ 90,073

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds (Continued)
For the year ended June 30, 2013

	Capital Project Funds		Total Other Governmental Funds
	Park Improvement	Municipal Improvement	
	-	-	
REVENUES:			
Taxes	\$ -	\$ -	\$ 5,362,267
Intergovernmental	-	-	655,651
Charges for services	-	-	-
Development fees	63,868	-	398,977
Assessment levied	-	-	1,895,888
Use of money and property	1,838	11	44,461
Other revenues	-	-	1,089,044
Total revenues	65,706	11	9,446,288
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	113,871
Public works	-	-	6,017,348
Community services	-	-	-
Capital outlay	-	-	694,928
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	-	-	6,826,147
REVENUES OVER (UNDER) EXPENDITURES	65,706	11	2,620,141
OTHER FINANCING SOURCES (USES):			
Sale of property	-	-	-
Transfers in	-	-	319,711
Transfers out	-	-	(725,325)
Total other financing sources (uses)	-	-	(405,614)
NET CHANGE IN FUND BALANCE	65,706	11	2,214,527
FUND BALANCES:			
Beginning of year	306,153	3,791	17,552,770
End of year	\$ 371,859	\$ 3,802	\$ 19,767,297

(Concluded)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
City Debt Service Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 3,079,313	\$ 3,079,313	\$ 3,079,313	\$ -
Resources (inflows):				
Use of money and property	297,220	297,220	287,466	(9,754)
Transfers in	1,129,570	1,129,570	932,726	(196,844)
Proceeds from debt issuance	-	14,350,000	14,350,000	-
Premium on debt issuance	-	256,626	256,626	-
Amount available for appropriation	1,426,790	16,033,416	15,826,818	(206,598)
Charges to appropriations (outflows):				
Debt service:				
General government	-	-	-	-
Deposit to escrow	-	14,845,897	14,845,897	-
Costs of issuance	-	418,145	424,079	(5,934)
Principal	915,000	915,000	635,000	280,000
Interest and fiscal charges	941,480	941,480	570,087	371,393
Transfers out	-	482,890	37,135	445,755
Total charges to appropriations	1,856,480	17,603,412	16,512,198	1,091,214
Excess of resources over (under) charges to appropriations	(429,690)	(1,569,996)	(685,380)	884,616
Fund balance, June 30, 2013	\$ 2,649,623	\$ 1,509,317	\$ 2,393,933	\$ 884,616

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Protection Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 2,190	\$ 2,190	\$ 2,190	\$ -
Resources (inflows):				
Taxes	636,000	636,000	624,517	(11,483)
Amount available for appropriation	636,000	636,000	624,517	(11,483)
Charges to appropriations (outflows):				
Transfers out	636,000	636,000	624,880	11,120
Total charges to appropriations	636,000	636,000	624,880	11,120
Excess of resources over (under) charges to appropriations	-	-	(363)	(363)
Fund balance, June 30, 2013	<u>\$ 2,190</u>	<u>\$ 2,190</u>	<u>\$ 1,827</u>	<u>\$ (363)</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
800 MHz Communication System Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 17,324	\$ 17,324	\$ 17,324	\$ -
Resources (inflows):				
Taxes	134,000	134,000	134,818	818
Use of money and property	30	30	-	(30)
Amount available for appropriation	134,030	134,030	134,818	788
Charges to appropriations (outflows):				
Public safety	127,000	127,000	113,871	13,129
Total charges to appropriations	127,000	127,000	113,871	13,129
Excess of resources over (under) charges to appropriations	7,030	7,030	20,947	13,917
Fund balance, June 30, 2013	\$ 24,354	\$ 24,354	\$ 38,271	\$ 13,917

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 1,239,682	\$ 1,239,682	\$ 1,239,682	\$ -
Resources (inflows):				
Taxes	1,358,350	1,358,350	1,192,057	(166,293)
Intergovernmental	-	-	20	20
Use of money and property	4,130	4,130	2,310	(1,820)
Other revenue	-	-	10,774	10,774
Amount available for appropriation	1,362,480	1,362,480	1,205,161	(157,319)
Charges to appropriations (outflows):				
Public works	1,247,318	1,246,388	919,640	326,748
Total charges to appropriations	1,247,318	1,246,388	919,640	326,748
Excess of resources over (under) charges to appropriations	115,162	116,092	285,521	169,429
Fund balance, June 30, 2013	\$ 1,354,844	\$ 1,355,774	\$ 1,525,203	\$ 169,429

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Street Improvement Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 521,400	\$ 521,400	\$ 521,400	\$ -
Resources (inflows):				
Developers fee	61,570	61,570	196,783	135,213
Use of money and property	17,070	17,070	67	(17,003)
Other revenue	-	-	10,405	10,405
Amount available for appropriation	78,640	78,640	207,255	128,615
Charges to appropriations (outflows):				
Capital outlay	641,352	641,352	-	641,352
Total charges to appropriations	641,352	641,352	-	641,352
Excess of resources over (under) charges to appropriations	(562,712)	(562,712)	207,255	769,967
Fund balance, June 30, 2013	\$ (41,312)	\$ (41,312)	\$ 728,655	\$ 769,967

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Drainage Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 2,300,232	\$ 2,300,232	\$ 2,300,232	\$ -
Resources (inflows):				
Taxes	719,910	719,910	938,476	218,566
Intergovernmental	-	-	74	74
Developer fees	18,480	18,480	62,182	43,702
Use of money and property	28,650	28,650	1,630	(27,020)
Amount available for appropriation	767,040	767,040	1,002,362	235,322
Charges to appropriations (outflows):				
Public works	674,754	674,754	618,683	56,071
Capital outlay	716,582	716,582	156,744	559,838
Total charges to appropriations	1,391,336	1,391,336	775,427	615,909
Excess of resources over (under) charges to appropriations	(624,296)	(624,296)	226,935	851,231
Fund balance, June 30, 2013	\$ 1,675,936	\$ 1,675,936	\$ 2,527,167	\$ 851,231

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Maintenance Districts Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 6,755,600	\$ 6,755,600	\$ 6,755,600	\$ -
Resources (inflows):				
Taxes	289,920	289,920	344,418	54,498
Intergovernmental	-	-	12	12
Charges for services	-	-	-	-
Assessment levied	1,879,230	1,879,230	1,895,888	16,658
Use of money and property	38,290	38,290	18,098	(20,192)
Other revenue	-	-	66,758	66,758
Transfers in	321,110	321,110	319,711	(1,399)
Amount available for appropriation	2,528,550	2,528,550	2,644,885	116,335
Charges to appropriations (outflows):				
Public works	3,077,450	3,100,680	2,346,648	(754,032)
Capital outlay	-	-	5,065	(5,065)
Total charges to appropriations	3,077,450	3,100,680	2,351,713	(759,097)
Excess of resources over (under) charges to appropriations	(548,900)	(572,130)	293,172	(642,762)
Fund balance, June 30, 2013	\$ 6,206,700	\$ 6,183,470	\$ 7,048,772	\$ (642,762)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Miscellaneous Grant Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 249,044	\$ 249,044	\$ 249,044	\$ -
Resources (inflows):				
Intergovernmental	138,960	138,960	237,799	98,839
Use of money and property	1,080	1,080	610	(470)
Other revenue	-	-	-	-
Amount available for appropriation	<u>140,040</u>	<u>140,040</u>	<u>238,409</u>	<u>98,369</u>
Charges to appropriations (outflows):				
Capital outlay	387,336	354,124	114,125	239,999
Transfers out	100,000	100,460	100,445	15
Total charges to appropriations	<u>487,336</u>	<u>454,584</u>	<u>214,570</u>	<u>240,014</u>
Excess of resources over (under) charges to appropriations	<u>(347,296)</u>	<u>(314,544)</u>	<u>23,839</u>	<u>338,383</u>
Fund balance, June 30, 2013	<u>\$ (98,252)</u>	<u>\$ (65,500)</u>	<u>\$ 272,883</u>	<u>\$ 338,383</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
AB 939 Integrated Waste Management Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 375,264	\$ 375,264	\$ 375,264	\$ -
Resources (inflows):				
Intergovernmental	164,460	164,460	22,599	(141,861)
Use of money and property	2,770	2,770	1,154	(1,616)
Other revenue	-	-	196,942	196,942
Amount available for appropriation	167,230	167,230	220,695	53,465
Charges to appropriations (outflows):				
Capital outlay	476,839	474,338	160,087	314,251
Total charges to appropriations	476,839	474,338	160,087	314,251
Excess of resources over (under) charges to appropriations	(309,609)	(307,108)	60,608	367,716
Fund balance, June 30, 2013	\$ 65,655	\$ 68,156	\$ 435,872	\$ 367,716

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	151,770	151,770	155,947	4,177
Amount available for appropriation	151,770	151,770	155,947	4,177
Charges to appropriations (outflows):				
Capital outlay	243,384	243,384	155,947	87,437
Total charges to appropriations	243,384	243,384	155,947	87,437
Excess of resources over (under) charges to appropriations	(91,614)	(91,614)	-	91,614
Fund balance, June 30, 2013	\$ (91,614)	\$ (91,614)	\$ -	\$ 91,614

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Transportation Development Act Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 534,697	\$ 534,697	\$ 534,697	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	5,000	-
Use of money and property	3,230	3,230	1,488	(1,742)
Other revenues	-	-	13,268	13,268
Amount available for appropriation	8,230	8,230	19,756	11,526
Charges to appropriations (outflows):				
Public works	-	13,270	13,268	2
Capital outlay	323,468	534,077	21,066	513,011
Total charges to appropriations	323,468	547,347	34,334	513,013
Excess of resources over (under) charges to appropriations	(315,238)	(539,117)	(14,578)	524,539
Fund balance, June 30, 2013	\$ 219,459	\$ (4,420)	\$ 520,119	\$ 524,539

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Proposition A Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 15,289	\$ 15,289	\$ 15,289	\$ -
Resources (inflows):				
Taxes	2,127,020	2,127,020	2,127,981	961
Use of money and property	4,040	4,040	-	(4,040)
Amount available for appropriation	2,131,060	2,131,060	2,127,981	(3,079)
Charges to appropriations (outflows):				
Public works	2,127,020	2,127,020	2,119,109	7,911
Total charges to appropriations	2,127,020	2,127,020	2,119,109	7,911
Excess of resources over (under) charges to appropriations	4,040	4,040	8,872	4,832
Fund balance, June 30, 2013	<u>\$ 19,329</u>	<u>\$ 19,329</u>	<u>\$ 24,161</u>	<u>\$ 4,832</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
SB 1186 Disabled Access Law Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	-	1	1
Other revenues	-	-	666	666
Amount available for appropriation	-	-	667	667
Charges to appropriations (outflows):				
Capital outlay	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	667	667
Fund balance, June 30, 2013	\$ -	\$ -	\$ 667	\$ 667

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Excess SAFE Reserve Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	-	-	175,344	175,344
Use of money and property	-	-	712	712
Amount available for appropriation	-	-	176,056	176,056
Charges to appropriations (outflows):				
Capital outlay	-	175,344	16,396	158,948
Total charges to appropriations	-	175,344	16,396	158,948
Excess of resources over (under) charges to appropriations	-	(175,344)	159,660	335,004
Fund balance, June 30, 2013	\$ -	\$ (175,344)	\$ 159,660	\$ 335,004

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Regional Arterial Traffic Mitigation Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 255,310	\$ 255,310	\$ 255,310	\$ -
Resources (inflows):				
Developers fee	17,320	17,320	30,310	12,990
Use of money and property	1,570	1,570	766	(804)
Amount available for appropriation	18,890	18,890	31,076	12,186
Charges to appropriations (outflows):				
Capital outlay	54,521	54,521	6,642	47,879
Total charges to appropriations	54,521	54,521	6,642	47,879
Excess of resources over (under) charges to appropriations	(35,631)	(35,631)	24,434	60,065
Fund balance, June 30, 2013	<u>\$ 219,679</u>	<u>\$ 219,679</u>	<u>\$ 279,744</u>	<u>\$ 60,065</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Protection Impact Fees Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 25,189	\$ 25,189	\$ 25,189	\$ -
Resources (inflows):				
Development fees	2,570	2,570	7,096	4,526
Use of money and property	110	110	82	(28)
Amount available for appropriation	2,680	2,680	7,178	4,498
Excess of resources over (under) charges to appropriations	2,680	2,680	7,178	4,498
Fund balance, June 30, 2013	<u>\$ 27,869</u>	<u>\$ 27,869</u>	<u>\$ 32,367</u>	<u>\$ 4,498</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
BEGIN Program Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 814	\$ 814	\$ 814	\$ -
Resources (inflows):				
Intergovernmental	-	-	58,856	58,856
Use of money and property	-	-	1,379	1,379
Amount available for appropriation	-	-	60,235	60,235
Charges to appropriations (outflows):				
Capital outlay	932	58,856	58,856	-
Total charges to appropriations	932	58,856	58,856	-
Excess of resources over (under) charges to appropriations	(932)	(58,856)	1,379	60,235
Fund balance, June 30, 2013	<u>\$ (118)</u>	<u>\$ (58,042)</u>	<u>\$ 2,193</u>	<u>\$ 60,235</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Housing In-Lieu Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 879,206	\$ 879,206	\$ 879,206	\$ -
Resources (inflows):				
Development fees	2,000	2,000	7,800	5,800
Use of money and property	5,250	5,250	2,495	(2,755)
Amount available for appropriation	7,250	7,250	10,295	3,045
Charges to appropriations (outflows):				
Capital Outlay	259,479	259,479	-	259,479
Total charges to appropriations	259,479	259,479	-	259,479
Excess of resources over (under) charges to appropriations	(252,229)	(252,229)	10,295	262,524
Fund balance, June 30, 2013	<u>\$ 626,977</u>	<u>\$ 626,977</u>	<u>\$ 889,501</u>	<u>\$ 262,524</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Habitat In-lieu Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 1,216,907	\$ 1,216,907	\$ 1,216,907	\$ -
Resources (inflows):				
Development fees	17,000	17,000	30,938	13,938
Use of money and property	7,270	7,270	3,473	(3,797)
Amount available for appropriation	24,270	24,270	34,411	10,141
Charges to appropriations (outflows):				
Capital outlay	170	170	-	170
Total charges to appropriations	170	170	-	170
Excess of resources over (under) charges to appropriations	24,100	24,100	34,411	10,311
Fund balance, June 30, 2013	\$ 1,241,007	\$ 1,241,007	\$ 1,251,318	\$ 10,311

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Housing Special Programs Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 2,764,859	\$ 2,764,859	\$ 2,764,859	\$ -
Resources (inflows):				
Use of money and property	16,250	16,250	8,093	(8,157)
Other revenues	800,000	800,000	790,231	(9,769)
Amount available for appropriation	816,250	816,250	798,324	(17,926)
Charges to appropriations (outflows):				
Capital outlay	314,420	1,014,420	-	1,014,420
Total charges to appropriations	314,420	1,014,420	-	1,014,420
Excess of resources over (under) charges to appropriations	501,830	(198,170)	798,324	996,494
Fund balance, June 30, 2013	<u>\$ 3,266,689</u>	<u>\$ 2,566,689</u>	<u>\$ 3,563,183</u>	<u>\$ 996,494</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Mary Patricia Ross Trust Permanent Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 89,819	\$ 89,819	\$ 89,819	\$ -
Resources (inflows):				
Use of money and property	540	540	254	(286)
Amount available for appropriation	540	540	254	(286)
Excess of resources over (under) charges to appropriations	540	540	254	(286)
Fund balance, June 30, 2013	<u>\$ 90,359</u>	<u>\$ 90,359</u>	<u>\$ 90,073</u>	<u>\$ (286)</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park Improvement Capital Project Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 306,153	\$ 306,153	\$ 306,153	\$ -
Resources (inflows):				
Development fees	36,500	36,500	63,868	27,368
Use of money and property	6,030	6,030	1,838	(4,192)
Amount available for appropriation	42,530	42,530	65,706	23,176
Charges to appropriations (outflows):				
Capital outlay	7,542	-	-	-
Total charges to appropriations	7,542	-	-	-
Excess of resources over (under) charges to appropriations	34,988	42,530	65,706	23,176
Fund balance, June 30, 2013	<u>\$ 341,141</u>	<u>\$ 348,683</u>	<u>\$ 371,859</u>	<u>\$ 23,176</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Municipal Improvement Capital Project Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2012	\$ 3,791	\$ 3,791	\$ 3,791	\$ -
Resources (inflows):				
Use of money and property	20	20	11	(9)
Amount available for appropriation	20	20	11	(9)
Excess of resources over (under) charges to appropriations	20	20	11	(9)
Fund balance, June 30, 2013	<u>\$ 3,811</u>	<u>\$ 3,811</u>	<u>\$ 3,802</u>	<u>\$ (9)</u>

INTERNAL SERVICE FUND

Vehicle Maintenance Fund - Used to account for the cost of operating a maintenance facility for automotive equipment used by other City departments. Such costs to other departments are billed on a direct cost basis. The Vehicle Maintenance Fund is responsible for financing replacement vehicles, as necessary.

City of Poway
Statement of Net Position
Internal Service Fund - Vehicle Maintenance Fund
June 30, 2013

ASSETS

Current assets:

Cash and investments	\$ 6,718,063
Total current assets	<u>6,718,063</u>
Total assets	<u><u>6,718,063</u></u>

LIABILITIES

Current liabilities:

Accounts payable	28,041
Accrued liabilities	<u>5,914</u>
Total current liabilities	<u>33,955</u>

Noncurrent liabilities:

Compensated absences	<u>29,715</u>
Total noncurrent liabilities	<u>29,715</u>
Total liabilities	<u><u>63,670</u></u>

NET POSITION

Unrestricted	<u>6,654,393</u>
Total net position	<u><u>\$ 6,654,393</u></u>

City of Poway
Statement of Activities and Changes in Net Position
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2013

OPERATING REVENUES:

Charges for services	\$ 2,464,793
Other	<u>140</u>
Total operating revenues	<u>2,464,933</u>

OPERATING EXPENSES:

Personnel services	318,506
Maintenance and operations	<u>849,113</u>
Total operating expenses	<u>1,167,619</u>

OPERATING INCOME (LOSS)

1,297,314

NONOPERATING REVENUES:

Interest revenue	<u>53,709</u>
Total nonoperating revenues	<u>53,709</u>

INCOME (LOSS) BEFORE TRANSFERS

1,351,023

TRANSFERS:

Transfers out	<u>(817,598)</u>
Total transfers	<u>(817,598)</u>

Changes in net position

533,425

NET POSITION:

Beginning of year	<u>6,120,968</u>
End of year	<u><u>\$ 6,654,393</u></u>

City of Poway
Statement of Cash Flows
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from users	\$ 2,466,480
Cash payments to employees for services	(312,592)
Cash payments to suppliers of goods or services	<u>(940,811)</u>
Net cash provided by operating activities	<u>1,213,077</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers out	<u>(817,598)</u>
Net cash used in noncapital financing activities	<u>(817,598)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on long-term debt	<u>2,542</u>
Net cash used in capital and related financing activities	<u>2,542</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>53,709</u>
Net cash provided by capital and related financing activities	<u>53,709</u>
Net increase in cash and cash equivalents	451,730

CASH AND CASH EQUIVALENTS:

Beginning of year	<u>6,266,333</u>
End of year	<u>\$ 6,718,063</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income	\$ 1,297,314
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	1,547
Accounts payable	(91,698)
Accrued liabilities	<u>5,914</u>
Total adjustments	<u>(84,237)</u>
Net cash provided by operating activities	<u>\$ 1,213,077</u>

FIDUCIARY FUNDS

AGENCY FUNDS

The agency funds are used to account for assets held by the City as an agent. Agency funds include the following:

Developer Deposits Fund - Used to account for the collection and payments of development deposits from and on behalf of the collective and individual developers.

South Poway CFD No. 1 Bond Deposits Fund - Used to account for debt service payments CFD No. 1 Bond Deposits collected through property tax assessments remitted to fiscal agent-trustee for payment on bonds.

Parkway Business Centre CFD No. 88-1 Bond Deposits Fund - Used to account for debt service payments CFD No. 88-1 Bond Deposits collected through property tax assessments remitted to fiscal agent-trustee for payment on bonds.

High Valley Road AD No. 96-1 Bond Deposits Fund - Used to account for debt service payments AD No. 96-1 Bond Deposits collected through property tax assessments remitted to fiscal agent-trustee for payment on bonds.

Old Coach Waterline AD No. 00-1 Bond Deposits Fund - Used to account for debt service payments AD No. 00-1 Bond Deposits collected through property tax assessments remitted to fiscal agent-trustee for payment on bonds.

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City of Poway
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2013

	Developer Deposits Fund	South Poway CFD No. 1 Bond Deposits Fund	Parkway Business Centre CFD No. 88-1 Bond Deposits Fund	High Valley Road AD No. 96-1 Bond Deposits Fund	Old Coach Water Line AD No. 00-1 Bond Deposits Fund	Total Agency Funds
ASSETS						
Cash and investments	\$ 3,319,435	\$ 246	\$ 3,654,701	\$ 55,521	\$ 64,634	\$ 7,094,537
Receivables:						
Taxes	-	-	2,535	90	984	3,609
Accounts	-	-	540,000	-	-	540,000
Interest	-	-	14	1	-	15
Cash and investments with fiscal agents	-	-	1,654,644	53,754	-	1,708,398
Total assets	\$ 3,319,435	\$ 246	\$ 5,851,894	\$ 109,366	\$ 65,618	\$ 9,346,559
LIABILITIES						
Accounts payable	\$ 17,566	\$ 246	\$ -	\$ 4,235	\$ -	\$ 22,047
Deposits	3,301,869	-	-	-	-	3,301,869
Due to bondholders	-	-	5,311,894	105,131	65,618	5,482,643
Advances from City of Poway	-	-	540,000	-	-	540,000
Total liabilities	\$ 3,319,435	\$ 246	\$ 5,851,894	\$ 109,366	\$ 65,618	\$ 9,346,559

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>Developer Deposits Fund</u>				
Assets:				
Cash and investments	\$ 3,261,319	\$ 972,284	\$ (914,168)	\$ 3,319,435
Total assets	\$ 3,261,319	\$ 972,284	\$ (914,168)	\$ 3,319,435
Liabilities:				
Accounts payable	\$ 44,089	\$ 17,566	\$ (44,089)	\$ 17,566
Deposits	3,217,230	954,718	(870,079)	3,301,869
Total liabilities	\$ 3,261,319	\$ 972,284	\$ (914,168)	\$ 3,319,435
<u>South Poway CFD No. 1</u>				
<u>Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 64,118	\$ 214	\$ (64,086)	\$ 246
Total assets	\$ 64,118	\$ 214	\$ (64,086)	\$ 246
Liabilities:				
Accounts payable	\$ 64,118	\$ 214	\$ (64,086)	\$ 246
Total liabilities	\$ 64,118	\$ 214	\$ (64,086)	\$ 246
<u>Parkway Business Centre</u>				
<u>CFD No. 88-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 3,621,279	\$ 3,359,112	\$ (3,325,690)	\$ 3,654,701
Taxes receivable	157,651	2,535	(157,651)	2,535
Accounts receivable	700,000	-	(160,000)	540,000
Interest receivable	14	14	(14)	14
Cash and investments with fiscal agent	1,654,570	3,313,249	(3,313,175)	1,654,644
Total assets	\$ 6,133,514	\$ 6,674,910	\$ (6,956,530)	\$ 5,851,894
Liabilities:				
Accounts payable	\$ 990	\$ 3,317,277	\$ (3,318,267)	\$ -
Due to bondholders	5,432,524	3,357,633	(3,478,263)	5,311,894
Advances from City of Poway	700,000	-	(160,000)	540,000
Total liabilities	\$ 6,133,514	\$ 6,674,910	\$ (6,956,530)	\$ 5,851,894

(Continued)

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds (Continued)
For the year ended June 30, 2013

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<u>High Valley Road</u>				
<u>AD No. 96-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 57,121	\$ 55,177	\$ (56,777)	\$ 55,521
Taxes receivable	48	90	(48)	90
Interest receivable	-	1	-	1
Cash and investments with fiscal agents	53,750	52,504	(52,500)	53,754
Total assets	\$ 110,919	\$ 107,772	\$ (109,325)	\$ 109,366
Liabilities:				
Accounts payable	\$ 4,235	\$ 56,733	\$ (56,733)	\$ 4,235
Due to bondholders	106,684	51,039	(52,592)	105,131
Total liabilities	\$ 110,919	\$ 107,772	\$ (109,325)	\$ 109,366
<u>Old Coach Waterline</u>				
<u>AD No. 00-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 64,340	\$ 29,584	\$ (29,290)	\$ 64,634
Taxes receivable	1,962	984	(1,962)	984
Total assets	\$ 66,302	\$ 30,568	\$ (31,252)	\$ 65,618
Liabilities:				
Due to bondholders	\$ 66,302	\$ 30,568	\$ (31,252)	\$ 65,618
Total liabilities	\$ 66,302	\$ 30,568	\$ (31,252)	\$ 65,618
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 7,068,177	\$ 4,416,371	\$ (4,390,011)	\$ 7,094,537
Taxes receivable	159,661	3,609	(159,661)	3,609
Accounts receivable	700,000	-	(160,000)	540,000
Interest receivable	14	15	(14)	15
Cash and investments with fiscal agents	1,708,320	3,365,753	(3,365,675)	1,708,398
Total assets	\$ 9,636,172	\$ 7,785,748	\$ (8,075,361)	\$ 9,346,559
Liabilities:				
Accounts payable	\$ 113,432	\$ 3,391,790	\$ (3,483,175)	\$ 22,047
Deposits	3,217,230	954,718	(870,079)	3,301,869
Due to bondholders	5,605,510	3,439,240	(3,562,107)	5,482,643
Advances from City of Poway	700,000	-	(160,000)	540,000
Total liabilities	\$ 9,636,172	\$ 7,785,748	\$ (8,075,361)	\$ 9,346,559

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STATISTICAL SECTION

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

Contents

Financial Trends 139

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

Revenue Capacity 146

These schedules contain information to help the reader assess the government's most significant local revenue sources.

Debt Capacity 152

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

Demographic and Economic Information 159

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

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 162

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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City of Poway
Net Assets by Component,
Current and Prior Seven Years
(accrual basis of accounting)

	Year Ended June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006
Governmental activities								
Invested in capital assets, net of related debt	\$ 94,657,067	\$ 93,097,532	\$ 50,255,141	\$ 46,412,443	\$ 36,713,773	\$ 28,805,157	\$ 21,675,540	\$ 16,728,005
Restricted	25,929,921	24,523,246	70,931,373	78,369,565	99,252,462	101,384,182	99,518,581	98,416,094
Unrestricted - as restated	63,636,432	59,865,964	(71,148,492)	(93,996,026)	(98,283,120)	(95,193,402)	(97,582,504)	(105,519,982)
Total governmental activities net assets	184,223,420	177,486,742	50,038,022	30,785,982	37,683,115	34,995,937	23,611,617	9,624,117
Business-type activities								
Invested in capital assets, net of related debt	40,746,468	42,846,682	43,976,262	43,508,027	39,127,764	34,657,630	35,055,052	36,472,213
Restricted	279,604	279,575	280,450	280,450	280,469	281,531	283,938	283,534
Unrestricted	33,305,899	34,543,173	36,469,136	35,320,341	34,194,395	32,511,666	30,112,939	25,587,312
Total business-type activities net assets	74,331,971	77,669,430	80,725,848	79,108,818	73,602,628	67,450,827	65,451,929	62,343,059
Primary government								
Invested in capital assets, net of related debt	135,403,535	135,944,214	94,231,403	89,920,470	75,841,537	63,462,787	56,730,592	53,200,218
Restricted	26,209,525	24,802,821	71,211,823	78,650,015	99,532,931	101,665,713	99,802,519	98,699,628
Unrestricted	96,942,331	94,409,137	(34,679,356)	(58,675,685)	(64,088,725)	(62,681,736)	(67,469,565)	(79,932,670)
Total primary government net assets	258,555,391	255,156,172	130,763,870	109,894,800	111,285,743	102,446,764	89,063,546	71,967,176

Attachment 1

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. The City implemented the retroactive reporting of infrastructure in fiscal year 2007.

The City is reporting its ten year history with the implementation of GASB 44 in fiscal year 2006.

City of Poway
Changes in Net Position
Current and Prior Seven Years
(accrual basis of accounting)

	Year Ended June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006
Expenses:								
Governmental Activities:								
General Government	\$ 5,356,979	\$ 14,226,478	\$ 17,144,376	\$ 23,947,500	\$ 23,261,446	\$ 18,616,222	\$ 14,559,177	\$ 15,689,334
Public Safety	20,213,645	19,514,321	18,899,606	19,475,481	19,227,914	19,039,199	18,121,264	17,313,198
Public Works	12,283,876	12,484,070	12,622,204	12,595,756	11,213,841	10,607,352	9,100,534	13,023,698
Development Services	3,745,329	2,767,969	2,348,622	4,423,865	5,226,071	5,367,148	4,978,301	
Community Services	5,063,022	4,848,768	14,398,426	25,213,955	16,195,999	18,329,674	16,964,745	19,510,067
Interest and fiscal charges	374,700	8,247,159	17,232,642	14,969,311	16,692,399	17,038,330	19,697,044	16,986,839
Transfer to fiduciary funds	444,282	-	-	-	-	-	-	-
Total governmental expenses	47,481,833	62,088,765	82,645,876	100,625,868	91,817,670	88,997,925	83,421,065	82,523,136
Business-type activities:								
Water	22,367,122	20,652,724	18,143,829	18,226,463	18,697,576	17,534,682	17,371,707	16,009,205
Sewer	10,069,336	8,374,223	7,651,228	7,522,634	8,011,470	7,743,880	7,970,848	8,730,098
Total business-type expenses	32,436,458	29,026,947	25,795,057	25,749,097	26,709,046	25,278,562	25,342,555	24,739,303
Total primary government expenses	\$ 79,918,291	\$ 91,115,712	\$ 108,440,933	\$ 126,374,965	\$ 118,526,716	\$ 114,276,487	\$ 108,763,620	\$ 107,262,439
Program revenues:								
Governmental Activities:								
Charges for services:								
General Government	\$ 118,347	\$ 120,126	\$ 96,397	\$ 91,745	\$ 105,084	\$ 133,893	\$ 176,938	\$ 173,484
Public Safety	2,155,607	2,030,510	2,121,984	2,131,729	2,413,197	2,068,632	2,181,971	2,104,975
Public Works	2,738,196	3,537,666	4,422,522	4,479,896	4,868,530	4,327,217	4,011,644	3,512,623
Development Services	1,384,543	1,049,318	1,584,838	1,332,714	1,388,448	1,522,060	1,451,489	-
Community Services	2,243,495	2,160,596	2,111,476	2,821,718	3,033,466	2,935,862	2,894,396	3,908,179
Operating grants and contributions	1,811,203	4,760,819	5,857,360	7,615,477	5,826,044	6,478,997	6,103,045	6,198,885
Capital grants and contributions	99,831	833,137	1,155,384	1,246,555	2,110,463	5,128,657	2,940,273	3,088,436
Total program revenues	10,551,222	14,492,172	17,349,961	19,719,834	19,745,232	22,595,318	19,759,756	18,986,582
Business-type activities:								
Charges for services:								
Water	22,207,174	20,612,607	18,694,318	17,881,695	16,714,571	16,806,379	16,637,705	15,181,771
Sewer	7,228,097	7,300,875	8,759,001	8,651,681	8,651,968	8,440,646	7,943,890	7,479,071
Capital grants and contributions	-	-	-	-	-	-	63,604	66,840
Total program revenues	29,435,271	27,913,482	27,453,319	26,533,376	25,366,539	25,247,025	24,645,199	22,727,682
Total primary government program revenue	\$ 39,986,493	\$ 42,405,654	\$ 44,803,280	\$ 46,253,210	\$ 45,111,771	\$ 47,842,343	\$ 44,404,955	\$ 41,714,264
Net (expense)/revenue	(36,930,611)	(47,596,593)	(65,295,915)	(80,121,755)	(72,072,438)	(66,402,607)	(63,661,309)	(63,536,554)
Governmental activities	(3,001,187)	(1,113,465)	1,658,262	784,279	(1,342,507)	(31,537)	(697,356)	(2,011,621)
Business-type activities	(39,931,798)	(48,710,058)	(63,637,653)	(80,121,755)	(73,414,945)	(66,434,144)	(64,358,665)	(65,548,175)
Total primary government net (expense)								

City of Poway
Changes in Net Position (Continued)
Current and Prior Seven Years
(accrual basis of accounting)

	Year Ended June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006
General revenues and Other Changes in Net Assets:								
Governmental Activities:								
Taxes:								
Property taxes	\$ 21,378,147	\$ 34,713,961	\$ 50,960,736	\$ 51,526,758	\$ 51,190,712	\$ 50,669,452	\$ 48,048,249	\$ 45,725,853
Sales taxes	13,692,553	11,276,884	10,418,322	9,833,390	10,325,455	12,904,265	13,032,518	13,918,879
Motor vehicle license tax	22,085	26,685	262,412	150,641	173,673	225,353	273,727	392,240
Transient occupancy tax	483,568	462,508	433,934	367,434	247,787	206,323	202,767	190,097
Franchise taxes	1,491,227	1,512,878	1,465,926	1,491,231	1,590,066	1,497,724	1,588,677	1,399,524
Other Taxes	1,816,574	626,421	616,466	629,589	597,880	598,965	596,868	609,982
Total taxes	38,884,154	48,619,337	64,157,796	63,999,043	64,125,573	66,102,082	63,742,806	62,236,575
Investment earnings	1,000,883	1,297,998	5,964,802	8,287,516	9,879,153	10,639,352	10,569,205	8,508,647
Miscellaneous	3,374,664	542,954	512,858	1,251,844	607,387	714,405	3,349,606	2,894,418
Sale/disposal of capital assets	-	(2,088,434)	13,561,625	-	-	-	-	(11,262)
Transfers	407,588	2,284,985	350,874	470,498	147,503	331,088	(12,808)	460,810
Extraordinary Item	-	128,406,347	-	-	-	-	-	-
Total governmental activities	43,667,289	179,063,187	84,547,955	74,008,901	74,759,616	77,786,927	77,648,809	74,089,188
Business-type activities:								
Property taxes	-	-	-	-	-	-	-	309,296
Investment earnings	23,733	65,593	254,279	463,177	1,987,778	2,283,493	3,038,852	1,157,563
Contributed capital	-	-	-	4,225,637	4,720,039	-	-	-
Miscellaneous	47,583	276,439	55,363	503,595	933,994	78,030	754,566	738,337
Transfers	(407,588)	(2,284,985)	(350,874)	(470,498)	(147,503)	(331,088)	12,808	(460,810)
Total business-type activities	(336,272)	(1,942,953)	(41,232)	4,721,911	7,494,308	2,030,435	3,806,226	1,744,386
Total primary government	\$ 43,331,017	\$ 177,120,234	\$ 84,506,723	\$ 78,730,812	\$ 82,253,924	\$ 79,817,362	\$ 81,455,035	\$ 75,833,574
Change in Net Assets								
Governmental activities	\$ 6,736,678	\$ 131,466,594	\$ 19,252,040	\$ 74,008,901	\$ 2,687,178	\$ 11,384,320	\$ 13,987,500	\$ 10,552,634
Business-type activities	(3,337,459)	(3,056,418)	1,617,030	5,506,190	6,151,801	1,998,898	3,108,870	(267,235)
Total primary government	\$ 3,399,219	\$ 128,410,176	\$ 20,869,070	\$ (1,390,943)	\$ 8,838,979	\$ 13,383,218	\$ 17,096,370	\$ 10,285,399

Notes:

The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. The City implemented the retroactive reporting of infrastructure in fiscal year 2007.

The City is reporting its ten year history with the implementation of GASB 44 in fiscal year 2006.

City of Poway
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30,				
	2013	2012	2011	2010	2009
General Fund					
Non-spendable	\$ 10,157,087	\$ 10,218,860	\$ 10,151,108		
Restricted	-	-	-		
Committed	9,999,309	10,019,883	10,037,638		
Assigned	7,173,822	6,666,188	6,466,719		
Unassigned	30,695,920	22,906,009	23,955,242		
Reserved				\$ 4,647,709	\$ 5,561,391
Unreserved:					
Designated				31,724,737	32,152,754
Undesignated				-	-
Total General Fund	\$ 58,026,138	\$ 49,810,940	\$ 50,610,707	\$ 36,372,446	\$ 37,714,145
All Other Governmental Funds					
Non-spendable	\$ -	\$ -	\$ -		
Restricted	25,929,921	23,733,859	62,455,191		
Committed	-	-	-		
Assigned	-	-	8,564,840		
Unassigned	-	-	(88,658)		
Reserved				\$ 51,660,768	\$ 62,868,328
Unreserved:					
Designated:					
Special revenue funds				-	-
Debt service funds				-	-
Capital projects funds				20,795,704	24,840,402
Undesignated:					
Special revenue funds				5,913,093	5,982,341
Debt service funds				-	-
Capital projects funds				-	-
Total all Other Governmental Funds	\$ 25,929,921	\$ 23,733,859	\$ 70,931,373	\$ 78,369,565	\$ 93,691,071
Total Fund Balance	\$ 83,956,059	\$ 73,544,799	\$ 121,542,080	\$ 114,742,011	\$ 131,405,216

City of Poway
Fund Balances, Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	June 30,				
	2008	2007	2006	2005	2004
General Fund					
Non-spendable					
Restricted					
Committed					
Assigned					
Unassigned					
Reserved	\$ 8,478,531	\$ 7,538,564	\$ 7,389,245	7,885,013	7,581,391
Unreserved:					
Designated	31,160,911	30,375,251	27,539,942	25,115,075	21,827,076
Undesignated	-	-	-	-	-
Total General Fund	<u>\$ 39,639,442</u>	<u>\$ 37,913,815</u>	<u>\$ 34,929,187</u>	<u>33,000,088</u>	<u>29,408,467</u>
All Other Governmental Funds					
Non-spendable					
Restricted					
Committed					
Assigned					
Unassigned					
Reserved	\$ 55,650,435	\$ 43,663,739	\$ 39,477,985	35,478,892	44,761,898
Unreserved:					
Designated:					
Special revenue funds	-	-	7,760,635	8,816,961	8,175,996
Debt service funds	-	-	-	-	-
Capital projects funds	32,578,654	43,037,658	-	-	-
Undesignated:					
Special revenue funds	4,676,562	5,278,620	6,014,938	7,795,241	7,804,756
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	37,769,191	42,511,597	55,342,242
Total all Other Governmental Funds	<u>\$ 92,905,651</u>	<u>\$ 91,980,017</u>	<u>\$ 91,022,749</u>	<u>94,602,691</u>	<u>116,084,892</u>
Total Fund Balance	<u><u>\$ 132,545,093</u></u>	<u><u>\$ 129,893,832</u></u>	<u><u>\$ 125,951,936</u></u>	<u><u>127,602,779</u></u>	<u><u>145,493,359</u></u>

City of Poway
Changes In Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Year Ended June 30,				
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenues					
Taxes	\$ 38,996,849	\$ 51,939,098	\$ 66,623,806	\$ 67,411,848	\$ 66,062,646
Licenses and permits	543,838	507,908	457,905	433,517	422,948
Intergovernmental	1,062,851	1,564,484	1,800,145	2,994,005	2,889,804
Charges for services	1,671,506	1,439,891	3,232,221	3,140,274	2,954,967
Fines and forfeitures	527,006	554,570	678,468	750,551	852,535
Use of money and property	2,188,570	3,291,466	7,821,732	12,180,028	14,862,137
Developer fees	4,029,232	3,279,373	4,516,243	3,711,578	3,897,877
Assessment levied	1,895,888	1,874,967	1,902,409	1,886,300	1,873,179
Other revenues	2,862,343	497,517	729,933	2,228,662	1,013,135
Total revenues	<u>53,778,083</u>	<u>64,949,274</u>	<u>87,762,862</u>	<u>94,736,763</u>	<u>94,829,228</u>
Expenditures					
Current:					
General government	4,239,824	5,798,899	2,680,162	6,056,348	6,733,135
Public safety	19,536,711	18,889,733	18,328,287	18,966,380	18,673,036
Public works	9,971,383	10,084,437	9,990,368	9,943,681	8,566,157
Development services	3,779,577	2,807,935	2,388,077	4,475,943	5,279,297
Community services	4,733,922	4,678,369	9,894,345	9,048,983	9,741,990
Capital outlay	860,039	8,542,370	16,818,821	27,639,839	17,981,861
Debt service:					
Principal	635,000	2,405,000	6,703,020	7,150,000	6,855,000
Principal-early retirement-sale of capital asset	-	-	26,720,000	-	-
Interest and fiscal charges	570,087	6,820,619	17,972,119	14,943,766	16,732,005
Debt Issuance Costs	424,079	-	-	-	-
Tax shift	-	-	2,820,770	13,700,882	-
Tax increment reimbursements	-	48,711	5,948,554	2,380,740	6,205,709
Transfers to fiduciary funds	444,282	-	-	-	-
Total expenditures	<u>45,194,904</u>	<u>60,076,073</u>	<u>120,264,523</u>	<u>114,306,562</u>	<u>96,768,190</u>
Excess of revenues over (under) expenditures	<u>8,583,179</u>	<u>4,873,201</u>	<u>(32,501,661)</u>	<u>(19,569,799)</u>	<u>(1,938,962)</u>
Other Financing Sources (Uses)					
Proceeds from issuance of debt	14,606,626	105,109	169,930	161,049	154,734
Refunding bond activity -net	(14,845,897)	-	-	-	-
Proceeds from sale of capital assets	842,166	-	38,300,000	-	-
Transfers in (out) net	1,225,186	3,823,436	831,800	2,745,545	644,351
Total other financing sources	<u>1,828,081</u>	<u>3,928,545</u>	<u>39,301,730</u>	<u>2,906,594</u>	<u>799,085</u>
Extraordinary Items					
Loss on dissolution of Poway Redevelopment Agency	-	(56,799,027)	-	-	-
Net change in fund balance	<u>\$ 10,411,260</u>	<u>\$ (47,997,281)</u>	<u>\$ 6,800,069</u>	<u>\$ (16,663,205)</u>	<u>\$ (1,139,877)</u>
Debt service as a percentage of noncapital expenditures	3.3%	17.9%	22.1%	21.3%	25.8%

Note: The City implemented GASB 34 beginning with the fiscal year ended June 30, 2003. Prior to that time, interfund loans were treated as "Other Financing Sources" and classified as "Proceeds from issuance of debt" in the fund receiving the loan.

City of Poway
Changes In Fund Balances, Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Year Ended June 30,				
	2008	2007	2006	2005	2004
Revenues					
Taxes	\$ 68,817,462	\$ 63,810,241	\$ 62,042,614	\$ 55,406,112	\$ 47,368,683
Licenses and permits	328,159	330,755	296,935	288,716	296,984
Intergovernmental	3,971,720	4,336,767	5,796,558	4,637,517	5,445,572
Charges for services	2,676,329	4,419,664	7,557,159	7,607,467	7,449,929
Fines and forfeitures	803,552	720,949	732,633	273,322	251,834
Use of money and property	15,516,351	16,120,443	13,459,180	13,535,451	8,152,189
Developer fees	3,780,128	4,509,741	489,210	536,404	1,243,389
Assessment levied	1,892,326	1,868,567	1,845,859	1,835,519	1,816,524
Other revenues	2,568,693	1,389,762	1,157,139	2,525,614	1,473,492
Total revenues	<u>100,354,720</u>	<u>97,506,889</u>	<u>93,377,287</u>	<u>86,646,122</u>	<u>73,498,596</u>
Expenditures					
Current:					
General government	7,252,320	9,614,109	9,552,247	11,114,009	10,668,972
Public safety	18,528,701	17,897,811	16,563,059	17,304,746	15,588,991
Public works	8,009,622	6,556,796	11,338,373	4,865,184	3,966,484
Development services	5,420,200	5,028,405			
Community services	12,593,136	11,877,425	11,884,718	10,671,636	7,569,324
Capital outlay	18,354,376	14,205,962	18,802,010	31,981,651	31,743,517
Debt service:					
Principal	6,560,000	6,470,000	5,875,000	6,706,720	7,875,000
Principal-early retirement-sale of capital asset					
Interest and fiscal charges	17,077,417	17,896,630	17,101,983	16,482,351	15,477,533
Debt Issuance Costs	-	-	-	255,302	2,765,590
Tax shift	-	-	1,674,851	2,549,564	1,357,911
Tax increment reimbursements	5,515,447	4,889,025	3,831,350	2,380,488	29,865,057
Transfers to fiduciary funds	-	-	-	-	-
Total expenditures	<u>99,311,219</u>	<u>94,436,163</u>	<u>96,623,591</u>	<u>104,311,651</u>	<u>126,878,379</u>
Excess of revenues over (under) expenditures	<u>1,043,501</u>	<u>3,070,726</u>	<u>(3,246,304)</u>	<u>(17,665,529)</u>	<u>(53,379,783)</u>
Other Financing Sources (Uses)					
Proceeds from issuance of debt	151,285	148,273	149,563	8,499,883	156,029,702
Refunding bond activity -net	-	(184,586)	-	(9,301,120)	(99,094,350)
Proceeds from sale of capital assets	-	-	-	232,168	1,110,603
Transfers in (out) net	1,456,475	907,483	1,445,898	506,234	1,346,544
Total other financing sources	<u>1,607,760</u>	<u>871,170</u>	<u>1,595,461</u>	<u>(62,835)</u>	<u>59,392,499</u>
Extraordinary Items					
Loss on dissolution of Poway Redevelopment Agency	-	-	-	-	-
Net change in fund balance	<u>\$ 2,651,261</u>	<u>\$ 3,941,896</u>	<u>\$ (1,650,843)</u>	<u>\$ (17,728,364)</u>	<u>\$ 6,012,716</u>
Debt service as a percentage of noncapital expenditures	26.2%	29.1%	26.4%	27.3%	19.9%

Note: The City implemented GASB 34 beginning with the fiscal year ended June 30, 2003. Prior to that time, interfund loans were treated as "Other Financing Sources" and classified as "Proceeds from issuance of debt" in the fund receiving the loan.

City of Poway
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Assessed Value			Total	Exemptions	Net Taxable Value	Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
	Land	Improvements	Personal Property						
2004	\$ 2,338,197,043	\$ 3,315,524,886	\$ 190,767,595	\$ 5,844,489,524	\$ (171,519,517)	\$ 5,672,970,007	6.97%	\$ 6,399,317	0.211%
2005	2,611,610,220	3,535,334,922	187,042,681	6,333,987,823	(214,007,737)	6,119,980,086	7.88%	6,895,981	0.211%
2006	2,991,468,898	3,840,250,821	245,308,882	7,077,028,601	(217,368,560)	6,859,660,041	12.09%	7,615,898	0.211%
2007	3,230,084,121	4,191,380,246	278,291,264	7,699,755,631	(229,216,072)	7,470,539,559	8.91%	8,358,741	0.211%
2008	3,525,237,590	4,412,172,141	272,804,881	8,210,214,612	(229,932,712)	7,980,281,900	6.82%	8,939,836	0.211%
2009	3,647,796,486	4,472,160,193	254,000,489	8,373,957,168	(244,967,192)	8,128,989,976	1.86%	9,117,319	0.211%
2010	3,640,861,781	4,548,446,929	288,729,686	8,478,038,396	(261,984,967)	8,216,053,429	1.07%	9,024,247	0.211%
2011	3,606,251,228	4,540,602,915	276,448,124	8,423,302,267	(255,814,376)	8,167,487,891	-0.59%	9,005,230	0.211%
2012	3,638,418,566	4,608,371,669	286,292,343	8,533,082,578	(270,186,598)	8,262,895,980	1.17%	9,212,214	0.211%
2013	3,604,077,934	4,615,585,498	294,522,436	8,514,185,868	(288,745,114)	8,225,440,754	-0.45%	9,151,456	0.211%

In 1978 the voters of the State of California passed Proposition 13 which resulted in dramatic tax reform as it relates to property tax collections. Proposition 13 established a property tax 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" that may not exceed 2%. With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point the new assessed value is fixed at the purchase price of the property. Due to the nature of Proposition 13, over time the assessed value base has become significantly undervalued when compared to the true market value of the property. Because the true market value is not tied to any type of annual valuation process, there is no reliable means of determining the market value of the parcels within the City and therefore this amount is not disclosed.

Source: San Diego County Assessors Office

**City of Poway
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	City Direct Rate	Overlapping Rates					Total 1% Property Tax Rate
		Poway Unified School District	San Diego County	Educational Revenue Augmentation Fund	Palomar Community College District	All Other	
2004	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2005	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2006	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2007	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2008	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2009	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2010	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2011	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2012	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2013	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%

Fiscal Year Ended June 30,	Total 1% Property Tax Rate	Rates for Voter Approved Bond Indebtedness			Total Property Tax Rate
		City Rate	Poway Unified School District	All Other	
2004	1.000%	0.000%	0.052%	0.007%	1.059%
2005	1.000%	0.007%	0.047%	0.006%	1.060%
2006	1.000%	0.007%	0.043%	0.023%	1.072%
2007	1.000%	0.000%	0.046%	0.022%	1.069%
2008	1.000%	0.000%	0.045%	0.032%	1.077%
2009	1.000%	0.000%	0.047%	0.035%	1.082%
2010	1.000%	0.000%	0.055%	0.031%	1.086%
2011	1.000%	0.000%	0.055%	0.042%	1.097%
2012	1.000%	0.000%	0.055%	0.041%	1.096%
2013	1.000%	0.000%	0.055%	0.041%	1.096%

In 1978 the voters of the State of California passed Proposition 13 which resulted in dramatic tax reform as it relates to property tax collections. Proposition 13 established a property tax of 1% based upon the assessed value of the property being taxed. The 1.00% is shared by all taxing agencies which the subject property resides within. Because the rate is fixed at 1.00%, each agency's portion of the 1.00% does not change materially from year-to-year. Rates over the 1.00% are for voter approved bonded indebtedness.

Source: San Diego County Assessors Office

City of Poway
Principal Secured Property Tax Payers
Current Year and Nine Years Ago

	2013			2004		
	Taxable Assessed Secured Value	Rank	% of Total City Assessed Secured Value	Taxable Assessed Secured Value	Rank	% of Total City Assessed Secured Value
Sorrento West Properties Inc	\$ 162,257,256	1	1.91%			
Slough Poway I LLC	86,127,246	2	1.01%			
Ventas Inc	74,557,218	3	0.88%			
San Miguel Valley Corp	43,237,417	4	0.51%			
Hometown Poway Royal Estates LLC	38,938,500	5	0.46%			
Sysco Food Services	34,700,000	6	0.41%	\$ 25,535,921	4	0.44%
Toray Membrane USA Inc	32,735,162	7	0.38%			
Poway Crossings Investors LLC	29,989,497	8	0.35%			
Costco Wholesale Corp	29,850,000	9	0.35%			
PR Stowe LLC	27,821,386	10	0.33%			
Prudential Insurance				35,821,680	1	0.61%
Pomerado Leasing				32,717,065	2	0.56%
Government Employees Insurance Co.				27,337,981	3	0.47%
Resmed Corporation				25,207,789	5	0.43%
PCF Funding Inc.				22,899,000	6	0.39%
Cohu Inc.				22,502,220	7	0.39%
Wells Lloyd Gift Trust				22,413,087	8	0.38%
Regency Centers LP				20,937,574	9	0.36%
Toppan Electronics Inc.				19,513,148	10	0.33%
	<u>\$ 560,213,682</u>		<u>6.58%</u>	<u>\$ 254,885,465</u>		<u>4.36%</u>

Source: San Diego County Assessors Office

City of Poway
Assessed Value of Taxable Property
Successor Agency & Redevelopment Tax Increment Property Tax
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Assessed Value			Exemptions	Base Year Values	Net Taxable Value	Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate	
	Land	Improvements	Personal Property							Total
Redevelopment Agency										
2004	\$ 1,069,060,617	\$ 1,644,074,499	\$ 157,368,510	\$ 2,870,503,626	\$ (40,683,262)	\$ (186,287,869)	\$ 2,643,532,495	\$ 26,732,816	6.41%	1.011%
2005	1,190,799,171	1,756,732,835	145,512,135	3,093,044,141	(51,334,639)	(186,287,869)	2,855,421,633	29,031,365	8.02%	1.017%
2006	1,366,315,823	1,923,849,526	205,148,011	3,495,313,360	(54,732,751)	(186,287,869)	3,254,292,740	33,064,572	13.97%	1.016%
2007	1,455,401,981	2,087,221,327	219,066,696	3,761,690,004	(61,891,980)	(186,287,869)	3,513,510,155	35,445,525	7.97%	1.009%
2008	1,590,220,327	2,198,461,319	212,387,349	4,001,068,995	(66,618,692)	(186,287,869)	3,748,162,434	37,854,271	6.68%	1.010%
2009	1,666,217,121	2,208,050,046	191,508,808	4,065,775,975	(66,638,280)	(186,287,869)	3,812,849,826	38,500,704	1.73%	1.010%
2010	1,698,144,577	2,286,610,454	213,648,005	4,198,403,036	(68,141,344)	(186,287,869)	3,943,973,823	39,822,711	3.44%	1.010%
2011	1,669,652,573	2,277,541,902	210,644,139	4,157,838,614	(67,140,049)	(186,287,869)	3,904,410,696	39,482,933	-1.00%	1.011%
Successor Agency										
2012	\$ 1,645,381,909	\$ 2,296,714,929	\$ 219,462,356	\$ 4,161,559,194	\$ (73,438,572)	\$ (186,287,869)	\$ 3,901,832,753	\$ 39,018,328	-0.07%	1.000%
2013	1,625,001,094	2,299,815,065	244,826,073	4,169,642,232	(90,214,209)	(186,287,869)	3,893,140,154	38,931,402	-0.22%	1.000%

In 1978 the voters of the State of California passed Proposition 13 which resulted in dramatic tax reform as it relates to property tax collections. Proposition 13 established a property tax 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" that may not exceed 2%. With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point the new assessed value is fixed at the purchase price of the property. Due to the nature of Proposition 13, over time the assessed value base has become significantly undervalued when compared to the true market value of the property. Because the true market value is not tied to any type of annual valuation process, there is no reliable means of determining the market value of the parcels within the City and therefore this amount is not disclosed.

AB XI 26 dissolved all Redevelopment Agencies in California and created Successor Agencies to manage the dissolution process which will last the life of each agency. Poway's Redevelopment Agency was scheduled to expire in January 2037.

Source: San Diego County Assessors Office

City of Poway
Redevelopment Property Tax Levies and Collections
Fiscal Years 2003-04 through 2011-12

Fiscal Year Ended June 30,	Within The Year of Levy			Collections From Prior Years' Levies	Total Collections
	Current Secured Tax Levy	Current Secured Collected	Percent of Levy Collected		
2004	\$ 26,637,504	\$ 26,397,127	99.10%	\$ 419,490	\$ 26,816,617
2005	28,914,339	28,583,331	98.86%	387,359	28,970,690
2006	32,938,833	32,397,596	98.36%	494,520	32,892,116
2007	35,319,838	34,426,834	97.47%	629,698	35,056,532
2008	37,650,893	36,657,780	97.36%	930,938	37,588,718
2009	38,031,377	37,099,651	97.55%	1,465,939	38,565,590
2010	39,609,344	38,592,272	97.43%	1,495,015	40,087,287
2011	39,189,880	38,684,907	98.71%	1,399,870	40,084,777
2012	39,162,627	21,655,038	55.30%	580,773	22,235,811

Source: San Diego County Assessors Office

Note 1: San Diego County does not break out prior years' collections by fiscal year, therefore, the amount reported in the Collections From Prior Years' Levies column is the cumulative amount collected during that fiscal year for all prior year levies, not the amount related to each fiscal year.

Note 2: As part of AB XI 26 the Agency's last tax increment distribution was received in January 2012. Consequently, the Percent of Levy Collected was only 55.30%.

Note 3: AB XI 26 dissolved all Redevelopment Agencies in California and created Successor Agencies to manage the dissolution process which will last the life of each agency. Poway's Redevelopment Agency was scheduled to expire in January 2037.

City of Poway

General Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Within The Year of Levy			Cumulative Prior Years of Levy			Total Collections to Date		
	Current Secured Tax Levy	Current Secured Collected	Percent of Levy Collected	Prior Year's Levies	Collections From Prior Year's Levies	Percent of Prior Year's Levies Collected	Total Levies	Total Collections	Percentage
2004	\$ 14,539,338	\$ 14,432,902	99.27%	\$ 350,441	\$ 252,391	72.02%	\$ 14,889,779	\$ 14,685,293	98.63%
2005	15,074,377	14,925,461	99.01%	217,086	125,713	57.91%	15,291,463	15,051,174	98.43%
2006	15,924,752	15,669,141	98.39%	265,490	154,006	58.01%	16,190,242	15,823,147	97.73%
2007	16,494,681	16,171,714	98.04%	420,812	269,867	64.13%	16,915,493	16,441,581	97.20%
2008	17,034,013	16,641,698	97.70%	543,797	329,517	60.60%	17,577,810	16,971,215	96.55%
2009	17,295,459	16,805,480	97.17%	674,580	378,562	56.12%	17,970,039	17,184,042	95.63%
2010	16,665,674	16,276,757	97.67%	849,654	490,668	57.75%	17,515,328	16,767,426	95.73%
2011	14,772,947	14,515,679	98.26%	808,521	411,305	50.87%	15,581,468	14,926,983	95.80%
2012	14,976,590	14,752,163	98.50%	702,501	232,773	33.13%	15,679,092	14,984,936	95.57%
2013	15,044,676	14,897,994	99.03%	550,273	214,571	38.99%	15,594,949	15,112,565	96.91%

Source: San Diego County Assessors Office.

Note: San Diego County does not break out prior years' collections by fiscal year, therefore, the amount reported in the Collections From Prior Years' Levies column is the cumulative amount collected during that fiscal year for all prior year levies, not the amount related to each fiscal year.

City of Poway
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				
	Tax Allocation Bonds	Certificates of Participation	Capital Leases	Loan Payable	General Obligation
2004	\$ 260,910,000	\$ 57,410,000	\$ 98,711	\$ 1,939,667	\$ 1,025,000
2005	256,350,000	55,395,000	43,565	2,120,310	525,000
2006	251,675,000	54,195,000	-	2,169,647	-
2007	247,395,000	52,810,000	-	2,201,788	-
2008	242,280,000	51,365,000	-	2,250,467	-
2009	236,940,000	49,850,000	-	2,282,702	-
2010	231,385,000	48,255,000	-	2,400,513	-
2011	225,610,000	20,690,000	-	2,542,009	-
2012	219,430,000	19,810,000	-	2,672,503	-
2013	212,735,000	18,680,000	-	2,780,463	-

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

Source: City of Poway Administrative Services Department

City of Poway
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Continued)

Fiscal Year Ended June 30,	Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Capital Leases	Contract Payable			
2004	\$ 2,400,000	\$ 41,268	\$ 5,407	\$ 323,830,053	16.85%	\$ 6,396
2005	2,250,000	18,213	5,407	316,707,495	15.64%	6,250
2006	2,095,000	-	-	310,136,653	14.36%	6,136
2007	1,930,000	-	-	304,338,795	13.48%	5,987
2008	1,760,000	-	-	297,657,475	12.39%	5,825
2009	1,580,000	-	-	290,654,711	12.44%	5,685
2010	1,390,000	-	-	283,432,523	12.22%	5,445
2011	1,190,000	-	-	250,034,020	11.37%	5,192
2012	975,000	-	-	242,889,515	10.59%	5,020
2013	750,000	-	-	234,947,476	9.71%	4,838

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

Source: City of Poway Administrative Services Department

City of Poway
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Outstanding General Bonded Debt	Percent of Assessed Value (a)	Per Capita
	Tax Allocation Bonds		
2004	\$ 260,910,000	4.46%	\$ 5,153
2005	256,350,000	4.05%	5,059
2006	251,675,000	3.56%	4,980
2007	247,395,000	3.21%	4,867
2008	242,280,000	2.95%	4,741
2009	236,940,000	2.83%	4,634
2010	231,385,000	2.73%	4,445
2011	225,610,000	2.68%	4,685
2012	219,430,000	2.57%	4,535
2013	212,735,000	2.50%	4,381

Notes:

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

(a) Assessed value has been used because the actual value of taxable property is not readily available in California.

Source: City of Poway Administrative Services Department

**City of Poway
Direct and Overlapping Debt
As of June 30, 2013**

2012-13 Assessed Valuation: \$ 8,301,283,904

	Debt Outstanding	% Applicable (1)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 165,085,000	0.394%	\$ 650,435
Palomar Community College District	315,828,901	9.186%	29,012,043
Poway Unified School District School Facilities Improvement District No. 2002-1	168,664,320	40.513%	68,330,976
Poway Unified School District School Facilities Improvement District No. 2007-1	178,999,086	40.965%	73,326,976
Escondido Union High School District	99,325,338	0.098%	97,339
San Pasqual Union School District	521,351	2.796%	14,577
Palomar Pomerado Hospital District	477,631,555	13.366%	63,840,234
Poway Unified School District Community Facilities District No. 1	29,305,000	0.391%	114,583
City of Poway Community Facilities District No. 88-1	7,660,000	100.000%	7,660,000
City of Poway 1915 Act Bonds	282,491	100.000%	282,491
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,443,303,042		\$ 243,329,654
<u>DIRECT & OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 399,780,000	2.172%	\$ 8,683,222
San Diego County Pension Obligations	753,897,748	2.172%	16,374,659
San Diego County Superintendent of Schools General Fund Obligations	17,462,500	2.172%	379,286
Palomar Community College District Certificates of Participation	5,345,000	9.186%	490,992
Escondido Union High School District Certificates of Participation	60,310,000	0.098%	59,104
Poway Unified School District Certificates of Participation	34,783,991	25.488%	8,865,744
City of Poway Certificates of Participaton	16,700,000	100.000%	16,700,000
TOTAL OVERLAPPING GENERAL FUND DEBT	\$ 1,288,279,239		\$ 51,553,007
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>			
Tax Allocation Bonds	\$ 212,735,000	100.000%	\$ 212,735,000
Certificates of Participation	1,980,000	100.000%	1,980,000
TOTAL OVERLAPPING TAX INCREMENT DEBT	\$ 214,715,000		\$ 214,715,000
TOTAL DIRECT DEBT			\$ 16,700,000
TOTAL OVERLAPPING DEBT			\$ 492,897,661
COMBINED TOTAL DEBT			\$ 509,597,661 (2)

Ratios to 2012-13 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.93%
Total Direct Debt	0.20%
Combined Total Debt	6.14%

Ratios to Redevelopment Incremental Valuation (\$3,893,140,154):

Combined Direct Debt (\$20,690,000)	5.52%
-------------------------------------	-------

Notes:

(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 non-bonded capital lease obligations.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

**City of Poway
Legal Debt Margin Information
Last Ten Fiscal Years**

	FISCAL YEAR				
	2013	2012	2011	2010	2009
Assessed valuation	\$ 4,408,143,750	\$ 4,437,851,067	\$ 4,340,755,570	\$ 4,350,898,397	\$ 4,394,570,216
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,102,035,938	1,109,462,767	1,085,188,893	1,087,724,599	1,098,642,554
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 165,305,391	\$ 166,419,415	\$ 162,778,334	\$ 163,158,690	\$ 164,796,383
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	0.00%	0.00%	0.00%	0.00%	0.00%

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). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

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

Source:

City of Poway Administrative Services Department
San Diego County Assessors Office

**City of Poway
Legal Debt Margin Information
Last Ten Fiscal Years (Continued)**

	FISCAL YEAR				
	2008	2007	2006	2005	2004
Assessed valuation	\$ 4,310,588,610	\$ 4,035,420,029	\$ 3,683,578,609	\$ 3,341,441,046	\$ 3,106,118,400
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,077,647,153	1,008,855,007	920,894,652	835,360,262	776,529,600
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	\$ 161,647,073	\$ 151,328,251	\$ 138,134,198	\$ 125,304,039	\$ 116,479,440
Total net debt applicable to limit:					
General obligation bonds	-	-	-	\$ 243,728	\$ 491,401
Legal debt margin	0.00%	0.00%	0.00%	0.19%	0.42%

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). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

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

Source:

City of Poway Administrative Services Department
San Diego County Assessors Office

**City of Poway
Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Tax Allocation Bonds						Coverage
	Tax Increment	RPTTF Distribution	Debt Service			Total	
			Principal	Interest			
2004	\$ 27,665,286	-	\$ 6,545,000	\$ 10,953,444	\$ 17,498,444	1.58	
2005	30,428,470	-	4,560,000	13,740,175	18,300,175	1.66	
2006	34,109,857	-	4,675,000	12,781,669	17,456,669	1.95	
2007	36,011,865	-	5,085,000	12,328,271	17,413,271	2.07	
2008	38,256,892	-	5,115,000	12,299,556	17,414,556	2.20	
2009	38,940,302	-	5,340,000	12,068,451	17,408,451	2.24	
2010	39,377,603	-	5,555,000	11,877,545	17,432,545	2.26	
2011	39,015,261	-	5,775,000	11,658,142	17,433,142	2.24	
2012	21,926,632	16,047,570	6,180,000	11,411,148	17,591,148	2.16	
2013	-	39,511,570	6,695,000	11,169,832	17,864,832	2.21	

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

RPTTF is the acronym for the Redevelopment Property Tax Trust Fund

Source: City of Poway Administrative Services Department

City of Poway
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Population	Personal Income	Per Capita Personal Income	Labor Force	Unemployment Rate
2004	\$ 50,632	\$ 1,922,243,880	\$ 37,965	26,900	2.8%
2005	50,675	2,025,072,272	39,962	27,300	2.5%
2006	50,542	2,159,204,782	42,721	27,400	2.4%
2007	50,830	2,258,376,900	44,430	28,000	2.7%
2008	51,103	2,402,914,163	47,021	28,600	3.5%
2009	51,126	2,336,764,956	45,706	28,100	6.1%
2010	52,056	2,318,838,039	44,545	28,000	6.3%
2011	48,155	2,198,908,930	45,663	27,900	6.2%
2012	48,382	2,292,564,112	47,385	28,600	5.5%
2013	48,559	2,418,759,897	49,811	29,100	4.3%

Source:

Population - State of California Department of Finance

Personal Income - State of California Department of Finance/U.S. Bureau of Economic Analysis

Employment Information - State of California Employment Development Department - Fiscal Year

**City of Poway
Principal Employers
Current Year and Seven Years Prior**

Employer	2013			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
General Atomics Aeronautical Systems	4,500	1	15.46%			
Geico Direct	1,720	2	5.91%	1,800	1	6.57%
Poway Unified School District	1,285	3	4.42%	758	5	2.77%
Delta Design, Inc.	750	4	2.58%	1,000	3	3.65%
Pomerado Hospital	738	5	2.54%	750	6	2.74%
Sysco Food Services of SD	475	6	1.63%	500	8	1.82%
Core Logic Credco	398	7	1.37%	935	4	3.41%
H. M. Electronics Inc.	315	8	1.08%			
Walmart	300	9	1.03%			
Neal Electric Corp.	275	10	0.95%			
HNR Framing				1,200	2	4.38%
Disguise, Inc				600	7	2.19%
Cor-O-Van				400	9	1.46%
Digirad Corporation				375	10	1.37%
Total	10,756		36.96%	8,318		30.36%
Total City Labor Force	29,100			27,400		

Source:

City of Poway Economic Development Division-by employer
State of California Employment Development Department-total employment

Note:

Information on Principal Employers from nine years back is not available so information from the year 2006 will be used for the comparison until 2016.

City of Poway
Full-time-Equivalent City Employees by Function
Last Ten Fiscal Years

Function	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government	27.00	31.00	33.00	40.00	35.00	37.00	38.00	38.00	40.00	40.00
Public Safety (a)	54.00	54.00	54.00	54.00	57.00	57.00	57.00	57.00	58.00	56.00
Public works	81.00	85.00	84.00	83.00	92.00	92.00	90.00	90.00	84.00	80.00
Redevelopment Services	-	-	9.00	9.00	9.00	9.00	10.00	10.00	11.00	11.00
Community Services	20.00	20.00	20.00	20.00	27.00	28.00	29.00	28.00	28.00	27.00
Development Services	23.00	30.00	29.00	29.00	37.00	36.00	37.00	37.00	36.00	35.00
	<u>205.00</u>	<u>220.00</u>	<u>229.00</u>	<u>235.00</u>	<u>257.00</u>	<u>259.00</u>	<u>261.00</u>	<u>260.00</u>	<u>257.00</u>	<u>249.00</u>

Notes:

Amounts shown are the number of positions approved in each operating budget for the fiscal year.

(a) Law enforcement services are provided through contract with the County of San Diego Sheriff.

The City is reporting its ten year history starting with the implementation of GASB 44 in fiscal year 2006, and in this instance was able to add an additional two years.

Source: City of Poway Financial Plan

**City of Poway
Operating Indicators
Current and Prior Seven Years**

Function	2013	2012	2011	2010	2009	2008	2007	2006
General government:								
Business registrations issued	1,522	1,418	1,317	1,192	942	1,240	1,071	792
Vendor payments processed	6,770	7,020	7,063	7,804	8,936	10,230	10,562	10,782
Public Safety:								
Arrests made	1,038	1,123	1,145	1,334	1,015	1,052	981	1,898
Fire emergency responses	3,846	3,638	3,811	3,691	3,711	3,907	3,460	3,602
Safety Inspections	2,687	2,474	2,863	1,606	2,104	4,827	4,024	3,196
Development Services:								
Building permits issued (1)	1,345	1,237	1,176	1,144	1,157	1,441	2,740	3,048
Building inspections	8,349	5,981	6,126	6,580	7,417	9,280	11,264	11,163
Culture and recreation:								
Performing arts center attendance	59,389	59,897	53,249	61,214	68,993	74,420	64,728	67,004
Library-number of holdings in collection	75,000	96,000	104,367	125,977	124,977	124,977	124,977	120,628
Library-number of holdings circulated	782,288	693,783	765,704	638,494	562,865	545,279	492,501	390,974
Athletic field permits issued	156	161	152	148	144	140	124	214
Highways and streets:								
Roads resurfaced in square feet	188,561	201,968	207,968	290,877	600,000	600,000	200,000	16,000
Roads slurry sealed in square feet	3,928,425	4,563,496	4,369,160	4,369,503	4,980,000	5,000,000	5,000,000	5,000,000
Pot holes repaired/work orders (2)	644	1,323	571	193	147	46	36	35
Water:								
Residential water customers	12,509	12,523	12,439	12,492	12,458	12,588	12,556	12,530
Commercial water customers	529	464	496	514	514	510	514	511
Average daily consumption (mg)	10.16	9.36	8.99	9.57	11.61	12.82	13.83	13.37
Sewer:								
Residential sewer customers	11,474	11,383	11,241	11,225	11,191	11,175	11,180	11,322
Commercial sewer customers	623	782	770	774	770	771	755	532
Average daily treatment (mg)	2.86	3.01	3.27	3.15	3.43	3.24	3.25	3.42

Source:

City of Poway

The City is reporting its ten year history starting with the implementation of GASB 44 in fiscal year 2006.

- (1) In Fiscal Year 2007-08 the Development Services Department changed the method used to count the number of permits issued which led to the large decrease from the previous year.
(2) In Fiscal Year 2008-09 the Public Works Department began reporting pot holes fixed rather than pot holes work orders.

City of Poway
Capital Assets Statistics
Current and Prior Seven Years

Function	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety:								
Number of fire stations	3	3	3	3	3	3	3	3
Number of sheriff stations	1	1	1	1	1	1	1	1
Public works:								
Total number of streetlights	3,059	3,073	3,073	3,045	3,045	3,026	2,889	2,874
Signal controlled intersections	55	55	55	55	55	55	55	53
Health and welfare								
Senior center facilities	1	1	1	1	1	1	1	1
Culture and recreation								
Number of Libraries	1	1	1	1	1	1	1	1
Number of Performing Arts Centers	1	1	1	1	1	1	1	1
Number of Parks	19	19	19	18	18	18	18	18
Acres of developed parks	232	232	232	232	232	232	232	232
Number of reserves/preserves	2	2	2	2	2	2	2	2
Acres of reserves/preserves	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400
Miles of trails	56	56	56	56	56	56	56	56
Highways and streets								
Miles of roadway	165	165	165	165	165	165	165	165
Water								
Miles of water lines	289	289	289	253	253	253	253	253
Water storage capacity (billion/gallons)	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Sewer								
Miles of sewer lines	186	186	186	175	175	175	175	175
Miles of storm sewers	64	64	64	64	64	64	64	64

Source:

City of Poway

The City is reporting its ten year history starting with the implementation of GASB 44 in fiscal year 2006.