



CITY OF POWAY

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014



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City of Poway

Poway, California

Comprehensive Annual Financial Report

For the year ended June 30, 2014

Prepared by the
Administrative Services Department
of the
City of Poway

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**Comprehensive Annual Financial Report
For the Year Ended June 30, 2014**

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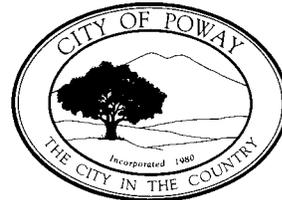
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Introductory Section

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CITY OF POWAY

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



January 26, 2015

Honorable Mayor and Members of the City Council
Poway, California

This Comprehensive Annual Financial Report (CAFR) is prepared to provide you and the community with a report of the financial transactions of the City of Poway for the year ended June 30, 2014. 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.

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 48,979 and covers 39 square miles with elevations ranging from 450 to 2,250 feet above sea level. The City absorbed existing special districts on 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, street maintenance, fire, paramedic, parks and recreation, and planning and building. 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 has mostly single-family homes, employers with well-paying desirable jobs and the lowest crime rate of any City 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.

Poway has been popularly dubbed the "City in the Country." Poway has set aside over 30 percent of total land use as open space, nearly 7,000 acres of preserved natural open space, 568 acres of developed parkland featuring community parks and centers, and 55 miles of riding and hiking trails. Poway boasts over 680 volunteers to support our services.

Economic Condition and Outlook

The national economy is recovering from the Great Recession and is in its sixth straight year of economic growth. Poway's economic condition has also modestly improved over the past year. Sales and property taxes have continued to improve. In addition, Poway's unemployment rate has continued to fall. The City has maintained conservative budget policies and practices. This conservative approach has allowed the City to maintain, and build, general and designated reserves throughout the economic downturn.

Despite several years of recession, the City of Poway has continued to thrive as a community. This past year, Poway was ranked as one of the "Top 100 Safest Cities in America" by Neighborhood Scout. Poway was also named as the "Best City in Southern California to Raise a Family" by an independent financial education website company. The study compared cities by education, work-life balance, family-friendliness, the stability of the community and by the cost of living.

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. This year's sales tax revenue was 4.2% higher than last 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 a number of important resources that support the community's high quality of life including the City's primary employment center - the Poway Business Park. The 900-acre Business Park has 9 million square feet of building space with a mix of commercial and industrial businesses, defense contractors, retailers and sport facilities. The businesses generate over \$400 million annually in sales tax and create over 17,000 jobs. Several businesses in the park feature award-winning, cutting-edge technologies including the development and manufacturing of alternative fuel vehicle and energy-storage systems. Another critical resource to the City's economy is retailers such as Costco, Target, Kohls, The Home Depot, Smart & Final Extra and WalMart. Auto dealerships along the "Poway Road of Cars" such as Toyota, Honda, Nissan, Ford and Mitsubishi are also a critical component of Poway's economy.

To remain current on issues impacting the City's diverse economy, Economic Development staff has conducted business outreach activities. These activities provide an opportunity to learn about Poway businesses and solicit feedback on how to improve City services to better meet their business needs. In FY 2013-14, business outreach meetings were held with a number of businesses including: General Atomics, Quatro, TransPower, Aldila, Poway Auto Group, Toyota, Delkin Devices, Pure Forge, Chrome Collision, Sportsplex USA, Fulex, Harbor Packaging and ICS Electronics Recycling.

Economic Development staff also assisted a number of businesses with their plans to open, or expand, in Poway. This outreach included Quantum Energy Storage, Big 5, Smart & Final Extra and Digirad. In addition, staff provided businesses with information on new business resources such as the State's Manufacturers Sales Tax Exemption, the California Competes program, the Property Assessed Clean Energy program and the Small Business Association's lending programs. Staff also arranged a tour of the Poway Business Park for reporters from the San Diego Business Journal which resulted in four articles about individual Poway businesses.

Poway's economy has experienced moderate growth in sales primarily in general consumer goods, automobile and transportation, and business and industry sectors. Auto sales have traditionally outperformed other sales tax generators, but the development of the Business Park has diversified the City's sales tax base in sectors such as business and industry and general consumer goods. This growth in sales includes electrical equipment, building materials, office supplies and furniture, food products, and bulk sales items.

The City's retail shopping center average vacancy rates has remained low at 4.5%. Poway's unemployment rate of 3.6% continues to be lower than the state's rate of 7.4% and the national rate of 6.1%. These are all positive indications of Poway's strengthening economic stability.

Another important economic indicator is Poway's household income. Poway median household income continues to grow and is the third highest in San Diego County, at \$102,938. Housing prices have increased over the past year as well. In June 2014, the median sales price of homes in Poway was \$570,500. This represents an 8.67% increase from the June 2013 median sales price of \$525,000. Regionally, the median sales price of homes in San Diego County rose by 7.91% to \$450,000.

Major Accomplishments

Administrative Services:

Technology: The City successfully completed a number of Information Technology projects in FY 2013-14 including providing on-line access to live streaming Council meetings through the City's website. In addition, access to past meetings is now available with indexing that allows users to view the meeting agenda and easily navigate to the items they are interested in viewing.

The City also implemented YourGOV, a mobile and web-based application providing residents the ability to report issues such as graffiti, potholes or street light outages. The YourGOV application is integrated with the City's work order management system, Cartegraph, and each service request is directly routed to appropriate employees.

The City also integrated its Geographic Information System (GIS) into Cartegraph and enhanced GIS data. The integration allows work orders to be linked to City assets, resulting in improved work order history and reporting. Furthermore, the City's GIS was enhanced through the development of a City Benchmarks layer, providing private sector surveyors with on-line access to locations, photos and datasheet for each benchmark (i.e. major survey points) in the City.

Poway's FY 2013-14 technology enhancements include the full implementation of NorthStar, the City's new utility billing system. The system has improved efficiencies and services for the City's 14,000 water and sewer customers. The new software provides comprehensive billing, collections and customer account management. In addition, customers can pay bills, manage their accounts and access water use history through an on-line web portal.

Risk Management: The City is a member of the California Joint Power Insurance Authority, which is one of the largest municipal self-insured pools in the state, with over 120 public agency members. As part of this program, the City works continuously with its Regional Risk Manager to identify and correct

potential risks. For the past five combined years, the City's claim costs were below the pool average for both General Liability and Workers' Compensation.

Cost Recovery: The City's Finance division developed a model to account for costs associated with medical transport of Medicare-qualified patients. The model provides the calculations and supporting information needed for participation in the State's new Ground Emergency Medical Transportation Supplemental Reimbursement Program (GEMT). In FY 2013-14, the City received over \$31,000 in reimbursements, with annual reimbursements estimated between \$10,000 and \$15,000.

General Fund Surplus: General Fund operations in FY 2013-14 resulted in a \$2.7 million operating budget surplus on a budgetary accounting basis. This surplus was primarily the result of property tax revenues, including Redevelopment Property Tax Trust Fund distributions, and increased development fees. FY 2013-14 operating expenses included fully funding the City's high quality road maintenance standards, with over \$1 million from the General Fund, and increased funding for improving City facilities.

Planning and Development Services:

Construction to expand and remodel *Walmart* began in May 2013. The project included the demolition of an existing auto service center and an adjacent 7,000 square foot vacant building. The expansion added nearly 37,000 square feet of retail space, increasing the store's size to almost 180,000 square feet with a full-service grocery department. Construction was completed in November 2014.

In May 2013, *Poway Weapons* received permits to build a 40,000 square foot building on 2.8 acre with indoor shooting ranges, meeting rooms and a small retail space. The project includes a 40,000 square foot building on a 2.8 acre lot. Construction was completed in August 2014.

Remodeling of the *Poway Plaza* was completed in October 2013. The vacant Dixieline Lumber store underwent façade improvements and was transformed into two retail spaces. The new spaces now include a *Grocery Outlet* and a *Michaels Crafts* store. The Michaels Crafts relocated from the Poway Promenade Center and this vacancy is now occupied by *Smart & Final Extra*. In addition, *Five Guys Burgers* opened a new location in the Poway Plaza.

In November 2013, *General Atomics* began constructing an eight building, 395,000 square foot office industrial complex on approximately 25 acres. The first phase of construction included a 100,000 square foot building and was completed in August 2014.

Construction began on a new *Lowes* home improvement store in February 2014. The project includes construction of an 111,500 square foot building, with an attached 27,700 square foot garden center. The Project also includes a 4,500 square foot development-ready pad for a future retail use. Construction of the store is expected to be completed in December 2014.

In March 2014, the City issued building permits for the *Poway Corporate Center*. The project includes two light industrial, warehouse and distribution buildings located on approximately 5.5 acres. Construction of the 45,000 and 25,000 square foot buildings is expected to begin in October 2014.

Construction began at *Perry Ford* to expand and remodel the auto dealership in June of this year. The project includes the demolition of office buildings and the construction of a two-story, 17,500 square foot building. The existing 14,900 square foot auto repair facility will undergo minor enhancements. Construction is expected to be completed in February 2015.

This past spring, the City issued a request for proposals seeking a consultant to conduct a multi-year *Poway Road Corridor Study*. In September, a firm was selected to complete the study. The study will evaluate Poway Road's current land use and transportation and provide recommendations on future

land use, transportation, economic development, design and aesthetics of the City's main commercial corridor. The analysis will also provide an implementation strategy and identify potential Municipal Code and General Plan changes. Public workshops and community meetings will be held periodically to gather community input. The project is anticipated to last 18-months.

Affordable Housing: In July 2014, staff helped resell two Meadows affordable ownership homes by issuing new Supporting Home Ownership in Poway (SHOP) and Building Equity and Growth in Neighborhoods (BEGIN) loans for each household. These first-time homebuyer loans allow low to moderate-income individuals the opportunity to realize their homeownership dreams.

In the spring of 2014, Next Stage U approached the City with a concept to build affordable housing for developmentally disabled adults on a site owned by the Poway Housing Authority. In order to determine the project's feasibility and negotiate the terms of a Disposition and Development Agreement, the Housing Authority approved a one-year Exclusive Negotiating Rights Agreement in November 2014.

Community Services: In FY 2013-14, the City set a goal to enhance communication and service through the use of technology. The Community Services and Administrative Services departments partnered to begin using Facebook and Twitter to promote recreation classes and events. The City also began sharing information by sending out email newsletters to over 500 subscribers. Further, the City streamlined the way sports organizations reserve fields by enabling them to do so online. In addition, the City began using new on-line adaptive ticketing software that improves the ticket purchasing process for shows at the Poway Center for the Performing Arts.

The City is proud of its rich history and community values, as demonstrated by its commitment to the operation of cultural, educational and recreational facilities. Each major site provides unique opportunities and experiences for residents and visitors alike. During FY 2013-14, the following services were provided:

- Over 55,650 people were entertained at 156 performances at the Center for the Performing Arts;
- Approximately 21,400 visitors experienced the Old Fashioned Fourth of July, Christmas in the Park and Rendezvous in Poway at Old Poway Park;
- The annual Summer Concert Series drew 4,500 listeners to Old Poway Park, and 7,000 guests to Lake Poway;
- The Lake Poway Day Camp provided summer fun and teen counselor training for over 670 youth;
- Over 11,000 fishing permits, 3,600 pedal boats and 29,000 parking permits were issued at Lake Poway;
- Nearly 300 families enjoyed the Adventure Family Campouts at Lake Poway;
- The Blue Sky Ecological Reserve hosted 9 outdoor educational programs such as Insects at Night, Hoot, Howl and Prowl, Solar Walk and Stargazing and Reptiles Rock;
- Blue Sky offered 83 group hikes, interactive discovery tables and a Junior Nature Ranger program;
- Over 500 people visited the Kumeyaay-Ipai Interpretive Center, operated by the Friends of the Kumeyaay. The Friends led 40 school tours for over 1,000 students. The tours met the school district curriculum standards;
- More than 3,300 people participated in 160 recreation programs and approximately 4,300 people were enriched by 549 class and camp offerings;

- The Swim Center provided 189 swim classes and 169 private lessons to nearly 1,300 participants, and hosted 7,000 swim meet competitors;
- 59,000 visitors enjoyed rides aboard the vintage 1907 Baldwin No. 3 steam locomotive and other antique rolling stock at the Poway Midland Railroad;
- Over 12,000 guests toured Old Poway Park's Heritage Museum and historic Nelson House; and
- Over 1,900 students experienced local history through a fun and interactive guided tour at Old Poway Park.

In August 2013, the Poway Farmers Market was expanded and relocated onto Midland Road. The new layout increased parking, created space for additional vendors, improved access to healthy food choices, provided safe walkable spaces, enhanced the local business climate and increased the program's revenue. The relocation received an Award of Excellence from the California Parks and Recreation Society for enhancing the community's economic position and fostering a strong sense of community.

Volunteers are a valuable resource to the Poway community. The community's enrichment and enjoyment at the programs and events offered by Poway could not be achieved without the contributions of volunteers. The Community Services Department was aided by 4,449 volunteer hours from teens at Community Park programs and events, nearly 3,450 volunteer hours from docents and tour guides at the Blue Sky Ecological Reserve and Kumeyaay-Ipai Interpretive Center, and over 10,000 hours from the tour guides and railroad volunteers at Old Poway Park.

In FY 2013-14, the Community Services, Public Works and Development Services departments coordinated efforts to complete projects at Old Poway Park including the removal and replacement of BBQ's and installation of new fencing throughout the Park. Improvements were made at Community Park, including construction of a new rental gazebo, renovation of the baseball fields and bocce ball courts, resurfacing of the tennis and basketball courts, painting at the Swim Center and installation of new room dividers at the Senior Center. The Community Park improvements were funded by a grant awarded by the Department of Housing and Community Development.

In May 2014, the City, San Diego County Library Services Department and the Poway Friends of the Library partnered for a \$1.5 million remodel of the Poway Branch Library. The improved interior space will create more opportunities for the City to partner with the library to provide programs and activities for teens and families. The building's exterior will be enhanced with a patio cover and decorative fencing to provide more programming and event space and added security.

Public Works: The City recognizes the need to invest in critical infrastructure. Focus has continued on both short and long-term maintenance demands of streets, utility systems, parks and public facilities. With severe drought conditions plaguing the State of California, the Public Works Department also made great strides in calibrating and repairing irrigation throughout the City.

Public Works Administration Back-up Generator: In FY 2013-14, staff installed a back-up propane generator at the Public Works administration building. The generator creates an extra source of power that can seamlessly transition in the event of a large-scale emergency to operate a computer server room, phones and building safety lights.

Utilities: Water Distribution Maintenance staff completed a three-year maintenance cycle that involved exercising every valve and fire hydrant in the water distribution system totaling 8,248 assets. In FY 2013-14, staff exercised and inspected 1,866 assets that include 1,186 valves and 680 fire hydrants.

Wastewater collection maintenance video inspected almost 167,745 feet of the collection system, cleaned over 246,000 feet of pipeline and had two reportable mainline sewer spills. Ten Fats, Oils and Grease (FOG) permits were issued; 97 FOG inspections were performed; and one notice of violation was issued with 100% compliance achieved. The Recycled Water Program completed 94 site inspections and 26 shutdown tests. Nineteen violations were issued and 100% compliance was achieved.

Operations: Operations divisions completed a Community Pool Needs Assessment in February 2014. This comprehensive analysis of the pool buildings, swimming pools, pool deck and mechanical spaces led to a short and long-term list of proposed improvements for rehabilitation. The first phase of improvements included conversion of existing pool lights to energy efficient LED lights.

Operations' crews filled over 197 potholes; performed 609,000 feet of crack sealing, approximately 231,000 square feet of skin patching and 120,000 square feet of asphalt repairs; replaced nearly 8,800 square feet of concrete sidewalks; cleaned almost 22,000 linear feet of concrete channel; mowed over 21 acres of earthen channel; and removed about 35,000 square feet of invasive plant material to support re-establishment of native habitat and enhance flood control.

Public Safety: The City of Poway is the safest incorporated city in San Diego County. Poway's FBI crime index decreased 24% from last year to 10.9 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 four 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. Department operations are also augmented by an active Senior Volunteer Patrol effort.

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. This past year, the PCAT began working with the Human Trafficking Task Force to keep prostitution out of Poway hotels and local massage establishments.

The Poway Sheriff's Department provides additional community services that enhance safety through its School Resource Officer (SRO) program, medication drop-off program and other outreach efforts. The SRO partnered with school district staff to update Emergency Response Manuals as well as to provide active-shooter, lock-down and campus evacuation training. Additionally, the Poway Station provided a prescription drug drop-off box, giving the public an opportunity to safely dispose of expired or unused medications. The Station also provided educational outreach about the City's Social Host ordinance.

In addition, the Sheriff's Department provides traffic safety programs. In FY 2013-14, the Traffic Division provided 13 Start Smart driver safety presentations to 460 new or soon-to-be-licensed drivers and their parents. The Division also continued 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 the violation not going to court. 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, a fraud detection class and the Crime-Free, Multi-housing (CFMH) program. As a result of the fraud prevention class, a class participant was able to help an elderly woman avoid falling victim to a money scam. The CFMH program certified 14 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 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 2013, the department responded to 3,989 emergency responses with 2,894 (approximately 73 percent) of the incidents related to emergency medical services.

The department also conducts fire prevention and preparedness activities. In FY 2013-14, over 3,000 fire safety inspections were conducted, of which 1,150 were completed by on-duty firefighters as part of the Fire Company Inspection Program. In addition, the department continues to update over 200 emergency response plans 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 training tower 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. In addition, mobile data computers are regularly upgraded to equipment with faster speeds. This enhanced technology increases emergency incident management, response mapping and resource allocation capabilities. Two paramedic gurneys and EKG heart monitors were upgraded in FY 2013-14 with the latest in advanced life-saving equipment.

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 13 volunteers. The program now has 81 members working in four teams. Program participants received bimonthly trainings, 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.

Wildfire Defensible Space Program: In May 2014, 630 property owners were sent letters requesting that they thin vegetation around their homes. In preparation for the annual fire season, property owners are required to maintain 100 feet of defensible space around homes.

Capital Improvement Projects (CIP): Fifteen CIP projects were completed in FY 2013-14, including the installation of an automatic transfer switch for an emergency generator at the Sheriff Station, annual General Construction and Repair projects, a fire protection upgrade project, and an ADA Barrier Removal project at Old Poway Park.

By June 2014, five CIP projects were under construction, three of which were substantially complete. These projects included Rattlesnake Creek Stream bank Stabilization, Oak Knoll Siphon Air Jumper and the annual sewer pipeline Reline and Replacement project.

At the close of FY 2013-14, three projects were in the planning phase including FY 2014-15 Street Maintenance and Overlay Projects. These three projects have a combined total cost of over \$2.2 million. Another 21 projects were in various stages of design including Midland Road improvements, Espola Road utility undergrounding and safety improvements and the City Hall HVAC Retro-Commissioning project. It is expected that the construction of many of these projects will begin in FY 2014-15. The combined estimated cost of these projects is over \$7 million.

Water and Wastewater: Several regional issues continued in FY 2013-14 in the areas of water and wastewater that could result in noticeable rate impacts for Poway residents.

Water: In January, Governor Brown declared a drought state of emergency. Since then, state reservoirs, rainfall totals and the snowpack remain critically low. In response to the ongoing severe drought, the State Water Board approved an emergency regulation to ensure that water suppliers implement conservation measures. Local water agencies can fine water customers up to \$500 a day for violating water conservation requirements. The State Water Board has the ability to take enforcement actions against water agencies that do not comply. In response, Poway adopted mandatory water restrictions.

The State Water Board also mandated monthly water use reporting by water suppliers. The month-over-month comparison is reported with calendar year 2013 as the base year. In October, the State Water Board added gallons per-capita per-day to the monthly reporting requirements.

Water use in Poway increased slightly at the beginning of the fiscal year, but was still under the peak usage of 5 billion gallons in 2006 and 2007. In the first few months following the mandatory water use restrictions, Poway water customers reduced consumption by 4-6%.

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 will face increasing water costs for the foreseeable future.

Wastewater: The City of Poway's wastewater is treated through Metro Wastewater and the City serves on its steering committee. The committee is advocating spending \$2 billion on a potable reuse plan called *Pure Water* instead of spending that same amount towards an upgrade of the Point Loma Wastewater Treatment Facility. This alternate approach would reduce daily water flow to the treatment plant by 100 million gallons while creating 80 million gallons a day of fresh water to the region. Final decisions in this area will undoubtedly impact Poway ratepayers. Work on these issues will continue well into FY 2014-15.

Technology: A number of information technology projects are planned in the next fiscal year, including an upgrade to the City's website. The website will consist of a new homepage design to improve

functionality and provide more community-focused web content. The City will also establish a wireless, radio-based data network between City Hall and Public Works. The wireless network will provide more robust services and reduce long-term costs for the City. Other planned technology projects include: beginning a multi-year effort to replace the City's Enterprise Resource Planning system; replacing the City's aging phone system; implementing an internal meeting management system to streamline the Council agenda process; expanding GIS integration to the storm water and parks irrigation facilities; and implementing an on-line employee benefits enrollment system.

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, 2013. 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

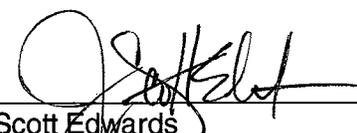
Preparation of the City's Comprehensive Annual Financial Report is an undertaking of the Administrative Services Department. Special credit is due to Andrew White, Finance Manager; Maria Weston, Senior Accountant; Debra Oestreich, Senior Accountant; and the entire Finance Division staff. Their yearlong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

I also thank the City Council for their continued interest and support in ensuring our City is fiscally sound and responsive to its residents. Finally, I'd like to acknowledge the hard work and planning of all City employees as evident by the long list of accomplishments and initiatives highlighted in this transmittal letter.

Respectfully submitted,



Dan Singer
City Manager



Scott Edwards
Director of Administrative Services

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City of Poway
Principal Officers

City Council

Mayor
Deputy Mayor
Council:

Don Higginson
Dave Grosch
Jim Cunningham
John Mullin
Steve Vaus

Appointed Officials

City Manager
City Attorney

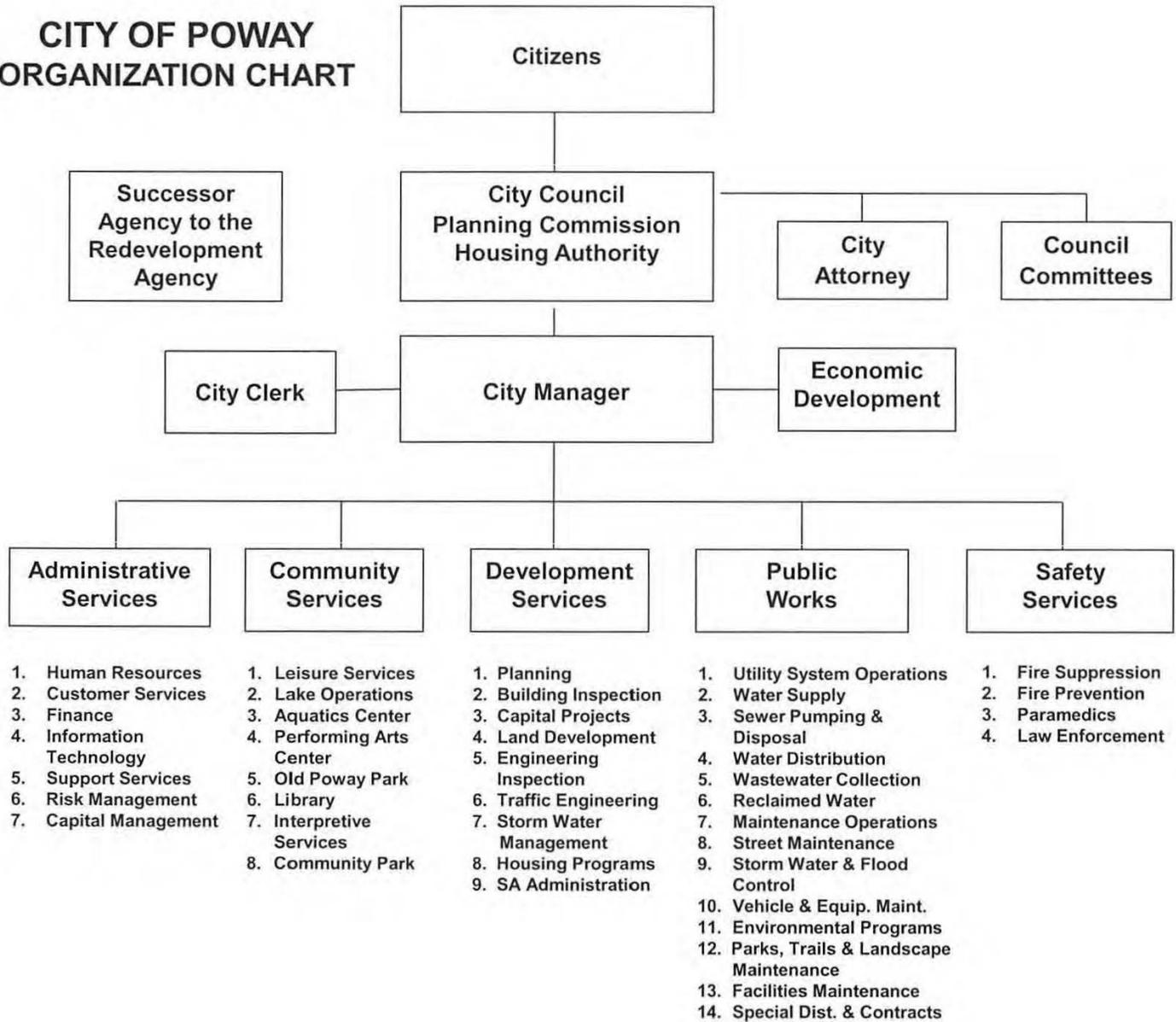
Daniel Singer
Morgan Foley

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





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Poway
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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Financial Section

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Independent Auditor's Report

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Leena Shanbhag, CPA, MST, CGMA
Jay H. Zercher, CPA (Partner Emeritus)
Phillip H. Waller, CPA (Partner Emeritus)

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Yiann Fang, CPA
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Brigitta Bartha, CPA
Gardenya Duran, CPA
Juan Romero, CPA
Ivan Gonzales, CPA, MSA
Brianna Pascoe, CPA

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

Report on the financial statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

Implementation of new pronouncement

As discussed in Note 1 to the financial statements, in 2014 the City adopted new accounting guidance, *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of funding progress on pages 7-16, 94-96 and 97, 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 information 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 nonmajor fund budgetary comparison information 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 January 26, 2015, 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.

A handwritten signature in black ink that reads "Rogers Anderson Maloney & Scott, LLP". The signature is written in a cursive, flowing style.

January 26, 2015
San Bernardino, California

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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Ivan Gonzales, CPA, MSA
Brianna Pascoe, CPA

To the Honorable Mayor and Members of the City Council
City of 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 26, 2015.

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.

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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.

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.

Rogers Anderson Maloney & Scott, LLP

January 26, 2015
San Bernardino, California

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, 2014. 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 0.75% to \$260.1 million 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 \$1.9 million.
- The total revenues from all sources were \$83.6 million.
- The total cost of all City programs was \$81.6 million.
- Governmental net assets were \$187.9 million.
- The General Fund reported excess revenues over expenditures and other financing uses of \$4.1 million.
- Actual revenues received in the General Fund were more than the final budget by \$4.8 million while actual expenditures were \$9.9 million less than final budget before other financing sources and uses. The expenditure variance is caused by the Capital Outlay category.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$26.6 million or 69.0% 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.

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 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	
	2014	2013	2014	2013	2014	2013	2014	2013
Assets:								
Current and other assets	\$ 103,057	\$ 95,325	\$ 36,799	\$ 37,975	\$ 139,856	\$ 133,300	\$ 31,818	\$ 42,974
Capital assets	106,704	111,411	39,244	41,492	145,948	152,903	46,516	47,530
Total assets	209,761	206,736	76,043	79,467	285,804	286,203	78,334	90,504
Liabilities:								
Long-term debt outstanding	17,657	18,171	786	1,036	18,443	19,207	212,821	220,343
Other liabilities	4,193	4,750	3,101	4,114	7,294	8,864	15,343	15,465
Total liabilities	21,850	22,921	3,887	5,150	25,737	28,071	228,164	235,808
Net assets:								
Invested in capital assets, net of debt	90,442	94,657	38,732	40,746	129,174	135,403		
Held in trust							(149,830)	(145,304)
Restricted	23,747	21,717	280	280	24,027	21,997		
Unrestricted	73,722	67,441	33,144	33,291	106,866	100,732		
Total net assets	\$ 187,911	\$ 183,815	\$ 72,156	\$ 74,317	\$ 260,067	\$ 258,132	\$ (149,830)	\$ (145,304)

The City's combined net assets for the fiscal year ended June 30, 2014, were \$260.1 million. 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 2.2% from \$183.8 million to \$187.9 million.

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

- Current and other assets increased \$7.7 million or 8.1% principally due to increases in Cash and Investments from normal operations as described below.
- Capital assets decreased \$4.7 million (net of depreciation and additions) as detailed in Table 4. This decrease was caused by depreciation (\$5.7) million net of additions that include a fire pumper that is under construction.
- Governmental long-term debt decreased \$514. The decrease was attributable to scheduled principal payments.
- Governmental other liabilities decreased by \$556, of which \$551 of the reduction was related to a fiscal year 2012-13 accrual for the California Joint Powers Insurance Authority.
- Invested in capital assets net of debt decreased \$4.2 million primarily due to depreciation.

- Restricted net assets increased by \$2.0 million, or 9.4%. The increase in restricted funds for Housing purposes contributed \$.9 million towards the total increase, while the restricted funds for Street purposes increased \$1.3 million. Both of these increases, as well as the other changes in this category, were reflective of 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 \$6.3 million, or 9.3%, 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 \$48.9 million as shown on Table 2 and 2.1. Of this cost, \$8.9 million was paid for by those who directly benefited from the programs, \$1.8 million was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$41.9 million was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$10.7 million. 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	
	2014	2013	2014	2013	2014	2013	2014	2013
Revenues:								
Program Revenues:								
Charges for services	\$ 8,893	\$ 8,640	\$ 30,730	\$ 29,435	\$ 39,623	\$ 38,075	\$ -	\$ -
Operating grants and contributions	1,706	1,676	-	-	1,706	1,676	-	-
Capital grants and contributions	66	100	-	-	66	100	-	-
General Revenues:								
Property taxes	20,543	21,378	-	-	20,543	21,378	40,907	39,512
Sales tax	12,048	11,565	-	-	12,048	11,565	-	-
Other taxes	5,856	6,076	-	-	5,856	6,076	-	-
Investment & misc.	3,420	4,375	300	72	3,720	4,447	1,925	4,354
Total revenues	52,532	53,810	31,030	29,507	83,562	83,317	42,832	43,866
Expenses:								
General Government	5,228	5,357	-	-	5,228	5,357	36,444	50,324
Public safety	20,907	20,214	-	-	20,907	20,214	-	-
Public works	11,864	12,284	-	-	11,864	12,284	-	-
Development services	3,815	3,745	-	-	3,815	3,745	-	-
Community services	6,115	5,063	-	-	6,115	5,063	-	-
Interest & charges	509	375	-	-	509	375	10,914	11,218
Transfers to fid fund	440	444	-	-	440	444	-	-
Water	-	-	23,314	22,367	23,314	22,367	-	-
Sewer	-	-	9,435	10,069	9,435	10,069	-	-
Total expenses	48,878	47,482	32,749	32,436	81,627	79,918	47,358	61,542
Change in net assets before transfers	3,654	6,328	(1,719)	(2,929)	1,935	3,399	(4,526)	(17,676)
Transfers	442	408	(442)	(408)	-	-	-	-
Change in net assets after transfers	4,096	6,736	(2,161)	(3,337)	1,935	3,399	(4,526)	(17,676)
Net assets - 7/1	183,815	177,079	74,317	77,654	258,132	254,733	(145,304)	(127,628)
Net assets - 6/30	\$ 187,911	\$ 183,815	\$ 72,156	\$ 74,317	\$ 260,067	\$ 258,132	\$ (149,830)	\$ (145,304)

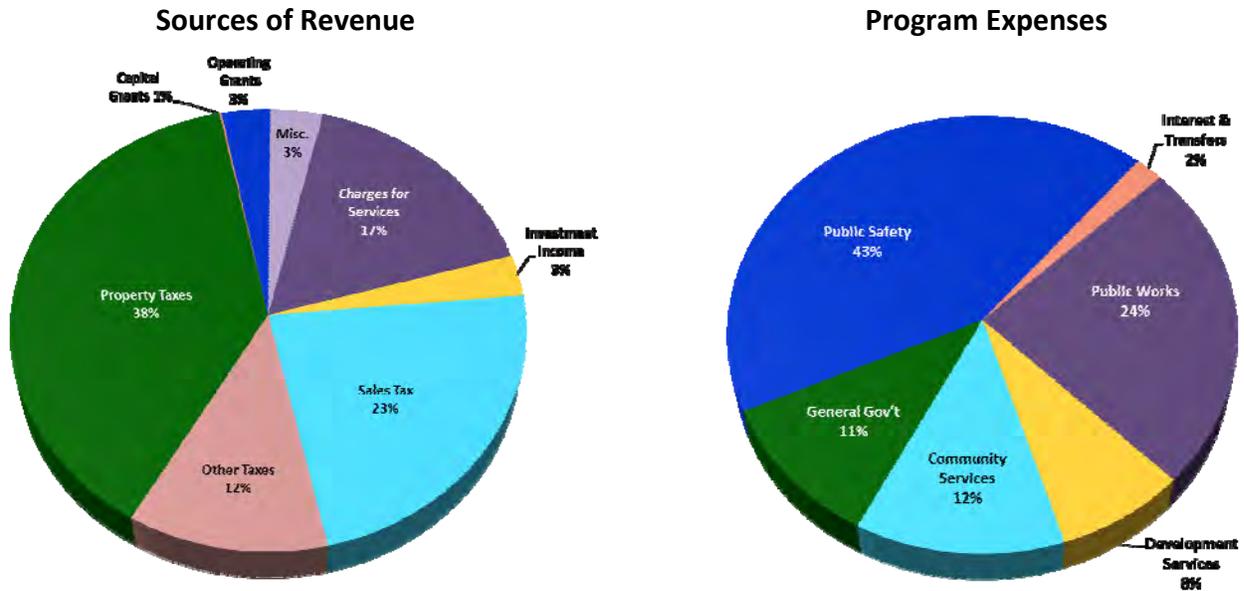
Revenues:

- Property taxes decreased by 3.9% primarily due to the reduction of one-time revenues from the Redevelopment Property Tax Trust Fund (RPTTF). However, when adjustments are made for the RPTTF revenue in fiscal years 2012-13 and 2013-14, the remaining property taxes increased by 4.7%.
- Sales taxes increased by 4.2%, with the automobile and transportation category having the largest increases of all the major sales tax categories.
- Other taxes, excluding sales tax, decreased by 1.4%. This category includes taxes that are used for street purposes, franchise fees and transient occupancy tax. The City's distribution from the state for Highway Users Taxes increased by \$447, but that was offset by a decrease of \$758 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. Additionally, there were small increases in both franchise fees and transient occupancy tax.
- Investment earnings increased by 57.2% primarily due to proceeds from maturing investments being reinvested at slightly higher interest rates and an increase in the market value of the investment portfolio. The City continued to look for investment opportunities outside of the low yielding investment pools, but still in accordance with its approved investment policy.
- The Miscellaneous revenue category decreased by \$1.5 million, or 45.3%. The prior year was unusually high and included several one-time items such as the sale of land, reimbursements from non-profit housing partners and a refund from the County of San Diego for prior year's property tax administration fee over charges. The Current year had no significant unusual items.
- Charges for services increased by 2.9% with no unusual activity.
- Operating Grants and contributions increased by 1.8% 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 2.4%. There were no significant changes in this category.
- The Public Safety line increased by 3.4%. The law enforcement contract with the County of San Diego accounted for nearly two-thirds of the increase, with fire suppression also having a slight increase as compared to the prior year.
- Public Works had a 3.4% decrease in expenses. Additional street maintenance was performed in the prior year which is the primary cause of the current year decrease. Current year street maintenance was performed in accordance with the overall street maintenance plan.
- The Development Services department increased by 1.9%. While the overall department increase is not significant, there was some change in the composition of the department's expenditures. Plan check review and inspection increased which led to increased revenues while Traffic Engineering decreased with retirement of the City's full time Traffic Engineer and the redistribution of many of those duties.
- Community Services increased by \$1.1 million or 20.8%. The majority of the increase is related to \$1.0 provided to the County of San Diego for non-capitalizable improvements to the Poway Library, with the remaining increase due to greater utilization of the City's recreation programs, which was also reflected in higher revenues.
- Interest and fiscal charges increased by \$135, or 35.9%. The prior year included the refunding of the 2003 Certificates of Participation, the timing of which caused this balance to be lower.

**Fiscal Year 2014
Governmental Activities**
(Graphic representation of Table 2 in percentages)



Net Cost of Governmental Activities

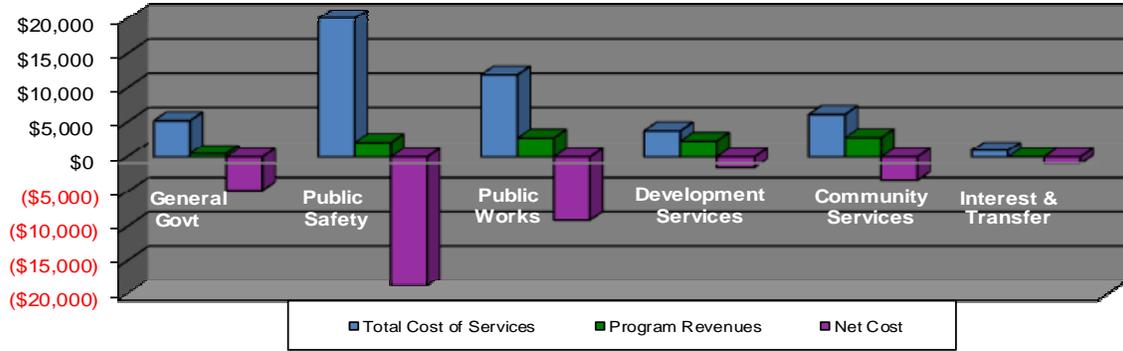
The City's programs include: General Government, Public Safety, Public Works, Development Services and Community Services. Each program's net cost (total cost less revenues generated by the activities) is presented on Table 2.1. The net cost shows the extent to which the City's general taxes support 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	
	2014	2013	2014	2013	2014	2013
General government	\$ 5,228	\$ 5,357	\$ 491	\$ 559	\$ (4,737)	\$ (4,798)
Public safety	20,907	20,214	2,148	2,485	(18,759)	(17,729)
Public works	11,864	12,284	2,812	3,030	(9,052)	(9,254)
Development services	3,815	3,745	2,360	1,796	(1,455)	(1,949)
Community services	6,115	5,063	2,854	2,681	(3,261)	(2,382)
Interest and fiscal chgs	509	375	-	-	(509)	(375)
Transfer to fiduciary fund	440	444	-	-	(440)	(444)
Totals	\$ 48,878	\$ 47,482	\$ 10,665	\$ 10,551	\$ (38,213)	\$ (36,931)

Fiscal Year 2014

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



Total resources available during the year to finance governmental operations were \$236.8 million consisting of Net Assets at July 1, 2013, of \$183.8 million, Program Revenues of \$10.7 million, General Revenues of \$41.9 million, and \$442 of Transfers. Total Governmental Activities during the year were \$48.9 million; thus Net Assets increased by \$4.1 million to \$187.9 million. 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

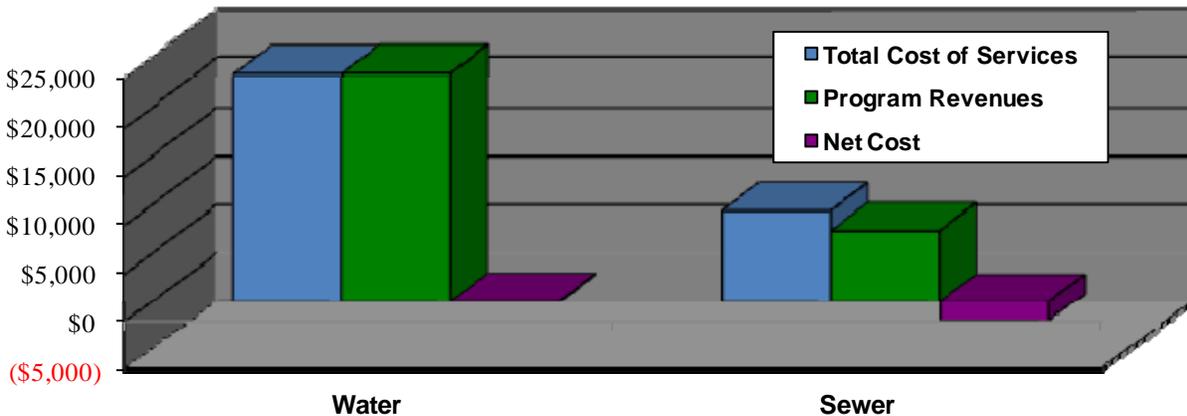
Net assets of the Proprietary Funds (Business-Type activities) at June 30, 2014, as reflected in Table 1 were \$72.2 million. As shown in Table 2.2, program revenues were \$30.7 million, while the cost of providing all Proprietary (Business-Type) Activities this year was \$32.7 million resulting in a decrease of \$2.0 million. The net use of \$142 from other revenues, non-operating activity and transfers resulted in a Net Assets decrease of \$2.2 million or 2.9%. 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 remained stable and its net position decreased due 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	
	2014	2013	2014	2013	2014	2013
Water	\$ 23,314	\$ 22,367	\$ 23,382	\$ 22,207	\$ 68	\$ (160)
Sewer	9,435	10,069	7,348	7,228	(2,087)	(2,841)
Totals	\$ 32,749	\$ 32,436	\$ 30,730	\$ 29,435	\$ (2,019)	\$ (3,001)

Fiscal Year 2014

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



Major Funds Budgetary Highlights

General Fund:

Actual revenues compared favorably to the final budget resulting in a \$4.8 million positive variance (excluding other financing sources). The major variances were in Taxes, Charges for Services and Use of Money and Property. Actual Taxes revenue was higher than budgeted distributions from the Redevelopment Property Tax Trust Fund which accounted for \$3.8 million of the variance. Charges for Services exceeded its budget primarily because of higher than expected Developer and Community Service Fees. Use of Money and Property was higher because of slightly higher interest rates and the continued focus on the allocation of investments between investment pools and securities. The final appropriations for the City's General Fund at year-end were \$9.9 million more than actual expenditures prior to other financing uses. The largest component of the budget to actual variance was in the Capital outlay category. 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. 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 \$167. 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. Expenditures continue to be 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 Street Improvement Fund and the Proposition A Fund both had increases in fund balance. The increased fund balance for the Street Improvement Fund came from developer fees that will be programmed in the future for eligible projects, and the increased fund balance for the Proposition A Fund was related to funds received for a project that had been scheduled in fiscal year 2013-14 but was delayed until fiscal year 2014-15. Also, as in the prior fiscal year, the Housing Special Programs Fund 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 continued to deem 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 \$4.5 million during the fiscal year which was primarily due to the use of funds that were on hand as of June 30, 2013 to pay for approved fiscal year 2013-14 ROPS expenditures.

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 increased by \$700 mainly due to the purchase of a new fire pumper that is in the process of being built, as well as ongoing water and sewer pipeline projects. Total capital assets decreased by \$8.0 million due to current year depreciation of \$9.4 million offset by net vehicle and equipment purchases and disposals of \$1.4 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See Table 3 & Note 4 to the financial statements)

Table 3
City of Poway Capital Assets at Year-End
(Net of Depreciation)
(In Thousands)

	Governmental Activities		Business Activities		Fiduciary		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Land	\$ 29,971	\$ 29,971	\$ 77	\$ 77	\$ 24,732	\$ 24,732	\$ 54,780	\$ 54,780
Buildings	30,100	31,512	4,143	4,610	5,863	6,522	40,106	42,644
Improvements	2,065	2,204	32,918	34,964	-	-	34,983	37,168
Infrastructure	38,574	41,447	-	-	15,921	16,276	54,495	57,723
Equip & Vehicles	5,373	6,277	1,246	1,060	-	-	6,619	7,337
Construction in Prog	621	-	860	781	-	-	1,481	781
	<u>\$ 106,704</u>	<u>\$ 111,411</u>	<u>\$ 39,244</u>	<u>\$ 41,492</u>	<u>\$ 46,516</u>	<u>\$ 47,530</u>	<u>\$ 192,464</u>	<u>\$ 200,433</u>

Debt:

At year-end, the City had \$17.7 million in governmental-type debt and \$786 in Proprietary debt and \$212.8 million in Fiduciary debt (Table 4). The overall decrease in bond balances was due to scheduled principal payments and premium/discount amortizations. 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 4 & Note 5 to financial statements)

Table 4
City of Poway Outstanding Debt at Year-End
(In Thousands)

	Governmental Activities		Business Activities		Fiduciary		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Tax Allocation Bonds	\$ -	\$ -	\$ -	\$ -	\$ 208,316	\$ 215,576	\$ 208,316	\$ 215,576
Certificates of Participation	16,261	16,986	-	-	1,619	1,986	17,880	18,972
Revenue Bonds	-	-	513	746	-	-	513	746
Loans Payable	-	-	-	-	2,886	2,781	2,886	2,781
Comp Absences	1,396	1,418	273	290	-	-	1,669	1,708
Total	<u>\$ 17,657</u>	<u>\$ 18,404</u>	<u>\$ 786</u>	<u>\$ 1,036</u>	<u>\$ 212,821</u>	<u>\$ 220,343</u>	<u>\$ 231,264</u>	<u>\$ 239,783</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2014-2015, the City Council and management continue to be cautious but do expect a continued improvement in the local economy. Both property tax and sales tax are expected to increase over the fiscal year 2013-14 actual revenues. An increase Community Services, Development Services and Safety Services in the budget for property taxes is the primary reason, with total General Fund revenue budget projected to be 5.2% higher than Fiscal Year 2013-14. Property taxes are expected to continue to rise, fueled by higher assessed values and the recovery of the real estate market. Sales taxes are also expected to continue to increase, led by the automobile and retail segments. General Fund expenditures are budgeted to grow by 6.6%, which was a result of increases in most City functions, including facility maintenance as well as law enforcement services. Increases in Community Services, Development Services and Safety Services are partially offset by additional revenues in these areas. The City's initial projections showed a moderate operating surplus of \$293.

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 pass-through costs from San Diego Metro as part of the planned upgrade of sewer treatment facilities at the Point Loma wastewater treatment plant. Due to the deferral of these improvements, Poway has strategically drawn-down the excess reserves by temporarily lowering sewer service fees. The fund is continually analyzed 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, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 78,530,019	\$ 21,278,631	\$ 99,808,650
Cash and investments with fiscal agents	647,131	279,579	926,710
Receivables:			
Taxes	3,249,681	-	3,249,681
Accounts	413,696	5,399,917	5,813,613
Interest	772,092	-	772,092
Due from other governments	712,268	69,342	781,610
Prepaid items	4,606	-	4,606
Inventories	122,763	2,902,281	3,025,044
Total current assets	<u>84,452,256</u>	<u>29,929,750</u>	<u>114,382,006</u>
Noncurrent assets:			
Notes receivable	10,006,638	-	10,006,638
Internal balances	(214,500)	214,500	-
Loans to the Successor Agency to the Poway Redevelopment Agency	8,592,552	6,283,981	14,876,533
Loans to the Business Park Fiduciary Fund	-	370,000	370,000
Capital assets:			
Nondepreciable assets	30,592,770	937,439	31,530,209
Depreciable assets, net	76,110,758	38,307,042	114,417,800
Total capital assets	<u>106,703,528</u>	<u>39,244,481</u>	<u>145,948,009</u>
Total noncurrent assets	<u>125,088,218</u>	<u>46,112,962</u>	<u>171,201,180</u>
Total assets	<u>209,540,474</u>	<u>76,042,712</u>	<u>285,583,186</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	220,760	-	220,760
Total deferred outflows of resources	<u>\$ 220,760</u>	<u>\$ -</u>	<u>\$ 220,760</u>

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

City of Poway

Statement of Net Position
June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,255,314	\$ 2,895,386	\$ 6,150,700
Accrued liabilities	539,079	93,677	632,756
Accrued interest payable	234,064	4,721	238,785
Deposits	-	107,125	107,125
Unearned revenue	164,521	-	164,521
Long-term debt - due within one year	2,082,817	482,279	2,565,096
Total current liabilities	<u>6,275,795</u>	<u>3,583,188</u>	<u>9,858,983</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	15,574,382	303,685	15,878,067
Total noncurrent liabilities	<u>15,574,382</u>	<u>303,685</u>	<u>15,878,067</u>
Total liabilities	<u>21,850,177</u>	<u>3,886,873</u>	<u>25,737,050</u>
NET POSITION			
Net investment in capital assets	<u>90,442,061</u>	<u>38,731,821</u>	<u>129,173,882</u>
Restricted for:			
Special revenue:			
Streets	4,566,375	-	4,566,375
Drainage	2,572,810	-	2,572,810
Maintenance districts	7,304,202	-	7,304,202
Grants	76,569	-	76,569
Miscellaneous	2,810,124	-	2,810,124
Affordable housing	4,424,804	-	4,424,804
Debt service	1,509,186	279,579	1,788,765
Capital improvement projects	391,380	-	391,380
Permanent:			
Expendable	91,069	-	91,069
Total restricted	<u>23,746,519</u>	<u>279,579</u>	<u>24,026,098</u>
Unrestricted	<u>73,722,477</u>	<u>33,144,439</u>	<u>106,866,916</u>
Total net position	<u>\$ 187,911,057</u>	<u>\$ 72,155,839</u>	<u>\$ 260,066,896</u>

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

City of Poway

Statement of Activities
For the year ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Primary government:					
Governmental activities:					
General government	\$ 5,227,809	\$ 260,802	\$ 230,046	\$ -	\$ 490,848
Public safety	20,906,884	1,908,337	240,497	-	2,148,834
Public works	11,863,623	2,753,917	58,327	-	2,812,244
Development services	3,815,282	1,534,304	825,506	-	2,359,810
Community services	6,115,485	2,436,024	351,705	66,167	2,853,896
Interest and fiscal charges	509,206	-	-	-	-
Transfers to fiduciary funds	440,300	-	-	-	-
Total governmental activities	<u>48,878,589</u>	<u>8,893,384</u>	<u>1,706,081</u>	<u>66,167</u>	<u>10,665,632</u>
Business-type activities:					
Water	23,314,233	23,381,953	-	-	23,381,953
Sewer	9,434,739	7,347,502	-	-	7,347,502
Total business-type activities	<u>32,748,972</u>	<u>30,729,455</u>	<u>-</u>	<u>-</u>	<u>30,729,455</u>
Total primary government	<u>\$ 81,627,561</u>	<u>\$ 39,622,839</u>	<u>\$ 1,706,081</u>	<u>\$ 66,167</u>	<u>\$ 41,395,087</u>

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

City of Poway

Statement of Activities
For the year ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,736,961)	\$ -	\$ (4,736,961)
Public safety	(18,758,050)	-	(18,758,050)
Public works	(9,051,379)	-	(9,051,379)
Development services	(1,455,472)	-	(1,455,472)
Community services	(3,261,589)	-	(3,261,589)
Interest and fiscal charges	(509,206)	-	(509,206)
Transfers to fiduciary funds	(440,300)	-	(440,300)
Total governmental activities	<u>(38,212,957)</u>	<u>-</u>	<u>(38,212,957)</u>
Business-type activities:			
Water	-	67,720	67,720
Sewer	-	(2,087,237)	(2,087,237)
Total business-type activities	<u>-</u>	<u>(2,019,517)</u>	<u>(2,019,517)</u>
Total primary government	<u>(38,212,957)</u>	<u>(2,019,517)</u>	<u>(40,232,474)</u>
General revenues:			
Taxes:			
Property taxes	20,543,111	-	20,543,111
Sales tax	12,047,687	-	12,047,687
Transient occupancy taxes	523,112	-	523,112
Franchise taxes	1,555,816	-	1,555,816
Other taxes	3,777,526	-	3,777,526
Total taxes	<u>38,447,252</u>	<u>-</u>	<u>38,447,252</u>
Investment earnings	1,573,545	217,194	1,790,739
Miscellaneous	1,846,762	82,930	1,929,692
Transfers	441,725	(441,725)	-
Total general revenues and transfers	<u>42,309,284</u>	<u>(141,601)</u>	<u>42,167,683</u>
Change in net position	4,096,327	(2,161,118)	1,935,209
Net position, beginning of year, as restated (Note 16)	<u>183,814,730</u>	<u>74,316,957</u>	<u>258,131,687</u>
Net position, end of year	<u>\$ 187,911,057</u>	<u>\$ 72,155,839</u>	<u>\$ 260,066,896</u>

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

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FUND FINANCIAL STATEMENTS

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

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City of Poway

Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Housing Authority Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 47,131,234	\$ 1,413,347	\$ 21,537,536	\$ 70,082,117
Receivables:				
Taxes	3,238,667	-	11,014	3,249,681
Notes	10,006,638	-	-	10,006,638
Accounts	340,627	-	72,558	413,185
Interest	772,028	-	64	772,092
Due from other funds	348,391	-	-	348,391
Advances to other funds	798,299	-	17,576	815,875
Due from other governments	161,591	-	550,677	712,268
Prepaid items	4,606	-	-	4,606
Inventories, at cost	122,763	-	-	122,763
Advances to fiduciary funds	2,641,166	2,975,306	2,976,080	8,592,552
Restricted assets:				
Cash and investments with fiscal agents	-	-	647,131	647,131
Total assets	<u>\$ 65,566,010</u>	<u>\$ 4,388,653</u>	<u>\$ 25,812,636</u>	<u>\$ 95,767,299</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,896,118	\$ 6,261	\$ 317,537	\$ 3,219,916
Accrued liabilities	496,974	-	34,040	531,014
Due to other funds	-	-	348,391	348,391
Advances from other funds	-	-	1,030,375	1,030,375
Unearned revenue	5,449	2,200	156,872	164,521
Total liabilities	<u>3,398,541</u>	<u>8,461</u>	<u>1,887,215</u>	<u>5,294,217</u>
Deferred inflow of resources:				
Unavailable revenue	-	-	178,902	178,902
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>178,902</u>	<u>178,902</u>
FUND BALANCES				
Nonspendable	10,134,007	-	-	10,134,007
Restricted	-	4,380,192	23,746,519	28,126,711
Committed	10,026,079	-	-	10,026,079
Assigned	15,383,344	-	-	15,383,344
Unassigned	26,624,039	-	-	26,624,039
Total fund balances	<u>62,167,469</u>	<u>4,380,192</u>	<u>23,746,519</u>	<u>90,294,180</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 65,566,010</u>	<u>\$ 4,388,653</u>	<u>\$ 25,812,636</u>	<u>\$ 95,767,299</u>

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

City of Poway

Reconciliation of the Balance Sheet - Governmental
Funds to the Government-wide Statement of Net Position
June 30, 2014

Total Fund Balances - Total Governmental Funds	\$	90,294,180
Amounts reported for governmental activities in the Statement of Net Position were different because:		
Capital assets used in governmental activities were not current financial resources and, therefore, were not reported in the funds.		
Non-depreciable	\$	30,592,770
Depreciable, net of accumulated depreciation		<u>76,110,758</u>
Total capital assets		106,703,528
Deferred losses on refunding of debt did not require current financial resources but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Position.		
		220,760
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	\$	(2,082,817)
Long-term liabilities - due in more than one year (net of \$30,986 reported in Internal Service Fund)		<u>(15,543,396)</u>
Total long-term liabilities		(17,626,213)
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet.		
		(234,064)
Unavailable 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.		
		178,902
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>8,373,964</u>
Net position of governmental activities	\$	<u><u>187,911,057</u></u>

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

City of Poway

Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Housing Authority Fund	Other Governmental Funds	
REVENUES				
Taxes	\$ 33,272,810	\$ -	\$ 5,174,442	\$ 38,447,252
Licenses and permits	561,251	-	-	561,251
Intergovernmental	460,701	-	367,577	828,278
Charges for services	2,356,165	29,672	369	2,386,206
Fines and forfeitures	184,855	-	-	184,855
Use of money and property	985,440	14,613	495,858	1,495,911
Developer fees	3,899,908	-	906,262	4,806,170
Assessment levied	-	-	1,898,872	1,898,872
Other revenues	642,865	139,136	1,052,530	1,834,531
Total revenues	42,363,995	183,421	9,895,910	52,443,326
EXPENDITURES				
Current:				
General government	4,199,348	3,493	-	4,202,841
Public safety	20,303,104	-	130,722	20,433,826
Public works	4,086,775	-	5,552,991	9,639,766
Development services	3,817,726	12,709	-	3,830,435
Community services	4,912,545	-	-	4,912,545
Capital outlay	1,242,980	-	1,039,967	2,282,947
Debt service:				
Principal	-	-	700,000	700,000
Interest and fiscal charges	-	-	506,527	506,527
Transfer to fiduciary funds	-	-	440,300	440,300
Total expenditures	38,562,478	16,202	8,370,507	46,949,187
Excess of revenues over expenditures	3,801,517	167,219	1,525,403	5,494,139
OTHER FINANCING SOURCES (USES)				
Transfers in	1,925,397	-	1,242,875	3,168,272
Transfers out	(1,585,583)	-	(738,707)	(2,324,290)
Total other financing sources (uses)	339,814	-	504,168	843,982
Net change in fund balances	4,141,331	167,219	2,029,571	6,338,121
Fund balances, beginning of year	58,026,138	4,212,973	21,716,948	83,956,059
Fund balances, end of year	\$ 62,167,469	\$ 4,380,192	\$ 23,746,519	\$ 90,294,180

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

City of Poway

Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balance - Governmental Funds to the Government-wide Statement of Activities For the year ended June 30, 2014

Net change in fund balance - total governmental funds		\$ 6,338,121
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, the cost of those assets will be allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 974,948	
Depreciation expense	(5,675,854)	
Loss due to disposition of capital assets	<u>(6,130)</u>	(4,707,036)
Compensated absences were reported in the Government-wide Statement of 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 \$1,270 reported in internal service funds).		23,329
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.		700,000
Amortization on bond premiums was reported in the Government-wide Statement of Activities, but did not require the use of current financial resources. Therefore, amortization was not reported as expenditures in governmental funds.		
2005 Certificates of Participation	\$ 4,235	
2012 Certificates of Participation	<u>20,489</u>	24,724
Amortization of deferred loss on refunding was reported in the Government-wide Statement of Activities, but it did not require the use of current financial resources. Therefore, amortization was not reported as an expenditure in the governmental funds.		(11,933)
Interest expense on long-term debt was reported in the Government-wide Statement of Activities, 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.		(2,679)
Revenues in the Government-wide Statement of Activities that did not provide current financial resources are not reported as revenues in the funds.		12,230
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.		<u>1,719,571</u>
Change in net position of governmental activities		<u>\$ 4,096,327</u>

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

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

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City of Poway

Statement of Net Position
Proprietary Funds
June 30, 2014

	Major Funds		Total	Governmental Activities - Internal Service Fund
	Water	Sewer		
ASSETS				
Current assets:				
Cash and investments	\$ 5,340,591	\$ 15,938,040	\$ 21,278,631	\$ 8,447,902
Cash and investments with fiscal agents	279,579	-	279,579	-
Receivables:				
Accounts	4,248,672	1,151,245	5,399,917	511
Due from other governments	-	69,342	69,342	-
Inventories	2,891,118	11,163	2,902,281	-
Total current assets	<u>12,759,960</u>	<u>17,169,790</u>	<u>29,929,750</u>	<u>8,448,413</u>
Noncurrent assets:				
Advances to other funds	-	214,500	214,500	-
Loans to the Successor Agency to the Poway Redevelopment Agency	2,085,083	4,198,898	6,283,981	-
Loans to the Business Park Fiduciary Fund	-	370,000	370,000	-
Capital assets:				
Nondepreciable	782,068	155,371	937,439	-
Depreciable	58,070,264	36,088,800	94,159,064	-
Less accumulated depreciation	<u>(35,775,198)</u>	<u>(20,076,824)</u>	<u>(55,852,022)</u>	<u>-</u>
Total net capital assets	23,077,134	16,167,347	39,244,481	-
Total noncurrent assets	<u>25,162,217</u>	<u>20,950,745</u>	<u>46,112,962</u>	<u>-</u>
Total assets	<u>37,922,177</u>	<u>38,120,535</u>	<u>76,042,712</u>	<u>8,448,413</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,769,197	1,126,189	2,895,386	35,398
Accrued liabilities	82,033	11,644	93,677	8,065
Accrued interest payable	4,721	-	4,721	-
Deposits	107,125	-	107,125	-
Compensated absences due within one year	200,298	31,981	232,279	-
Long-term debt - due within one year	250,000	-	250,000	-
Total current liabilities	<u>2,413,374</u>	<u>1,169,814</u>	<u>3,583,188</u>	<u>43,463</u>
Noncurrent liabilities:				
Compensated absences	41,025	-	41,025	30,986
Long-term debt - due in more than one year	262,660	-	262,660	-
Total noncurrent liabilities	<u>303,685</u>	<u>-</u>	<u>303,685</u>	<u>30,986</u>
Total liabilities	<u>2,717,059</u>	<u>1,169,814</u>	<u>3,886,873</u>	<u>74,449</u>
NET POSITION				
Net investment in capital assets	22,564,474	16,167,347	38,731,821	-
Restricted for debt service	279,579	-	279,579	-
Unrestricted	<u>12,361,065</u>	<u>20,783,374</u>	<u>33,144,439</u>	<u>8,373,964</u>
Total net position	<u>\$ 35,205,118</u>	<u>\$ 36,950,721</u>	<u>\$ 72,155,839</u>	<u>\$ 8,373,964</u>

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

City of Poway

Statement of Revenues, Expenses and Changes
In Net Position
Proprietary Funds
For the year ended June 30, 2014

	<u>Major Funds</u>		<u>Total</u>	<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>		<u>Activities -</u>
				<u>Internal Service</u>
				<u>Fund</u>
OPERATING REVENUES				
Charges for services	23,240,231	7,159,373	\$ 30,399,604	\$ 3,305,132
Connection fees	\$ 141,722	\$ 188,129	329,851	-
Other	25,350	57,580	82,930	-
Total operating revenues	<u>23,407,303</u>	<u>7,405,082</u>	<u>30,812,385</u>	<u>3,305,132</u>
OPERATING EXPENSES				
Personnel services	3,315,156	532,291	3,847,447	334,937
Maintenance and operations	4,038,223	7,768,961	11,807,184	935,016
Cost of purchased water	14,403,066	-	14,403,066	-
Depreciation	1,557,788	1,133,487	2,691,275	-
Total operating expenses	<u>23,314,233</u>	<u>9,434,739</u>	<u>32,748,972</u>	<u>1,269,953</u>
Operating income (loss)	<u>93,070</u>	<u>(2,029,657)</u>	<u>(1,936,587)</u>	<u>2,035,179</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	69,421	182,162	251,583	83,765
Interest expense and fiscal charges	(34,389)	-	(34,389)	-
Other nonoperating revenue	-	-	-	2,884
Total nonoperating revenues (expenses)	<u>35,032</u>	<u>182,162</u>	<u>217,194</u>	<u>86,649</u>
Income (loss) before transfers	<u>128,102</u>	<u>(1,847,495)</u>	<u>(1,719,393)</u>	<u>2,121,828</u>
TRANSFERS				
Transfers in	-	-	-	640,683
Transfers out	(280,507)	(161,218)	(441,725)	(1,042,940)
Total transfers	<u>(280,507)</u>	<u>(161,218)</u>	<u>(441,725)</u>	<u>(402,257)</u>
Change in net position	(152,405)	(2,008,713)	(2,161,118)	1,719,571
Net position, beginning of year, as restated	<u>35,357,523</u>	<u>38,959,434</u>	<u>74,316,957</u>	<u>6,654,393</u>
Net position, end of year	<u>\$ 35,205,118</u>	<u>\$ 36,950,721</u>	<u>\$ 72,155,839</u>	<u>\$ 8,373,964</u>

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

City of Poway

Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2014

	Major Funds			Governmental
	Water	Sewer	Total	Activities - Internal Service Funds
Cash flows from operating activities:				
Cash received from customers	\$ 23,167,412	\$ 7,509,393	\$ 30,676,805	\$ 3,304,621
Cash paid to employees for services	(3,312,279)	(532,012)	(3,844,291)	(331,515)
Cash paid to suppliers for goods or services	(19,931,443)	(7,691,073)	(27,622,516)	(927,659)
Cash paid to other City funds	(68,430)	(101,330)	(169,760)	-
Other	84,300	57,580	141,880	-
Net cash provided by (used for) operating activities	(60,440)	(757,442)	(817,882)	2,045,447
Cash flows from noncapital financing activities:				
Payments received on loan to the Business Park Fiduciary Fund	-	170,000	170,000	640,683
Transfers out	(280,507)	(161,218)	(441,725)	(1,042,940)
Net cash provided by (used for) noncapital financing activities	(280,507)	8,782	(271,725)	(402,257)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(390,465)	(111,867)	(502,332)	-
Sale of capital assets	-	-	-	2,884
Principal paid on long-term debt	(233,244)	-	(233,244)	-
Payment of interest and fees	(36,543)	-	(36,543)	-
Net cash provided by (used for) capital and related financing activities	(660,252)	(111,867)	(772,119)	2,884
Cash flows from investing activities:				
Interest income	69,421	182,162	251,583	83,765
Net cash provided by investing activities	69,421	182,162	251,583	83,765
Net increase (decrease) in cash and investments	(931,778)	(678,365)	(1,610,143)	1,729,839
Cash and investments, beginning of year	6,551,948	16,616,405	23,168,353	6,718,063
Cash and investments, end of year	\$ 5,620,170	\$ 15,938,040	\$ 21,558,210	\$ 8,447,902
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 5,340,591	\$ 15,938,040	\$ 21,278,631	\$ 8,447,902
Cash and investments with fiscal agents	279,579	-	279,579	-
Total cash and investments	\$ 5,620,170	\$ 15,938,040	\$ 21,558,210	\$ 8,447,902
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 93,070	\$ (2,029,657)	\$ (1,936,587)	\$ 2,035,179
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,557,788	1,133,487	2,691,275	-
Loss on disposal of capital assets	58,950	-	58,950	-
(Increase) decrease in assets:				
Accounts receivable	(214,544)	161,891	(52,653)	(511)
Inventories	(550,769)	(189)	(550,958)	-
Increase (decrease) in liabilities:				
Accounts payable	(1,049,911)	(23,253)	(1,073,164)	7,357
Accrued liabilities	18,274	1,583	19,857	2,151
Compensated absences	(15,394)	(1,304)	(16,698)	1,271
Deposits	42,096	-	42,096	-
Net cash provided by (used for) operating activities	\$ (60,440)	\$ (757,442)	\$ (817,882)	\$ 2,045,447

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

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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).

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City of Poway

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	<u>Agency Funds</u>	<u>Successor Agency to the Poway Redevelopment Agency</u>
ASSETS		
Current assets		
Cash and investments	\$ 6,408,205	\$ 7,159,767
Receivables:		
Taxes	2,087	-
Interest	14	33,276
Notes	-	5,358,494
Due from fiduciary fund	-	11,860
Due from other governments	-	4,705
Cash and investments with fiscal agent	1,708,564	19,059,449
Prepaid charges, net	-	190,783
	<u>8,118,870</u>	<u>31,818,334</u>
Total current assets		
Noncurrent assets		
Capital assets:		
Nondepreciable	-	24,731,737
Depreciable	-	35,320,861
Less accumulated depreciation	-	(13,536,795)
	<u>-</u>	<u>46,515,803</u>
Total noncurrent assets	<u>-</u>	<u>46,515,803</u>
Total assets	<u>\$ 8,118,870</u>	<u>78,334,137</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 45,928	2,350
Deposits	-	1,830
Due to fiduciary fund	11,860	-
Long-term debt - due within one year	-	7,930,000
	<u>57,788</u>	<u>7,934,180</u>
Total current liabilities	<u>57,788</u>	<u>7,934,180</u>
Noncurrent liabilities		
Due to bondholders	4,951,169	-
Developer deposits	2,739,913	-
Advances from City of Poway	370,000	14,876,533
Interest payable	-	462,063
Long-term debt due - in more than one year	-	204,890,898
	<u>8,061,082</u>	<u>220,229,494</u>
Total non current liabilities	<u>8,061,082</u>	<u>220,229,494</u>
Total liabilities	<u>\$ 8,118,870</u>	<u>228,163,674</u>
NET POSITION (DEFICIT)		
Held in trust for retirement of obligations of the former Poway Redevelopment Agency		<u>\$ (149,829,537)</u>

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

City of Poway

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2014

	Successor Agency to the Poway Redevelopment Agency
ADDITIONS	
Redevelopment Property Tax Trust Fund	\$ 40,907,419
Investment earnings	972,998
Other revenue	511,101
Transfer from City	440,300
	<hr/>
Total additions	42,831,818
	<hr/>
DEDUCTIONS	
Enforceable obligations payments	33,517,074
Administration expenses	1,912,258
Depreciation	1,014,094
Interest expense and fiscal charges	10,914,213
	<hr/>
Total deductions	47,357,639
	<hr/>
Change in net position	(4,525,821)
Net position (deficit), beginning of year, as restated	(145,303,716)
	<hr/>
Net position (deficit), end of year	\$ (149,829,537)
	<hr/> <hr/>

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

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2014

Notes to Basic Financial Statements

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 can be obtained from the Department of Administrative Services located at Poway City Hall.

Note 1 – Summary of Significant Accounting Policies (Continued)

A. *Financial Reporting Entity (Continued)*

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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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 contributions and grants
- Capital contributions and grants

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

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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 position 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.

Unearned revenues 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 unearned 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.

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 **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.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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.

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. Implementation of new pronouncement

Effective July 1, 2013, for the 2013-14 fiscal year, the City adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Deferred amounts resulting from the refunding of debt are reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, the City's deferred amount on refunding of debt has been classified as a deferred outflow of resources in the statement of net position in conformity with GASB 65. GASB 65 amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. Accordingly, as described in Note 16 of the financial statements, the City has restated beginning net position for unamortized debt issuance costs.

D. 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.

City investments are reported at fair value except for investments in Improvement Bond Act of 1915 bonds which are recorded at cost less principal repayments. The estimated fair value of all investments is the quoted market price.

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents and Investments (Continued)

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.

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

Investments are reported in the accompanying financial statements at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation, maturity, or sale of an investment.

E. 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.”

Note 1 – Summary of Significant Accounting Policies (Continued)

F. 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.

G. 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

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.

H. Deferred inflows and deferred outflows of resources

Deferred outflows of resources are transactions that result in the consumption of net position in one period that are applicable to future periods and are not considered assets as described by the statement. Deferred inflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of net position in one period that are applicable to future periods and are not considered to be liabilities as described by the statement. Deferred inflows of resources are required to be presented separately after liabilities on the statement of net position.

I. 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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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 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.

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.

K. 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 and deferred outflows of resources 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

L. 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.

M. 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Accounting Changes

GASB has issued Statement No. 66, *Technical Corrections - 2012 an Amendment of GASB Statements No. 10. And No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance*. This statement became effective for periods beginning after December 15, 2012 and did not have a significant impact on the City's financial statements for the year ended June 30, 2014.

GASB has issued Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement became effective for periods beginning after June 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2014.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This statement will become effective for period beginning after June 15, 2014 and will be effective for the 2014-15 fiscal year.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement will become effective for periods beginning after December 15, 2013 and will be effective for the 2014-15 fiscal year.

Note 1 – Summary of Significant Accounting Policies (Continued)

N. Accounting Changes (Continued)

GASB has issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement became effective for periods beginning after June 15, 2013 and did not have a significant impact on the City's financial statements for year ended June 30, 2014.

GASB has issued Statement No. 71, *Pension Transaction for Contributions Made Subsequent to the Measurement Date - and amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will become effective for periods beginning after June 15, 2014 and will be effective for the 2014-15 fiscal year.

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, 2014:

	Government-Wide Statement of Net Position		Fiduciary Funds Statement of Net Position	Total
	Governmental Activities	Business-Type Activities		
Cash and investments	\$ 78,530,019	\$ 21,278,631	\$ 13,567,972	\$ 113,376,622
Cash and investments with fiscal agent	647,131	279,579	20,768,013	21,694,723
Total	\$ 79,177,150	\$ 21,558,210	\$ 34,335,985	\$ 135,071,345

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

Cash, cash equivalents, and investments consisted of the following at June 30, 2014:

Cash on hand	\$ 8,060
Demand deposits	295,531
Investments	<u>134,767,754</u>
Total	<u>\$ 135,071,345</u>

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$295,531 at June 30, 2014. Bank balances at June 30, 2014, were \$1,610,440 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.

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

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	\$ 50,000,000
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.

C. Investment Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees 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	\$ 50,000,000

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

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	\$ 2,055,156	\$ -	\$ -	\$ 2,055,156	\$ -
U.S. Agencies	22,304,468	-	3,125,383	19,179,085	-
CalTrust Investment Pool - Short term	13,393,111	13,393,111	-	-	-
CalTrust Investment Pool - Medium term	29,422,232	29,422,232	-	-	-
Commercial Paper	1,999,984	1,999,984	-	-	-
Medium-Term and Corporate Notes	27,680,209	3,582,615	7,327,950	16,769,644	-
Local Agency Investment Fund (LAIF)	16,019,416	16,019,416	-	-	-
San Diego County Investment Pool	69,480	69,480	-	-	-
Improvement Bond Act of 1915	78,975	78,975	-	-	-
Certificates of Deposit	50,000	50,000	-	-	-
Held by bond trustee:					
Money Market Funds	10,620,791	10,620,791	-	-	-
Investment Contracts	11,073,932	-	-	-	11,073,932
Total	\$ 134,767,754	\$ 75,236,604	\$ 10,453,333	\$ 38,003,885	\$ 11,073,932

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, 2014 for each investment type:

Investment Type	Minimum Rating	S&P	Moody's	Fair Value
U.S. Treasury Bills	Aaa	AA	Aaa	\$ 2,055,156
U.S. Agencies	Aaa	AA	Aaa	22,304,468
CalTrust Investment Pool-Short term	AAf	Aaf	not rated	13,393,111
CalTrust Investment Pool-Medium term	N/A	not rated	not rated	29,422,232
Commercial Paper	A-1/P-1	A-1	P-1	1,999,984
Medium-Term and Corporate Notes	A-/A3	AA	Aaa	16,932,599
		A	Aa	10,747,610
Local Agency Investment Fund (LAIF)	N/A	not rated	not rated	16,019,416
San Diego County Investment Pool	AAAf	AAAf	not rated	69,480
1915 Act Improvement Bond	N/A	exempt	exempt	78,975
Certificates of Deposit	N/A	exempt	exempt	50,000
Held by bond trustee:				
Money Market Funds	N/A	AAAm	Aaamf	10,620,791
Investment Contracts	N/A	exempt	exempt	11,073,932
Total				<u>\$ 134,767,754</u>

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:

Trustee/Custodian	Investment Type	Reported Amount
Union Bank	U.S. Treasuries	\$ 2,055,156
Union Bank	U.S. Agencies	22,304,468
Union Bank	Commercial Paper	1,999,984
Union Bank	Corporates	27,680,209
Wells Fargo	CalTrust Investment Pool	42,815,343
Wells Fargo	Certificates of Deposit	50,000
State Treasurer Office	LAIF	16,019,416
San Diego County	Investment Pool	69,480
US Bank	Investment Contract	11,073,932
US Bank	Money Market	10,620,791
City of Poway	Improvement Bond Act of 1915	78,975

F. Investment in Local Agency Investment Funds

The City's investments with Local Agency Investment Funds ("LAIF") at June 30, 2014, 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:

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

F. Investment in Local Agency Investment Funds (Continued)

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, 2014, the City had \$16,019,416 invested in LAIF, which had invested 1.86% 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.

G. Investment in CalTRUST

The City is a voluntary participant in the Investment Trust of California (CalTRUST) a Joint Powers Authority. CalTRUST is a program established by public agencies in California for the purpose of pooling and investing local agency funds. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53601, et. seq. and 53635, et. Seq. Investments in CalTRUST are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. The balance available for withdrawal is based on the accounting records maintained by CalTRUST, which are recorded on a fair market value basis. Separate CalTRUST financial statements are available from CalTRUST's offices at 400 Capital Mall, Suite 702, Sacramento, CA 95814.

As of June 30, 2014, the City had \$42,815,343 invested in CalTRUST.

The City's investment in this pool is reported in the accompanying financial statements at fair market value.

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

H. 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, 2014, the City had \$69,480 invested in the San Diego County Investment Pool.

The City’s investment in this pool is reported in the accompanying financial statements at fair market value.

Note 3 – Interfund Transactions

A. Due To and Due From Other Funds

As of June 30, 2014, balances were as follows:

Due to other funds	Due from other funds		
	General Fund	Successor Agency to the Poway RDA	Total
Governmental Activities:			
Non-major Governmental Funds	\$ 348,391	\$ -	\$ 348,391
Fiduciary	-	11,860	11,860
Total	\$ 348,391	\$ 11,860	\$ 360,251

These balances resulted from loans to cover negative cash balances as of June 30, 2014.

Note 3 – Interfund Transactions (Continued)

B. Advances To and Advances From Other Funds

Advances to other funds	Advances from other funds	
	Non-major Governmental Funds	Total
Governmental Activities:		
General Fund	\$ 798,299	\$ 798,299
Non-major Governmental Funds	17,576	17,576
Business-Type Activities		
Sewer	214,500	214,500
Total	\$ 1,030,375	\$ 1,030,375

C. Advances To and Advances From Fiduciary Funds

Advances to fiduciary funds	Advances from fiduciary funds		
	Business Park Fiduciary Fund	Successor Agency to the Poway RDA	Total
Governmental Activities:			
General Fund	\$ -	\$ 2,641,166	\$ 2,641,166
Housing Authority	-	2,975,306	2,975,306
Non-major Governmental Funds	-	2,976,080	2,976,080
Business-Type Activities			
Water	-	2,085,083	2,085,083
Sewer	370,000	4,198,898	4,568,898
Total	\$ 370,000	\$ 14,876,533	\$ 15,246,533

Note 3 – Interfund Transactions (Continued)

C. Advances To and Advances From Fiduciary Funds (Continued)

The advances to fiduciary funds 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 \$14,876,533. The terms of the loans are indefinite. Accrued interest on the loans of \$293,237 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 \$370,000 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.

Some of the advances to the Successor Agency to the Poway Redevelopment Agency have been disapproved as enforceable obligations by the California Department of Finance. The disapproval is being contested by the City as described at Note 13, Item G.

D. Transfers To and From Other Funds

Transfers for the year ended June 30, 2014, were as follows:

	Transfers In			
	General	Non-major Governmental Funds	Internal Service Fund	Total
Transfers Out				
General Fund	\$ -	\$ 944,900	\$ 640,683	\$ 1,585,583
Non-major Governmental Funds	738,707	-	-	738,707
Water Enterprise Fund	103,980	176,527	-	280,507
Sewer Enterprise Fund	39,770	121,448	-	161,218
Internal Service Funds	1,042,940	-	-	1,042,940
Total	<u>\$ 1,925,397</u>	<u>\$ 1,242,875</u>	<u>\$ 640,683</u>	<u>\$ 3,808,955</u>

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.

Note 3 – Interfund Transactions (Continued)

E. Transfers To and From Fiduciary Funds

During the year, the City Debt Service Fund transferred \$440,300 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.

During the year, the Developer Deposits Agency Fund transferred \$17,923 to the City's General Fund for fees included in developer deposits collected. These fees are special revenue for City programs.

Note 4 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-Depreciable Assets				
Land	\$ 29,971,363	\$ -	\$ -	\$ 29,971,363
Construction in progress	-	621,407	-	621,407
Total non-depreciable assets	29,971,363	621,407	-	30,592,770
Depreciable Assets				
Buildings	51,091,788	-	-	51,091,788
Improvements other than buildings	3,053,174	-	-	3,053,174
Infrastructure	128,788,431	-	-	128,788,431
Machinery and equipment	17,337,644	353,541	(8,584)	17,682,601
Total depreciable assets	200,271,037	353,541	(8,584)	200,615,994
Less accumulated depreciation				
Buildings	(19,579,798)	(1,412,654)	-	(20,992,452)
Improvements other than buildings	(848,607)	(139,258)	-	(987,865)
Infrastructure	(87,342,270)	(2,872,269)	-	(90,214,539)
Machinery and equipment	(11,061,160)	(1,251,673)	2,453	(12,310,380)
Total accumulated depreciation	(118,831,835)	(5,675,854)	2,453	(124,505,236)
Total depreciable assets, net	81,439,202	(5,322,313)	(6,131)	76,110,758
Total governmental activities	\$ 111,410,565	\$ (4,700,906)	\$ (6,131)	\$ 106,703,528

Note 4 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Governmental activities depreciation expense for capital assets for the year ended June 30, 2014 is as follows:

General government	\$ 1,059,137
Public safety	1,044,597
Public works	3,167,078
Community services	<u>405,042</u>
Total depreciation expense	<u><u>\$ 5,675,854</u></u>

B. Business-type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2014 is as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Non-Depreciable Assets				
Land	\$ 76,797	\$ -	\$ -	\$ 76,797
Construction in progress	<u>781,162</u>	<u>387,379</u>	<u>(307,899)</u>	<u>860,642</u>
Total non-depreciable assets	<u>857,959</u>	<u>387,379</u>	<u>(307,899)</u>	<u>937,439</u>
Depreciable Assets				
Buildings	21,128,309	-	-	21,128,309
Improvements other than buildings	69,538,752	-	-	69,538,752
Machinery and equipment	<u>3,576,552</u>	<u>422,854</u>	<u>(507,403)</u>	<u>3,492,003</u>
Total depreciable assets	<u>94,243,613</u>	<u>422,854</u>	<u>(507,403)</u>	<u>94,159,064</u>
Less accumulated depreciation				
Buildings	(16,518,119)	(467,197)	-	(16,985,316)
Improvements other than buildings	(34,574,642)	(2,046,402)	-	(36,621,044)
Machinery and equipment	<u>(2,516,439)</u>	<u>(177,676)</u>	<u>448,453</u>	<u>(2,245,662)</u>
Total accumulated depreciation	<u>(53,609,200)</u>	<u>(2,691,275)</u>	<u>448,453</u>	<u>(55,852,022)</u>
Total depreciable assets, net	<u>40,634,413</u>	<u>(2,268,421)</u>	<u>(58,950)</u>	<u>38,307,042</u>
Total business-type activities	<u><u>\$ 41,492,372</u></u>	<u><u>\$ (1,881,042)</u></u>	<u><u>\$ (366,849)</u></u>	<u><u>\$ 39,244,481</u></u>

Note 4 – Capital Assets (Continued)

B. Business-type Activities (Continued)

Business-type activities depreciation expense for capital assets for the year ended June 30, 2014 is as follows:

Water Enterprise Fund	\$ 1,557,788
Sewer Enterprise Fund	<u>1,133,487</u>
Total depreciation expense	<u>\$ 2,691,275</u>

C. Fiduciary Activities

Summary of changes in capital assets for fiduciary activities for the year ended June 30, 2014 is as follows:

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>
Non-Depreciable Assets				
Land	<u>\$ 24,731,737</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,731,737</u>
Total non-depreciable assets	<u>24,731,737</u>	<u>-</u>	<u>-</u>	<u>24,731,737</u>
Depreciable Assets				
Buildings	17,581,603	-	-	17,581,603
Infrastructure	<u>17,739,258</u>	<u>-</u>	<u>-</u>	<u>17,739,258</u>
Total depreciable assets	<u>35,320,861</u>	<u>-</u>	<u>-</u>	<u>35,320,861</u>
Less accumulated depreciation				
Buildings	(11,059,898)	(659,307)	-	(11,719,205)
Infrastructure	<u>(1,462,803)</u>	<u>(354,787)</u>	<u>-</u>	<u>(1,817,590)</u>
Total accumulated depreciation	<u>(12,522,701)</u>	<u>(1,014,094)</u>	<u>-</u>	<u>(13,536,795)</u>
Total depreciable assets, net	<u>22,798,160</u>	<u>(1,014,094)</u>	<u>-</u>	<u>21,784,066</u>
Total governmental activities	<u>\$ 47,529,897</u>	<u>\$ (1,014,094)</u>	<u>\$ -</u>	<u>\$ 46,515,803</u>

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, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
Governmental Activities						
Certificates of Participation	\$ 16,986,191	\$ -	\$ (724,724)	\$ 16,261,467	\$ 715,000	\$ 15,546,467
Compensated Absences	1,417,791	1,386,264	(1,408,323)	1,395,732	1,367,817	27,915
Total governmental activities	<u>\$ 18,403,982</u>	<u>\$ 1,386,264</u>	<u>\$ (2,133,047)</u>	<u>\$ 17,657,199</u>	<u>\$ 2,082,817</u>	<u>\$ 15,574,382</u>
Business-Type Activities						
Revenue Bonds	\$ 745,904	\$ -	\$ (233,244)	\$ 512,660	\$ 250,000	\$ 262,660
Compensated Absences	290,002	240,902	(257,600)	273,304	232,279	41,025
Total business-type activities	<u>\$ 1,035,906</u>	<u>\$ 240,902</u>	<u>\$ (490,844)</u>	<u>\$ 785,964</u>	<u>\$ 482,279</u>	<u>\$ 303,685</u>
Fiduciary Funds						
Certificates of Participation	\$ 1,986,311	\$ -	\$ (367,434)	\$ 1,618,877	\$ 380,000	\$ 1,238,877
Tax Allocation Bonds	215,576,452	-	(7,259,980)	208,316,472	7,450,000	200,866,472
Notes Payable	2,780,463	194,913	(89,827)	2,885,549	100,000	2,785,549
Total fiduciary activities	<u>\$ 220,343,226</u>	<u>\$ 194,913</u>	<u>\$ (7,717,241)</u>	<u>\$ 212,820,898</u>	<u>\$ 7,930,000</u>	<u>\$ 204,890,898</u>

A. Governmental Activities Long-Term Debt

Certificates of Participation at June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
2005 Certificates of Participation						
Bond Premium	33,883	-	(4,235)	29,648	-	29,648
2012 Certificates of Participation						
Bond Premium	252,308	-	(20,489)	231,819	-	231,819
Total Certificates of Participation	<u>\$ 16,986,191</u>	<u>\$ -</u>	<u>\$ (724,724)</u>	<u>\$ 16,261,467</u>	<u>\$ 715,000</u>	<u>\$ 15,546,467</u>

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, 2014, the City's portion of the outstanding balance of the 2005 Certificates of Participation was \$2,680,000.

Note 5 – Long Term Debt (Continued)

A. Governmental Activities Long-Term Debt (Continued)

The annual requirements to amortize the City portion of Certificates of Participation outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	185,000	83,875	268,875
2020 - 2024	1,060,000	291,431	1,351,431
2025 - 2027	755,000	52,088	807,088
Total	<u>\$ 2,680,000</u>	<u>\$ 835,364</u>	<u>\$ 3,515,364</u>

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, 2014, the outstanding balance of the 2012 Certificates of Participation was \$13,320,000.

The annual requirements to amortize Certificates of Participation outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	605,000	326,870	931,870
2020 - 2024	3,240,000	1,407,875	4,647,875
2025 - 2029	3,745,000	900,538	4,645,538
2030 - 2033	3,435,000	282,375	3,717,375
Total	<u>\$ 13,320,000</u>	<u>\$ 4,341,038</u>	<u>\$ 17,661,038</u>

Note 5 – Long Term Debt (Continued)

B. Business-Type Activities Long-Term Debt

Revenue Bonds

Revenue Bonds at June 30, 2014, consisted of the following:

	Balance			Balance June 30, 2014	Classification	
	July 1, 2013	Additions	Reductions		Amount Due Within One Year	Amount Due In More Than One Year
1995 Revenue Bonds	\$ 750,000	\$ -	\$ (235,000)	\$ 515,000	\$ 250,000	\$ 265,000
Bond Discount	(4,096)	-	1,756	(2,340)	-	(2,340)
Total Revenue Bonds	<u>\$ 745,904</u>	<u>\$ -</u>	<u>\$ (233,244)</u>	<u>\$ 512,660</u>	<u>\$ 250,000</u>	<u>\$ 262,660</u>

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, 2014, the outstanding balance of the 1995 Revenue Bonds was \$515,000.

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 \$543,738 payable through 2016.

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, 2014 are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 250,000	\$ 21,450	\$ 271,450
2016	265,000	7,288	272,288
Total	<u>\$ 515,000</u>	<u>\$ 28,738</u>	<u>\$ 543,738</u>

C. Fiduciary Funds Long Term Debt

Certificates of Participation

Certificates of Participation at June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
2005 Certificates of Participation	\$ 1,980,000	\$ -	\$ (365,000)	\$ 1,615,000	\$ 380,000	\$ 1,235,000
Bond Discount	6,311	-	(2,434)	3,877	-	3,877
Total Revenue Bonds	<u>\$ 1,986,311</u>	<u>\$ -</u>	<u>\$ (367,434)</u>	<u>\$ 1,618,877</u>	<u>\$ 380,000</u>	<u>\$ 1,238,877</u>

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, 2014, the Successor Agency's portion of the outstanding balance of the 2005 Certificates of Participation was \$1,615,000.

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, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	<u>\$ 1,615,000</u>	<u>\$ 136,856</u>	<u>\$ 1,751,856</u>

Tax Allocation Bonds

Tax Allocation Bonds at June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
2000 Tax Allocation Bonds	\$ 5,815,000	\$ -	\$ -	\$ 5,815,000	\$ -	\$ 5,815,000
2001 Tax Allocation Bonds	68,335,000	-	(2,295,000)	66,040,000	2,410,000	63,630,000
2003 Tax Allocation Bonds	114,025,000	-	(4,695,000)	109,330,000	5,010,000	104,320,000
Bond Premium	1,766,559	-	(176,629)	1,589,930	-	1,589,930
2007 Tax Allocation Bonds	24,560,000	-	(30,000)	24,530,000	30,000	24,500,000
Bond Premium	1,074,893	-	(63,351)	1,011,542	-	1,011,542
Total Tax Allocation Bonds	<u>\$ 215,576,452</u>	<u>\$ -</u>	<u>\$ (7,259,980)</u>	<u>\$ 208,316,472</u>	<u>\$ 7,450,000</u>	<u>\$ 200,866,472</u>

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.

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 \$11,230,348 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 334,362	\$ 334,362
2016	-	334,362	334,362
2017	-	334,362	334,362
2018	-	334,362	334,362
2019	-	334,362	334,362
2020 - 2024	-	1,671,813	1,671,813
2025 - 2029	1,990,000	1,560,694	3,550,694
2030 - 2033	3,825,000	511,031	4,336,031
 Total	 <u>\$ 5,815,000</u>	 <u>\$ 5,415,348</u>	 <u>\$ 11,230,348</u>

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Tax Allocation Bonds (Continued)

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 \$104,315,199, payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,250,000	2,894,280	5,144,280
2020 - 2024	13,175,000	12,541,359	25,716,359
2025 - 2029	23,320,000	8,002,198	31,322,198
2030 - 2033	17,840,000	1,995,986	19,835,986
Total	<u>\$ 66,040,000</u>	<u>\$ 38,275,199</u>	<u>\$ 104,315,199</u>

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Tax Allocation Bonds (Continued)

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 semiannually 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 \$161,916,064 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	6,085,000	4,489,500	10,574,500
2020 - 2024	35,620,000	17,315,863	52,935,863
2025 - 2029	27,545,000	7,675,875	35,220,875
2030 - 2033	18,575,000	2,266,750	20,841,750
Total	<u>\$ 109,330,000</u>	<u>\$ 52,586,064</u>	<u>\$ 161,916,064</u>

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 was outstanding (and of which \$12,450,000 remained outstanding upon issuance of the Bonds), to refinance bonds and finance 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 \$44,102,090 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2014, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	40,000	1,216,125	1,256,125
2020 - 2024	215,000	6,055,981	6,270,981
2025 - 2029	8,450,000	5,605,063	14,055,063
2030 - 2033	15,685,000	1,816,125	17,501,125
Total	<u>\$ 24,530,000</u>	<u>\$ 19,572,090</u>	<u>\$ 44,102,090</u>

City of Poway

Notes to Basic Financial Statements
June 30, 2014

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Notes Payable

Notes payable at June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
Mossy Nissan	\$ 2,780,463	\$ 194,913	\$ (89,827)	\$ 2,885,549	\$ 100,000	\$ 2,785,549
Total Revenue Bonds	\$ 2,780,463	\$ 194,913	\$ (89,827)	\$ 2,885,549	\$ 100,000	\$ 2,785,549

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 \$2,885,549 at June 30, 2014.

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, 2014, the outstanding balance of governmental activities and business-type activities compensated absences were \$1,395,732 and \$273,304, 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, 2014, the outstanding balance of December 2009 issuance was \$4,775,570.

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, 2014, the outstanding balance of the bonds was \$110,628.

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, 2014, the outstanding balance of the bonds was \$64,771.

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. In September 2012, the California Public Employees' Pension Reform Act (PEPRA) was enacted. Under its provisions, employees hired after January 1, 2013 have a lower cost-pension benefit formula than employees hired before that date. 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 and before January 1, 2013, (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 provides 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 and before January 1, 2013, (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 provides 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.

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

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 Miscellaneous employees Tiers 1, 2 and 3 and 25.168%, 20.774%, and 11.500% for Safety employees, Tiers 1, 2 and 3 respectively.

Note 7 – Retirement Benefits (Continued)

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

Annual Pension Cost

For the year ended June 30, 2014, the City’s annual pension cost of \$2,738,148 for PERS was equal to the City’s required and actual contributions. The required contribution was determined as part of the June 30, 2013, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.30% to 14.20% for miscellaneous employees and 3.30% to 14.20% for safety employees depending on age, service, and type of employment, and (c) 2.00% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 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, 2012, was 26 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			Percentage of APC Contributed	Net Pension Obligation
	Safety	Miscellaneous	Total		
6/30/2012	\$ 1,022	\$ 1,411	\$ 2,433	100%	\$ -
6/30/2013	1,099	1,429	2,528	100%	-
6/30/2014	1,159	1,579	2,738	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 a Percentage of Covered Payroll
Miscellaneous Employee Group	6/30/2013	\$ 63,869	\$ 85,981	\$ 22,112	74.28%	\$ 10,071	219.56%

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 benefit plan, disclosures of the schedule of funding progress is not required.

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.

Note 7 – Retirement Benefits (Continued)

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, 2014, the City's annual required contribution is \$1,363,916. The required contribution was based on the June 30, 2013 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%. The City based its contribution rate on the 20 year amortization period which has 9 years remaining at June 30, 2014.

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	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 1,031	100%	\$ -
6/30/2013	1,242	100%	-
6/30/2014	1,364	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 a Percentage of Covered Payroll
Miscellaneous Employee Group	6/30/2013	\$ 6,672	\$ 13,471	\$ 6,799	49.53%	\$ 9,197	73.93%

The actuarial calculation for the PARS benefit is performed every two years, with the next one being for the fiscal year ended June 30, 2015. As of June 30, 2013, the Asset Market Value is \$6,672,210.

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 contribution for each employee (and interest earned by the accounts) are fully vested immediately.

For the year ended June 30, 2014, the City’s payroll covered by the plan was \$871,749. The City made employer contributions of \$549 (0.06% of current covered payroll), and employees contributed \$64,832 (7.44% of current covered payroll).

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, 2014 is \$41,594, and the balance of the non-forgivable rehabilitation loans at June 30, 2014 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, 2014 is \$1,602,292.

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, 2014 is \$3,907,632.

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, 2014 is \$34,167,859.

Note 9 – Risk Management

The City is a member of the California Joint Powers Insurance Authority (“Authority”). The Authority is composed of 119 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.

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.

Note 9 – Risk Management (Continued)

A. General Liabilities (Continued)

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.

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. Pollution Legal Liability 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.

Note 9 – Risk Management (Continued)

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 \$160,973,268. 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. Crime Insurance

The City purchases crime insurance 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, 2014, 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, 2014 is as follows:

Amounts in Thousands

Total Assets	<u>\$ 390,797</u>
Total Liabilities	<u>\$ 5,471</u>
Total Equity	<u>\$ 385,326</u>
Total Revenues	<u>\$ 278,514</u>
Total Expenses	<u>\$ 250,104</u>
Net Increase in Fund Equity	<u>\$ 28,410</u>

Note 10 – Joint Venture (Continued)

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, 2014, the following funds had deficit net position:

<u>Fund Type</u>	<u>Fund</u>	<u>Deficit</u>
Fiduciary Fund	Successor Agency to the Poway Redevelopment Agency	\$ (149,829,537)

Successor Agency to the Poway Redevelopment Agency - The Successor Agency to the Poway Redevelopment Agency Private Purpose Trust fund had an accumulated deficit of \$(149,829,537), 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.

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, 2014, 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, 2014 with an estimated cost to complete of approximately \$8,925,717 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.

Note 13 – Contingent Liabilities and Commitments (Continued)

E. Smith Judgment (Continued)

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.

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 as initiated litigation, *City of Poway, et al. v. Cohen, et al.*, Superior Court for the County of Sacramento Case No. 34-2013-80001923, 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.

Note 13 – Contingent Liabilities and Commitments (Continued)

F. Former Redevelopment Agency Asset Transfers

Pursuant to Health and Safety Code section 34167.5, the office of the California State Controller (SCO) performed a review of all asset transfers made by the Poway Redevelopment Agency (previously dissolved) to the City and any other public agency after January 1, 2011. In its draft *Asset Transfer Review* report included with a letter to the City dated December 17, 2014, the SCO concluded that \$24,608,104 in unallowable transfers were made to the City of Poway and the Poway Housing Authority. The SCO further requested that assets in the amount of the unallowable transfers be transferred from the City to the SA.

A description of the disallowed asset transfers is shown below:

Cash transfers - City Special Programs (Smith Settlement)	\$ 2,762,808
Land transfers	12,759,527
Building and Improvement transfers	7,395,044
Construction in process transfers	1,690,725
Total disallowed transfers	<u>\$24,608,104</u>

The City is disputing the SCO findings and City Management plans to pursue all available recourses including legal action against the State of California. It is management's opinion that the asset transfers were allowed under the provisions of Health and Safety Code section 34167.5.

In regard to the disallowed cash transfers (Smith Settlement) the City has initiated litigation, City of Poway, et al. v. Cohen, et al., Superior Court for the County of Sacramento Case No. 34-2013-80001923. For additional details of the Smith Settlement see section 'E'.

Should the City not prevail in disputing the SCO findings the City will be required to transfer the amount of the disallowed transfers to the SA. This could potentially decrease the City's net position by \$24,608,104.

Note 13 – Contingent Liabilities and Commitments (Continued)

G. Approval of City Advances to the Successor Agency

Upon dissolution of the former Poway Redevelopment Agency, advances made from the City to the former Poway Redevelopment Agency required approval by certain regulatory oversight agencies to be considered enforceable obligations of the Successor Agency. Certain advances were approved as enforceable obligations by the respective regulatory oversight agencies while other advances were disapproved. The City's position is that all of the advances to the former Poway Redevelopment Agency, which now reside in the Successor Agency, were for legitimate redevelopment purposes, and therefore, should be included in future Recognized Obligation Repayment Schedules (ROPS), and paid from Poway's Redevelopment Property Tax Trust Fund. The Successor Agency's Oversight Board (OSB) has approved all but one advance. The one advance was not presented to the OSB and is continuing to be researched by the City, and it intends to present it to the OSB at a future date for approval. The Department of Finance (DOF) position on the advances it did not approve is that sufficient loan documentation was not provided. The City provided council actions and budgetary documents in support of each of the advances, and believes this documentation does support the repayment of the advances.

A summary of the approved status of City advances to the Successor Agency at June 30, 2014 is shown below:

	Advances from fiduciary funds			Total
	Not Submitted to OSB	Approved by OSB, not approved by DOF	Approved by OSB, approved by DOF	
Advances to fiduciary funds				
Governmental Activities:				
General Fund	\$ 1,713,966	\$ 927,200	\$ -	\$ 2,641,166
Housing Authority	428,491	1,725,030	821,785	2,975,306
Non-Major Governmental Funds		1,894,355	1,081,725	2,976,080
Business -Type Activities:				
Water	-	563,483	1,521,600	2,085,083
Sewer	-	3,515,081	683,817	4,198,898
Total	<u>\$ 2,142,457</u>	<u>\$ 8,625,149</u>	<u>\$ 4,108,927</u>	<u>\$ 14,876,533</u>

It is the intention of City management to dispute the DOF approval findings. Should the City be unsuccessful in its dispute and the DOF findings stand, the City will be required to cancel the amount of the disapproved loans to the SA. This could potentially decrease the City's net position by \$8,625,149. If the City is unsuccessful in obtaining OSB approval and DOF approval for the loans not submitted to the OSB, the City's net position could potentially decrease by an additional \$2,142,457.

H. Other Matters

As of June 30, 2014, 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.

Note 15 – Fund Balances Classification

The City’s fund balances at June 30, 2014 are tabulated below by fund types.

	Major Funds			Total
	General Fund	Housing Authority Fund	Other Governmental Funds	
Nonspendable:				
Prepaid Items	\$ 4,606	\$ -	\$ -	\$ 4,606
Inventories	122,763	-	-	122,763
Notes Receivable	10,006,638	-	-	10,006,638
Total nonspendable	<u>10,134,007</u>	<u>-</u>	<u>-</u>	<u>10,134,007</u>
Restricted:				
Streets	-	-	3,394,414	3,394,414
Drainage	-	-	2,572,809	2,572,809
Maintenance Districts	-	-	7,304,204	7,304,204
Fire Protection	-	-	104,654	104,654
Grants	-	-	76,569	76,569
Housing	-	4,380,192	5,328,668	9,708,860
Debt Service Payments	-	-	1,509,186	1,509,186
Other Purposes	-	-	1,805,450	1,805,450
Parks and Recreation	-	-	478,605	478,605
Transportation	-	-	1,171,960	1,171,960
Total restricted	<u>\$ -</u>	<u>\$ 4,380,192</u>	<u>\$ 23,746,519</u>	<u>\$ 28,126,711</u>

City of Poway

Notes to Basic Financial Statements
June 30, 2014

Note 15 – Fund Balances Classification (Continued)

	Major Funds			Total
	General Fund	Housing Authority Fund	Other Governmental Funds	
Committed:				
Economic Stabilization	\$ 3,105,552	\$ -	\$ -	\$ 3,105,552
Street Maintenance	4,491,316	-	-	4,491,316
Pension Stabilization	2,429,211	-	-	2,429,211
Total committed	<u>10,026,079</u>	<u>-</u>	<u>-</u>	<u>10,026,079</u>
Assigned:				
Capital Projects	9,049,074	-	-	9,049,074
Contractual Services	17,271	-	-	17,271
Education and Training	592,418	-	-	592,418
Equipment	862	-	-	862
Library	256,992	-	-	256,992
Parks and Recreation	573,428	-	-	573,428
Public Safety	88,121	-	-	88,121
Repair and Maintenance	4,805,178	-	-	4,805,178
Total assigned	<u>15,383,344</u>	<u>-</u>	<u>-</u>	<u>15,383,344</u>
Unassigned	<u>26,624,039</u>	<u>-</u>	<u>-</u>	<u>26,624,039</u>
Total unassigned	<u>26,624,039</u>	<u>-</u>	<u>-</u>	<u>26,624,039</u>
Total fund balances	<u>\$ 62,167,469</u>	<u>\$ 4,380,192</u>	<u>\$ 23,746,519</u>	<u>\$ 90,294,180</u>

Note 16 –Change in Accounting Principle

As discussed in Note 1, the City implemented GASB Statement No. 65 effective July 1, 2013. GASB 65, among other provisions, amended prior guidance with respect to the treatment of debt issuance costs. Under GASB 65, debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred rather than reported as an asset on the statement of net position and recognized as an expense in a systematic and rational manner over the duration of the related debt. The Successor Agency's unamortized balance of debt issuance costs at the beginning of the year was \$274,837. GASB 65 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements.

Accordingly, beginning net position on the Statement of Changes in Net Position has been restated for any unamortized debt issuance costs previously reported on the Statement of Net Position as follows:

	Government Wide	Water Fund	Successor Agency
Beginning net position as previously reported	\$ 184,223,420	\$ 35,372,537	\$ (145,028,879)
Change in accounting principle	(408,690)	(15,014)	(274,837)
Beginning net position, as restated	<u>\$ 183,814,730</u>	<u>\$ 35,357,523</u>	<u>\$ (145,303,716)</u>

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2014

Required Supplementary Information (Unaudited)

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 presents a proposed budget to the City Council appointed Budget Review Committee (BRC) in May. The BRC holds public budget meetings 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, 2014

Note 1 – Budgetary Information (Continued)

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

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 29,368,640	\$ 29,368,640	\$ 33,272,810	\$ 3,904,170
Licenses and permits	498,910	498,910	561,251	62,341
Intergovernmental	354,200	354,200	460,701	106,501
Charges for services	2,141,780	2,161,540	2,356,165	194,625
Fines and forfeitures	185,000	185,000	184,855	(145)
Use of money and property	702,250	702,250	985,440	283,190
Developer fees	3,261,600	3,762,210	3,899,908	137,698
Other revenues	496,400	501,400	642,865	141,465
Total revenues	<u>37,008,780</u>	<u>37,534,150</u>	<u>42,363,995</u>	<u>4,829,845</u>
EXPENDITURES				
Current:				
General government	4,277,429	4,719,334	4,199,348	519,986
Public safety	20,286,520	20,437,800	20,303,104	134,696
Public works	4,082,915	4,177,056	4,086,775	90,281
Development services	3,467,319	3,901,402	3,817,726	83,676
Community services	4,865,650	4,934,990	4,912,545	22,445
Capital outlay	10,160,850	10,337,849	1,242,980	9,094,869
Total expenditures	<u>47,140,683</u>	<u>48,508,431</u>	<u>38,562,478</u>	<u>9,945,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,131,903)</u>	<u>(10,974,281)</u>	<u>3,801,517</u>	<u>14,775,798</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	886,020	2,042,337	1,925,397	(116,940)
Transfers out	<u>(973,230)</u>	<u>(1,614,481)</u>	<u>(1,585,583)</u>	<u>28,898</u>
Total other financing sources (uses)	<u>(87,210)</u>	<u>427,856</u>	<u>339,814</u>	<u>(88,042)</u>
Net change in fund balance	<u>\$ (10,219,113)</u>	<u>\$ (10,546,425)</u>	4,141,331	<u>\$ 14,687,756</u>
Fund balance, beginning of year			<u>58,026,138</u>	
Fund balance, end of year			<u>\$ 62,167,469</u>	

City of Poway

Required Supplementary Information (Continued)
For the year ended June 30, 2014

Note 1 – Budgetary Information (Continued)

Budget Comparison Schedule, Housing Authority Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 26,740	\$ 26,740	\$ 29,672	\$ 2,932
Use of money and property	54,750	54,750	14,613	(40,137)
Other revenues	40,000	40,000	139,136	99,136
Total revenues	121,490	121,490	183,421	61,931
EXPENDITURES				
Current:				
General government	-	3,500	3,493	7
Development services	-	12,710	12,709	1
Total expenditures	-	16,210	16,202	8
Net change in fund balance	\$ 121,490	\$ 105,280	167,219	\$ 61,939
Fund balance, beginning of year			4,212,973	
Fund balance, end of year			\$ 4,380,192	

City of Poway

Required Supplementary Information (Continued)
For the year ended June 30, 2014

Note 2 – Defined Benefit Pension Plans

A. California Public Employees' Retirement Plan (PERS)

A schedule of funding progress for the year ended June 30, 2014 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 a Percentage of Covered Payroll
Miscellaneous Employee Group Tiers 1-3	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%
	6/30/2013	63,869	85,981	22,112	74.28%	10,071	219.56%
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%
	6/30/2013	33,533	43,255	9,722	77.52%	4,595	211.58%
Public Safety Employee Group Tier 2	6/30/2012	\$ 1,574	\$ 1,744	\$ 170	90.25%	\$ 36	472.22%
	6/30/2013	14,280	17,719	3	80.59%	74	4.05%
Public Safety Employee Group Tier 3	6/30/2013	\$ 1	\$ 0.75	1	146.70%	\$ 65	1.54%

Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

B. Public Agency Retirement Services (PARS)

A schedule of funding progress for the year ended June 30, 2014 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 a Percentage of Covered Payroll
Miscellaneous Employee Group	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%
	6/30/2013	6,672	13,471	6,799	49.53%	9,197	73.93%

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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.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued):

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.

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 the San Diego Association of Governments.

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.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued):

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.

DEBT SERVICE FUND:

City of Poway Debt Service Fund – Used to account for lease payments received and transfers in from other funds that are used to make debt service payments.

PERMANENT FUND:

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, 2014

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Street Improvement	Drainage
ASSETS					
Cash and investments	\$ -	\$ 69,488	\$ 1,655,048	\$ 928,724	\$ 902,688
Receivables:					
Taxes	2,347	23	-	-	2,617
Accounts	-	-	292	-	12,169
Interest	-	61	-	-	-
Advances to other funds	-	-	-	-	17,576
Due from other governments	-	-	157,100	-	-
Advances to fiduciary funds	-	-	-	1,314,355	1,661,725
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total assets	<u>\$ 2,347</u>	<u>\$ 69,572</u>	<u>\$ 1,812,440</u>	<u>\$ 2,243,079</u>	<u>\$ 2,596,775</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 26,751	\$ 64,249	\$ -	\$ 12,054
Accrued liabilities	-	-	17,918	-	11,911
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	723,147	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>26,751</u>	<u>82,167</u>	<u>723,147</u>	<u>23,965</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	2,347	42,821	1,730,273	1,519,932	2,572,810
Total fund balances	<u>2,347</u>	<u>42,821</u>	<u>1,730,273</u>	<u>1,519,932</u>	<u>2,572,810</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,347</u>	<u>\$ 69,572</u>	<u>\$ 1,812,440</u>	<u>\$ 2,243,079</u>	<u>\$ 2,596,775</u>

City of Poway

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2014

Special Revenue Funds						
Maintenance Districts	Miscellaneous Grants	AB 939 Integrated Waste Management	Community Development Block Grant	Transportation Development Act	Proposition A	SB 1186 Disabled Access Law
\$ 7,437,490	\$ 247,820	\$ 515,727	\$ 11,761	\$ 498,502	\$ 374,853	\$ 2,023
6,027	-	-	-	-	-	-
10,784	-	49,313	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	229,962	-	147,541	16,074	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 7,454,301</u>	<u>\$ 477,782</u>	<u>\$ 565,040</u>	<u>\$ 159,302</u>	<u>\$ 514,576</u>	<u>\$ 374,853</u>	<u>\$ 2,023</u>
\$ 147,209	\$ 7,729	\$ 39,239	\$ 11,761	\$ 1,399	\$ -	\$ 166
2,890	1,321	-	-	-	-	-
-	200,850	-	147,541	-	-	-
-	-	-	-	-	-	-
-	14,622	-	-	-	-	-
<u>150,099</u>	<u>224,522</u>	<u>39,239</u>	<u>159,302</u>	<u>1,399</u>	<u>-</u>	<u>166</u>
-	178,902	-	-	-	-	-
-	178,902	-	-	-	-	-
<u>7,304,202</u>	<u>74,358</u>	<u>525,801</u>	<u>-</u>	<u>513,177</u>	<u>374,853</u>	<u>1,857</u>
<u>7,304,202</u>	<u>74,358</u>	<u>525,801</u>	<u>-</u>	<u>513,177</u>	<u>374,853</u>	<u>1,857</u>
<u>\$ 7,454,301</u>	<u>\$ 477,782</u>	<u>\$ 565,040</u>	<u>\$ 159,302</u>	<u>\$ 514,576</u>	<u>\$ 374,853</u>	<u>\$ 2,023</u>

City of Poway

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue Funds				
	Excess SAFE Reserve	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program	Housing In-lieu
ASSETS					
Cash and investments	\$ 144,210	\$ 290,910	\$ 59,486	\$ 2,211	\$ 903,864
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Advances to fiduciary funds	-	-	-	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total assets	<u>\$ 144,210</u>	<u>\$ 290,910</u>	<u>\$ 59,486</u>	<u>\$ 2,211</u>	<u>\$ 903,864</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 6,980	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>-</u>	<u>6,980</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	144,210	283,930	59,486	2,211	903,864
Total fund balances	<u>144,210</u>	<u>283,930</u>	<u>59,486</u>	<u>2,211</u>	<u>903,864</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 144,210</u>	<u>\$ 290,910</u>	<u>\$ 59,486</u>	<u>\$ 2,211</u>	<u>\$ 903,864</u>

City of Poway

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2014

Special Revenue Funds		Debt Service Fund	Permanent Fund	Capital Projects Funds		Total Other Governmental Funds
Habitat In-lieu	Housing Special Programs	Debt Service	Mary Patricia Ross Trust	Park Improvement	Municipal Improvement	
\$ 1,273,948	\$ 4,424,804	\$ 1,004,302	\$ 91,069	\$ 694,764	\$ 3,844	\$ 21,537,536
-	-	-	-	-	-	11,014
-	-	-	-	-	-	72,558
-	-	3	-	-	-	64
-	-	-	-	-	-	17,576
-	-	-	-	-	-	550,677
-	-	-	-	-	-	2,976,080
-	-	647,131	-	-	-	647,131
<u>\$ 1,273,948</u>	<u>\$ 4,424,804</u>	<u>\$ 1,651,436</u>	<u>\$ 91,069</u>	<u>\$ 694,764</u>	<u>\$ 3,844</u>	<u>\$ 25,812,636</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 317,537
-	-	-	-	-	-	34,040
-	-	-	-	-	-	348,391
-	-	-	-	307,228	-	1,030,375
-	-	142,250	-	-	-	156,872
-	-	142,250	-	307,228	-	1,887,215
-	-	-	-	-	-	178,902
-	-	-	-	-	-	178,902
1,273,948	4,424,804	1,509,186	91,069	387,536	3,844	23,746,519
<u>1,273,948</u>	<u>4,424,804</u>	<u>1,509,186</u>	<u>91,069</u>	<u>387,536</u>	<u>3,844</u>	<u>23,746,519</u>
<u>\$ 1,273,948</u>	<u>\$ 4,424,804</u>	<u>\$ 1,651,436</u>	<u>\$ 91,069</u>	<u>\$ 694,764</u>	<u>\$ 3,844</u>	<u>\$ 25,812,636</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Street Improvement	Drainage
REVENUES					
Taxes	\$ 633,029	\$ 135,057	\$ 1,639,039	\$ -	\$ 1,042,347
Intergovernmental	-	-	-	-	-
Charges for services	-	-	369	-	-
Use of money and property	-	215	16,861	4,906	7,730
Developer fees	-	-	-	806,281	5,990
Assessments levied	-	-	-	-	-
Other revenues	-	-	1,827	-	12,169
Total revenues	<u>633,029</u>	<u>135,272</u>	<u>1,658,096</u>	<u>811,187</u>	<u>1,068,236</u>
EXPENDITURES					
Current:					
Public safety	-	130,722	-	-	-
Public works	-	-	1,453,026	-	658,480
Capital outlay	-	-	-	19,910	364,113
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Transfers to fiduciary fund	-	-	-	-	-
Total expenditures	<u>-</u>	<u>130,722</u>	<u>1,453,026</u>	<u>19,910</u>	<u>1,022,593</u>
Excess (deficiency) of revenues over (under) expenditures	<u>633,029</u>	<u>4,550</u>	<u>205,070</u>	<u>791,277</u>	<u>45,643</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfer out	<u>(632,509)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(632,509)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	520	4,550	205,070	791,277	45,643
Fund balances, beginning of year	<u>1,827</u>	<u>38,271</u>	<u>1,525,203</u>	<u>728,655</u>	<u>2,527,167</u>
Fund balances, end of year	<u>\$ 2,347</u>	<u>\$ 42,821</u>	<u>\$ 1,730,273</u>	<u>\$ 1,519,932</u>	<u>\$ 2,572,810</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2014

Special Revenue Funds						
Maintenance Districts	Miscellaneous Grants	AB 939 Integrated Waste Management	Community Development Block Grant	Transportation Development Act	Proposition A	SB 1186 Disabled Access Law
\$ 354,570	\$ -	\$ -	\$ -	\$ -	\$ 1,370,400	\$ -
-	129,883	22,320	210,374	5,000	-	-
-	-	-	-	-	-	-
77,627	1,698	5,153	-	5,574	692	16
-	-	-	-	-	-	-
1,898,872	-	-	-	-	-	-
9,470	-	198,089	-	11,074	-	1,174
<u>2,340,539</u>	<u>131,581</u>	<u>225,562</u>	<u>210,374</u>	<u>21,648</u>	<u>1,371,092</u>	<u>1,190</u>
-	-	-	-	-	-	-
2,410,011	-	-	-	11,074	1,020,400	-
-	230,106	135,633	210,374	17,516	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,410,011</u>	<u>230,106</u>	<u>135,633</u>	<u>210,374</u>	<u>28,590</u>	<u>1,020,400</u>	<u>-</u>
<u>(69,472)</u>	<u>(98,525)</u>	<u>89,929</u>	<u>-</u>	<u>(6,942)</u>	<u>350,692</u>	<u>1,190</u>
324,902	-	-	-	-	-	-
-	(100,000)	-	-	-	-	-
<u>324,902</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
255,430	(198,525)	89,929	-	(6,942)	350,692	1,190
<u>7,048,772</u>	<u>272,883</u>	<u>435,872</u>	<u>-</u>	<u>520,119</u>	<u>24,161</u>	<u>667</u>
<u>\$ 7,304,202</u>	<u>\$ 74,358</u>	<u>\$ 525,801</u>	<u>\$ -</u>	<u>\$ 513,177</u>	<u>\$ 374,853</u>	<u>\$ 1,857</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds				
	Excess SAFE Reserve	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program	Housing In-lieu
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Use of money and property	1,626	3,201	530	18	9,863
Developer fees	-	17,671	26,589	-	4,500
Assessments levied	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	<u>1,626</u>	<u>20,872</u>	<u>27,119</u>	<u>18</u>	<u>14,363</u>
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	17,076	16,686	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Transfers to fiduciary fund	-	-	-	-	-
Total expenditures	<u>17,076</u>	<u>16,686</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,450)</u>	<u>4,186</u>	<u>27,119</u>	<u>18</u>	<u>14,363</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(15,450)	4,186	27,119	18	14,363
Fund balances, beginning of year	<u>159,660</u>	<u>279,744</u>	<u>32,367</u>	<u>2,193</u>	<u>889,501</u>
Fund balances, end of year	<u>\$ 144,210</u>	<u>\$ 283,930</u>	<u>\$ 59,486</u>	<u>\$ 2,211</u>	<u>\$ 903,864</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2014

Special Revenue Funds		Debt Service Fund	Permanent Fund	Capital Projects Funds		Total Other Governmental Funds
Habitat In-lieu	Housing Special Programs	Debt Service	Mary Patricia Ross Trust	Park Improvement	Municipal Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,174,442
-	-	-	-	-	-	367,577
-	-	-	-	-	-	369
13,895	42,894	294,587	996	7,734	42	495,858
8,735	-	-	-	36,496	-	906,262
-	-	-	-	-	-	1,898,872
-	818,727	-	-	-	-	1,052,530
<u>22,630</u>	<u>861,621</u>	<u>294,587</u>	<u>996</u>	<u>44,230</u>	<u>42</u>	<u>9,895,910</u>
-	-	-	-	-	-	130,722
-	-	-	-	-	-	5,552,991
-	-	-	-	28,553	-	1,039,967
-	-	700,000	-	-	-	700,000
-	-	506,527	-	-	-	506,527
-	-	440,300	-	-	-	440,300
-	-	1,646,827	-	28,553	-	8,370,507
<u>22,630</u>	<u>861,621</u>	<u>(1,352,240)</u>	<u>996</u>	<u>15,677</u>	<u>42</u>	<u>1,525,403</u>
-	-	917,973	-	-	-	1,242,875
-	-	(6,198)	-	-	-	(738,707)
-	-	911,775	-	-	-	504,168
22,630	861,621	(440,465)	996	15,677	42	2,029,571
<u>1,251,318</u>	<u>3,563,183</u>	<u>1,949,651</u>	<u>90,073</u>	<u>371,859</u>	<u>3,802</u>	<u>21,716,948</u>
<u>\$ 1,273,948</u>	<u>\$ 4,424,804</u>	<u>\$ 1,509,186</u>	<u>\$ 91,069</u>	<u>\$ 387,536</u>	<u>\$ 3,844</u>	<u>\$ 23,746,519</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fire Protection Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 634,000	\$ 634,000	\$ 633,029	\$ (971)
Total revenues	634,000	634,000	633,029	(971)
OTHER FINANCING (USES)				
Transfers out	(636,000)	(636,000)	(632,509)	3,491
Total other financing (uses)	(636,000)	(636,000)	(632,509)	3,491
Net change in fund balance	(2,000)	(2,000)	520	2,520
Fund balance, beginning of year	1,827	1,827	1,827	-
Fund balance, end of year	<u>\$ (173)</u>	<u>\$ (173)</u>	<u>\$ 2,347</u>	<u>\$ 2,520</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 800 MHz Communication System Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 136,000	\$ 136,000	\$ 135,057	\$ (943)
Use of money and property	30	30	215	185
Total revenues	<u>136,030</u>	<u>136,030</u>	<u>135,272</u>	<u>(758)</u>
EXPENDITURES				
Current:				
Public Safety	<u>132,960</u>	<u>132,960</u>	<u>130,722</u>	<u>2,238</u>
Total expenditures	<u>132,960</u>	<u>132,960</u>	<u>130,722</u>	<u>2,238</u>
Net change in fund balance	3,070	3,070	4,550	1,480
Fund balance, beginning of year	<u>38,271</u>	<u>38,271</u>	<u>38,271</u>	<u>-</u>
Fund balance, end of year	<u>\$ 41,341</u>	<u>\$ 41,341</u>	<u>\$ 42,821</u>	<u>\$ 1,480</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,515,550	\$ 1,515,550	\$ 1,639,039	\$ 123,489
Charges for services	-	-	369	369
Use of money and property	4,720	4,720	16,861	12,141
Other revenues	-	-	1,827	1,827
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	1,520,270	1,520,270	1,658,096	137,826
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Current:				
Public works	1,797,085	1,793,160	1,453,026	340,134
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	1,797,085	1,793,160	1,453,026	340,134
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	(276,815)	(272,890)	205,070	477,960
Fund balance, beginning of year	1,525,203	1,525,203	1,525,203	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$ 1,248,388	\$ 1,252,313	\$ 1,730,273	\$ 477,960
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Street Improvement Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 850	\$ 850	\$ 4,906	\$ 4,056
Developer fees	68,650	68,650	806,281	737,631
Total revenues	69,500	69,500	811,187	741,687
EXPENDITURES				
Capital outlay	257,200	302,200	19,910	282,290
Total expenditures	257,200	302,200	19,910	282,290
Net change in fund balance	(187,700)	(232,700)	791,277	1,023,977
Fund balance, beginning of year	728,655	728,655	728,655	-
Fund balance, end of year	<u>\$ 540,955</u>	<u>\$ 495,955</u>	<u>\$ 1,519,932</u>	<u>\$ 1,023,977</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Drainage Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 927,240	\$ 927,240	\$ 1,042,347	\$ 115,107
Use of money and property	2,400	2,400	7,730	5,330
Developer fees	21,000	21,000	5,990	(15,010)
Other revenues	-	-	12,169	12,169
Total revenues	<u>950,640</u>	<u>950,640</u>	<u>1,068,236</u>	<u>117,596</u>
EXPENDITURES				
Current:				
Public works	637,908	678,709	658,480	20,229
Capital outlay	<u>581,988</u>	<u>609,838</u>	<u>364,113</u>	<u>245,725</u>
Total expenditures	<u>1,219,896</u>	<u>1,288,547</u>	<u>1,022,593</u>	<u>265,954</u>
Net change in fund balance	(269,256)	(337,907)	45,643	383,550
Fund balance, beginning of year	<u>2,527,167</u>	<u>2,527,167</u>	<u>2,527,167</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,257,911</u>	<u>\$ 2,189,260</u>	<u>\$ 2,572,810</u>	<u>\$ 383,550</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Maintenance Districts Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 319,690	\$ 319,690	\$ 354,570	\$ 34,880
Assessment levied	1,882,200	1,882,200	1,898,872	16,672
Use of money and property	38,440	38,440	77,627	39,187
Other revenue	-	-	9,470	9,470
Total revenues	<u>2,240,330</u>	<u>2,240,330</u>	<u>2,340,539</u>	<u>100,209</u>
EXPENDITURES				
Public works	<u>2,786,389</u>	<u>2,917,968</u>	<u>2,410,011</u>	<u>507,957</u>
Total expenditures	<u>2,786,389</u>	<u>2,917,968</u>	<u>2,410,011</u>	<u>507,957</u>
Deficiency of revenues over expenditures	<u>(546,059)</u>	<u>(677,638)</u>	<u>(69,472)</u>	<u>(608,166)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>329,150</u>	<u>329,150</u>	<u>324,902</u>	<u>(4,248)</u>
Total other financing sources	<u>329,150</u>	<u>329,150</u>	<u>324,902</u>	<u>(4,248)</u>
Net change in fund balance	(216,909)	(348,488)	255,430	603,918
Fund balance, beginning of year	<u>7,048,772</u>	<u>7,048,772</u>	<u>7,048,772</u>	-
Fund balance, end of year	<u>\$ 6,831,863</u>	<u>\$ 6,700,284</u>	<u>\$ 7,304,202</u>	<u>\$ 603,918</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Miscellaneous Grants Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 126,670	\$ 126,670	\$ 129,883	\$ 3,213
Use of money and property	1,150	1,150	1,698	548
Total revenues	<u>127,820</u>	<u>127,820</u>	<u>131,581</u>	<u>3,761</u>
EXPENDITURES				
Capital outlay	<u>221,257</u>	<u>230,239</u>	<u>230,106</u>	<u>133</u>
Total expenditures	<u>221,257</u>	<u>230,239</u>	<u>230,106</u>	<u>133</u>
Deficiency of revenues over expenditures	<u>(93,437)</u>	<u>(102,419)</u>	<u>(98,525)</u>	<u>3,894</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Net change in fund balance	(193,437)	(202,419)	(198,525)	3,894
Fund balance, beginning of year	<u>272,883</u>	<u>272,883</u>	<u>272,883</u>	<u>-</u>
Fund balance, end of year	<u>\$ 79,446</u>	<u>\$ 70,464</u>	<u>\$ 74,358</u>	<u>\$ 3,894</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
AB 939 Integrated Waste Management Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 22,600	\$ 22,600	\$ 22,320	\$ (280)
Use of money and property	1,830	1,830	5,153	3,323
Other revenue	195,000	195,000	198,089	3,089
	<u>219,430</u>	<u>219,430</u>	<u>225,562</u>	<u>6,132</u>
EXPENDITURES				
Capital outlay	<u>314,251</u>	<u>314,251</u>	<u>135,633</u>	<u>178,618</u>
	<u>314,251</u>	<u>314,251</u>	<u>135,633</u>	<u>178,618</u>
Net change in fund balance	(94,821)	(94,821)	89,929	184,750
Fund balance, beginning of year	<u>435,872</u>	<u>435,872</u>	<u>435,872</u>	<u>-</u>
Fund balance, end of year	<u>\$ 341,051</u>	<u>\$ 341,051</u>	<u>\$ 525,801</u>	<u>\$ 184,750</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 140,780	\$ 140,780	\$ 210,374	\$ 69,594
Total revenues	<u>140,780</u>	<u>140,780</u>	<u>210,374</u>	<u>69,594</u>
EXPENDITURES				
Capital outlay	<u>228,219</u>	<u>234,213</u>	<u>210,374</u>	<u>23,839</u>
Total expenditures	<u>228,219</u>	<u>234,213</u>	<u>210,374</u>	<u>23,839</u>
Net change in fund balance	(87,439)	(93,433)	-	93,433
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (87,439)</u>	<u>\$ (93,433)</u>	<u>\$ -</u>	<u>\$ 93,433</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Transportation Development Act Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 5,000	\$ (5,000)
Use of money and property	3,250	3,250	5,574	2,324
Other revenue	-	-	11,074	11,074
Total revenues	<u>13,250</u>	<u>13,250</u>	<u>21,648</u>	<u>8,398</u>
EXPENDITURES				
Current:				
Public works	5,000	11,080	11,074	6
Capital outlay	<u>513,011</u>	<u>513,011</u>	<u>17,516</u>	<u>495,495</u>
Total expenditures	<u>518,011</u>	<u>524,091</u>	<u>28,590</u>	<u>495,501</u>
Net change in fund balance	(504,761)	(510,841)	(6,942)	503,899
Fund balance, beginning of year	<u>520,119</u>	<u>520,119</u>	<u>520,119</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,358</u>	<u>\$ 9,278</u>	<u>\$ 513,177</u>	<u>\$ 503,899</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Proposition A Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,378,100	\$ 1,378,100	\$ 1,370,400	\$ (7,700)
Use of money and property	4,050	4,050	692	(3,358)
Total revenues	<u>1,382,150</u>	<u>1,382,150</u>	<u>1,371,092</u>	<u>(11,058)</u>
EXPENDITURES				
Current:				
Public works	773,100	1,020,400	1,020,400	-
Capital outlay	<u>350,000</u>	<u>350,000</u>	<u>-</u>	<u>350,000</u>
Total expenditures	<u>1,123,100</u>	<u>1,370,400</u>	<u>1,020,400</u>	<u>350,000</u>
Net change in fund balance	259,050	11,750	350,692	338,942
Fund balance, beginning of year	<u>24,161</u>	<u>24,161</u>	<u>24,161</u>	<u>-</u>
Fund balance, end of year	<u>\$ 283,211</u>	<u>\$ 35,911</u>	<u>\$ 374,853</u>	<u>\$ 338,942</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
SB 1186 Disabled Access Law Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 16	\$ 16
Other revenue	1,050	1,050	1,174	124
Total revenues	1,050	1,050	1,190	140
Net change in fund balance	1,050	1,050	1,190	140
Fund balance, beginning of year	667	667	667	-
Fund balance, end of year	<u>\$ 1,717</u>	<u>\$ 1,717</u>	<u>\$ 1,857</u>	<u>\$ 140</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Excess SAFE Reserve Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 1,626	\$ 1,626
Total revenues	-	-	1,626	1,626
EXPENDITURES				
Capital outlay	158,948	158,948	17,076	141,872
Total expenditures	158,948	158,948	17,076	141,872
Net change in fund balance	(158,948)	(158,948)	(15,450)	143,498
Fund balance, beginning of year	159,660	159,660	159,660	-
Fund balance, end of year	<u>\$ 712</u>	<u>\$ 712</u>	<u>\$ 144,210</u>	<u>\$ 143,498</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Regional Arterial Traffic Mitigation Special Revenue Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 1,540	\$ 1,540	\$ 3,201	\$ 1,661
Developer fees	17,660	17,660	17,671	11
Total revenues	19,200	19,200	20,872	1,672
EXPENDITURES				
Capital outlay	47,878	47,878	16,686	31,192
Total expenditures	47,878	47,878	16,686	31,192
Net change in fund balance	(28,678)	(28,678)	4,186	32,864
Fund balance, beginning of year	279,744	279,744	279,744	-
Fund balance, end of year	\$ 251,066	\$ 251,066	\$ 283,930	\$ 32,864

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Fire Protection Impact Fees Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 130	\$ 130	\$ 530	\$ 400
Developer fees	3,020	3,020	26,589	23,569
Total revenues	3,150	3,150	27,119	23,969
Net change in fund balance	3,150	3,150	27,119	23,969
Fund balance, beginning of year	32,367	32,367	32,367	-
Fund balance, end of year	<u>\$ 35,517</u>	<u>\$ 35,517</u>	<u>\$ 59,486</u>	<u>\$ 23,969</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
BEGIN Program Special Revenue Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ -	\$ -	\$ 18	\$ 18
Total revenues	-	-	18	18
Net change in fund balance	-	-	18	18
Fund balance, beginning of year	2,193	2,193	2,193	-
Fund balance, end of year	<u>\$ 2,193</u>	<u>\$ 2,193</u>	<u>\$ 2,211</u>	<u>\$ 18</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Housing In-lieu Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 5,280	\$ 5,280	\$ 9,863	\$ 4,583
Developer fees	4,500	4,500	4,500	-
Total revenues	<u>9,780</u>	<u>9,780</u>	<u>14,363</u>	<u>4,583</u>
EXPENDITURES				
Capital outlay	<u>259,479</u>	<u>259,479</u>	<u>-</u>	<u>259,479</u>
Total expenditures	<u>259,479</u>	<u>259,479</u>	<u>-</u>	<u>259,479</u>
Net change in fund balance	(249,699)	(249,699)	14,363	264,062
Fund balance, beginning of year	<u>889,501</u>	<u>889,501</u>	<u>889,501</u>	<u>-</u>
Fund balance, end of year	<u>\$ 639,802</u>	<u>\$ 639,802</u>	<u>\$ 903,864</u>	<u>\$ 264,062</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Habitat In-lieu Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 7,300	\$ 7,300	\$ 13,895	\$ 6,595
Developer fees	17,000	17,000	8,735	(8,265)
Total revenues	24,300	24,300	22,630	(1,670)
Net change in fund balance	24,300	24,300	22,630	(1,670)
Fund balance, beginning of year	1,251,318	1,251,318	1,251,318	-
Fund balance, end of year	<u>\$ 1,275,618</u>	<u>\$ 1,275,618</u>	<u>\$ 1,273,948</u>	<u>\$ (1,670)</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Housing Special Programs Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 17,130	\$ 17,130	\$ 42,894	\$ 25,764
Other revenues	780,000	780,000	818,727	38,727
Total revenues	797,130	797,130	861,621	64,491
EXPENDITURES				
Capital outlay	1,014,420	1,014,420	-	1,014,420
Total expenditures	1,014,420	1,014,420	-	1,014,420
Net change in fund balance	(217,290)	(217,290)	861,621	1,078,911
Fund balance, beginning of year	3,563,183	3,563,183	3,563,183	-
Fund balance, end of year	\$ 3,345,893	\$ 3,345,893	\$ 4,424,804	\$ 1,078,911

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 City Debt Service Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 289,530	\$ 289,530	\$ 294,587	\$ 5,057
Total revenues	289,530	289,530	294,587	5,057
EXPENDITURES				
Debt service:				
Principal	700,000	700,000	700,000	-
Interest and fiscal charges	511,000	511,000	506,527	4,473
Transfers to fiduciary fund	440,300	440,300	440,300	-
Total expenditures	1,651,300	1,651,300	1,646,827	4,473
Excess (deficiency) of revenues over (under) expenditures	(1,361,770)	(1,361,770)	(1,352,240)	9,530
OTHER FINANCING SOURCES (USES)				
Transfers in	931,500	931,500	917,973	(13,527)
Transfers out	(6,270)	(6,270)	(6,198)	72
Total other financing sources (uses)	925,230	925,230	911,775	(13,455)
Net change in fund balance	(436,540)	(436,540)	(440,465)	(3,925)
Fund balance, beginning of year	1,949,651	1,949,651	1,949,651	-
Fund balance, end of year	\$ 1,513,111	\$ 1,513,111	\$ 1,509,186	\$ (3,925)

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Mary Patricia Ross Trust Permanent Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 540	\$ 540	\$ 996	\$ 456
Total revenues	540	540	996	456
Net change in fund balance	540	540	996	456
Fund balance, beginning of year	90,073	90,073	90,073	-
Fund balance, end of year	<u>\$ 90,613</u>	<u>\$ 90,613</u>	<u>\$ 91,069</u>	<u>\$ 456</u>

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Park Improvement Capital Project Fund
 For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Developer fees	\$ 45,620	\$ 45,620	\$ 36,496	\$ (9,124)
Use of money and property	5,580	5,580	7,734	2,154
Total revenues	51,200	51,200	44,230	(6,970)
EXPENDITURES				
Capital outlay	50,000	50,000	28,553	21,447
Total expenditures	50,000	50,000	28,553	21,447
Net change in fund balance	1,200	1,200	15,677	14,477
Fund balance, beginning of year	371,859	371,859	371,859	-
Fund balance, end of year	\$ 373,059	\$ 373,059	\$ 387,536	\$ 14,477

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Municipal Improvement Capital Project Fund
For the year ended June 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 20	\$ 20	\$ 42	\$ 22
Total revenues	20	20	42	22
Net change in fund balance	20	20	42	22
Fund balance, beginning of year	3,802	3,802	3,802	-
Fund balance, end of year	<u>\$ 3,822</u>	<u>\$ 3,822</u>	<u>\$ 3,844</u>	<u>\$ 22</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.

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City of Poway

Statement of Net Position
Internal Service Fund - Vehicle Maintenance Fund
June 30, 2014

ASSETS

Current assets:

Cash and investments	\$ 8,447,902
Accounts receivable	511

Total current assets	<u>8,448,413</u>
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Total assets	<u>8,448,413</u>
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LIABILITIES

Current liabilities:

Accounts payable	35,398
Accrued liabilities	8,065

Total current liabilities	<u>43,463</u>
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Noncurrent liabilities:

Compensated absences	30,986
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Total noncurrent liabilities	<u>30,986</u>
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Total liabilities	<u>74,449</u>
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NET POSITION

Unrestricted	<u>8,373,964</u>
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Total net position	<u>\$ 8,373,964</u>
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City of Poway

Statement of Revenues, Expenses and Changes in Net Position
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2014

OPERATING REVENUES

Charges for services	\$ 3,305,132
Total operating revenues	<u>3,305,132</u>

OPERATING EXPENSES

Personnel services	334,937
Maintenance and operations	<u>935,016</u>
Total operating expenses	<u>1,269,953</u>
Operating income	<u>2,035,179</u>

NONOPERATING REVENUES

Interest revenue	83,765
Other nonoperating revenue	<u>2,884</u>
Total nonoperating revenues	<u>86,649</u>
Income before transfers	<u>2,121,828</u>

TRANSFERS

Transfers in	640,683
Transfers out	<u>(1,042,940)</u>
Total transfers	<u>(402,257)</u>

Change in net position 1,719,571

Net position, beginning of year 6,654,393

Net position, end of year \$ 8,373,964

City of Poway

Statement of Cash Flows
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2014

Cash flows from operating activities:	
Cash receipts from users	\$ 3,304,621
Cash payments to employees for services	(331,515)
Cash payments to suppliers of goods or services	<u>(927,659)</u>
Net cash provided by operating activities	<u>2,045,447</u>
Cash flows from noncapital financing activities:	
Transfer from other funds	640,683
Transfer to other funds	<u>(1,042,940)</u>
Net cash (used for) noncapital financing activities	<u>(402,257)</u>
Cash flows from capital and related financing activities:	
Sale of assets	<u>2,884</u>
Net cash provided by capital and related financing activities	<u>2,884</u>
Cash flows from investing activities:	
Interest received	<u>83,765</u>
Net cash provided by investing activities	<u>83,765</u>
Net increase in cash and investments	1,729,839
Cash and investments, beginning of year	<u>6,718,063</u>
Cash and investments, end of year	<u>\$ 8,447,902</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income	\$ 2,035,179
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	(511)
Increase (decrease) in liabilities:	
Accounts payable	7,357
Accrued liabilities	<u>3,422</u>
Total adjustments	<u>10,268</u>
Net cash provided by operating activities	<u>\$ 2,045,447</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.

City of Poway

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2014

	Developer Deposits	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						
Current assets						
Cash and investments	\$ 2,793,466	\$ -	\$ 3,490,743	\$ 59,225	\$ 64,771	\$ 6,408,205
Cash and investments with fiscal agents	-	-	1,654,813	53,751	-	1,708,564
Receivables, net:						
Taxes	-	-	-	2,087	-	2,087
Interest	-	-	14	-	-	14
Total current assets	<u>\$ 2,793,466</u>	<u>\$ -</u>	<u>\$ 5,145,570</u>	<u>\$ 115,063</u>	<u>\$ 64,771</u>	<u>\$ 8,118,870</u>
LIABILITIES						
Current liabilities						
Accounts payable	\$ 41,693	\$ -	\$ -	\$ 4,235	\$ -	\$ 45,928
Due to fiduciary fund	11,860	-	-	-	-	11,860
Total current liabilities	<u>53,553</u>	<u>-</u>	<u>-</u>	<u>4,235</u>	<u>-</u>	<u>57,788</u>
Noncurrent liabilities						
Deposits	2,739,913	-	-	-	-	2,739,913
Due to bondholders	-	-	4,775,570	110,828	64,771	4,951,169
Advances from City of Poway	-	-	370,000	-	-	370,000
Total non current liabilities	<u>2,739,913</u>	<u>-</u>	<u>5,145,570</u>	<u>110,828</u>	<u>64,771</u>	<u>8,061,082</u>
Total liabilities	<u>\$ 2,793,466</u>	<u>\$ -</u>	<u>\$ 5,145,570</u>	<u>\$ 115,063</u>	<u>\$ 64,771</u>	<u>\$ 8,118,870</u>

City of Poway

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
DEVELOPER DEPOSITS FUND				
Assets				
Cash and investments	\$ 3,319,435	\$ 764,813	\$ (1,290,782)	\$ 2,793,466
Total assets	<u>\$ 3,319,435</u>	<u>\$ 764,813</u>	<u>\$ (1,290,782)</u>	<u>\$ 2,793,466</u>
Liabilities				
Accounts payable	\$ 17,566	\$ 41,693	\$ (17,566)	\$ 41,693
Deposits	3,301,869	711,260	(1,273,216)	2,739,913
Due to fiduciary fund	-	11,860	-	11,860
Total liabilities	<u>\$ 3,319,435</u>	<u>\$ 764,813</u>	<u>\$ (1,290,782)</u>	<u>\$ 2,793,466</u>
SOUTH POWAY CFD No. 1 BOND DEPOSITS FUND				
Assets				
Cash and investments	\$ 246	\$ 20,720	\$ (20,966)	\$ -
Total assets	<u>\$ 246</u>	<u>\$ 20,720</u>	<u>\$ (20,966)</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 246	\$ 20,720	\$ (20,966)	\$ -
Total liabilities	<u>\$ 246</u>	<u>\$ 20,720</u>	<u>\$ (20,966)</u>	<u>\$ -</u>
PARKWAY BUSINESS CENTRE CFD No. 88-1 BOND DEPOSITS FUND				
Assets				
Cash and investments	\$ 3,654,701	\$ 3,311,096	\$ (3,475,054)	\$ 3,490,743
Cash and investments with fiscal agents	1,654,644	3,301,194	(3,301,025)	1,654,813
Taxes receivable	2,535	-	(2,535)	-
Accounts receivable	540,000	-	(540,000)	-
Interest receivable	14	14	(14)	14
Total assets	<u>\$ 5,851,894</u>	<u>\$ 6,612,304</u>	<u>\$ (7,318,628)</u>	<u>\$ 5,145,570</u>
Liabilities				
Due to bond holders	\$ 5,311,894	\$ 3,311,265	\$ (3,847,589)	\$ 4,775,570
Advances from City of Poway	540,000	-	(170,000)	370,000
Total liabilities	<u>\$ 5,851,894</u>	<u>\$ 3,311,265</u>	<u>\$ (4,017,589)</u>	<u>\$ 5,145,570</u>

City of Poway

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the year ended June 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
HIGH VALLEY ROAD				
AD No. 96-1 BOND DEPOSITS FUND				
Assets				
Cash and investments	\$ 55,521	\$ 59,925	\$ (56,221)	\$ 59,225
Cash and investments with fiscal agents	53,754	50,006	(50,009)	53,751
Taxes receivable	90	2,087	(90)	2,087
Interest receivable	1	-	(1)	-
Total assets	<u>\$ 109,366</u>	<u>\$ 112,018</u>	<u>\$ (106,321)</u>	<u>\$ 115,063</u>
Liabilities				
Accounts payable	\$ 4,235	\$ -	\$ -	\$ 4,235
Due to bond holders	105,131	57,792	(52,095)	110,828
Total liabilities	<u>\$ 109,366</u>	<u>\$ 57,792</u>	<u>\$ (52,095)</u>	<u>\$ 115,063</u>
OLD COACH WATERLINE				
AD No. 00-1 BND DEPOSITS FUND				
Assets				
Cash and investments	\$ 64,634	\$ 32,972	\$ (32,835)	\$ 64,771
Taxes receivable	984	-	(984)	-
Total assets	<u>\$ 65,618</u>	<u>\$ 32,972</u>	<u>\$ (33,819)</u>	<u>\$ 64,771</u>
Liabilities				
Due to bond holders	\$ 65,618	\$ 32,972	\$ (33,819)	\$ 64,771
Total liabilities	<u>\$ 65,618</u>	<u>\$ 32,972</u>	<u>\$ (33,819)</u>	<u>\$ 64,771</u>
ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 7,094,537	\$ 4,189,526	\$ (4,875,858)	\$ 6,408,205
Cash and investments with fiscal agents	1,708,398	3,351,200	(3,351,034)	1,708,564
Taxes receivable	3,609	2,087	(3,609)	2,087
Accounts receivable	540,000	-	(540,000)	-
Interest receivable	15	14	(15)	14
Total assets	<u>\$ 9,346,559</u>	<u>\$ 7,542,827</u>	<u>\$ (8,770,516)</u>	<u>\$ 8,118,870</u>
Liabilities				
Accounts payable	\$ 22,047	\$ 62,413	\$ (38,532)	\$ 45,928
Deposits	3,301,869	711,260	(1,273,216)	2,739,913
Due to fiduciary fund	-	11,860	-	11,860
Due to bondholders	5,482,643	3,402,029	(3,933,503)	4,951,169
Advances from City of Poway	540,000	-	(170,000)	370,000
Total liabilities	<u>\$ 9,346,559</u>	<u>\$ 4,187,562</u>	<u>\$ (5,415,251)</u>	<u>\$ 8,118,870</u>

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Statistical Section

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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

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

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

Debt Capacity

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

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.

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

City of Poway

Net Position by Component Current and Prior Eight Years (accrual basis of accounting)

	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>	Year Ended <u>June 30, 2012</u>	Year Ended <u>June 30, 2011</u>	Year Ended <u>June 30, 2010</u>	Year Ended <u>June 30, 2009</u>	Year Ended <u>June 30, 2008</u>	Year Ended <u>June 30, 2007</u>	Year Ended <u>June 30, 2006</u>
Governmental activities									
Net investment in capital assets	\$ 90,442,061	\$ 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	23,746,519	25,637,627	24,523,246	70,931,373	78,369,565	99,252,462	101,384,182	99,518,581	98,416,094
Unrestricted - as restated	73,722,477	63,928,726	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	187,911,057	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									
Net investment in capital assets	38,731,821	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	279,579	279,604	279,575	280,450	280,450	280,469	281,531	283,938	283,534
Unrestricted	33,144,439	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	72,155,839	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									
Net investment in capital assets	129,173,882	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	24,026,098	25,917,231	24,802,821	71,211,823	78,650,015	99,532,931	101,665,713	99,802,519	98,699,628
Unrestricted	106,866,916	97,234,625	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	\$ 260,066,896	\$ 258,555,391	\$ 255,156,172	\$ 130,763,870	\$ 109,894,800	\$ 111,285,743	\$ 102,446,764	\$ 89,063,546	\$ 71,967,176

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 Eight Years (accrual basis of accounting)

	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>	Year Ended <u>June 30, 2012</u>	Year Ended <u>June 30, 2011</u>	Year Ended <u>June 30, 2010</u>	Year Ended <u>June 30, 2009</u>	Year Ended <u>June 30, 2008</u>	Year Ended <u>June 30, 2007</u>	Year Ended <u>June 30, 2006</u>
Expenses:									
Governmental Activities:									
General Government	\$ 5,227,809	\$ 5,981,436	\$ 14,226,478	\$ 17,144,376	\$ 23,947,500	\$ 23,261,446	\$ 18,616,222	\$ 14,559,177	\$ 15,689,334
Public Safety	20,906,884	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	11,863,623	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	3,815,282	3,745,329	2,767,969	2,348,622	4,423,865	5,226,071	5,367,148	4,978,301	
Community Services	6,115,485	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	509,206	(249,757)	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	440,300	444,282	-	-	-	-	-	-	-
Total governmental expenses	<u>48,878,589</u>	<u>47,481,833</u>	<u>62,088,765</u>	<u>82,645,876</u>	<u>100,625,868</u>	<u>91,817,670</u>	<u>88,997,925</u>	<u>83,421,065</u>	<u>82,523,136</u>
Business-type activities:									
Water	23,314,233	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	9,434,739	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	<u>32,748,972</u>	<u>32,436,458</u>	<u>29,026,947</u>	<u>25,795,057</u>	<u>25,749,097</u>	<u>26,709,046</u>	<u>25,278,562</u>	<u>25,342,555</u>	<u>24,739,303</u>
Total primary government expenses	<u>\$ 81,627,561</u>	<u>\$ 79,918,291</u>	<u>\$ 91,115,712</u>	<u>\$ 108,440,933</u>	<u>\$ 126,374,965</u>	<u>\$ 118,526,716</u>	<u>\$ 114,276,487</u>	<u>\$ 108,763,620</u>	<u>\$ 107,262,439</u>
Program revenues:									
Governmental Activities:									
Charges for services:									
General Government	\$ 260,802	\$ 118,347	\$ 120,126	\$ 96,397	\$ 91,745	\$ 105,084	\$ 133,893	\$ 176,938	\$ 173,484
Public Safety	1,908,337	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	2,753,917	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	1,534,304	1,384,543	1,049,318	1,584,838	1,332,714	1,388,448	1,522,060	1,451,489	
Community Services	2,436,024	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	1,706,081	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	66,167	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	<u>10,665,632</u>	<u>10,551,222</u>	<u>14,492,172</u>	<u>17,349,961</u>	<u>19,719,834</u>	<u>19,745,232</u>	<u>22,595,318</u>	<u>19,759,756</u>	<u>18,986,582</u>
Business-type activities:									
Charges for services:									
Water	23,381,953	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	7,347,502	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	<u>30,729,455</u>	<u>29,435,271</u>	<u>27,913,482</u>	<u>27,453,319</u>	<u>26,533,376</u>	<u>25,366,539</u>	<u>25,247,025</u>	<u>24,645,199</u>	<u>22,727,682</u>
Total primary government program revenue	<u>\$ 41,395,087</u>	<u>\$ 39,986,493</u>	<u>\$ 42,405,654</u>	<u>\$ 44,803,280</u>	<u>\$ 46,253,210</u>	<u>\$ 45,111,771</u>	<u>\$ 47,842,343</u>	<u>\$ 44,404,955</u>	<u>\$ 41,714,264</u>
Net (expense)/revenue									
Governmental activities	\$ (38,212,957)	\$ (36,930,611)	\$ (47,596,593)	\$ (65,295,915)	\$ (80,906,034)	\$ (72,072,438)	\$ (66,402,607)	\$ (63,661,309)	\$ (63,536,554)
Business-type activities	(2,019,517)	(3,001,187)	(1,113,465)	1,658,262	784,279	(1,342,507)	(31,537)	(697,356)	(2,011,621)
Total primary government net (expense)	<u>\$ (40,232,474)</u>	<u>\$ (39,931,798)</u>	<u>\$ (48,710,058)</u>	<u>\$ (63,637,653)</u>	<u>\$ (80,121,755)</u>	<u>\$ (73,414,945)</u>	<u>\$ (66,434,144)</u>	<u>\$ (64,358,665)</u>	<u>\$ (65,548,175)</u>

City of Poway

Changes in Net Position Current and Prior Eight Years (accrual basis of accounting)

	Year Ended June 30, 2014	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 Position:									
Governmental Activities:									
Taxes:									
Property taxes	\$ 20,543,111	\$ 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	12,047,687	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	523,112	483,568	462,508	433,934	367,434	247,787	206,323	202,767	190,097
Franchise taxes	1,555,816	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	3,777,526	1,816,574	626,421	616,466	629,589	597,880	598,965	596,868	609,982
Total taxes	38,447,252	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	1,573,545	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	1,846,762	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	441,725	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	42,309,284	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	217,194	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	82,930	47,583	276,439	55,363	503,595	933,994	78,030	754,566	738,337
Transfers	(441,725)	(407,588)	(2,284,985)	(350,874)	(470,498)	(147,503)	(331,088)	12,808	(460,810)
Total business-type activities	(141,601)	(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	\$ 42,167,683	\$ 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 Position									
Governmental activities	\$ 4,096,327	\$ 6,736,678	\$ 131,466,594	\$ 19,252,040	\$ (6,897,133)	\$ 2,687,178	\$ 11,384,320	\$ 13,987,500	\$ 10,552,634
Business-type activities	(2,161,118)	(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	\$ 1,935,209	\$ 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,				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund					
Non-spendable	\$ 10,134,007	\$ 10,157,087	\$ 10,218,860	\$ 10,151,108	\$ -
Restricted	-	-	-	-	-
Committed	10,026,079	9,999,309	10,019,883	10,037,638	-
Assigned	15,383,344	7,173,822	6,666,188	6,466,719	-
Unassigned	26,624,039	30,695,920	22,906,009	23,955,242	-
Reserved	-	-	-	-	4,647,709
Unreserved:					
Designated	-	-	-	-	31,724,737
Undesignated	-	-	-	-	-
Total General Fund	<u>62,167,469</u>	<u>58,026,138</u>	<u>49,810,940</u>	<u>50,610,707</u>	<u>36,372,446</u>
All Other Governmental Funds					
Non-spendable	-	-	-	-	-
Restricted	28,126,711	25,929,921	23,733,859	62,455,191	-
Committed	-	-	-	-	-
Assigned	-	-	-	8,564,840	-
Unassigned	-	-	-	(88,658)	-
Reserved	-	-	-	-	51,660,768
Unreserved:					
Designated:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	20,795,704
Undesignated:					
Special revenue funds	-	-	-	-	5,913,093
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total all Other Governmental Funds	<u>28,126,711</u>	<u>25,929,921</u>	<u>23,733,859</u>	<u>70,931,373</u>	<u>78,369,565</u>
Total Fund Balance	<u>\$ 90,294,180</u>	<u>\$ 83,956,059</u>	<u>\$ 73,544,799</u>	<u>\$ 121,542,080</u>	<u>\$ 114,742,011</u>

City of Poway

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

	June 30,				
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General Fund					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	5,561,391	8,478,531	7,538,564	7,389,245	7,885,013
Unreserved:					
Designated	32,152,754	31,160,911	30,375,251	27,539,942	25,115,075
Undesignated	-	-	-	-	-
Total General Fund	37,714,145	39,639,442	37,913,815	34,929,187	33,000,088
All Other Governmental Funds					
Non-spendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	62,868,328	55,650,435	43,663,739	39,477,985	35,478,892
Unreserved:					
Designated:					
Special revenue funds	-	-	-	7,760,635	8,816,961
Debt service funds	-	-	-	-	-
Capital projects funds	24,840,402	32,578,654	43,037,658	-	-
Undesignated:					
Special revenue funds	5,982,341	4,676,562	5,278,620	6,014,938	7,795,241
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	37,769,191	42,511,597
Total all Other Governmental Funds	93,691,071	92,905,651	91,980,017	91,022,749	94,602,691
Total Fund Balance	\$ 131,405,216	\$ 132,545,093	\$ 129,893,832	\$ 125,951,936	127,602,779

City of Poway

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

	Year Ended June 30,				
	2014	2013	2012	2011	2010
Revenues					
Taxes	\$ 38,447,252	\$ 38,996,849	\$ 51,939,098	\$ 66,623,806	\$ 67,411,848
Licenses and permits	561,251	543,838	507,908	457,905	433,517
Intergovernmental	828,278	1,062,851	1,564,484	1,800,145	2,994,005
Charges for services	2,386,206	1,671,506	1,439,891	3,232,221	3,140,274
Fines and forfeitures	184,855	527,006	554,570	678,468	750,551
Use of money and property	1,495,911	2,188,570	3,291,466	7,821,732	12,180,028
Developer Fees	4,806,170	4,029,232	3,279,373	4,516,243	3,711,578
Assessment levied	1,898,872	1,895,888	1,874,967	1,902,409	1,886,300
Other revenues	1,834,531	2,862,343	497,517	729,933	2,228,662
Total revenues	52,443,326	53,778,083	64,949,274	87,762,862	94,736,763
Expenditures					
Current:					
General government	4,202,841	4,239,824	5,798,899	2,680,162	6,056,348
Public safety	20,433,826	19,536,711	18,889,733	18,328,287	18,966,380
Public works	9,639,766	9,971,383	10,084,437	9,990,368	9,943,681
Development services	3,830,435	3,779,577	2,807,935	2,388,077	4,475,943
Community services	4,912,545	4,733,922	4,678,369	9,894,345	9,048,983
Capital outlay	2,282,947	860,039	8,542,370	16,818,821	27,639,839
Debt service:					
Principal	700,000	635,000	2,405,000	6,703,020	7,150,000
Principal-early retirement-sale of capital asset	-	-	-	26,720,000	-
Interest and fiscal charges	506,527	570,087	6,820,619	17,972,119	14,943,766
Transfers to fiduciary funds	440,300	444,282	-	-	-
Debt Issuance Costs	-	-	-	-	-
Tax shift	-	-	-	2,820,770	13,700,882
Tax increment reimbursements	-	-	48,711	5,948,554	2,380,740
Total expenditures	46,949,187	44,770,825	60,076,073	120,264,523	114,306,562
Excess of revenues over (under) expenditures	5,494,139	9,007,258	4,873,201	(32,501,661)	(19,569,799)
Other Financing Sources (Uses)					
Proceeds from issuance of debt	-	14,350,000	105,109	169,930	161,049
Refunding bond activity -net	-	(15,013,350)	-	-	-
Proceeds from sale of capital assets	-	842,166	-	38,300,000	-
Transfers in (out) net	843,982	1,225,186	3,823,436	831,800	2,745,545
Total other financing sources	843,982	1,404,002	3,928,545	39,301,730	2,906,594
Extraordinary Items					
Loss on dissolution of Poway Redevelopment Agency	-	-	(56,799,027)	-	-
Net change in fund balance	\$ 6,338,121	\$ 10,411,260	\$ (47,997,281)	\$ 6,800,069	\$ (16,663,205)
Debt service as a percentage of noncapital expenditures	3.1%	3.3%	17.9%	22.1%	21.3%

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 Last Ten Fiscal Years (modified accrual basis of accounting)

	Year Ended June 30,				
	2009	2008	2007	2006	2005
Revenues					
Taxes	\$ 66,062,646	\$ 68,817,462	\$ 63,810,241	\$ 62,042,614	\$ 55,406,112
Licenses and permits	422,948	328,159	330,755	296,935	288,716
Intergovernmental	2,889,804	3,971,720	4,336,767	5,796,558	4,637,517
Charges for services	2,954,967	2,676,329	4,419,664	7,557,159	7,607,467
Fines and forfeitures	852,535	803,552	720,949	732,633	273,322
Use of money and property	14,862,137	15,516,351	16,120,443	13,459,180	13,535,451
Developer Fees	3,897,877	3,780,128	4,509,741	489,210	536,404
Assessment levied	1,873,179	1,892,326	1,868,567	1,845,859	1,835,519
Other revenues	1,013,135	2,568,693	1,389,762	1,157,139	2,525,614
Total revenues	94,829,228	100,354,720	97,506,889	93,377,287	86,646,122
Expenditures					
Current:					
General government	6,733,135	7,252,320	9,614,109	9,552,247	11,114,009
Public safety	18,673,036	18,528,701	17,897,811	16,563,059	17,304,746
Public works	8,566,157	8,009,622	6,556,796	11,338,373	4,865,184
Development services	5,279,297	5,420,200	5,028,405	-	-
Community services	9,741,990	12,593,136	11,877,425	11,884,718	10,671,636
Capital outlay	17,981,861	18,354,376	14,205,962	18,802,010	31,981,651
Debt service:					
Principal	6,855,000	6,560,000	6,470,000	5,875,000	6,706,720
Principal-early retirement-sale of capital asset	-	-	-	-	-
Interest and fiscal charges	16,732,005	17,077,417	17,896,630	17,101,983	16,482,351
Transfers to fiduciary funds	-	-	-	-	-
Debt Issuance Costs	-	-	-	-	255,302
Tax shift	-	-	-	1,674,851	2,549,564
Tax increment reimbursements	6,205,709	5,515,447	4,889,025	3,831,350	2,380,488
Total expenditures	96,768,190	99,311,219	94,436,163	96,623,591	104,311,651
Excess of revenues over (under) expenditures	(1,938,962)	1,043,501	3,070,726	(3,246,304)	(17,665,529)
Other Financing Sources (Uses)					
Proceeds from issuance of debt	154,734	151,285	148,273	149,563	8,499,883
Refunding bond activity -net	-	-	(184,586)	-	(9,301,120)
Proceeds from sale of capital assets	-	-	-	-	232,168
Transfers in (out) net	644,351	1,456,475	907,483	1,445,898	506,234
Total other financing sources	799,085	1,607,760	871,170	1,595,461	(62,835)
Extraordinary Items					
Loss on dissolution of Poway Redevelopment Agency	-	-	-	-	-
Net change in fund balance	\$ (1,139,877)	\$ 2,651,261	\$ 3,941,896	\$ (1,650,843)	\$ (17,728,364)
Debt service as a percentage of noncapital expenditures	25.8%	26.2%	29.1%	26.4%	27.3%

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						Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
	Land	Improvements	Personal	Total	Exemptions	Net Taxable Value			
			Property						
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%
2014	3,770,334,144	4,733,730,176	298,807,480	8,802,871,800	(301,978,962)	8,500,892,838	3.35%	9,489,978	0.211%

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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	
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%
2014	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	
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%
2014	1.000%	0.000%	0.055%	0.040%	1.095%

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**

	2014			2005		
	Taxable Assessed	Rank	% of Total City Assessed	Taxable Assessed	Rank	% of Total City Assessed
	Secured Value		Secured Value	Secured Value		Secured Value
Sorrento West Properties Inc	\$ 184,133,360	1	2.09%			
Ventas Inc	76,048,361	2	0.86%			
HCPLS Poway I LLC	72,295,572	3	0.82%			
San Miguel Valley Corp	44,572,162	4	0.51%			
Sysco Food Services	39,900,000	5	0.45%	\$ 25,832,631	6	0.41%
Hometown Poway Royal Estates LLC	39,717,270	6	0.45%			
Toray Membrane USA Inc	34,050,825	7	0.39%			
Poway Crossings Investors LLC	30,373,282	8	0.35%			
Costco Wholesale Corp	29,850,000	9	0.34%	31,745,888	3	0.50%
PR Stowe LLC	28,377,812	10	0.32%			
Slough Poway I LLC				40,073,490	1	0.63%
Prudential Insurance				36,622,894	2	0.58%
Al Dust Properties, LLC				29,893,771	4	0.47%
Government Employees Insurance Co.				27,850,214	5	0.44%
Resmed Corporation				25,259,782	7	0.40%
PCF Funding Inc.				23,326,524	8	0.37%
Cohu Inc.				22,922,335	9	0.36%
Regency Centers LP				21,356,996	10	0.34%
	<u>\$ 579,318,644</u>		<u>6.58%</u>	<u>\$ 284,884,525</u>		<u>4.50%</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					Base Year Values	Net Taxable Value	Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
	Land	Improvements	Personal Property	Total	Exemptions					
Redevelopment Agency										
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	8.02%	\$ 29,031,365	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	13.97%	33,064,572	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	7.97%	35,445,525	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	6.68%	37,854,271	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	1.73%	38,500,704	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	3.44%	39,822,711	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	-1.00%	39,482,933	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	-0.07%	39,018,328	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	-0.22%	38,931,402	1.000%
2014	1,673,995,306	2,366,297,428	249,192,369	4,289,485,103	(94,861,189)	(186,287,869)	4,008,336,045	2.96%	40,083,360	1.000%

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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 2004-05 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		
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
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%
2014	15,325,043	15,160,972	98.93%	507,586	226,146	44.55%	15,832,630	15,387,118	97.19%

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
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	-
2014	205,715,000	17,615,000	-	2,885,549	-

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**

Fiscal Year Ended June 30,	Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds	Capital Leases	Contract Payable			
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
2014	515,000	-	-	226,730,549	9.31%	4,629

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			
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
2014	205,715,000		2.34%	4,200

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, 2014

2013-14 Assessed Valuation: \$ 8,575,806,518

	Debt Outstanding	% Applicable (1)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 132,275,000	0.391%	\$ 517,195
Palomar Community College District	312,768,901	9.188%	28,737,207
Poway Unified School District School Facilities Improvement District No. 2002-1	165,364,320	39.806%	65,824,921
Poway Unified School District School Facilities Improvement District No. 2007-1	178,999,086	40.254%	72,054,292
Escondido Union High School District	97,117,515	0.098%	95,175
San Pasqual Union School District	458,792	2.797%	12,832
Palomar Pomerado Hospital District	474,823,578	13.348%	63,379,451
Poway Unified School District Community Facilities District No. 1	23,650,000	0.709%	167,679
City of Poway Community Facilities District No. 88-1	4,590,000	100.000%	4,590,000
City of Poway 1915 Act Bonds	218,975	100.000%	218,975
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,390,266,167		\$ 235,597,727
<u>DIRECT & OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 379,835,000	2.171%	\$ 8,246,218
San Diego County Pension Obligations	720,855,256	2.171%	15,649,768
San Diego County Superintendent of Schools General Fund Obligations	16,125,000	2.171%	350,074
Palomar Community College District Certificates of Participation	4,855,000	9.188%	446,077
Escondido Union High School District Certificates of Participation	59,525,000	0.098%	58,335
Poway Unified School District Certificates of Participation	62,498,869	25.060%	15,662,217
City of Poway Certificates of Participaton	16,000,000	100.000%	16,000,000
TOTAL OVERLAPPING GENERAL FUND DEBT	\$ 1,259,694,125		\$ 56,412,689
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>			
Tax Allocation Bonds	\$ 205,715,000	100.000%	\$ 205,715,000
Certificates of Participation	1,615,000	100.000%	1,615,000
TOTAL OVERLAPPING TAX INCREMENT DEBT	\$ 207,330,000		\$ 207,330,000
TOTAL DIRECT DEBT			\$ 16,000,000
TOTAL OVERLAPPING DEBT			\$ 483,340,416
COMBINED TOTAL DEBT			\$ 499,340,416 (2)

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.75%
Total Direct Debt	0.19%
Combined Total Debt	5.82%

Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,008,336,045):

Total Overlapping Tax Increment Debt	5.17%
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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				
	2014	2013	2012	2011	2010
Assessed valuation	\$ 4,567,470,473	\$ 4,408,143,750	\$ 4,437,851,067	\$ 4,340,755,570	\$ 4,350,898,397
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,141,867,618	1,102,035,938	1,109,462,767	1,085,188,893	1,087,724,599
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	171,280,143	165,305,391	166,419,415	162,778,334	163,158,690
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				
	2009	2008	2007	2006	2005
Assessed valuation	\$ 4,394,570,216	\$ 4,310,588,610	\$ 4,035,420,029	\$ 3,683,578,609	\$ 3,341,441,046
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,098,642,554	1,077,647,153	1,008,855,007	920,894,652	835,360,262
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	164,796,383	161,647,073	151,328,251	138,134,198	125,304,039
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	243,728
Legal debt margin	0.00%	0.00%	0.00%	0.00%	0.19%

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			
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	
2014	-	40,907,419	7,020,000	10,889,354	17,909,354	2.28	

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
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%
2014	48,979	2,434,069,144	49,696	28,900	3.6%

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 Eight Years Prior

Employer	2014			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
General Atomics Aeronautical Systems	5,000	1	17.30%			
Geico Direct	1,720	2	5.95%	1,800	1	6.57%
Poway Unified School District	1,258	3	4.35%	758	5	2.77%
Delta Design, Inc.	750	4	2.60%	1,000	3	3.65%
Pomerado Hospital	738	5	2.55%	750	6	2.74%
Sysco Food Services of SD	475	6	1.64%	500	8	1.82%
H. M. Electronics Inc.	315	7	1.09%	935	4	3.41%
Walmart	300	8	1.04%			
Neal Electric Corp.	275	9	0.95%			
Target	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	11,106		38.43%	8,318		30.36%
Total City Labor Force	28,900			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	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	28.00	27.00	31.00	33.00	40.00	35.00	37.00	38.00	38.00	40.00
Public Safety (a)	54.00	54.00	54.00	54.00	54.00	57.00	57.00	57.00	57.00	58.00
Public works	79.00	81.00	85.00	84.00	83.00	92.00	92.00	90.00	90.00	84.00
Redevelopment Services	-	-	-	9.00	9.00	9.00	9.00	10.00	10.00	11.00
Community Services	20.00	20.00	20.00	20.00	20.00	27.00	28.00	29.00	28.00	28.00
Development Services	22.00	23.00	30.00	29.00	29.00	37.00	36.00	37.00	37.00	36.00
	<u>203.00</u>	<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>

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 Eight Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government:									
Business registrations issued	1,285	1,522	1,418	1,317	1,192	942	1,240	1,071	792
Vendor payments processed	6,426	6,770	7,020	7,063	7,804	8,936	10,230	10,562	10,782
Public Safety:									
Arrests made	1,069	1,038	1,123	1,145	1,334	1,015	1,052	981	1,898
Fire emergency responses	4,099	3,846	3,638	3,811	3,691	3,711	3,907	3,460	3,602
Safety Inspections	2,899	2,687	2,474	2,863	1,606	2,104	4,827	4,024	3,196
Development Services:									
Building permits issued (1)	1,504	1,345	1,237	1,176	1,144	1,157	1,441	2,740	3,048
Building inspections	8,221	8,349	5,981	6,126	6,580	7,417	9,280	11,264	11,163
Culture and recreation:									
Performing arts center attendance	55,652	59,389	59,897	53,249	61,214	68,993	74,420	64,728	67,004
Library-number of holdings in collection	93,951	75,000	96,000	104,367	125,977	124,977	124,977	124,977	120,628
Library-number of holdings circulated	709,823	782,288	693,783	765,704	638,494	562,865	545,279	492,501	390,974
Athletic field permits issued	282	156	161	152	148	144	140	124	214
Highways and streets:									
Roads resurfaced in square feet	299,038	188,561	201,968	207,968	290,877	600,000	600,000	200,000	16,000
Roads slurry sealed in square feet	4,379,695	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)	175	644	1,323	571	193	147	46	36	35
Water:									
Residential water customers	12,674	12,509	12,523	12,439	12,492	12,458	12,588	12,556	12,530
Commercial water customers	645	529	464	496	514	514	510	514	511
Average daily consumption (mg)	10.66	10.16	9.36	8.99	9.57	11.61	12.82	13.83	13.37
Sewer:									
Residential sewer customers	11,498	11,474	11,383	11,241	11,225	11,191	11,175	11,180	11,322
Commercial sewer customers	627	623	782	770	774	770	771	755	532
Average daily treatment (mg)	2.73	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

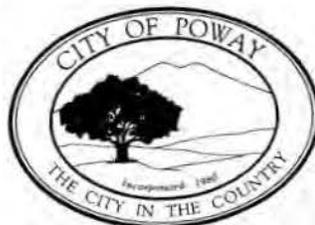
Capital Assets Statistics Current and Prior Eight Years

Function	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public Safety:									
Number of fire stations	3	3	3	3	3	3	3	3	3
Number of sheriff stations	1	1	1	1	1	1	1	1	1
Public works:									
Total number of streetlights	3,059	3,059	3,073	3,073	3,045	3,045	3,026	2,889	2,874
Signal controlled intersections	56	55	55	55	55	55	55	55	53
Health and welfare									
Senior center facilities	1	1	1	1	1	1	1	1	1
Culture and recreation									
Number of Libraries	1	1	1	1	1	1	1	1	1
Number of Performing Arts Centers	1	1	1	1	1	1	1	1	1
Number of Parks	19	19	19	19	18	18	18	18	18
Acres of developed parks	232	232	232	232	232	232	232	232	232
Number of reserves/preserves	2	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	2,400
Miles of trails	56	56	56	56	56	56	56	56	56
Highways and streets									
Miles of roadway	165	165	165	165	165	165	165	165	165
Water									
Miles of water lines	289	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	1.11
Sewer									
Miles of sewer lines	186	186	186	186	175	175	175	175	175
Miles of storm sewers	64	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.



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