



CITY OF POWAY

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015



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City of Poway

Poway, California

Comprehensive Annual Financial Report

For the year ended June 30, 2015

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, 2015**

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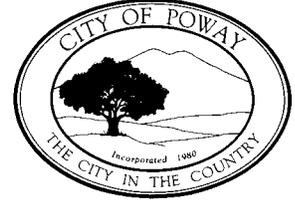
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Introductory Section

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CITY OF POWAY

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



January 29, 2016

Honorable Mayor, Councilmembers and Residents of Poway,

It is with great pleasure that we present the City of Poway's Fiscal Year 2014-15 Comprehensive Annual Financial Report (CAFR). This report has been prepared in conformity with generally accepted accounting principles (GAAP) and has been audited in accordance with generally accepted auditing standards by Rogers, Anderson, Malody & Scott, LLP, a firm of licensed certified public accountants. This CAFR includes the financial activity for all funds of the City.

Included within the City's financial statements is the financial information of the Poway Housing Authority, Poway Public Financing Authority, and the Successor Agency to the Poway Redevelopment Agency (formerly the Poway Redevelopment Agency). 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.

The CAFR consists of management's representation concerning the finances of the City. Consequently, responsibility for the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. We assert that, to the best of our knowledge and belief, this report is complete and reliable in all material respects. All disclosures necessary to enable an understanding of the City's financial activities have been included.

Management 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.

PROFILE OF THE GOVERNMENT

Poway incorporated on December 1, 1980, under the general laws of the State of California. The City operates under a Council-Manager form of government. The City Council serves as the legislative and policy-making body of the City and enacts the laws that protect the general welfare of the community.

The City Manager is appointed by the City Council and serves as the Chief Executive Officer. The City Manager is responsible for the administration of all City affairs and the implementation of policies established by the Council. The City Attorney is also appointed by, and serves, the City Council. The City Manager appoints all other City of Poway staff.

Poway provides water, sewer, street maintenance, fire, paramedic, parks and recreation, planning and building services. The City contracts with the County of San Diego Sheriff's Department for law enforcement and with the City of San Diego for wastewater treatment services.

LOCAL ECONOMY

Poway is located along the coastal foothills of San Diego County, 20 miles north of downtown San Diego and 3 miles east of Interstate 15. The City spans 39 square miles and has a population of 49,041. Poway consists of mostly single-family homes, employers with well-paying jobs and has the lowest crime rate of any city in the county. Poway's median home value is \$600,000. The Poway Unified School District is a top performer in the state and nation, and is a source of great pride for the City.

The City's top employers include General Atomics, Geico, Poway Unified School District, Delta Design, Pomerado Hospital, Sysco, HM Electronics, Walmart, Neal Electric and Costco Wholesale. The City's total labor force (the number of persons who work or are available for work) is 26,000. The number of employed workers in the labor force is 25,200, resulting in an unemployment rate of 3.2% compared to the state's unemployment rate of 6.2%.

Over the last year, Poway welcomed a number of new businesses including Poway Ice – the official practice facility of the San Diego Gulls; Green Flash's Cellar 3 craft brewery; Ocean Aero Unmanned Underwater Vessels; and, Hold Rite - a business solutions manufacturer. In addition, Lightning Brewery expanded its business by opening a new "Bier Garten."

Poway continues to thrive as a community. This past year, Wallet Hub ranked Poway as the 15th Best Place to Raise a Family in California. Of the cities in San Diego County, Poway topped the list. Poway was also named the 26th Safest City in California by Safewise.com and remains the safest incorporated City in the county.

Poway has been dubbed the "City in the Country." Over 30 percent of Poway's land use has been set aside as open space, and nearly 7,000 acres as preserved natural open space. Residents enjoy a high quality of life supported by the City's 232 acres of parkland, and 56 miles of riding, hiking and biking trails.

MAJOR ACCOMPLISHMENTS

The City continued its reputation for excellent financial management by closing the budget year with a \$2.2 million operating budget surplus. This was accomplished while fully funding the City's high quality street maintenance program, including \$1 million from the General Fund, and increased funding for improving City facilities.

The City further strengthened its financial management by working with the Government Finance Officers Association to conduct a risk-based analysis to define an appropriate general fund reserve balance. The analysis considered how much should be kept in reserves to effectively respond to extreme events, public safety emergencies, and revenue or expenditure volatility. Based on the findings, the City's policy minimum reserve balance was increased from 25% to 45% of the annual operating budget.

This past year, the City helped connect businesses with small business development programs and bonds. These efforts led to \$6 million in new financing and tax credits that helped boost investments, create jobs, and facilitate business growth. The City also launched two websites: PickPoway.com which helps businesses identify and analyze available real-estate, and Poway.ToolsforBusiness.info which provides information about business assistance programs.

In 2015, the City began developing a five-minute video to promote Poway to prospective businesses. The Communities of Distinction video will be televised in dozens of regional markets and nationally. The City was also featured in the Cox Communities series. The show highlighted Poway's business community, quality schools, outdoor amenities and efficient government.

Several commercial construction projects were completed this year, demonstrating significant investment in the community. Perry Ford completed construction of a new two-story sales and administrative office and has begun final site improvements. In November, 2014, Walmart completed remodeling and expanding its store, and in December, Lowe's completed construction of its new 140,000 square foot store.

In the Business Park, three new buildings were constructed, adding approximately 170,000 square feet of warehouse space to the park. Construction of General Atomics' new employee recreation facility is also near completion. The 10-acre facility will include ballfields, sports courts, a gym and locker room.

In light of the statewide drought and the Governor's mandate to reduce water use, the City has changed many of its processes to conserve water. In addition, the City is investing in new ways that bring about permanent water savings. For instance, City crews began removing 236,000 square feet of passive-use grass at City parks and facilities. Toilets and showerheads have also been upgraded to more water efficient fixtures.

City staff has also installed a number of water meters that transfer a meter read by radio signal when an employee drives by. This new approach drastically improves efficiency for hard to reach meters and the employee's safety in areas without safe access.

A number of technology enhancements were also initiated and completed this past year. In September, the City launched a new website that enhances the customer's experience and makes the website easier to navigate. The City also upgraded its online mapping software (Geographic Information System) to provide public access from mobile and tablet devices. The application now includes several map tours of the City's parks, affordable housing and historic sites.

This year, the City invested in new tablets, software and wireless technologies for our paramedics to improve patient treatment documentation. Similar technology is being considered for fire inspectors. The City has also enhanced emergency communication capabilities by installing HAM radio equipment at Fire Station 1. This station will allow information from neighborhood volunteers to be quickly passed along to the Emergency Operations Center during disasters.

The City prides itself as the "City that volunteers." Volunteer rangers, ushers, docents and tour guides provided over 10,000 hours of service this past year. Volunteers completed 25 park projects and the Community Services Department launched a new department-wide Teen Volunteer Program.

Poway continues to be the safest incorporated City in San Diego County with an FBI crime index of 11.6 crimes per 1,000 residents. This low crime rate can be attributed, in part, to the Sheriff's Department's collaboration and engagement with the community and its proactive law enforcement techniques. This past year the Sheriff's Department began a new Citizen Advisory Group and a regular Coffee with the Community program where residents and law enforcement can openly discuss important community issues.

In April 2015, the City held an emergency preparedness tabletop exercise. This exercise brought City, school, hospital, Red Cross, and 2-1-1 representatives together to respond to a simulated fire. The exercise used state-of-the-art preplans and the new Next Generation Incident Command System (NICS). These new resources will greatly improve the City's response capability during a disaster.

Besides being a safe community, Poway is also family-friendly. Many of our community events and programs continued to grow in popularity over the last year. The Old Fashioned Fourth of July drew a record-setting 11,000 people, while 9,000 visitors enjoyed the annual Winter Festival, and over 1,000 attended the new History Day at Old Poway Park. More than 4,200 participants took advantage of the City's classes and camps. In addition, the City celebrated the 25th Anniversary of Blue Sky Nature Reserve in 2015. The Poway Midland Railroad Volunteers also added a new railroad coach that accommodates 50 additional passengers and is equipped with a wheelchair lift. This addition will allow disabled customers the opportunity to ride the train around Old Poway Park.

MAJOR INITIATIVES

In January, the City Council began developing the City's first Strategic Plan. The plan is intended to serve as a blueprint to the City's future. Review of the plan has been aligned with the City's budget development to ensure that resources are effectively allocated to achieve the Council's goals. Staff also created an implementation plan to achieve the goals.

We are also investing in our management systems – that is the policies, procedures and practices used to plan, manage and evaluate our work. The City’s management team has reviewed our existing management systems and is developing an action plan to improve them. The plan will include developing an employee onboarding process, organizational development and succession planning programs, refining department work plans, enhancing the organization’s communications systems and evaluating performance measures.

Water Conservation continues to be a high priority for the City. Last year, Governor Brown issued an Executive Order establishing water conservation targets for each community. Poway’s mandated target is 32%. In order to meet this mandate, the City created a water conservation team. The team includes three subcommittees: Policy and Enforcement; Education and Outreach; and, City Infrastructure. The team has led efforts to establish new water policies, develop outreach campaigns, and reduce the City’s own water use. We anticipate the state to extend statewide water restrictions through October 2016.

Disaster preparedness is also an important priority for the City. Staff continues to regularly update the City’s Emergency Operations Plan, provide training and drills to Community Emergency Response Team (CERT) volunteers, and host Emergency Operations Center staff exercises. Next fiscal year’s budget includes a new full-time Disaster Preparedness Coordinator position, which will help bolster the City’s disaster preparedness efforts.

Reinvesting in the City’s infrastructure is another top priority for the City. The City completed 11 capital improvement projects (CIP) this fiscal year. Current CIPs under construction include playground renovations and the annual street maintenance and overlay program. Four projects are in the pre-construction phase with another 30 projects in various stages of design including pedestrian and safety improvements along portions of Midland Road and Espola Road.

Design efforts are underway for the new 36,000 square foot Mickey Cafagna Community Center. The City Council recently approved a schematic design for the center, which will incorporate the existing senior center, swim center and park offices into a multi-functioning community center.

In 2014, we assessed our water distribution system and treatment plant and developed a \$17 million ten-year prioritized Capital Improvement Program. These projects include reservoir rehabilitations, upgrades to the City’s water treatment plant, and various pump station upgrades.

INTERNAL FRAMEWORK

Management has established a comprehensive internal control framework that is designed to protect the City’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be achieved and the valuation of costs and benefits requires estimates and judgements by management.

BUDGETARY CONTROLS

In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, and all other governmental funds, are included in the annual appropriated budget.

The two-year budget is arranged by department, division and fund and is presented by the City Manager to the five-member Council appointed Budget Review Committee. The City then hosts a community Budget Town Hall Meeting to allow the public to provide feedback regarding the City’s spending priorities. Following the Town Hall Meeting, the Budget Review Committee provides the City Manager with a written review of the proposed budget. The review is presented, along with the City Manager’s

proposed budget, to the City Council. The Council then adopts the budget prior to the beginning of the first fiscal year and it serves as the foundation for the City's financial planning and control. The budget is reviewed quarterly and necessary adjustments are made to ensure that expenditures are not outpacing anticipated revenues.

RELEVANT FINANCIAL POLICIES

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 accountant, and are in conformance with the recommendations of the American Institute of Certified Public Accountants and the Governmental Accounting Standards Board.

ANNUAL AUDIT

The California Government Code requires general law cities, such as Poway, to be audited annually by independent certified public accountants selected by the City Council. The goal of an independent audit is to provide reasonable assurance that the financial statements of the City are free of material misstatements. This requirement has been met and the auditors' independent report is included in this report.

AWARDS

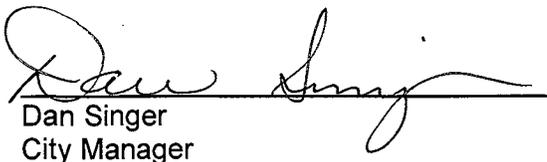
The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Poway for its Fiscal Year 2013-14 CAFR. In order to be awarded the certificate, the report must be easy to read and organized in an efficient manner with content that conforms to program standards. Such a report 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.

ACKNOWLEDGEMENTS

Preparing the CAFR requires a great deal of time and effort by our Administrative Services Department. Special credit is due to Peter Moote, Interim Director of Administrative Services; Andrew White, Finance Manager; Maria Weston, Senior Accountant; Debra Weatherington, Senior Accountant; and the entire Finance Division. Their yearlong hard work and dedication have made this report possible.

I would also like to thank the City Council for its continued interest and support in ensuring our City is fiscally sound and responsive to its residents. Finally, I would like to acknowledge the hard work and planning of all City employees as evidenced by the long list of accomplishments and initiatives highlighted in this transmittal letter. In light of these accomplishments, I remain impressed and commend our staff for their use of careful and proven budgeting techniques that have resulted in year-over-year budget reserves.

Respectfully submitted,


Dan Singer
City Manager


Peter Moote
Interim Director of Administrative Services

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City of Poway
Principal Officers

City Council

Mayor
Deputy Mayor
Council:

Steve Vaus
Jim Cunningham
Dave Grosch
John Mullin
Barry Leonard

Appointed Officials

City Manager
City Attorney

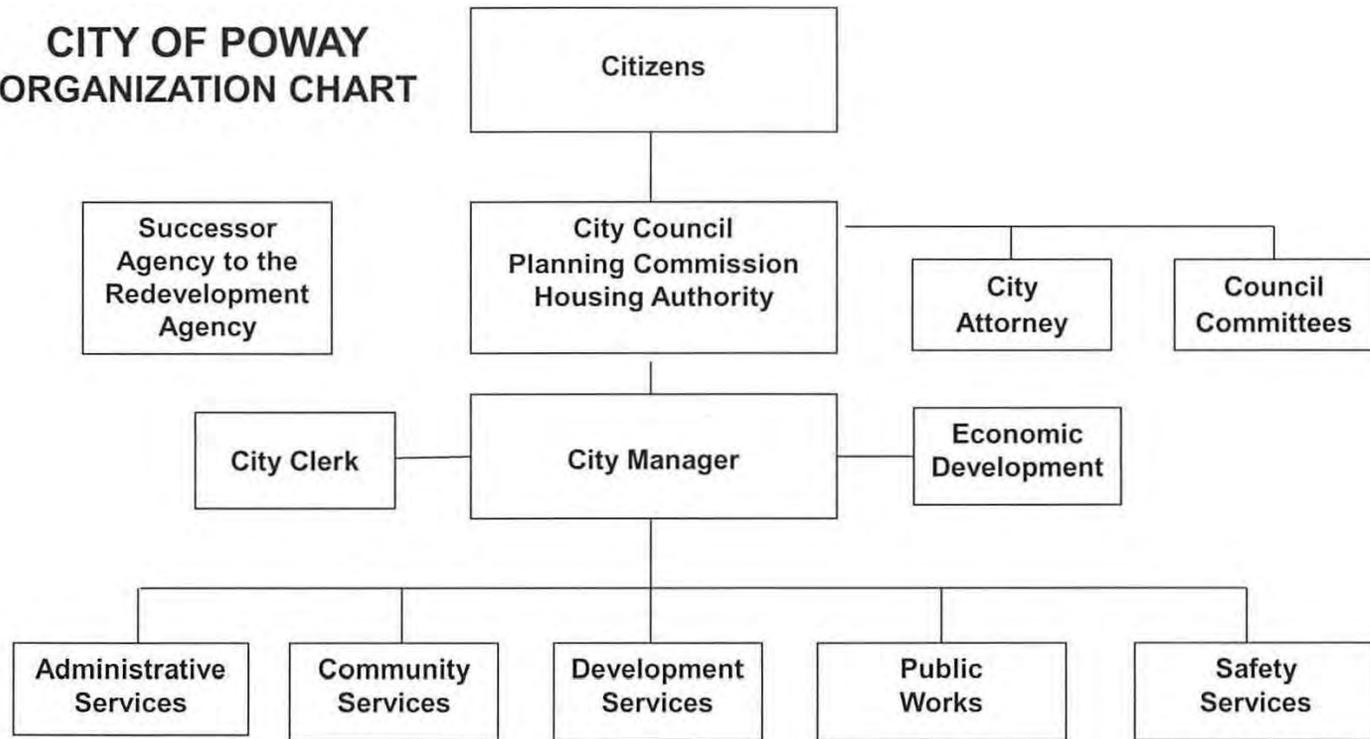
Daniel Singer
Morgan Foley

Administrative Personnel

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

Tina White
Peter Moote
Robert Manis
Troy Bankston
Robin Bettin
Mark Sanchez
Sheila Cobian

CITY OF POWAY ORGANIZATION CHART



- Administrative Services**
1. Human Resources
 2. Customer Services
 3. Finance
 4. Information Technology
 5. Support Services
 6. Risk Management
 7. Capital Management

- Community Services**
1. Leisure Services
 2. Lake Operations
 3. Aquatics Center
 4. Performing Arts Center
 5. Old Poway Park
 6. Library
 7. Interpretive Services
 8. Community Park

- Development Services**
1. Planning
 2. Building Inspection
 3. Capital Projects
 4. Land Development
 5. Engineering Inspection
 6. Traffic Engineering
 7. Storm Water Management
 8. Housing Programs
 9. SA Administration

- Public Works**
1. Utility System Operations
 2. Water Supply
 3. Sewer Pumping & Disposal
 4. Water Distribution
 5. Wastewater Collection
 6. Reclaimed Water
 7. Maintenance Operations
 8. Street Maintenance
 9. Storm Water & Flood Control
 10. Vehicle & Equip. Maint.
 11. Environmental Programs
 12. Parks, Trails & Landscape Maintenance
 13. Facilities Maintenance
 14. Special Dist. & Contracts

- Safety Services**
1. Fire Suppression
 2. Fire Prevention
 3. Paramedics
 4. Law Enforcement



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, 2014

Executive Director/CEO

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Financial Section

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

Independent Auditor's Report

735 E. Carnegie Dr. Suite 100
San Bernardino, CA 92408
909 889 0871 T
909 889 5361 F
ramscca.net

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

PARTNERS

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

DIRECTORS

Bradford A. Welebir, CPA, MBA

MANAGERS / STAFF

Jenny Liu, CPA, MST
Seong-Hyea Lee, CPA, MBA
Charles De Simoni, CPA
Nathan Statham, CPA, MBA
Brigitta Bartha, CPA
Gardenya Duran, CPA
Juan Romero, CPA
Ivan Gonzales, CPA, MSA
Brianna Pascoe, CPA
Daniel Hernandez, CPA, MBA
Ryan Smith, CPA

MEMBERS

American Institute of
Certified Public Accountants

PCPS The AICPA Alliance
for CPA Firms

Governmental Audit
Quality Center

California Society of
Certified Public Accountants

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, 2015, 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 of the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. Our opinions are 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, Schedules of Proportionate Share of the City's Net Pension Liability and Related Ratios as of the Measurement Date, and Schedules of Plan Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 29, 2016, 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 cursive script that reads "Rogers Anderson Maloney & Scott, LLP". The signature is written in dark ink and is positioned above the typed name of the firm.

January 29, 2016
San Bernardino, California

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Poway (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. 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 position, as restated, decreased by 1.22% to \$215.8 million primarily as a result of normal operations.
- During the year, the City's revenues including program revenues, taxes, and other governmental revenues were less than governmental and business activity expenses by \$2.7 million.
- Total revenues from all sources were \$79.3 million.
- Total cost of all City programs was \$80.1 million.
- Governmental net position was \$152.6 million.
- The General Fund reported excess revenues over expenditures and other financing uses of \$3.5 million.
- Actual revenues received in the General Fund were more than the final budget by \$2.8 million while actual expenditures were \$12.8 million less than final budget before other financing sources and uses. The expenditure variance is primarily attributable to the Capital Outlay category.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$29.3 million or 74.3% of total General Fund expenditures (excluding other financing uses).
- The implementation of Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions (GASB 68) resulted in the recognition of significant pension related liabilities on the Statement of Net Position for both the Governmental and Business Type Activities. However on an operating basis, the implementation of GASB 68 actually resulted in reduction of expenses for the current year.

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 Position 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 Position 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 Position 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 position and changes thereto. Net position, 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 Position 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 Position and the Statement of Activities) and governmental *funds* through the reconciliation in the Notes to Basic Financial Statements, Note 1.
- *Proprietary funds* - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

These two statements report the City's net position and changes thereto. Net position, 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 position are an indicator of whether the financial health is improving or deteriorating. Again, 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 Position and Changes in Fiduciary Net Position. 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 Position
(in Thousands)

	Governmental Activities		Business Activities		Total		Private Purpose Trust	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets:								
Current and other assets	\$ 106,661	\$ 102,836	\$ 34,549	\$ 36,799	\$ 141,210	\$ 139,635	\$ 32,106	\$ 31,818
Capital assets	101,864	106,704	37,092	39,244	138,956	145,948	45,502	46,516
Total assets	208,525	209,540	71,641	76,043	280,166	285,583	77,608	78,334
Deferred Outflows	3,033	2,607	472	363	3,505	2,970	-	-
Liabilities:								
Long-term debt outstanding	16,979	17,657	486	786	17,465	18,443	204,842	212,821
Other liabilities	4,702	4,193	1,840	3,101	6,542	7,294	15,082	15,343
Net pension liability	30,602	37,730	5,534	6,640	36,136	44,370	-	-
Total liabilities	52,283	59,580	7,860	10,527	60,143	70,107	219,924	228,164
Deferred Inflows	6,719	-	1,022	-	7,741	-	-	-
Net position:								
Net Investment in capital assets	86,341	90,442	36,827	38,732	123,168	129,174		
Held in trust							(142,316)	(149,830)
Restricted	27,543	28,127	272	280	27,815	28,407		
Unrestricted	38,672	33,998	26,132	26,867	64,804	60,865		
Total net position	\$ 152,556	\$ 152,567	\$ 63,231	\$ 65,879	\$ 215,787	\$ 218,446	\$ (142,316)	\$ (149,830)

The City's combined net position for the fiscal year ended June 30, 2015, were \$215.8 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 position for governmental activities decreased less than 0.1% from \$152.567 million to \$152.556 million.

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

- Current and other assets increased \$3.8 million or 3.7% principally due to increases in Cash and Investments from normal operations as described below.
- Capital assets decreased \$4.8 million (net of depreciation and additions) as detailed in Table 3. This decrease was caused by depreciation (\$5.4) million net of additions that include replacement of several fleet vehicles and safety services equipment.
- Governmental long-term debt decreased \$678 thousand. The decrease was attributable to scheduled principal payments.
- Governmental other liabilities increased by \$509 thousand, primarily due to slightly higher accounts payable balances related to construction projects and equipment purchases as compared to the prior year.
- Invested in capital assets net of debt decreased \$4.1 million primarily due to depreciation.
- Restricted net position decreased by \$0.6 million, or 2.1%. The decrease in restricted funds for Affordable housing purposes was \$1.2 million, while the restricted funds for Drainage and Maintenance District purposes increased \$0.8 million. The Affordable

housing decrease was because of a transfer made to the Successor Agency to the Poway Redevelopment Agency and is related to the ongoing Smith Judgment litigation. The above mentioned 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 \$4.7 million, or 13.7%, 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 \$48.3 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, \$1.6 million was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$39.3 million was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$10.5 million. Items of significance within Table 2 are described after the table:

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

	Governmental Activities		Business Activities		Total		Private Purpose Trust	
	2015	2014	2015	2014	2015	2014	2015	2014
Revenues:								
Program Revenues:								
Charges for services	\$ 8,869	\$ 8,893	\$ 28,053	\$ 30,730	\$ 36,922	\$ 39,623	\$ -	\$ -
Operating grants and contributions	1,544	1,706	-	-	1,544	1,706	-	-
Capital grants and contributions	90	66	-	-	90	66	-	-
General Revenues:								
Property taxes	18,999	20,543	-	-	18,999	20,543	42,496	40,907
Sales tax	12,520	12,048	-	-	12,520	12,048	-	-
Other taxes	5,461	5,856	-	-	5,461	5,856	-	-
Investment & misc.	2,326	3,420	1,411	300	3,737	3,720	4,167	1,925
Total revenues	49,809	52,532	29,464	31,030	79,273	83,562	46,663	42,832
Expenses:								
General government	5,196	5,228	-	-	5,196	5,228	28,562	36,444
Public safety	21,500	20,907	-	-	21,500	20,907	-	-
Public works	11,595	11,864	-	-	11,595	11,864	-	-
Development services	3,664	3,815	-	-	3,664	3,815	-	-
Community services	5,844	6,115	-	-	5,844	6,115	-	-
Interest & charges	482	509	-	-	482	509	10,587	10,914
Water	-	-	22,350	23,314	22,350	23,314	-	-
Sewer	-	-	9,451	9,435	9,451	9,435	-	-
Total expenses	48,281	48,438	31,801	32,749	80,082	81,187	39,149	47,358
Change in net position before transfers	1,528	4,094	(2,337)	(1,719)	(809)	2,375	7,514	(4,526)
Transfers	(1,539)	2	(311)	(442)	(1,850)	(440)	-	-
Change in net position after transfers	(11)	4,096	(2,648)	(2,161)	(2,659)	1,935	7,514	(4,526)
Net position - 7/1	152,567	148,471	65,879	68,040	218,446	216,511	(149,830)	(145,304)
Net position - 6/30	\$ 152,556	\$ 152,567	\$ 63,231	\$ 65,879	\$ 215,787	\$ 218,446	\$ (142,316)	\$ (149,830)

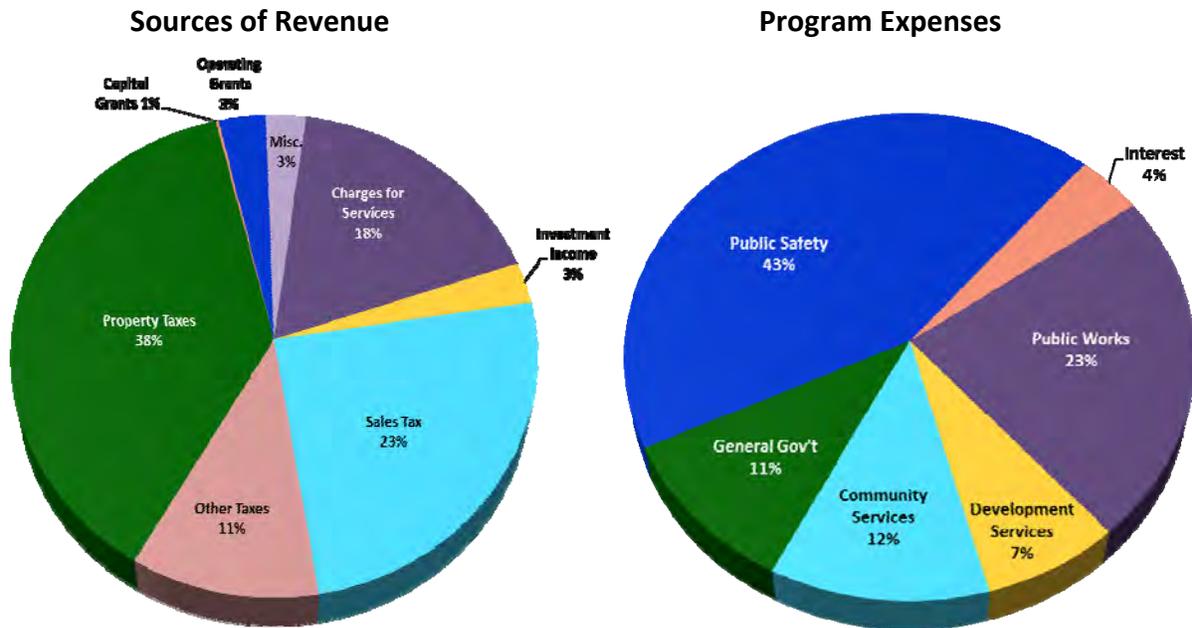
Revenues:

- Property taxes decreased by 7.5% 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 2013-14 and 2014-15, the remaining property taxes increased by 6.1%. Property values have continued to increase, which has led to the reassessment of many properties that received a temporary assessment reduction as a result of the Great Recession.
- Sales tax increased by 3.9%, with the building and construction and the automobile and transportation categories having the two largest dollar increases of the seven major sales tax categories.
- Other taxes decreased by 6.7%. 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 decreased by \$312, reflecting a decrease of \$292 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 increases in both franchise fees and transient occupancy tax.
- Investment earnings decreased by 15.4%, primarily due to previous year's total being high due to substantial market value gains in the portfolio.
- The Miscellaneous revenue category decreased by \$0.5 million, or 27.9%. The prior year included \$0.8 in revenue related to the Smith Judgment, which is described in the notes to the financial statements. The California Department of Finance disallowed this distribution from Redevelopment Property Tax Trust Fund, so there was no revenue recognized in the current fiscal year. The net decrease was partially offset by increased administrative revenue for the operation of the Successor Agency to the Poway Redevelopment Agency, and a one-time insurance refund.
- Charges for services decreased by 0.3% with no unusual activity, though Public Safety did decrease slightly due to lower ambulance fees.
- Operating Grants and contributions decreased by 9.5%. The prior year included larger amounts for project related street revenues, while the current year included large amounts for state mandated cost reimbursements and the dissolution of the local abandoned vehicle abatement program.

Expenses:

- General Government Expenses decreased 0.6%. There were no significant changes in this category.
- The Public Safety line increased by 2.8%. The law enforcement contract with the County of San Diego accounted for 2.3% of the increase, while fire suppression accounted for 0.5% of the increase.
- Public Works had a 2.3% decrease in expenses. Current year street maintenance was performed in accordance with the overall street maintenance plan. There were no significant changes in this category.
- The Development Services department decreased by 4.0%. While the overall department decrease is not significant, the largest component of the decrease was the expense reduction related to the implementation of GASB 68 which accounted for 3.1% of the decrease.
- Community Services decreased by 4.4%. The decrease is related to the prior year, including \$1.0 of funding provided to the County of San Diego for non-capitalizable improvements to the Poway Library. Community Services expenditures for programs was higher due to greater utilization of the City's recreation programs, which was also reflected in higher revenues.
- Interest and fiscal charges decreased by 5.4%. There were no significant changes in this category.

**Fiscal Year 2015
Governmental Activities**
(Graphic representation of Table 2 in percentages)



Net Cost of Governmental Activities

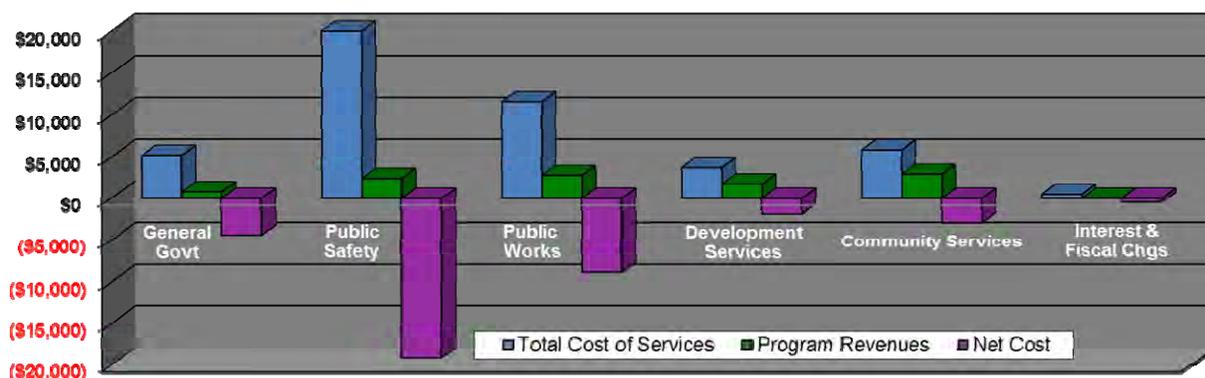
The City's programs include: General Government, Public Safety, Public Works, Development Services and Community Services. Each program's net cost (total cost less revenues generated by the activities) is presented on Table 2.1. The net cost shows the extent to which the City's general taxes support 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	
	2015	2014	2015	2014	2015	2014
General government	\$ 5,196	\$ 5,228	\$ 783	\$ 491	\$ (4,413)	\$ (4,737)
Public safety	21,500	20,907	2,381	2,148	(19,119)	(18,759)
Public works	11,595	11,864	2,746	2,812	(8,849)	(9,052)
Development services	3,665	3,815	1,707	2,360	(1,958)	(1,455)
Community services	5,844	6,115	2,886	2,854	(2,958)	(3,261)
Interest and fiscal chgs	482	509	-	-	(482)	(509)
Totals	\$ 48,282	\$ 48,438	\$ 10,503	\$ 10,665	\$ (37,779)	\$ (37,773)

Fiscal Year 2015

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



Total resources available during the year to finance governmental operations were \$201.3 million consisting of Net Position at July 1, 2014 of \$152.6 million, Program Revenues of \$10.5 million, General Revenues of \$39.3 million, and \$-1.5 of Transfers. Total Governmental Activities during the year were \$48.3 million; thus Net Position virtually remained the same at \$152.6 million. As noted elsewhere, the dissolution of the former Poway Redevelopment Agency continued to impact revenues, expenses, and transfers.

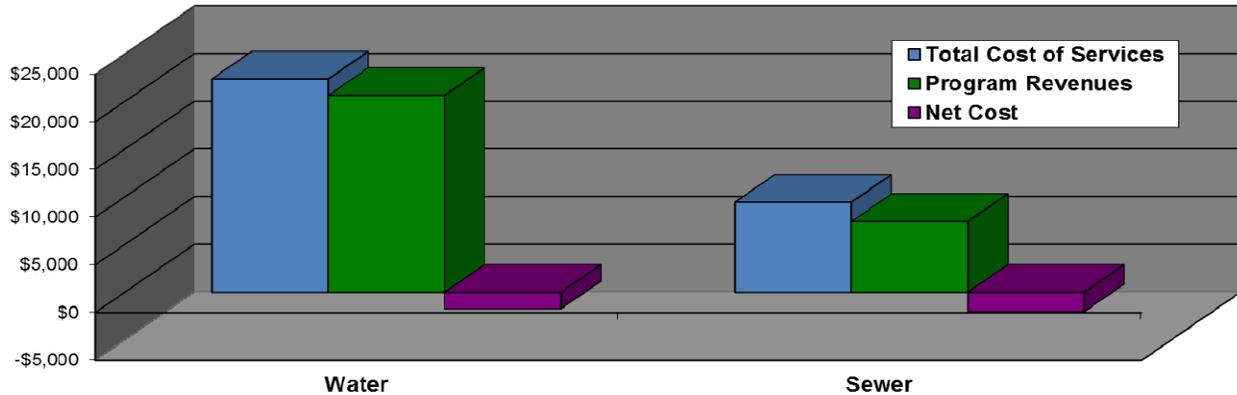
Business-Type Activities

Net Position of the Proprietary Funds (Business-Type activities) at June 30, 2015, as reflected in Table 1 were \$63.2 million. As shown in Table 2.2, program revenues were \$28.1 million, while the cost of providing all Proprietary (Business-Type) Activities this year was \$31.8 million, resulting in a decrease of \$3.7 million. The net addition of \$1.1 from other revenues, non-operating activity and transfers, resulted in a Net Position decrease of \$2.6 million, or 4.0%. The water revenue decrease can be attributed to volume decreases related to conservation. The decreased cost of water services was primarily attributable to lower water purchases, also due to conservation. Although the Sewer fund experienced stable sewage transportation and treatment costs, revenues increased slightly due to rate increases, and its net position continued to decrease 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	
	2015	2014	2015	2014	2015	2014
Water	\$ 22,350	\$ 23,314	\$ 20,629	\$ 23,382	\$ (1,721)	\$ 68
Sewer	9,451	9,435	7,424	7,348	(2,027)	(2,087)
Totals	\$ 31,801	\$ 32,749	\$ 28,053	\$ 30,730	\$ (3,748)	\$ (2,019)

Fiscal Year 2015
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 \$2.8 million positive variance (excluding other financing sources). The major variances were in Taxes, Charges for Services, and Intergovernmental. Actual Taxes revenue was again higher than budgeted due to distributions from the Redevelopment Property Tax Trust Fund, which accounted for \$1.5 million of the variance. Charges for Services exceeded its budget, primarily because of higher than expected Developer and Community Services Fees. Intergovernmental was higher because of revenues received related to the dissolution of the local abandoned vehicle abatement program. The final appropriations for the City's General Fund at year-end were \$12.8 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. Also, the variance in the General government category was primarily caused by delays in equipment purchases. 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 as of February 1, 2012 to the Successor Agency. 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 \$126 thousand. 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 to best use these funds to improve the quantity and quality of affordable housing in the City.

Other Governmental Funds:

Except for the Housing Special Programs Fund, there was no unusual activity in the Other Governmental grouping of funds during the fiscal year. 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. However, when determining the amount the Successor Agency required for its Enforceable Obligations, the California Department of Finance took into account this fund, and reduced the Successor Agency's distribution for Enforceable Obligations accordingly. Consequently, a transfer was made from the Housing Special Programs fund to the Successor Agency so that its Enforceable Obligations would be funded.

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 for 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 increased by \$7.5 million during the fiscal year, which was primarily due to the scheduled reduction in long-term debt during the fiscal year.

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. Total capital assets decreased by \$8.0 million due to current year depreciation of \$9.1 million, offset by net vehicle and equipment purchases and disposals of \$1.1 million, which did not include any significant items. 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	
	2015	2014	2015	2014	2015	2014	2015	2014
Land	\$ 29,975	\$ 29,971	\$ 77	\$ 77	\$ 24,732	\$ 24,732	\$ 54,784	\$ 54,780
Buildings	28,840	30,100	3,676	4,143	5,203	5,863	37,719	40,106
Improvements	1,926	2,065	31,219	32,918	-	-	33,145	34,983
Infrastructure	35,709	38,574	-	-	15,567	15,921	51,276	54,495
Equip & Vehicles	5,163	5,373	1,296	1,246	-	-	6,459	6,619
Construction in Prog	251	621	824	860	-	-	1,075	1,481
	<u>\$ 101,864</u>	<u>\$ 106,704</u>	<u>\$ 37,092</u>	<u>\$ 39,244</u>	<u>\$ 45,502</u>	<u>\$ 46,516</u>	<u>\$ 184,458</u>	<u>\$ 192,464</u>

Debt:

At year-end, the City had \$17.0 million in governmental-type debt, \$486 in Proprietary debt, and \$204.8 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 balance decrease for Business Activities was related to the retirement of long-term employees. (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	
	2015	2014	2015	2014	2015	2014	2015	2014
Tax Allocation Bonds	\$ -	\$ -	\$ -	\$ -	\$ 200,633	\$ 208,316	\$ 200,633	\$ 208,316
Certificates of Participation	15,523	16,261	-	-	1,237	1,619	16,760	17,880
Revenue Bonds	-	-	264	513	-	-	264	513
Loans Payable	-	-	-	-	2,972	2,886	2,972	2,886
Comp Absences	1,456	1,396	222	273	-	-	1,678	1,669
Total	\$ 16,979	\$ 17,657	\$ 486	\$ 786	\$ 204,842	\$ 212,821	\$ 222,307	\$ 231,264

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2015-2016, the City Council and management continue to expect a continued improvement in the local economy. Both property tax and sales tax are expected to increase over fiscal year's 2014-15 revenues. Increases in the budget for property and sales taxes, as well as for Community Services and Development Services fees, are the primary reasons that the total General Fund revenue budget is projected to be 6.3% higher than that of Fiscal Year 2014-15. 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 5.3%, which was a result of increases in most City functions, with one factor being prudent increasing in staffing after significant staffing cuts during the Great Recession. Increases in Community Services and Development Services expenditures are partially offset by additional revenues in these areas. The City's initial projections showed a moderate operating surplus of \$687.

Aside from the General Fund, the other budget activity of note concerns the City's Water and Sewer funds. The Water Fund is being closely monitored as a result of the significant state-wide water conservation efforts. Poway's consumption has been significantly reduced and as a result water rate increases were adopted in January 2016. Additionally, the City is continuing its planned 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, 2015

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 82,241,219	\$ 20,629,273	\$ 102,870,492
Cash and investments with fiscal agents	641,580	272,301	913,881
Receivables:			
Taxes	3,455,576	-	3,455,576
Accounts	494,534	4,085,227	4,579,761
Interest	735,018	-	735,018
Due from other governments	331,639	-	331,639
Prepaid items	339,005	-	339,005
Inventories	152,192	2,989,013	3,141,205
Total current assets	<u>88,390,763</u>	<u>27,975,814</u>	<u>116,366,577</u>
Noncurrent assets:			
Notes receivable	10,004,229	-	10,004,229
Internal balances	(214,500)	214,500	-
Loans to the Successor Agency to the Poway Redevelopment Agency	8,480,386	6,157,670	14,638,056
Loans to the Business Park Fiduciary Fund	-	200,000	200,000
Capital assets:			
Nondepreciable assets	30,226,294	900,898	31,127,192
Depreciable assets, net	71,637,545	36,190,959	107,828,504
Total capital assets	<u>101,863,839</u>	<u>37,091,857</u>	<u>138,955,696</u>
Total noncurrent assets	<u>120,133,954</u>	<u>43,664,027</u>	<u>163,797,981</u>
Total assets	<u>208,524,717</u>	<u>71,639,841</u>	<u>280,164,558</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding of debt	208,827	-	208,827
Pension related	2,824,544	472,227	3,296,771
Total deferred outflows of resources	<u>3,033,371</u>	<u>472,227</u>	<u>3,505,598</u>

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

City of Poway

Statement of Net Position
June 30, 2015

(Continued)

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 3,820,333	\$ 1,619,297	\$ 5,439,630
Accrued liabilities	537,759	103,404	641,163
Accrued interest payable	225,633	2,429	228,062
Deposits	-	114,105	114,105
Unearned revenue	117,832	-	117,832
Long-term debt - due within one year	2,124,223	264,416	2,388,639
Total current liabilities	<u>6,825,780</u>	<u>2,103,651</u>	<u>8,929,431</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	14,855,120	221,900	15,077,020
Net pension liability	30,601,682	5,534,110	36,135,792
Total noncurrent liabilities	<u>45,456,802</u>	<u>5,756,010</u>	<u>51,212,812</u>
Total liabilities	<u>52,282,582</u>	<u>7,859,661</u>	<u>60,142,243</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related	<u>6,719,462</u>	<u>1,021,739</u>	<u>7,741,201</u>
NET POSITION			
Net investment in capital assets	<u>86,341,264</u>	<u>36,827,442</u>	<u>123,168,706</u>
Restricted for:			
Special revenue:			
Streets	3,251,956	-	3,251,956
Drainage	3,006,485	-	3,006,485
Fire protection	121,235	-	121,235
Maintenance districts	7,674,866	-	7,674,866
Grants	105,373	-	105,373
Miscellaneous	2,316,426	-	2,316,426
Affordable housing	8,459,665	-	8,459,665
Transportation	1,042,747	-	1,042,747
Debt service	1,076,516	272,301	1,348,817
Parks and recreation	488,023	-	488,023
Total restricted	<u>27,543,292</u>	<u>272,301</u>	<u>27,815,593</u>
Unrestricted	<u>38,671,488</u>	<u>26,130,925</u>	<u>64,802,413</u>
Total net position	<u>\$ 152,556,044</u>	<u>\$ 63,230,668</u>	<u>\$ 215,786,712</u>

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

City of Poway

Statement of Activities
For the year ended June 30, 2015

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	\$ 5,196,033	\$ 280,796	\$ 502,800	\$ -	\$ 783,596
Public safety	21,500,327	1,759,543	621,139	-	2,380,682
Public works	11,595,286	2,699,095	47,246	-	2,746,341
Development services	3,664,378	1,558,945	147,709	-	1,706,654
Community services	5,843,807	2,570,423	224,891	90,379	2,885,693
Interest and fiscal charges	481,905	-	-	-	-
Total governmental activities	48,281,736	8,868,802	1,543,785	90,379	10,502,966
Business-type activities:					
Water	22,349,556	20,629,080	-	-	20,629,080
Sewer	9,451,529	7,423,494	-	-	7,423,494
Total business-type activities	31,801,085	28,052,574	-	-	28,052,574
Total primary government	\$ 80,082,821	\$ 36,921,376	\$ 1,543,785	\$ 90,379	\$ 38,555,540

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

City of Poway

Statement of Activities
For the year ended June 30, 2015

(Continued)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,412,437)	\$ -	\$ (4,412,437)
Public safety	(19,119,645)	-	(19,119,645)
Public works	(8,848,945)	-	(8,848,945)
Development services	(1,957,724)	-	(1,957,724)
Community services	(2,958,114)	-	(2,958,114)
Interest and fiscal charges	(481,905)	-	(481,905)
Total governmental activities	<u>(37,778,770)</u>	<u>-</u>	<u>(37,778,770)</u>
Business-type activities:			
Water	-	(1,720,476)	(1,720,476)
Sewer	-	(2,028,035)	(2,028,035)
Total business-type activities	<u>-</u>	<u>(3,748,511)</u>	<u>(3,748,511)</u>
Total primary government	<u>(37,778,770)</u>	<u>(3,748,511)</u>	<u>(41,527,281)</u>
General revenues:			
Taxes:			
Property taxes	18,998,523	-	18,998,523
Sales tax	12,520,103	-	12,520,103
Transient occupancy taxes	573,531	-	573,531
Franchise taxes	1,696,186	-	1,696,186
Other taxes	3,192,356	-	3,192,356
Total taxes	<u>36,980,699</u>	<u>-</u>	<u>36,980,699</u>
Investment earnings	1,380,030	149,611	1,529,641
Miscellaneous	1,330,954	1,261,448	2,592,402
Loss on disposal of fixed asset	(385,253)	-	(385,253)
Transfers	(1,539,113)	(310,940)	(1,850,053)
Total general revenues and transfers	<u>37,767,317</u>	<u>1,100,119</u>	<u>38,867,436</u>
Change in net position	(11,453)	(2,648,392)	(2,659,845)
Net position, beginning of year, as restated (Note 17)	<u>152,567,497</u>	<u>65,879,060</u>	<u>218,446,557</u>
Net position, end of year	<u>\$ 152,556,044</u>	<u>\$ 63,230,668</u>	<u>\$ 215,786,712</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, 2015

	Major Funds				
	General Fund	Special Revenue Funds		Other Governmental Funds	Total Governmental Funds
		Housing Authority Fund	Street Improvement Fund		
ASSETS					
Cash and investments	\$ 50,317,997	\$ 1,587,863	\$ 948,340	\$ 20,270,090	\$ 73,124,290
Receivables:					
Taxes	3,443,579	-	-	11,997	3,455,576
Notes	10,004,229	-	-	-	10,004,229
Accounts	402,414	-	39,244	52,876	494,534
Interest	734,955	-	-	63	735,018
Due from other funds	187,075	-	-	-	187,075
Advances to other funds	798,299	-	-	17,576	815,875
Due from other governments	108,223	-	-	223,416	331,639
Prepaid items	339,005	-	-	-	339,005
Inventories, at cost	152,192	-	-	-	152,192
Advances to fiduciary funds	2,641,166	2,927,611	1,314,355	1,597,254	8,480,386
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	641,580	641,580
Total assets	<u>\$ 69,129,134</u>	<u>\$ 4,515,474</u>	<u>\$ 2,301,939</u>	<u>\$ 22,814,852</u>	<u>\$ 98,761,399</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,904,751	\$ 7,280	\$ 144,547	\$ 464,984	\$ 3,521,562
Accrued liabilities	489,392	-	-	39,184	528,576
Due to other funds	-	-	-	187,075	187,075
Advances from other funds	-	-	723,147	307,228	1,030,375
Unearned revenue	61,141	2,266	-	54,425	117,832
Total liabilities	<u>3,455,284</u>	<u>9,546</u>	<u>867,694</u>	<u>1,052,896</u>	<u>5,385,420</u>
Deferred inflow of resources:					
Unavailable revenue	-	-	-	158,837	158,837
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,837</u>	<u>158,837</u>
FUND BALANCES					
Nonspendable	10,495,426	-	-	-	10,495,426
Restricted	-	4,505,928	1,434,245	21,603,119	27,543,292
Committed	10,022,691	-	-	-	10,022,691
Assigned	15,870,595	-	-	-	15,870,595
Unassigned	29,285,138	-	-	-	29,285,138
Total fund balances	<u>65,673,850</u>	<u>4,505,928</u>	<u>1,434,245</u>	<u>21,603,119</u>	<u>93,217,142</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 69,129,134</u>	<u>\$ 4,515,474</u>	<u>\$ 2,301,939</u>	<u>\$ 22,814,852</u>	<u>\$ 98,761,399</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, 2015

Total Fund Balances - Total Governmental Funds \$ 93,217,142

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	\$ 30,226,294	
Depreciable, net of accumulated depreciation	<u>71,637,545</u>	101,863,839

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. 208,827

Deferred inflows and outflows of resources related to pensions have not
been reported in the governmental funds:

Pension related deferred outflows of resources	2,779,414	
Pension related deferred inflows of resources	<u>(6,625,347)</u>	(3,845,933)

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	(2,094,334)	
Long-term liabilities - due in more than one year		
Long-term debt	(14,787,575)	
Pension related (net of \$543,401 reported in Internal Service Fund)	(30,058,281)	
Compensated absences (net of \$30,986 reported in Internal Service Fund)	<u>(66,076)</u>	(47,006,266)

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. (225,633)

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. 158,837

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. 8,185,231

Net position of governmental activities \$ 152,556,044

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

City of Poway

Statement of Revenues, Expenditures and Changes
in Fund Balance
Governmental Funds
For the year ended June 30, 2015

	Major Funds				Total Governmental Funds
	General Fund	Special Revenue Funds		Other Governmental Funds	
		Housing Authority Fund	Street Improvement Fund		
REVENUES					
Taxes	\$ 32,381,469	\$ -	\$ -	\$ 4,599,230	\$ 36,980,699
Licenses and permits	546,742	-	-	-	546,742
Intergovernmental	635,104	-	-	726,567	1,361,671
Charges for services	2,510,091	54,761	-	-	2,564,852
Fines and forfeitures	135,609	-	-	-	135,609
Use of money and property	829,391	10,402	6,440	419,604	1,265,837
Developer fees	3,807,318	-	10,526	195,383	4,013,227
Assessments levied	-	-	-	1,903,369	1,903,369
Other revenues	916,551	99,398	51,840	260,726	1,328,515
Total revenues	41,762,275	164,561	68,806	8,104,879	50,100,521
EXPENDITURES					
Current:					
General government	4,367,577	4,500	-	-	4,372,077
Public safety	21,179,204	-	-	120,647	21,299,851
Public works	4,077,764	-	-	5,448,376	9,526,140
Development services	3,800,593	11,361	-	-	3,811,954
Community services	5,212,917	-	-	-	5,212,917
Capital outlay	773,781	22,964	154,493	652,003	1,603,241
Debt service:					
Principal	-	-	-	715,000	715,000
Interest and fiscal charges	-	-	-	490,336	490,336
Total expenditures	39,411,836	38,825	154,493	7,426,362	47,031,516
Excess of revenues over expenditures	2,350,439	125,736	(85,687)	678,517	3,069,005
OTHER FINANCING SOURCES (USES)					
Transfers in	2,135,717	-	-	1,286,204	3,421,921
Transfers out	(979,775)	-	-	(2,588,189)	(3,567,964)
Total other financing sources (uses)	1,155,942	-	-	(1,301,985)	(146,043)
Net change in fund balances	3,506,381	125,736	(85,687)	(623,468)	2,922,962
Fund balances, beginning of year	62,167,469	4,380,192	1,519,932	22,226,587	90,294,180
Fund balances, end of year	<u>\$ 65,673,850</u>	<u>\$ 4,505,928</u>	<u>\$ 1,434,245</u>	<u>\$ 21,603,119</u>	<u>\$ 93,217,142</u>

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, 2015

Net change in fund balance - total governmental funds \$ 2,922,962

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 asset expenditures	\$ 995,518	
Depreciation expense	(5,449,954)	
Loss due to disposition of capital assets	<u>(385,253)</u>	(4,839,689)

The issuance of long-term debt provides current resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when the debt is first issued, whereas these are deferred and amortized in the statement of activities.

Principal payments on long-term debt	715,000	
Changes in pension related items	<u>826,711</u>	1,541,711

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	(60,664)	
Change in interest expense on long term debt	8,432	
Amortization of deferred loss on bond refunding	(11,933)	
Amortization of bond premium 2006 Certificates of Participation	3,985	
Amortization of bond premium 2012 Certificates of Participation	<u>19,907</u>	(40,273)

Revenues in the Government-wide Statement of Activities that did not provide current financial resources are not reported as revenues in the funds. (20,068)

The Internal service fund was 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 fund was reported with governmental activities. 423,904

Change in net position of governmental activities \$ (11,453)

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, 2015

	Major Funds		Total	Governmental Activities - Internal Service Fund
	Water	Sewer		
ASSETS				
Current assets:				
Cash and investments	\$ 5,715,704	\$ 14,913,569	\$ 20,629,273	\$ 9,116,929
Cash and investments with fiscal agents	272,301	-	272,301	-
Receivables:				
Accounts	2,869,084	1,216,143	4,085,227	-
Inventories	2,970,357	18,656	2,989,013	-
Total current assets	<u>11,827,446</u>	<u>16,148,368</u>	<u>27,975,814</u>	<u>9,116,929</u>
Noncurrent assets:				
Advances to other funds	-	214,500	214,500	-
Loans to the Successor Agency to the Poway Redevelopment Agency	1,998,049	4,159,621	6,157,670	-
Loans to the Business Park Fiduciary Fund	-	200,000	200,000	-
Capital assets:				
Nondepreciable	824,101	76,797	900,898	-
Depreciable	58,152,766	36,277,064	94,429,830	-
Less accumulated depreciation	<u>(37,302,872)</u>	<u>(20,935,999)</u>	<u>(58,238,871)</u>	<u>-</u>
Total net capital assets	21,673,995	15,417,862	37,091,857	-
Total noncurrent assets	<u>23,672,044</u>	<u>19,991,983</u>	<u>43,664,027</u>	<u>-</u>
Total assets	<u>35,499,490</u>	<u>36,140,351</u>	<u>71,639,841</u>	<u>9,116,929</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	<u>406,493</u>	<u>65,734</u>	<u>472,227</u>	<u>45,130</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,388,475	230,822	1,619,297	298,771
Accrued liabilities	85,156	18,248	103,404	9,183
Accrued interest payable	2,429	-	2,429	-
Deposits	114,105	-	114,105	-
Compensated absences due within one year	182,189	39,712	221,901	29,889
Long-term debt - due within one year	264,415	-	264,415	-
Total current liabilities	<u>2,036,769</u>	<u>288,782</u>	<u>2,325,551</u>	<u>337,843</u>
Noncurrent liabilities:				
Compensated absences	-	-	-	1,469
Net pension liability	<u>4,775,343</u>	<u>758,767</u>	<u>5,534,110</u>	<u>543,401</u>
Total noncurrent liabilities	<u>4,775,343</u>	<u>758,767</u>	<u>5,534,110</u>	<u>544,870</u>
Total liabilities	<u>6,812,112</u>	<u>1,047,549</u>	<u>7,859,661</u>	<u>882,713</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	<u>876,694</u>	<u>145,045</u>	<u>1,021,739</u>	<u>94,115</u>
NET POSITION				
Net investment in capital assets	21,409,580	15,417,862	36,827,442	-
Restricted for debt service	272,301	-	272,301	-
Unrestricted	<u>6,535,296</u>	<u>19,595,629</u>	<u>26,130,925</u>	<u>8,185,231</u>
Total net position	<u>\$ 28,217,177</u>	<u>\$ 35,013,491</u>	<u>\$ 63,230,668</u>	<u>\$ 8,185,231</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, 2015

	Major Funds		Total	Governmental Activities - Internal Service Fund
	Water	Sewer		
OPERATING REVENUES				
Charges for services	\$ 20,503,545	\$ 7,368,583	\$ 27,872,128	\$ 2,738,158
Connection fees	125,535	54,911	180,446	-
Other	400,892	860,556	1,261,448	-
Total operating revenues	<u>21,029,972</u>	<u>8,284,050</u>	<u>29,314,022</u>	<u>2,738,158</u>
OPERATING EXPENSES				
Personnel services	3,176,641	547,977	3,724,618	333,074
Maintenance and operations	4,440,490	7,816,620	12,257,110	738,741
Cost of purchased water	13,183,836	-	13,183,836	-
Depreciation	1,527,675	1,086,932	2,614,607	-
Total operating expenses	<u>22,328,642</u>	<u>9,451,529</u>	<u>31,780,171</u>	<u>1,071,815</u>
Operating income (loss)	<u>(1,298,670)</u>	<u>(1,167,479)</u>	<u>(2,466,149)</u>	<u>1,666,343</u>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	50,528	99,083	149,611	61,202
Interest expense and fiscal charges	(20,914)	-	(20,914)	-
Gain on sale of property	-	-	-	52,990
Other nonoperating revenue	-	-	-	36,439
Total nonoperating revenues (expenses)	<u>29,614</u>	<u>99,083</u>	<u>128,697</u>	<u>150,631</u>
Income (loss) before transfers	<u>(1,269,056)</u>	<u>(1,068,396)</u>	<u>(2,337,452)</u>	<u>1,816,974</u>
TRANSFERS				
Transfers in	-	153,619	153,619	-
Transfers out	(305,642)	(158,917)	(464,559)	(1,393,070)
Total transfers	<u>(305,642)</u>	<u>(5,298)</u>	<u>(310,940)</u>	<u>(1,393,070)</u>
Change in net position	(1,574,698)	(1,073,694)	(2,648,392)	423,904
Net position, beginning of year, as restated	<u>29,791,875</u>	<u>36,087,185</u>	<u>65,879,060</u>	<u>7,761,327</u>
Net position, end of year	<u>\$ 28,217,177</u>	<u>\$ 35,013,491</u>	<u>\$ 63,230,668</u>	<u>\$ 8,185,231</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, 2015

	Major Funds		Total	Governmental Activities - Internal Service Funds
	Water	Sewer		
Cash flows from operating activities:				
Cash received from customers	\$ 22,008,671	\$ 7,427,938	\$ 29,436,609	\$ -
Cash received from interfund charges	-	-	-	2,738,669
Cash paid to employees for services	(3,400,355)	(559,099)	(3,959,454)	(351,835)
Cash paid to suppliers for goods or services	(18,008,877)	(8,618,150)	(26,627,027)	(475,368)
Cash paid to other City funds	(68,430)	(101,330)	(169,760)	-
Other	400,892	860,556	1,261,448	-
Net cash provided by (used for) operating activities	<u>931,901</u>	<u>(990,085)</u>	<u>(58,184)</u>	<u>1,911,466</u>
Cash flows from noncapital financing activities:				
Payments received on loan to the Business Park Fiduciary Fund	-	209,277	209,277	-
Transfers in	-	153,619	153,619	-
Transfers out	(305,642)	(158,917)	(464,559)	(1,393,070)
Net cash provided by (used for) noncapital financing activities	<u>(305,642)</u>	<u>203,979</u>	<u>(101,663)</u>	<u>(1,393,070)</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(124,535)	(337,448)	(461,983)	-
Sale of capital assets	-	-	-	89,429
Loan repayment to the Successor Agency	87,034	-	87,034	-
Principal paid on long-term debt	(248,245)	-	(248,245)	-
Payment of interest and fees	(23,206)	-	(23,206)	-
Net cash provided by (used for) capital and related financing activities	<u>(308,952)</u>	<u>(337,448)</u>	<u>(646,400)</u>	<u>89,429</u>
Cash flows from investing activities:				
Interest income	50,528	99,083	149,611	61,202
Net cash provided by investing activities	<u>50,528</u>	<u>99,083</u>	<u>149,611</u>	<u>61,202</u>
Net increase (decrease) in cash and investments	367,835	(1,024,471)	(656,636)	669,027
Cash and investments, beginning of year	<u>5,620,170</u>	<u>15,938,040</u>	<u>21,558,210</u>	<u>8,447,902</u>
Cash and investments, end of year	<u>\$ 5,988,005</u>	<u>\$ 14,913,569</u>	<u>\$ 20,901,574</u>	<u>\$ 9,116,929</u>
Reconciliation of cash and investments to the Statement of Net Position				
Cash and investments	\$ 5,715,704	\$ 14,913,569	\$ 20,629,273	\$ 9,116,929
Cash and investments with fiscal agents	<u>272,301</u>	<u>-</u>	<u>272,301</u>	<u>-</u>
Total cash and investments	<u>\$ 5,988,005</u>	<u>\$ 14,913,569</u>	<u>\$ 20,901,574</u>	<u>\$ 9,116,929</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (1,298,670)	\$ (1,167,479)	\$ (2,466,149)	\$ 1,666,343
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,527,675	1,086,932	2,614,607	-
Actuarial pension expense and contributions subsequent to the measurement date	(167,700)	(25,457)	(193,157)	(20,251)
(Increase) decrease in assets:				
Accounts receivable	1,379,588	4,444	1,384,032	511
Inventories	(79,239)	(7,493)	(86,732)	-
Increase (decrease) in liabilities:				
Accounts payable	(380,722)	(895,367)	(1,276,089)	263,373
Accrued liabilities	3,123	6,604	9,727	1,118
Compensated absences	(59,134)	7,731	(51,403)	372
Deposits	6,980	-	6,980	-
Net cash provided by (used for) operating activities	<u>\$ 931,901</u>	<u>\$ (990,085)</u>	<u>\$ (58,184)</u>	<u>\$ 1,911,466</u>

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, 2015

	Agency Funds	Successor Agency to the Poway Redevelopment Agency
ASSETS		
Current assets		
Cash and investments	\$ 3,246,173	\$ 6,600,840
Receivables:		
Taxes	224	-
Interest	12	111
Notes	-	5,242,959
Due from other governments	-	4,706
Cash and investments with fiscal agent	1,491,470	20,076,998
Prepaid charges, net	-	180,720
	<u>4,737,879</u>	<u>32,106,334</u>
Noncurrent assets		
Capital assets:		
Nondepreciable	-	24,731,737
Depreciable	-	35,320,861
Less accumulated depreciation	-	(14,550,886)
	<u>-</u>	<u>45,501,712</u>
Total noncurrent assets	<u>-</u>	<u>45,501,712</u>
Total assets	<u>\$ 4,737,879</u>	<u>77,608,046</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 167,080	3,603
Deposits	-	1,830
Due to fiduciary fund	200,000	-
Long-term debt - due within one year	-	7,975,000
	<u>367,080</u>	<u>7,980,433</u>
Total current liabilities	<u>367,080</u>	<u>7,980,433</u>
Noncurrent liabilities		
Due to bondholders	1,620,267	-
Developer deposits	2,750,532	-
Advances from City of Poway	-	14,638,056
Interest payable	-	439,024
Long-term debt due - in more than one year	-	196,866,663
	<u>4,370,799</u>	<u>211,943,743</u>
Total non current liabilities	<u>4,370,799</u>	<u>211,943,743</u>
Total liabilities	<u>\$ 4,737,879</u>	<u>219,924,176</u>
NET POSITION (DEFICIT)		
Held in trust for retirement of obligations of the former Poway Redevelopment Agency		<u>\$ (142,316,130)</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, 2015

	Successor Agency to the Poway Redevelopment Agency
ADDITIONS	
Redevelopment Property Tax Trust Fund	\$ 42,495,591
Investment earnings	1,804,124
Other revenue	513,560
Transfer from City	1,850,053
	<hr/>
Total additions	46,663,328
	<hr/>
DEDUCTIONS	
Enforceable obligations payments	26,526,612
Administration expenses	1,022,123
Depreciation	1,014,091
Interest expense and fiscal charges	10,587,095
	<hr/>
Total deductions	39,149,921
	<hr/>
Change in net position	7,513,407
Net position (deficit), beginning of year	(149,829,537)
	<hr/>
Net position (deficit), end of year	<u>\$ (142,316,130)</u>

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

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2015

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. The fund is not required to be reported as a major fund every year but is reported as such due to the significance of its operations.

The **Street Improvement Fund** receives revenues 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.

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:

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

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

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

Fiduciary Fund Financial Statements

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

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

C. Cash, Cash Equivalents and Investments

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

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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments (Continued)

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.

D. Inter-fund Transactions

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

E. Inventories

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

Note 1 – Summary of Significant Accounting Policies (Continued)

F. Capital Assets

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

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

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

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

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

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

Capital Assets Acquired Under Lease Purchase Contracts

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

Note 1 – Summary of Significant Accounting Policies (Continued)

G. *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 outflows of resources are required to be presented separately after assets on the statement of net position.

Deferred inflows of resources are transactions that result in the acquisition of 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.

H. *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.

I. *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.

Note 1 – Summary of Significant Accounting Policies (Continued)

J. 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.

K. 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Fund Balances (Continued)

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.

L. 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.

M. Accounting Changes and Implementation of New Pronouncements

New Accounting Pronouncements

The City follows all pronouncements of the Government Accounting Standards Board (GASB).

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Accounting Changes and Implementation of New Pronouncements (Continued)

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.

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

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 did not have a significant impact on the City's financial statements for year ended June 30, 2015.

Upcoming Accounting Standards

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

- GASB 72 - "*Fair Value Measurement and Application*," effective for the fiscal years beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*," effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*," effective for periods beginning after June 15, 2016.

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Accounting Changes and Implementation of New Pronouncements (Continued)

- GASB 75 – “Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,” effective for periods beginning after June 15, 2017.
- GASB 77 - “Tax Abatement Disclosures,” effective for periods beginning after December 15, 2015.

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, 2015:

	Government-Wide Statement of Net Position		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Position	
Cash and investments	\$ 82,241,219	\$ 20,629,273	\$ 9,847,013	\$ 112,717,505
Cash and investments with fiscal agents	641,580	272,301	21,568,468	22,482,349
Total	\$ 82,882,799	\$ 20,901,574	\$ 31,415,481	\$ 135,199,854

Cash, cash equivalents, and investments consisted of the following at June 30, 2015:

Cash on hand	\$ 8,100
Demand deposits	318,010
Investments	134,873,744
Total	\$ 135,199,854

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

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$318,010 at June 30, 2015. Bank balances at June 30, 2015, were \$644,723 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below:

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

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

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

B. Investments

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

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

B. Investments (Continued)

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%	None
Commercial Paper	N/A	25%	3%
Municipal Bonds	5 years	30%	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	None	None

* 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	\$ 9,090,120	\$ -	\$ -	\$ 9,090,120	\$ -
U.S. Agencies	30,103,605	1,000,031	11,104,487	17,999,087	-
CalTrust Investment Pool - Short term	10,025,087	10,025,087	-	-	-
CalTrust Investment Pool - Medium term	15,590,754	15,590,754	-	-	-
Medium-Term and Corporate Notes	26,252,242	5,087,589	14,680,308	6,484,345	-
Local Agency Investment Fund (LAIF)	21,158,596	21,158,596	-	-	-
San Diego County Investment Pool	66,884	66,884	-	-	-
Improvement Bond Act of 1915	54,107	26,298	27,809	-	-
Certificates of Deposit	50,000	50,000	-	-	-
Held by bond trustee:					
Money Market Funds	22,482,349	22,482,349	-	-	-
Total	\$ 134,873,744	\$ 75,487,588	\$ 25,812,604	\$ 33,573,552	\$ -

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, 2015 for each investment type:

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

D. Risk Disclosures (Continued)

Investment Type	Minimum Rating	S&P	Moody's	Fair Value
U.S. Treasury Bills	Aaa	AA	Aaa	\$ 9,090,120
U.S. Agencies	Aaa	AA	Aaa	30,103,605
CalTrust Investment Pool-Short term	AAf	AAf	not rated	10,025,087
CalTrust Investment Pool-Medium term	N/A	not rated	not rated	15,590,754
Medium-Term and Corporate Notes	A-/A3	AA	Aaa	26,252,242
Local Agency Investment Fund (LAIF)	N/A	not rated	not rated	21,158,596
San Diego County Investment Pool	AAAf	AAAf	not rated	66,884
1915 Act Improvement Bond	N/A	exempt	exempt	54,107
Certificates of Deposit	N/A	exempt	exempt	50,000
Held by bond trustee:				
Money Market Funds	N/A	AAAm	Aaamf	22,482,349
Total				\$ 134,873,744

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	\$ 9,090,120
Union Bank	U.S. Agencies	30,103,605
Union Bank	Corporates	26,252,242
Wells Fargo	CalTrust Investment Pool	25,615,841
Wells Fargo	Certificates of Deposit	50,000
State Treasurer Office	LAIF	21,158,596
San Diego County	Investment Pool	66,884
US Bank	Money Market	21,044,005
Bank of New York Mellon	Money Market	1,438,344
City of Poway	1915 Act Improvement Bond	54,107

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

E. Investment in Local Agency Investment Funds

The City's investments with Local Agency Investment Funds ("LAIF") at June 30, 2015, included a portion of the pooled funds invested in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

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

As of June 30, 2015, the City had \$21,158,596 invested in LAIF, which had invested 2.08% 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.

F. 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, 2015, the City had \$25,615,841 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)

G. Investment in San Diego County Investment Pool

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

At June 30, 2015, the City had \$66,884 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, 2015, balances were as follows:

	Due from other funds
Due to other funds	General Fund
Governmental Activities:	
Non-major Governmental Funds	\$ 187,075

These balances resulted from loans to cover negative cash balances as of June 30, 2015.

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	Street Improvement Fund	Total
Governmental Activities:			
General Fund	\$ 289,652	\$ 508,647	\$ 798,299
Non-major Governmental Funds	17,576	-	17,576
Business-Type Activities			
Sewer	-	214,500	214,500
Total	<u>\$ 307,228</u>	<u>\$ 723,147</u>	<u>\$ 1,030,375</u>

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	-	2,927,611	2,927,611
Street Improvement Fund	-	1,314,355	1,314,355
Non-major Governmental Funds	-	1,597,254	1,597,254
Business-Type Activities			
Water	-	1,998,049	1,998,049
Sewer	200,000	4,159,621	4,359,621
Total	<u>\$ 200,000</u>	<u>\$ 14,638,056</u>	<u>\$ 14,838,056</u>

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 \$14,638,056. The terms of the loans are indefinite. Accrued interest on the loans of \$385,231 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 \$200,000 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 14, Item G.

D. Transfers To and From Other Funds

Transfers for the year ended June 30, 2015, were as follows:

Transfers Out	Transfers In				Total
	General	Non-major Governmental Funds	Sewer Enterprise Fund	Fiduciary Funds	
General Fund	\$ -	\$ 979,775	\$ -	\$ -	\$ 979,775
Non-major Governmental Funds	738,136	-	-	1,850,053	2,588,189
Water Enterprise Fund	114,380	191,262	-	-	305,642
Sewer Enterprise Fund	43,750	115,167	-	-	158,917
Internal Service Funds	1,239,451	-	153,619	-	1,393,070
Total	\$ 2,135,717	\$ 1,286,204	\$ 153,619	\$ 1,850,053	\$ 5,425,593

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. Transactions with 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 Housing Special Program fund transferred \$1,409,753 to the Successor Agency to the Poway Redevelopment Agency. The transfer was made by the City in relation to findings by the California Department of Finance that arose in response ongoing disputed findings by the California Department of Finance for revenues from the Smith Settlement.

Note 4 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Non-Depreciable Assets				
Land	\$ 29,971,363	\$ 3,349	\$ -	\$ 29,974,712
Construction in progress	621,407	223,029	(592,854)	251,582
Total non-depreciable assets	<u>30,592,770</u>	<u>226,378</u>	<u>(592,854)</u>	<u>30,226,294</u>
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	17,682,601	1,361,994	(939,199)	18,105,396
Total depreciable assets	<u>200,615,994</u>	<u>1,361,994</u>	<u>(939,199)</u>	<u>201,038,789</u>
Less accumulated depreciation				
Buildings	(20,992,452)	(1,259,617)	-	(22,252,069)
Improvements other than buildings	(987,865)	(139,257)	-	(1,127,122)
Infrastructure	(90,214,539)	(2,864,797)	-	(93,079,336)
Machinery and equipment	(12,310,380)	(1,186,283)	553,946	(12,942,717)
Total accumulated depreciation	<u>(124,505,236)</u>	<u>(5,449,954)</u>	<u>553,946</u>	<u>(129,401,244)</u>
Total depreciable assets, net	<u>76,110,758</u>	<u>(4,087,960)</u>	<u>(385,253)</u>	<u>71,637,545</u>
Total governmental activities	<u>\$ 106,703,528</u>	<u>\$ (3,861,582)</u>	<u>\$ (978,107)</u>	<u>\$ 101,863,839</u>

Note 4 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Governmental activities depreciation expense for capital assets for the year ended June 30, 2015 is as follows:

General government	\$	935,031
Public safety		977,732
Public works		3,175,367
Community services		361,824
		<u>361,824</u>
Total depreciation expense	\$	<u>5,449,954</u>

B. Business-type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2015 is as follows:

	Balance at July 1, 2014	Additions	Deletions	Balance at June 30, 2015
Non-Depreciable Assets				
Land	\$ 76,797	\$ -	\$ -	\$ 76,797
Construction in progress	860,642	215,925	(252,466)	824,101
Total non-depreciable assets	937,439	215,925	(252,466)	900,898
Depreciable Assets				
Buildings	21,128,309	-	-	21,128,309
Improvements other than buildings	69,538,752	252,466	-	69,791,218
Machinery and equipment	3,492,002	246,059	(227,758)	3,510,303
Total depreciable assets	94,159,063	498,525	(227,758)	94,429,830
Less accumulated depreciation				
Buildings	(16,985,316)	(467,197)	-	(17,452,513)
Improvements other than buildings	(36,621,044)	(1,951,165)	-	(38,572,209)
Machinery and equipment	(2,245,662)	(196,245)	227,758	(2,214,149)
Total accumulated depreciation	(55,852,022)	(2,614,607)	227,758	(58,238,871)
Total depreciable assets, net	38,307,041	(2,116,082)	-	36,190,959
Total business-type activities	\$ 39,244,480	\$ (1,900,157)	\$ (252,466)	\$ 37,091,857

Note 4 – Capital Assets (Continued)

B. Business-type Activities (Continued)

Business-type activities depreciation expense for capital assets for the year ended June 30, 2015 is as follows:

Water Enterprise Fund	\$ 1,527,675
Sewer Enterprise Fund	<u>1,086,932</u>
Total depreciation expense	<u>\$ 2,614,607</u>

C. Fiduciary Activities

Summary of changes in capital assets for fiduciary activities for the year ended June 30, 2015 is as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2015</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	(11,719,205)	(659,306)	-	(12,378,511)
Infrastructure	<u>(1,817,590)</u>	<u>(354,785)</u>	<u>-</u>	<u>(2,172,375)</u>
Total accumulated depreciation	<u>(13,536,795)</u>	<u>(1,014,091)</u>	<u>-</u>	<u>(14,550,886)</u>
Total depreciable assets, net	<u>21,784,066</u>	<u>(1,014,091)</u>	<u>-</u>	<u>20,769,975</u>
Total governmental activities	<u>\$ 46,515,803</u>	<u>\$ (1,014,091)</u>	<u>\$ -</u>	<u>\$ 45,501,712</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, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
Governmental Activities						
Certificates of Participation	\$ 16,261,467	\$ -	\$ (738,892)	\$ 15,522,575	\$ 735,000	\$ 14,787,575
Compensated Absences	1,395,732	1,341,050	(1,280,014)	1,456,768	1,389,223	67,545
Total governmental activities	\$ 17,657,199	\$ 1,341,050	\$ (2,018,906)	\$ 16,979,343	\$ 2,124,223	\$ 14,855,120
Business-Type Activities						
Revenue Bonds	\$ 512,660	\$ -	\$ (248,245)	\$ 264,415	\$ 264,415	\$ -
Compensated Absences	273,304	263,712	(315,116)	221,900	-	221,900
Total business-type activities	\$ 785,964	\$ 263,712	\$ (563,361)	\$ 486,315	\$ 264,415	\$ 221,900
Fiduciary Funds						
Certificates of Participation	\$ 1,618,877	\$ -	\$ (381,843)	\$ 1,237,034	\$ 395,000	\$ 842,034
Tax Allocation Bonds	208,316,472	-	(7,683,457)	200,633,015	7,480,000	193,153,015
Notes Payable	2,885,549	201,555	(115,490)	2,971,614	100,000	2,871,614
Total fiduciary activities	\$ 212,820,898	\$ 201,555	\$ (8,180,790)	\$ 204,841,663	\$ 7,975,000	\$ 196,866,663

A. Governmental Activities Long-Term Debt

Certificates of Participation at June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
2005 Certificates of Participation	\$ 2,680,000	\$ -	\$ (160,000)	\$ 2,520,000	\$ 165,000	\$ 2,355,000
Bond Premium	29,648	-	(3,985)	25,663	-	25,663
2012 Certificates of Participation	13,320,000	-	(555,000)	12,765,000	570,000	12,195,000
Bond Premium	231,819	-	(19,907)	211,912	-	211,912
Total Certificates of Participation	\$ 16,261,467	\$ -	\$ (738,892)	\$ 15,522,575	\$ 735,000	\$ 14,787,575

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, 2015, the City's portion of the outstanding balance of the 2005 Certificates of Participation was \$2,520,000.

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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	195,000	76,153	271,153
2021 - 2025	1,105,000	243,853	1,348,853
2026 - 2027	515,000	23,512	538,512
Total	<u>\$ 2,520,000</u>	<u>\$ 723,025</u>	<u>\$ 3,243,025</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, 2015, the outstanding balance of the 2012 Certificates of Participation was \$12,765,000.

The annual requirements to amortize Certificates of Participation outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	615,000	314,770	929,770
2021 - 2025	3,335,000	1,316,863	4,651,863
2026 - 2030	3,855,000	787,392	4,642,392
2031 - 2033	2,615,000	171,762	2,786,762
Total	<u>\$ 12,765,000</u>	<u>\$ 3,968,267</u>	<u>\$ 16,733,267</u>

Note 5 – Long Term Debt (Continued)

B. Business-Type Activities Long-Term Debt

Revenue Bonds

Revenue Bonds at June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
1995 Revenue Bonds	\$ 515,000	\$ -	\$ (250,000)	\$ 265,000	\$ 265,000	\$ -
Bond Discount	(2,340)	-	1,755	(585)	(585)	-
Total Revenue Bonds	<u>\$ 512,660</u>	<u>\$ -</u>	<u>\$ (248,245)</u>	<u>\$ 264,415</u>	<u>\$ 264,415</u>	<u>\$ -</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, 2015, the outstanding balance of the 1995 Revenue Bonds was \$265,000.

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 \$272,288 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, 2015 are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 265,000	\$ 7,288	\$ 272,288
Total	\$ 265,000	\$ 7,288	\$ 272,288

C. Fiduciary Funds Long Term Debt

Certificates of Participation

Certificates of Participation at June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Classification	
					Amount Due Within One Year	Amount Due In More Than One Year
2005 Certificates of Participation	\$ 1,615,000	\$ -	\$ (380,000)	\$ 1,235,000	\$ 395,000	\$ 840,000
Bond Discount	3,877	-	(1,843)	2,034	-	2,034
Total Revenue Bonds	\$ 1,618,877	\$ -	\$ (381,843)	\$ 1,237,034	\$ 395,000	\$ 842,034

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, 2015, the Successor Agency's portion of the outstanding balance of the 2005 Certificates of Participation was \$1,235,000.

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, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 395,000	\$ 43,056	\$ 438,056
2017	410,000	26,425	436,425
2018	430,000	8,600	438,600
Total	<u>\$ 1,235,000</u>	<u>\$ 78,081</u>	<u>\$ 1,313,081</u>

Tax Allocation Bonds

Tax Allocation Bonds at June 30, 2015, consisted of the following:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	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	66,040,000	-	(2,410,000)	63,630,000	2,225,000	61,405,000
2003 Tax Allocation Bonds	109,330,000	-	(5,010,000)	104,320,000	5,225,000	99,095,000
Bond Premium	1,589,930	-	(170,167)	1,419,763	-	1,419,763
2007 Tax Allocation Bonds	24,530,000	-	(30,000)	24,500,000	30,000	24,470,000
Bond Premium	1,011,542	-	(63,290)	948,252	-	948,252
Total Tax Allocation Bonds	<u>\$ 208,316,472</u>	<u>\$ -</u>	<u>\$ (7,683,457)</u>	<u>\$ 200,633,015</u>	<u>\$ 7,480,000</u>	<u>\$ 193,153,015</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 \$5,845,000 were not refunded and have since been paid. 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 \$10,895,985 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 334,362	\$ 334,362
2017	-	334,362	334,362
2018	-	334,362	334,362
2019	-	334,362	334,362
2020	-	334,362	334,362
2021 - 2025	-	1,671,813	1,671,813
2026 - 2030	2,865,000	1,433,906	4,298,906
2031 - 2033	2,950,000	303,456	3,253,456
Total	<u>\$ 5,815,000</u>	<u>\$ 5,080,985</u>	<u>\$ 10,895,985</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 \$98,510,051, payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	2,375,000	2,771,596	5,146,596
2021 - 2025	13,855,000	11,858,359	25,713,359
2026 - 2030	24,945,000	6,773,026	31,718,026
2031 - 2033	13,160,000	1,136,563	14,296,563
Total	<u>\$ 63,630,000</u>	<u>\$ 34,880,051</u>	<u>\$ 98,510,051</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 \$151,291,764 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	6,395,000	4,170,850	10,565,850
2021 - 2025	37,625,000	15,346,138	52,971,138
2026 - 2030	22,895,000	6,356,625	29,251,625
2031 - 2033	14,825,000	1,384,875	16,209,875
Total	<u>\$ 104,320,000</u>	<u>\$ 46,971,764</u>	<u>\$ 151,291,764</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 \$42,850,565 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2015, are as follows:

Year Ending June 30,	Principal	Interest	Total
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	40,000	1,214,537	1,254,537
2021 - 2025	225,000	6,046,913	6,271,913
2026 - 2030	12,035,000	5,138,969	17,173,969
2031 - 2033	12,050,000	1,076,750	13,126,750
Total	<u>\$ 24,500,000</u>	<u>\$ 18,350,565</u>	<u>\$ 42,850,565</u>

Note 5 – Long Term Debt (Continued)

C. Fiduciary Funds Long Term Debt (Continued)

Notes Payable

Notes payable at June 30, 2015, consisted of the following:

	Balance			Balance June 30, 2015	Classification	
	July 1, 2014	Additions	Reductions		Amount Due Within One Year	Amount Due In More Than One Year
Mossy Nissan	\$ 2,885,549	\$ 201,555	\$ (115,490)	\$ 2,971,614	\$ 100,000	\$ 2,871,614
Total Notes Payable	<u>\$ 2,885,549</u>	<u>\$ 201,555</u>	<u>\$ (115,490)</u>	<u>\$ 2,971,614</u>	<u>\$ 100,000</u>	<u>\$ 2,871,614</u>

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 \$2,971,614 at June 30, 2015.

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, 2015, the outstanding balance of governmental activities and business-type activities compensated absences were \$1,456,768 and \$221,900, 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, 2015, the outstanding balance of December 2009 issuance was \$1,410,000.

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, 2015, the outstanding balance of the bonds was \$95,000.

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

In July 2001, the City issued the \$290,350 Old Coach Water Line Assessment District No. 2001-01 Limited Obligation Improvement Bonds to finance the cost of acquisition and construction of certain public infrastructure improvements benefiting properties within the boundaries of the assessment district. The bonds are authorized pursuant to the Improvement Bond Act of 1915 and are secured by and payable from the proceeds of annual special assessment taxes levied and collected on the property within the District. The Bonds are not general or special obligations of the City. The City is acting as agent only for the property owners in collecting the special assessments and forwarding the collections to the fiscal agents. Neither faith and credit nor the taxing power of the City is pledged to the payment of these bonds. At June 30, 2015, the outstanding balance of the bonds was \$54,107.

Note 7 – Defined Benefit Pension Plans - CalPERS

A. General Information about the Pension Plans

Plan Descriptions

The Plans consist of an agent, multiple-employer defined benefit pension plans, in addition to a cost-sharing, multiple-employer defined benefit pension plans administered for miscellaneous and safety employees, respectively, by the California Public Employees' Retirement System (CalPERS). A full description of the pension plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2013 Annual Actuarial Valuation Reports. Details of the benefits provided can be obtained in Appendix B of the actuarial valuation reports. The actuarial valuation reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov.

Benefits Provided

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

The Plans operate under the provisions of the California Public Employees' Retirement Law (PERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures and policies adopted by the CalPERS Board of Administration. The Plans' authority to establish and amend the benefit terms are set by the PERL and PEPRA, and may be amended by the California state legislature and in some cases require approval by the CalPERS Board.

Note 7 – Defined Benefit Pension Plans - CalPERS (Continued)

A. General Information about the Pension Plans, (Continued)

Benefits Provided, (continued)

The Plans' provisions and benefits in effect at June 30, 2014 (measurement date) are summarized as follows:

	Miscellaneous Plans	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0% @ 55	2.0% @ 60
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63 & Up	50-63 & Up
Monthly benefits, as a % of eligible compensations	1.426% to 2.418%	1.092% to 2.418%
Required employee contribution rates	7.00%	7.00%
Required employer contribution rates	14.799%	14.799%

	Safety Plans		
	Prior to December 31, 2011	December 31, 2011 Prior to January 1, 2013	On or After January 1, 2013
Hire date			
Benefit formula	3.0% @ 50	3.0% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55 & Up	50-55 & Up	50-57 & Up
Monthly benefits, as a % of eligible compensations	3.0%	2.4% to 3.0%	2.0% to 2.7%
Required employee contribution rates	9.00%	9.00%	50% of Total Normal Cost
Required employer contribution rates	25.168%	21.367%	11.119%

Employees Covered

At June 30, 2013, the following employees were covered by the benefit terms:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	187
Inactive employees entitled to but not yet receiving benefits	182
Active employees	154
Total	523

Note 7 – Defined Benefit Pension Plans - CalPERS (Continued)

A. General Information about the Pension Plans, (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate for the miscellaneous plans are the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For public agency cost-sharing plans covered by the Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014 (the measurement date), the average active employee contribution rate for the respective miscellaneous and safety plans is 7% and 9% of annual pay, and the employer's contribution rate is 14.799% and 25.168% of annual payroll. Employer contribution rates may change if plan contracts are amended.

Employer Contributions for the measurement period ended June 30, 2014 for the respective miscellaneous and safety plans are \$1,590,147 and \$1,089,842. The actual employer payments of \$1,159,123 for safety made to CalPERS by the City during the measurement period ended June 30, 2014 differed from the City's proportionate share of the employer's contributions of \$1,089,842 by \$69,281, which is being amortized over the expected average remaining service lifetime in the Public Agency Cost-Sharing Multiple Employer Plan.

B. Net Pension Liability

The City's net pension liability for the miscellaneous and safety plans are measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of each of the plans are measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Note 7 – Defined Benefit Pension Plans - CalPERS (Continued)

B. Net Pension Liability, (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2014 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2013 total pension liability. The June 30, 2013 and June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

	<u>Miscellaneous</u>	<u>Safety</u>
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	Market Value of Assets	Market Value of Assets
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Salary Increase (1)	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return (2)	7.50%	7.50%
Mortality Rate Table (3)	Derived using CalPERS' membership data for all funds	Derived using CalPERS' membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter	Contract COLA up to 2.75% until purchasing power protection allowance floor on purchasing power applies, 2.75% thereafter

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

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

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

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

B. Net Pension Liability, (Continued)

Discount Rate, (continued)

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the agent multiple-employer plan. Refer to the *sensitivity of the net pension liability to changes in the discount rate* section of this note, which provides information on the sensitivity of the net pension liability to changes in the discount rate.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statements No. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

B. Net Pension Liability, (Continued)

Discount Rate, (continued)

The following table reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Year 11+²</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	(0.55%)	(1.05%)
Total	<u>100.0%</u>		

¹ An expected inflation of 2.5% used for this period

² An expected inflation of 3.0% used for this period

Pension Plan Fiduciary Net Position

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

The plans' fiduciary net position disclosed in the GASB Statement No. 68 accounting valuation reports may differ from the plans' assets reported in the funding actuarial valuation reports due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, and fiduciary self-insurance expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

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

Miscellaneous Plan

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2013 (VD)¹	\$ 89,801,273	\$ 63,970,749	\$ 25,830,524
Changes Recognized for the Measurement Period:			
• Service Cost	1,515,714	-	1,515,714
• Interest on the Total Pension Liability	6,646,592	-	6,646,592
• Changes of Benefit Terms	-	-	-
• Differences between Expected and Actual Experience	-	-	-
• Changes of Assumptions	-	-	-
• Contributions from the Employer	-	1,590,147	(1,590,147)
• Employer Paid Member Contributions	-	-	-
• Contributions from Employees	-	716,942	(716,942)
• Net Investment Income ²	-	11,075,599	(11,075,599)
• Benefit Payments, including Refunds of Employee Contributions	(3,875,819)	(3,875,819)	-
Net Changes during 2013-14	\$ 4,286,487	\$ 9,506,869	\$ (5,220,382)
Balance at: 6/30/2014 (MD)¹	\$ 94,087,760	\$ 73,477,618	\$ 20,610,142

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

¹ The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. As described in the previous section of this note, this may differ from the plan assets reported in the funding actuarial valuation report.

² Net of administrative expenses.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

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

Safety Plans

The following table shows the cost sharing, multiple-employer Plans' proportionate share of the net pension liability over the measurement period.

	Increase (Decrease)		
	Plan Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Plan Net Pension Liability (c) = (a) - (b)
Balance at: 6/30/2013 (VD)	\$ 45,092,832	\$ 33,459,568	\$ 11,633,264
Balance at: 6/30/2014 (MD)	\$ 47,280,483	\$ 38,495,128	\$ 8,785,355
Net changes during 2013-14	\$ 2,187,651	\$ 5,035,560	\$ (2,847,909)

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

The City's net pension liability for each of the cost sharing, multiple-employer Plans is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was determined by CalPERS using the output from the Actuarial Valuation System and the fiduciary net position, as provided in the CalPERS Public Agency Cost-Sharing Allocation Methodology Report, which is a publicly available report that can be obtained at CalPERS' website under Forms and Publications, at www.calpers.ca.gov. The City's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

	<u>Safety Plans</u>
Proportionate Share - June 30, 2013	0.24315%
Proportionate Share - June 30, 2014	0.23421%
Change - Increase (Decrease)	(0.00894%)

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

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

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

The following presents the net pension liability for each Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.50%)	Current Discount Rate (7.50%)	Discount Rate + 1% (8.50%)
Miscellaneous Plans' Net Pension Liability	\$ 32,784,126	\$ 20,610,142	\$ 10,450,739
Safety Plans' Net Pension Liability	\$ 15,118,459	\$ 8,785,355	\$ 3,567,151

Subsequent Events

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

Recognition of Gains and Losses

Under GASB Statement No. 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

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

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

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

Recognition of Gains and Losses (Continued)

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

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining services lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) for the agent, multiple employer plan or the Public Agency Cost Sharing Multiple-Employer Plan (PERF C) for the cost sharing, multiple employer plans.

The EARSL for the Miscellaneous Plan for the 2013-14 measurement period is 3.0 years, which was obtained by dividing the total service years of 1,543 (the sum of remaining service lifetimes of the active employees) by 523 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Cost Sharing Safety Plan for the 2013-14 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

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

Miscellaneous – Agent, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2013), the net pension liability is \$25,830,524.

For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense of \$1,448,191 for the Plan. A complete breakdown of the pension expense is as follows:

Description	Amount
Service Cost	\$ 1,515,714
Interest on the Total Pension Liability	6,646,592
Changes of Benefit Terms	-
Recognized Differences between Expected and Actual Experience	-
Recognized Changes of Assumptions	-
Employee Contributions	(716,942)
Projected Earnings on Pension Plan Investments	(4,727,567)
Recognized Differences between Projected and Actual Earnings on Plan Investments	(1,269,606)
Other Changes in Fiduciary Net Position	-
Total Pension Expense	<u>\$ 1,448,191</u>

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 percent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

Safety – Cost Sharing, Multiple-Employer Defined Benefit Pension Plan

As of the start of the measurement period (July 1, 2013), the net pension liability for the safety plans is \$11,633,264 (the net pension liability of the aggregate plan as of June 30, 2013 is \$4,784,321,560).

For the measurement period ending June 30, 2014 (the measurement date), the City incurred a pension expense of \$827,935 for the safety plan (the pension expense for the aggregate plan for the measurement period is \$351,644,102). A complete breakdown of the pension expense is as follows:

Description	Risk Pool Amounts	Employer's Share	Percentage of Employer's Share
Service Cost	\$ 369,638,880	\$ 1,325,159	0.35850%
Interest on the Total Pension Liability	1,251,259,652	3,338,795	0.26683%
Recognized Differences between Expected and Actual Experience	-	-	N/A
Recognized Changes of Assumptions	-	-	N/A
Employee Contributions	(131,938,305)	(743,430)	0.56347%
Projected Earnings on Pension Plan Investments	(897,207,655)	(2,477,966)	0.27619%
Recognized Differences between Projected and Actual Earnings on Plan Investments	(240,108,470)	(663,147)	0.27619%
Other Changes in Fiduciary Net Position	-	-	N/A
Recognized Portion of Adjustment due to Differences in Proportions	-	30,292	N/A
Recognized Differences Between Contributions and Proportionate Share of Contributions	-	18,232	N/A
Subtotal: Employer's Share of Expense Components	\$ 351,644,102	827,935	0.23545%
Changes of Benefit Terms	-	-	
Employer's Proportionate Share of Pension Expense		\$ 827,935	

Note: Plan administrative expenses are not displayed in the above pension expense table. Since the expected investment return of 7.50 percent is net of administrative expenses, administrative expenses are excluded from the above table, but implicitly included as part of investment earnings.

Note 7 – Defined Benefit Pension Plans – CalPERS (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Miscellaneous		Safety	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -	\$ -	\$ -
Changes of Assumptions	-	-	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(5,078,426)	-	(2,652,590)
Adjustment due to Differences in Proportions	-	-	95,005	(10,185)
Net Difference between Contributions and Proportionate Share of Contributions	-	-	51,049	-
Pension Contributions Subsequent to Measurement Date	1,651,614	-	1,172,096	-
	<u>\$ 1,651,614</u>	<u>\$(5,078,426)</u>	<u>\$ 1,318,150</u>	<u>\$(2,662,775)</u>

These amounts above are net of outflows and inflows recognized in the 2013-14 measurement period expense. \$1,651,614 and \$1,172,096 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended	Deferred Outflows/(Inflows) of Resources, Net	
	Miscellaneous	Safety
June 30, 2015	\$ (1,269,606)	\$ (614,623)
2016	(1,269,606)	(614,623)
2017	(1,269,606)	(624,326)
2018	(1,269,608)	(663,149)
2019	-	-
Thereafter	-	-

E. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan

A. General Information about the Pension Plan

Plan Description

The Plan is a single-employer, agent, supplemental employee defined benefit pension plan (the plan II) administered by the Public Agency Retirement Services (PARS) Phase II Systems. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not account purposes), and membership information are listed in the July 1, 2014 Annual Actuarial Valuation Report. Details of the benefits provided can be obtained from the actuarial valuation reports. PARS issues a publicly available financial report that includes financial statement and required supplementary information for the plan II. That report may be obtained by writing to PARS, 3961 MacArthur Boulevard, Suite 200, Newport Beach, California, 92660.

Benefits Provided

The Retirement Enhancement Plan provides a benefit equal to the PARS "2.7% at 55" plan factor (formula is a static 2.7% at age 55 and older), less the CalPERS "2.0% at 55" plan factor times final compensation for all years of benefit service.

The Plan provides a pre-retirement death benefit for the eligible surviving spouse of any active employee who dies after attaining the minimum age requirement and completing the required years of service for the supplemental retirement benefit. The benefit will be equal to the participant's retirement benefit, actuarially reduced as if the participant had retired and elected a 100% joint-and-survivor annuity and paid as an annuity over the lifetime of the surviving spouse. There is no death benefit payable if there is no surviving spouse.

City Councilmembers who do not meet eligibility requirements at termination of employment, but will meet the eligibility requirements at a later date, will be eligible for a deferred retirement benefit upon meeting all the requirements including retirement under CalPERS.

The Plan is closed to all employees hired on or before January 9, 2012 ("soft-freeze").

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided (continued)

The Plan's provisions and benefits in effect at June 30, 2015 (measurement date) are summarized as follows:

	<u>Supplemental</u>
	<u>On or before January 9, 2012</u>
Hire date	
Benefit formula	2.7% @ 55 less CalPERS 2.0% @ 55
Benefit vesting schedule	from date of hire
Benefit payments	life only annuity
Retirement age	55
Monthly benefits, as a % of eligible compensation	8.05%
Required employee contribution rates	none
Required employer contribution rates	14.25%

Employees Covered

At June 30, 2014, the following employees were covered by the benefit terms:

	<u>Supplemental</u>
Inactive employees or beneficiaries	
currently receiving benefits	55
Active employees	110
	<hr/>
Total	165
	<hr/> <hr/>

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through PARS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the measurement period ended June 30, 2015 (the measurement date), the employer's contribution rate is 16.68 percent of annual payroll. Employer contribution rates may change if plan contracts are amended. Employer Contributions for the measurement period ended June 30, 2015 are \$1,302,085.

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

B. Net Pension Liability

The City's net pension liability for the Retirement Enhancement Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014. A summary of principal assumptions and methods used to determine the net pension liability is as follows.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

	<u>Supplemental</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	None
Actuarial Assumptions:	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases (1)	3.5% - 9.90%
Investment Rate of Return	7.00%
Cost of Living Adjustment	2.00%
Mortality Rate Table	Pre-retirement: CalPERS Miscellaneous Non-Industrial Rates. Post-retirement: CalPERS 1997-2011 Healthy Retiree Tables(sex distinct) projected using Scale AA and base year of 2008.

(1) Includes inflation. Graded based on years of service, 3.50% after 30 years of service.

Discount rate

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

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

B. Net Pension Liability (Continued)

Discount rate (continued)

GASB 67 and 68 (paragraph 29) do allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

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

- The City of Poway has at least a 5-year history of paying at least 100% of the Actuarially Determined Contribution (previously termed the Annual Required Contribution).
- The Actuarially Determined Contribution is based on a closed amortization period, which means that payment of the Actuarially Determined Contribution each year will bring the plan to a 100% funded position by the end of the amortization period.
- GASB 67 and 68 specify that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, the City believes that the detailed depletion date projections outlined in GASB 67 and 68 will show that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

<u>June 30, 2014</u>	<u>June 30, 2015</u>
7.00%	7.00%
7.00%	7.00%
N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

B. Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position

Information about the pension plan’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in the City’s GASB 68 Employer Accounting Information report. The plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investments are reported at fair value.

C. Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balances as of June 30, 2014	\$15,357,354	\$ 8,451,533	\$ 6,905,821
Changes for the year:			
• Service Cost	252,845	-	252,845
• Interest on the Total Pension Liability	1,071,102	-	1,071,102
• Effect of plan changes	-	-	-
• Effect of economic Demographic gains or Losses	-	-	-
• Effect of assumptions Changes or inputs	-	-	-
• Benefit Payments	(628,101)	(628,101)	-
• Employer contributions	-	1,302,085	(1,302,085)
• Member contributions	-	-	-
• Net Investment Income	-	205,418	(205,418)
• Administrative expenses	-	(18,030)	18,030
Net Changes during 2014-15	\$ 695,846	\$ 861,372	\$ (165,526)
Balance as of June 30, 2015	\$16,053,200	\$ 9,312,905	\$ 6,740,295

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

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

The following presents the net pension liability of the City of Poway Retirement Enhancement Plan, calculated using the discount rate of 7%, as well as what Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Net Pension Liability	\$ 8,844,971	\$ 6,740,295	\$ 4,984,308

Subsequent Events

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

Recognition of Gains and Losses

Investment gains/losses are recognized in pension expense over a period of five years; economic/demographic gains/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

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

As of the start of the measurement period (July 1, 2014), the net pension liability is \$6,905,821.

For the measurement period ending June 30, 2015 (the measurement date), the City incurred a pension expense of \$809,552 for the Plan. A complete breakdown of the pension expense is as follows:

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

Description	Amount
Service Cost	\$ 252,845
Interest on the total pension liability	1,071,102
Effect of plan changes	-
Administrative expenses	18,030
Member contributions	-
Expected investment return net of investment expenses	(614,177)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	-
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	81,752
	<u>81,752</u>
Total Pension Expense	<u>\$ 809,552</u>

As of June 30, 2015, the City has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan	327,007	
Pension Contributions Subsequent to Measurement Date	-	-
Total	\$ 327,007	\$ -

Note 8 – Defined Benefit Pension Plan – Retirement Enhancement Plan (Continued)

D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources, Net
2016	\$ 81,752
2017	81,752
2018	81,752
2019	81,751
2020	-
Thereafter	-

E. Payable to the Pension Plan

At June 30, 2015, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

Note 9 – 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, 2015 is \$20,846, and the balance of the non-forgivable rehabilitation loans at June 30, 2015 is \$102,128.

Note 9 – Rehabilitation Loan Programs (Continued)

A. City and Housing Authority Loan Programs (Continued)

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, 2015 is \$1,614,187.

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, 2015 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, 2015 is \$34,817,525.

Note 10 – 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 10 – 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 10 – 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, 2015, no liability was recorded in the accompanying basic financial statements.

Note 11 – 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, 2015 is as follows:

Amounts in Thousands

Total Assets	\$	434
Total Liabilities	\$	3
Total Equity	\$	431
Total Revenues	\$	284
Total Expenses	\$	238
Net Increase in Fund Equity	\$	46

Note 11 – 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 12 – Deficit Net Position

At June 30, 2015, the following funds had deficit net position:

<u>Fund Type</u>	<u>Fund</u>	<u>Deficit</u>
Non-Major Governmental Fund	Community Development Block Grant Fund	\$ (76,287)
Fiduciary Fund	Successor Agency to the Poway Redevelopment Agency	(142,316,130)

Successor Agency to the Poway Redevelopment Agency - The Successor Agency to the Poway Redevelopment Agency Private Purpose Trust fund had an accumulated deficit of \$(142,316,130), 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 13 – 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 14 – 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, 2015, 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, 2015 with an estimated cost to complete of approximately \$9,747,616 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 issued a determination letter approving the LRPMP on December 2, 2015.

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 14 – 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 has initiated litigation, 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. Oral arguments for City of Poway, et al. v. Cohen, et al., Superior Court for the County of Sacramento Case No. 34-2013-80001923, are scheduled for January 22, 2016.

Note 14 – Contingent Liabilities and Commitments (Continued)

F. 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, 2015 is shown below:

Advances to fiduciary funds	Advances from fiduciary funds			Total
	Not Submitted to OSB	Approved by OSB, not approved by DOF	Approved by OSB, approved by DOF	
Governmental Activities:				
General Fund	\$ 1,713,966	\$ 927,200	\$ -	\$ 2,641,166
Housing Authority	428,491	1,725,030	774,090	2,927,611
Street Improvement Fund	-	812,630	501,725	1,314,355
Non-Major Governmental Funds	-	1,081,725	515,529	1,597,254
Business -Type Activities:				
Water	-	563,483	1,434,566	1,998,049
Sewer	-	3,515,081	844,540	4,359,621
Total	<u>\$ 2,142,457</u>	<u>\$ 8,625,149</u>	<u>\$ 4,070,450</u>	<u>\$ 14,838,056</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.

Note 14 – Contingent Liabilities and Commitments (Continued)

G. Significant Encumbrances

Encumbrances represent purchase orders, contracts or other commitments for the expenditure of monies. However, because these commitments will be honored in subsequent years, they do not constitute an expenditure or liability for financial statement purposes. At fiscal year-end, the City had the following significant encumbrances.

Water and Sewer Projects	\$	132,970
Poway Road Corridor Study		238,848
ERP Selection Consulting		80,453
Street Projects		183,861
Trucks and Automobiles		123,206
Computer and Telecommunication Equipment		<u>279,194</u>
Total Outstanding Encumbrances	\$	<u>1,038,532</u>

H. Other Matters

As of June 30, 2015, 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 15 – 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.

City of Poway

Notes to Basic Financial Statements
June 30, 2015

Note 16 – Fund Balances Classification

The City's fund balances at June 30, 2015 are tabulated below by fund types.

	Major Funds				Total
	General Fund	Housing Authority Fund	Street Improvement Fund	Other Governmental Funds	
Nonspendable:					
Prepaid Items	\$ 339,005	\$ -	\$ -	\$ -	\$ 339,005
Inventories	152,192	-	-	-	152,192
Notes Receivable	10,004,229	-	-	-	10,004,229
Total nonspendable	<u>10,495,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,495,426</u>
Restricted:					
Streets	-	-	1,434,245	1,817,711	3,251,956
Drainage	-	-	-	3,006,485	3,006,485
Fire Protection	-	-	-	121,235	121,235
Maintenance Districts	-	-	-	7,674,866	7,674,866
Grants	-	-	-	105,373	105,373
Other Purposes	-	-	-	2,316,426	2,316,426
Affordable housing	-	4,505,928	-	3,953,737	8,459,665
Transportation	-	-	-	1,042,747	1,042,747
Debt Service Payments	-	-	-	1,076,516	1,076,516
Parks and Recreation	-	-	-	488,023	488,023
Total restricted	<u>\$ -</u>	<u>\$ 4,505,928</u>	<u>\$ 1,434,245</u>	<u>\$21,603,119</u>	<u>\$27,543,292</u>

Note 16 – Fund Balances Classification (Continued)

	Major Funds				Total
	General Fund	Housing Authority Fund	Street Improvement Fund	Other Governmental Funds	
Committed:					
Economic Uncertainty	\$ 3,104,503	\$ -	\$ -	\$ -	\$ 3,104,503
Street Maintenance	4,489,798	-	-	-	4,489,798
Pension Stabilization	2,428,390	-	-	-	2,428,390
Total committed	<u>10,022,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,022,691</u>
Assigned:					
Capital Projects	8,994,306	-	-	-	8,994,306
Contractual Services	135,926	-	-	-	135,926
Economic Development	5,000	-	-	-	5,000
Education and Training	736,788	-	-	-	736,788
Landscape Maintenance	8,884	-	-	-	8,884
Library	257,090	-	-	-	257,090
Nuisance Abatement	41,600	-	-	-	41,600
Other Purpose	545	-	-	-	545
Parks and Recreation	577,551	-	-	-	577,551
Public Safety	71,835	-	-	-	71,835
Repair and Maintenance	5,041,070	-	-	-	5,041,070
Total assigned	<u>15,870,595</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,870,595</u>
Unassigned	<u>29,285,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,285,138</u>
Total unassigned	<u>29,285,138</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,285,138</u>
Total fund balances	<u>\$65,673,850</u>	<u>\$ 4,505,928</u>	<u>\$ 1,434,245</u>	<u>\$21,603,119</u>	<u>\$93,217,142</u>

Note 17 – Change in Accounting Principle

As discussed in Note 1, the District implemented GASB Statements No. 68 and 71 effective July 1, 2014. GASB Statements No. 68 and 71, among other provisions, amended prior guidance with respect to the reporting of pensions, and established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the District's net pension liability was not previously recorded on the statement of net position. GASB 68 requires that accounting changes adopted to conform to the provisions of the Statement be applied retroactively by restating financial statements. The cumulative effects of applying the provisions of GASB Statements No. 68 and 71 have been reported as a restatement of beginning net position for the year ended June 30, 2015 in accordance with the Statements.

Accordingly, beginning net position on the Statement of Activities has been restated for changes related to GASB Statements 68 and 71 as follows:

Note 17 – Change in Accounting Principle (Continued)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Beginning net position, as previously reported	\$ 187,911,057	\$ 72,155,839
Restatement due to change in accounting principle	<u>(35,343,560)</u>	<u>(6,276,779)</u>
Beginning net position, as restated	<u><u>\$ 152,567,497</u></u>	<u><u>\$ 65,879,060</u></u>

Beginning fund balance on the Statement of Revenues, Expenses and Changes in Net Position has been restated for changes related to GASB Statements 68 and 71 as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Internal Service Fund</u>
Beginning net position, as previously reported	\$ 35,205,118	\$ 36,950,721	\$ 8,373,964
Restatement due to change in accounting principle	<u>(5,413,243)</u>	<u>(863,536)</u>	<u>(612,637)</u>
Beginning net position, as restated	<u><u>\$ 29,791,875</u></u>	<u><u>\$ 36,087,185</u></u>	<u><u>\$ 7,761,327</u></u>

Note 18 – Subsequent Refinancing of Debt

In July 2015, the Successor Agency to the Poway Redevelopment Agency (Successor Agency) issued Tax Allocation Refunding Bonds, Series 2015A in the amount of \$133,110,000 and Taxable Tax Allocation Refunding Bonds, Series 2015B in the amount of \$26,845,000. The bonds were issued to refund certain outstanding obligations of the Successor Agency, to purchase a municipal bond debt service reserve insurance policy issued by Assured Guaranty Municipal Corporation for deposit in the reserve account in satisfaction of the reserve requirement, and to pay costs of issuance with respect to the 2015 bonds.

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City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2015

Required Supplementary Information (Unaudited)

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
For the year ended June 30, 2015

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	\$ 30,371,740	\$ 30,371,740	\$ 32,381,469	\$ 2,009,729
Licenses and permits	566,080	566,080	546,742	(19,338)
Intergovernmental	290,220	340,220	635,104	294,884
Charges for services	2,311,200	2,311,200	2,510,091	198,891
Fines and forfeitures	144,000	144,000	135,609	(8,391)
Use of money and property	716,030	716,030	829,391	113,361
Developer fees	3,673,390	3,714,390	3,807,318	92,928
Other revenues	831,020	831,020	916,551	85,531
Total revenues	38,903,680	38,994,680	41,762,275	2,767,595
EXPENDITURES				
Current:				
General government	4,784,380	5,391,010	4,367,577	1,023,433
Public safety	21,374,222	21,681,022	21,179,204	501,818
Public works	4,328,548	4,340,121	4,077,764	262,357
Development services	3,806,421	4,151,663	3,800,593	351,070
Community services	5,147,970	5,351,570	5,212,917	138,653
Capital outlay	10,616,541	11,305,880	773,781	10,532,099
Total expenditures	50,058,082	52,221,266	39,411,836	12,809,430
Excess (deficiency) of revenues over (under) expenditures	(11,154,402)	(13,226,586)	2,350,439	15,577,025
OTHER FINANCING SOURCES (USES)				
Transfers in	2,449,529	2,804,544	2,135,717	(668,827)
Transfers out	(985,470)	(967,580)	(979,775)	(12,195)
Total other financing sources (uses)	1,464,059	1,836,964	1,155,942	(681,022)
Net change in fund balance	\$ (9,690,343)	\$ (11,389,622)	3,506,381	\$ 14,896,003
Fund balance, beginning of year			62,167,469	
Fund balance, end of year			\$ 65,673,850	

City of Poway

Required Supplementary Information
For the year ended June 30, 2015

Budgetary Information (Continued)

Budget Comparison Schedule, Housing Authority Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 30,670	\$ 30,670	\$ 54,761	\$ 24,091
Use of money and property	8,170	8,170	10,402	2,232
Other revenues	40,000	40,000	99,398	59,398
Total revenues	78,840	78,840	164,561	85,721
EXPENDITURES				
Current:				
General government	-	-	4,500	(4,500)
Development services	-	63,000	11,361	51,639
Capital outlay	-	58,000	22,964	35,036
Total expenditures	-	121,000	38,825	82,175
Net change in fund balance	\$ 78,840	\$ (42,160)	125,736	\$ 167,896
Fund balance, beginning of year			4,380,192	
Fund balance, end of year			\$ 4,505,928	

City of Poway

Required Supplementary Information
For the year ended June 30, 2015

Budgetary Information (Continued)

Budget Comparison Schedule, Street Improvement Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 400	\$ 400	\$ 6,440	\$ 6,040
Developer fees	68,650	68,650	10,526	(58,124)
Other revenues	-	-	51,840	51,840
Total revenues	<u>69,050</u>	<u>69,050</u>	<u>68,806</u>	<u>(244)</u>
EXPENDITURES				
Capital outlay	<u>257,200</u>	<u>302,200</u>	<u>154,493</u>	<u>147,707</u>
Total expenditures	<u>257,200</u>	<u>302,200</u>	<u>154,493</u>	<u>147,707</u>
Net change in fund balance	<u>\$ (188,150)</u>	<u>\$ (233,150)</u>	(85,687)	<u>\$ 147,463</u>
Fund balance, beginning of year			<u>1,519,932</u>	
Fund balance, end of year			<u>\$ 1,434,245</u>	

City of Poway

Required Supplementary Information
For the year ended June 30, 2015

**Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Years***

Miscellaneous

Measurement Period	<u>2013-14</u>
TOTAL PENSION LIABILITY	
Service Cost	\$ 1,515,714
Interest	6,646,592
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(3,875,819)
Net Change in Total Pension Liability	<u>4,286,487</u>
Total Pension Liability - Beginning	<u>89,801,273</u>
Total Pension Liability - Ending (a)	<u><u>\$ 94,087,760</u></u>
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 1,590,147
Contributions - Employee	716,942
Net Investment Income ¹	11,075,599
Benefit Payments, Including Refunds of Employee Contributions	(3,875,819)
Other Changes in Fiduciary Net Position	-
Net Change in Fiduciary Net Position	<u>9,506,869</u>
Plan Fiduciary Net Position - Beginning	<u>63,970,749</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 73,477,618</u></u>
Plan Net Position Liability - Ending (a) - (b)	<u><u>\$ 20,610,142</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.09%
Covered-Employee Payroll	\$ 9,902,700
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	208.13%

¹ Net of administrative expenses.

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in Assumptions: There were no changes in assumptions.

**Schedule of Plan Contributions
Last 10 Years***

Miscellaneous

	2013-14
Measurement Period	
Actuarially Determined Contribution	\$ 1,590,147
Contributions in Relation to the Actuarially Determined Contribution	(1,590,147)
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll	\$ 9,902,700
Contributions as a Percentage of Covered-Employee Payroll	16.06%

* Measurement period 2013-14 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2013-14 were from the June 30, 2011 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2011 Funding Valuation Report.
Asset Valuation Method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	3.00%
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

Schedule of the Agency's Proportionate Share of the Plan's Net Pension Liability and Related Ratios as of the Measurement Date Last 10 Years*

Safety

Measurement Period	<u>2013-14</u>
Plan's Proportion of the Net Pension Liability ¹	0.14119%
Plan's Proportionate Share of the Net Pension Liability	\$ 8,785,355
Plan's Covered-Employee Payroll ²	\$ 4,875,746
Plan's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	180.18%
Plan's Proportion of the Fiduciary Net Position ³	0.27559%
Plan's Share of Risk Pool Fiduciary Net Position ³	\$ 38,495,128
Plan's Additional Payments to Side Fund During Measurement Period	\$ -
Plan's Proportionate Share of the Fiduciary Net Position (<i>sum of the two preceding lines</i>)	\$ 38,495,128
Plan's Proportionate Share of the Fiduciary Net Position as a percentage of the Plan's Total Pension Liability	81.42%
Plan's Proportionate Share of Aggregate Employer Contributions ⁴	\$ 1,089,842

¹ Proportion of the net pension liability represents the plan's proportion of PERF C, which includes both the Miscellaneous and Safety Risk Pools excluding the 1959 Survivors Risk Pool.

² Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

³ The term Fiduciary Net Position (FNP) as used in this line denotes the aggregate risk pool's FNP at June 30, 2014 less the sum of all employers' additional side fund contributions made during the measurement period.

⁴ The plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the Measurement Period. The plan's proportionate share of aggregate contributions is based on the plan's proportion of Fiduciary Net Position shown on line 5 of the table above as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only one year is shown.

**Schedule of Plan Contributions
Last 10 Years***

Safety

Measurement Period	<u>2013-14</u>
Actuarially Determined Contribution	\$ 1,159,123
Contributions in Relation to the Actuarially Determined Contribution	<u>(1,159,123)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered-Employee Payroll ¹	\$ 7,170,920
Contributions as a Percentage of Covered-Employee Payroll	16.16%

¹ Covered-Employee Payroll represented above is based on the total payroll of employees that are provided pensions through the pension plan in accordance with GASB 68.

* Measurement period 2013-14 (fiscal year 2014-15) was the first year of implementation, therefore, only one year is shown.

Notes to Schedule:

Change in Benefit Terms: None

Change in Assumptions: None

Schedule of Changes in Net Pension Liability and Related Ratios

Last 10 Years*

Retirement Enhancement Plan

Measurement Period	<u>2014-15</u>
TOTAL PENSION LIABILITY	
Service Cost	\$ 252,845
Interest	1,071,102
Effect of plan changes	-
Effect of economic/demographic gains or losses	-
Effect of assumptions changes or inputs	-
Benefit payments	<u>(628,101)</u>
Net Change in Total Pension Liability	695,846
Total Pension Liability - Beginning	15,357,354
Total Pension Liability - Ending (a)	<u>\$16,053,200</u>
PLAN FIDUCIARY NET POSITION	
Contributions - Employer	\$ 1,302,085
Contributions - Employee	-
Net Investment Income	205,418
Benefit Payments	(628,101)
Administrative expenses	<u>(18,030)</u>
Net Change in Fiduciary Net Position	861,372
Plan Fiduciary Net Position - Beginning	8,451,533
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,312,905</u>
Plan Net Position Liability - Ending (a) - (b)	<u>\$ 6,740,295</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.01%
Covered-Employee Payroll	\$ 8,347,917
Plan Net Pension Liability as a Percentage of Covered-Employee Payroll	80.74%

* Measurement period 2014-15 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

Changes in Benefit Terms: The figures above do not include any liability impact that may have resulted

Changes in Assumptions: The retirement, disability, salary scale and pre-retirement mortality assumptions were updated to be consistent with those recommended for CalPERS actuarial valuations of public agency pension plans. These new demographic assumptions are described in the January 2014 experience study of the California Public Employees Retirement System. This study used data from 1997 to 2011. The post-retirement mortality was updated to the CalPERS 1997-2011 Healthy Retiree Mortality Tables (sex-distinct) with an assumed base year of 2008 and full generational projections using Scale AA. The inflation assumption was lowered from 3.0% to 2.75% to be consistent with CalPERS economic assumptions.

Schedule of Plan Contributions
Last 10 Years*

Retirement Enhancement Plan

	2014-15
Measurement Period	
Actuarially Determined Contribution	\$ 1,298,155
Contributions in Relation to the Actuarially Determined Contribution	(1,302,085)
Contribution Deficiency (Excess)	<u>\$ (3,930)</u>
Covered-Employee Payroll	\$ 8,347,917
Contributions as a Percentage of Covered-Employee Payroll	15.60%

* Measurement period 2014-15 (fiscal year 2015) was the 1st year of implementation, therefore, only one year is shown.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the July 1, 2014 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	Level dollar, closed periods, 10 years amortization period 0.00% growth rate
Asset Valuation Method	The actuarial value of assets is the market value of assets as provided by Public Agency Retirement Services.
Inflation	2.75%
Salary Increases	Varies by years of Service
Cost of Living Adjustments	2.00%
Investment Rate of Return	7.00%
Retirement Age	The retirement rates are consistent with those used to value the Miscellaneous CalPERS Pension Plans 2.7% at age 55. The rates used are those for retirees with 20 years of service, with an increased retirement rate of 20% at age 55.
Mortality	Pre-Retirement: Consistent with the Non-Industrial rates used to value the Miscellaneous CalPERS Pension Plans. Post-Retirement: CalPERS 1997-2001 Healthy Retiree Mortality Tables (sex-distinct) with an assumed base year of 2008 and full generational improvements using Scale AA.

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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.

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (Continued):

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

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

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

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

Abandoned Vehicle Fees Fund – Used to account for fees collected from the sale and citation of abandoned vehicles remitted from San Diego County. A budget was not adopted for this fund.

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, 2015

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Drainage	Maintenance Districts
ASSETS					
Cash and investments	\$ -	\$ 66,884	\$ 1,824,796	\$ 1,420,093	\$ 7,850,993
Receivables:					
Taxes	1,587	57	-	2,695	7,658
Accounts	-	-	-	-	3,452
Interest	-	60	-	-	-
Advances to other funds	-	-	-	17,576	-
Due from other governments	-	-	-	-	-
Advances to fiduciary funds	-	-	-	1,597,254	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	-	-
Total assets	\$ 1,587	\$ 67,001	\$ 1,824,796	\$ 3,037,618	\$ 7,862,103
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 9,510	\$ 130,012	\$ 17,135	\$ 184,325
Accrued liabilities	-	-	22,274	13,998	2,912
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	-	9,510	152,286	31,133	187,237
Deferred inflows of resources:					
Unavailable revenue	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
FUND BALANCES					
Restricted	1,587	57,491	1,672,510	3,006,485	7,674,866
Total fund balances	1,587	57,491	1,672,510	3,006,485	7,674,866
Total liabilities, deferred inflows of resources and fund balances	\$ 1,587	\$ 67,001	\$ 1,824,796	\$ 3,037,618	\$ 7,862,103

City of Poway

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2015

(Continued)

Special Revenue Funds						
Miscellaneous Grants	AB 939 Integrated Waste Management	Community Development Block Grant	Transportation Development Act	Proposition A	SB 1186 Disabled Access Law	Excess SAFE Reserve
\$ 301,245	\$ 603,621	\$ 12,142	\$ 478,601	\$ 292,871	\$ 3,335	\$ 145,201
-	-	-	-	-	-	-
-	49,424	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
107,550	-	104,525	11,341	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 408,795</u>	<u>\$ 653,045</u>	<u>\$ 116,667</u>	<u>\$ 489,942</u>	<u>\$ 292,871</u>	<u>\$ 3,335</u>	<u>\$ 145,201</u>
\$ 13,403	\$ 42,565	\$ 12,142	\$ 2,802	25,532	\$ 179	\$ -
-	-	-	-	-	-	-
82,550	-	104,525	-	-	-	-
-	-	-	-	-	-	-
54,425	-	-	-	-	-	-
<u>150,378</u>	<u>42,565</u>	<u>116,667</u>	<u>2,802</u>	<u>25,532</u>	<u>179</u>	<u>-</u>
82,550	-	76,287	-	-	-	-
<u>82,550</u>	<u>-</u>	<u>76,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
175,867	610,480	(76,287)	487,140	267,339	3,156	145,201
<u>175,867</u>	<u>610,480</u>	<u>(76,287)</u>	<u>487,140</u>	<u>267,339</u>	<u>3,156</u>	<u>145,201</u>
<u>\$ 408,795</u>	<u>\$ 653,045</u>	<u>\$ 116,667</u>	<u>\$ 489,942</u>	<u>\$ 292,871</u>	<u>\$ 3,335</u>	<u>\$ 145,201</u>

City of Poway

Combining Balance Sheet
 Non-Major Governmental Funds
 June 30, 2015

(Continued)

	Special Revenue Funds				
	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program	Housing In-lieu	Abandoned Vehicle Fees
ASSETS					
Cash and investments	\$ 293,354	\$ 62,157	\$ 5,793	\$ 919,144	\$ 313,378
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>\$ 293,354</u>	<u>\$ 62,157</u>	<u>\$ 5,793</u>	<u>\$ 919,144</u>	<u>\$ 313,378</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,086	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	<u>5,086</u>	<u>-</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	<u>288,268</u>	<u>62,157</u>	<u>5,793</u>	<u>919,144</u>	<u>313,378</u>
Total fund balances	<u>288,268</u>	<u>62,157</u>	<u>5,793</u>	<u>919,144</u>	<u>313,378</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 293,354</u>	<u>\$ 62,157</u>	<u>\$ 5,793</u>	<u>\$ 919,144</u>	<u>\$ 313,378</u>

City of Poway

Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

(Continued)

Special Revenue Funds		Debt Service Fund	Permanent Fund	Capital Project Funds		Total Other Governmental Funds
Habitat In-lieu	Housing Special Programs	Debt Service	Mary Patricia Ross Trust	Park Improvement	Municipal Improvement	
\$ 1,388,891	\$ 3,034,593	\$ 434,933	\$ 91,695	\$ 722,500	\$ 3,870	\$ 20,270,090
-	-	-	-	-	-	11,997
-	-	-	-	-	-	52,876
-	-	3	-	-	-	63
-	-	-	-	-	-	17,576
-	-	-	-	-	-	223,416
-	-	-	-	-	-	1,597,254
-	-	641,580	-	-	-	641,580
<u>\$ 1,388,891</u>	<u>\$ 3,034,593</u>	<u>\$ 1,076,516</u>	<u>\$ 91,695</u>	<u>\$ 722,500</u>	<u>\$ 3,870</u>	<u>\$ 22,814,852</u>
\$ 3,349	\$ -	\$ -	\$ -	\$ 18,944	\$ -	\$ 464,984
-	-	-	-	-	-	39,184
-	-	-	-	-	-	187,075
-	-	-	-	307,228	-	307,228
-	-	-	-	-	-	54,425
<u>3,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>326,172</u>	<u>-</u>	<u>1,052,896</u>
-	-	-	-	-	-	158,837
-	-	-	-	-	-	158,837
<u>1,385,542</u>	<u>3,034,593</u>	<u>1,076,516</u>	<u>91,695</u>	<u>396,328</u>	<u>3,870</u>	<u>21,603,119</u>
<u>1,385,542</u>	<u>3,034,593</u>	<u>1,076,516</u>	<u>91,695</u>	<u>396,328</u>	<u>3,870</u>	<u>21,603,119</u>
<u>\$ 1,388,891</u>	<u>\$ 3,034,593</u>	<u>\$ 1,076,516</u>	<u>\$ 91,695</u>	<u>\$ 722,500</u>	<u>\$ 3,870</u>	<u>\$ 22,814,852</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2015

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Drainage	Maintenance Districts
REVENUES					
Taxes	\$ 631,175	\$ 135,067	\$ 1,326,682	\$ 1,062,064	\$ 366,142
Intergovernmental	-	-	-	-	-
Use of money and property	-	250	11,648	7,524	50,091
Developer fees	-	-	-	31,780	-
Assessments levied	-	-	-	-	1,903,369
Other revenues	-	-	8,030	6,081	31,478
Total revenues	<u>631,175</u>	<u>135,317</u>	<u>1,346,360</u>	<u>1,107,449</u>	<u>2,351,080</u>
EXPENDITURES					
Current:					
Public safety	-	120,647	-	-	-
Public works	-	-	1,404,123	625,204	2,336,331
Capital outlay	-	-	-	48,570	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>120,647</u>	<u>1,404,123</u>	<u>673,774</u>	<u>2,336,331</u>
Excess (deficiency) of revenues over (under) expenditures	<u>631,175</u>	<u>14,670</u>	<u>(57,763)</u>	<u>433,675</u>	<u>14,749</u>
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	355,915
Transfer out	<u>(631,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(631,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>355,915</u>
Net change in fund balances	(760)	14,670	(57,763)	433,675	370,664
Fund balances, beginning of year	<u>2,347</u>	<u>42,821</u>	<u>1,730,273</u>	<u>2,572,810</u>	<u>7,304,202</u>
Fund balances, end of year	<u>\$ 1,587</u>	<u>\$ 57,491</u>	<u>\$ 1,672,510</u>	<u>\$ 3,006,485</u>	<u>\$ 7,674,866</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2015

(Continued)

Special Revenue Funds						
Miscellaneous Grants	AB 939 Integrated Waste Management	Community Development Block Grant	Transportation Development Act	Proposition A	SB 1186 Disabled Access Law	Excess SAFE Reserve
\$ -	\$ -	\$ -	\$ -	\$ 1,078,100	\$ -	\$ -
299,035	21,910	90,006	5,000	-	-	-
1,199	3,964	-	3,360	1,915	20	991
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	198,516	-	6,342	-	1,279	-
<u>300,234</u>	<u>224,390</u>	<u>90,006</u>	<u>14,702</u>	<u>1,080,015</u>	<u>1,299</u>	<u>991</u>
-	-	-	-	-	-	-
-	-	-	6,341	1,076,377	-	-
98,725	139,711	166,293	34,398	111,152	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>98,725</u>	<u>139,711</u>	<u>166,293</u>	<u>40,739</u>	<u>1,187,529</u>	<u>-</u>	<u>-</u>
<u>201,509</u>	<u>84,679</u>	<u>(76,287)</u>	<u>(26,037)</u>	<u>(107,514)</u>	<u>1,299</u>	<u>991</u>
-	-	-	-	-	-	-
<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
101,509	84,679	(76,287)	(26,037)	(107,514)	1,299	991
<u>74,358</u>	<u>525,801</u>	<u>-</u>	<u>513,177</u>	<u>374,853</u>	<u>1,857</u>	<u>144,210</u>
<u>\$ 175,867</u>	<u>\$ 610,480</u>	<u>\$ (76,287)</u>	<u>\$ 487,140</u>	<u>\$ 267,339</u>	<u>\$ 3,156</u>	<u>\$ 145,201</u>

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2015

(Continued)

	Special Revenue Funds				
	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program	Housing In-lieu	Abandoned Vehicle Fees
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	310,616
Use of money and property	2,024	424	3,582	6,280	2,762
Developer fees	20,336	2,247	-	-	-
Assessments levied	-	-	-	-	-
Other revenues	-	-	-	9,000	-
Total revenues	22,360	2,671	3,582	15,280	313,378
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	18,022	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	18,022	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	4,338	2,671	3,582	15,280	313,378
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	4,338	2,671	3,582	15,280	313,378
Fund balances, beginning of year	283,930	59,486	2,211	903,864	-
Fund balances, end of year	\$ 288,268	\$ 62,157	\$ 5,793	\$ 919,144	\$ 313,378

City of Poway

Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
Non-Major Governmental Funds
For the year ended June 30, 2015

(Continued)

Special Revenue Funds		Debt Service Fund	Permanent Fund	Capital Project Funds		Total Other Governmental Funds
Habitat In-lieu	Housing Special Programs	Debt Service	Mary Patricia Ross Trust	Park Improvement	Municipal Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,599,230
-	-	-	-	-	-	726,567
9,541	21,067	287,353	626	4,957	26	419,604
105,402	-	-	-	35,618	-	195,383
-	-	-	-	-	-	1,903,369
-	-	-	-	-	-	260,726
<u>114,943</u>	<u>21,067</u>	<u>287,353</u>	<u>626</u>	<u>40,575</u>	<u>26</u>	<u>8,104,879</u>
-	-	-	-	-	-	120,647
-	-	-	-	-	-	5,448,376
3,349	-	-	-	31,783	-	652,003
-	-	715,000	-	-	-	715,000
-	-	490,336	-	-	-	490,336
<u>3,349</u>	<u>-</u>	<u>1,205,336</u>	<u>-</u>	<u>31,783</u>	<u>-</u>	<u>7,426,362</u>
<u>111,594</u>	<u>21,067</u>	<u>(917,983)</u>	<u>626</u>	<u>8,792</u>	<u>26</u>	<u>678,517</u>
-	-	930,289	-	-	-	1,286,204
-	(1,411,278)	(444,976)	-	-	-	(2,588,189)
-	(1,411,278)	485,313	-	-	-	(1,301,985)
111,594	(1,390,211)	(432,670)	626	8,792	26	(623,468)
<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>22,226,587</u>
<u>\$ 1,385,542</u>	<u>\$ 3,034,593</u>	<u>\$ 1,076,516</u>	<u>\$ 91,695</u>	<u>\$ 396,328</u>	<u>\$ 3,870</u>	<u>\$ 21,603,119</u>

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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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 625,000	\$ 625,000	\$ 631,175	\$ 6,175
Total revenues	625,000	625,000	631,175	6,175
OTHER FINANCING (USES)				
Transfers out	(625,000)	(625,000)	(631,935)	(6,935)
Total other financing (uses)	(625,000)	(625,000)	(631,935)	(6,935)
Net change in fund balance	-	-	(760)	(760)
Fund balance, beginning of year	2,347	2,347	2,347	-
Fund balance, end of year	\$ 2,347	\$ 2,347	\$ 1,587	\$ (760)

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 136,000	\$ 136,000	\$ 135,067	\$ (933)
Use of money and property	80	80	250	170
Total revenues	<u>136,080</u>	<u>136,080</u>	<u>135,317</u>	<u>(763)</u>
EXPENDITURES				
Current:				
Public Safety	<u>136,120</u>	<u>136,120</u>	<u>120,647</u>	<u>15,473</u>
Total expenditures	<u>136,120</u>	<u>136,120</u>	<u>120,647</u>	<u>15,473</u>
Net change in fund balance	(40)	(40)	14,670	14,710
Fund balance, beginning of year	<u>42,821</u>	<u>42,821</u>	<u>42,821</u>	<u>-</u>
Fund balance, end of year	<u>\$ 42,781</u>	<u>\$ 42,781</u>	<u>\$ 57,491</u>	<u>\$ 14,710</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,257,290	\$ 1,257,290	\$ 1,326,682	\$ 69,392
Use of money and property	5,450	5,450	11,648	6,198
Other revenues	-	-	8,030	8,030
Total revenues	<u>1,262,740</u>	<u>1,262,740</u>	<u>1,346,360</u>	<u>83,620</u>
EXPENDITURES				
Current:				
Public works	<u>1,924,884</u>	<u>1,925,384</u>	<u>1,404,123</u>	<u>521,261</u>
Total expenditures	<u>1,924,884</u>	<u>1,925,384</u>	<u>1,404,123</u>	<u>521,261</u>
Net change in fund balance	(662,144)	(662,644)	(57,763)	604,881
Fund balance, beginning of year	<u>1,730,273</u>	<u>1,730,273</u>	<u>1,730,273</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,068,129</u>	<u>\$ 1,067,629</u>	<u>\$ 1,672,510</u>	<u>\$ 604,881</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,000,070	\$ 1,000,070	\$ 1,062,064	\$ 61,994
Use of money and property	3,680	3,680	7,524	3,844
Developer fees	21,000	21,000	31,780	10,780
Other revenues	-	-	6,081	6,081
Total revenues	<u>1,024,750</u>	<u>1,024,750</u>	<u>1,107,449</u>	<u>82,699</u>
EXPENDITURES				
Current:				
Public works	674,286	685,819	625,204	60,615
Capital outlay	<u>445,725</u>	<u>445,725</u>	<u>48,570</u>	<u>397,155</u>
Total expenditures	<u>1,120,011</u>	<u>1,131,544</u>	<u>673,774</u>	<u>457,770</u>
Net change in fund balance	(95,261)	(106,794)	433,675	540,469
Fund balance, beginning of year	<u>2,572,810</u>	<u>2,572,810</u>	<u>2,572,810</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,477,549</u>	<u>\$ 2,466,016</u>	<u>\$ 3,006,485</u>	<u>\$ 540,469</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 342,020	\$ 342,020	\$ 366,142	\$ 24,122
Assessment levied	1,885,750	1,885,750	1,903,369	17,619
Use of money and property	38,680	38,680	50,091	11,411
Other revenue	-	-	31,478	31,478
Total revenues	<u>2,266,450</u>	<u>2,266,450</u>	<u>2,351,080</u>	<u>84,630</u>
EXPENDITURES				
Public works	<u>2,791,962</u>	<u>2,857,627</u>	<u>2,336,331</u>	<u>521,296</u>
Total expenditures	<u>2,791,962</u>	<u>2,857,627</u>	<u>2,336,331</u>	<u>521,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(525,512)</u>	<u>(591,177)</u>	<u>14,749</u>	<u>605,926</u>
OTHER FINANCING SOURCES				
Transfers in	<u>356,950</u>	<u>356,950</u>	<u>355,915</u>	<u>(1,035)</u>
Total other financing sources	<u>356,950</u>	<u>356,950</u>	<u>355,915</u>	<u>(1,035)</u>
Net change in fund balance	(168,562)	(234,227)	370,664	604,891
Fund balance, beginning of year	<u>7,304,202</u>	<u>7,304,202</u>	<u>7,304,202</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,135,640</u>	<u>\$ 7,069,975</u>	<u>\$ 7,674,866</u>	<u>\$ 604,891</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 125,900	\$ 125,900	\$ 299,035	\$ 173,135
Use of money and property	980	980	1,199	219
Total revenues	126,880	126,880	300,234	173,354
EXPENDITURES				
Capital outlay	26,843	155,388	98,725	56,663
Total expenditures	26,843	155,388	98,725	56,663
Excess (deficiency) of revenues over (under) expenditures	100,037	(28,508)	201,509	230,017
OTHER FINANCING SOURCES (USES)				
Transfers out	(100,000)	(100,000)	(100,000)	-
Total other financing sources (uses)	(100,000)	(100,000)	(100,000)	-
Net change in fund balance	37	(128,508)	101,509	230,017
Fund balance, beginning of year	74,358	74,358	74,358	-
Fund balance, end of year	\$ 74,395	\$ (54,150)	\$ 175,867	\$ 230,017

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 22,600	\$ 22,600	\$ 21,910	\$ (690)
Use of money and property	2,430	2,430	3,964	1,534
Other revenue	197,160	197,160	198,516	1,356
Total revenues	222,190	222,190	224,390	2,200
EXPENDITURES				
Capital outlay	228,618	228,618	139,711	88,907
Total expenditures	228,618	228,618	139,711	88,907
Net change in fund balance	(6,428)	(6,428)	84,679	91,107
Fund balance, beginning of year	525,801	525,801	525,801	-
Fund balance, end of year	\$ 519,373	\$ 519,373	\$ 610,480	\$ 91,107

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 141,210	\$ 163,210	\$ 90,006	\$ (73,204)
Total revenues	<u>141,210</u>	<u>163,210</u>	<u>90,006</u>	<u>(73,204)</u>
EXPENDITURES				
Capital outlay	<u>165,053</u>	<u>191,052</u>	<u>166,293</u>	<u>24,759</u>
Total expenditures	<u>165,053</u>	<u>191,052</u>	<u>166,293</u>	<u>24,759</u>
Net change in fund balance	(23,843)	(27,842)	(76,287)	(48,445)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (23,843)</u>	<u>\$ (27,842)</u>	<u>\$ (76,287)</u>	<u>\$ (48,445)</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Use of money and property	2,790	2,790	3,360	570
Other revenue	5,000	5,000	6,342	1,342
Total revenues	12,790	12,790	14,702	1,912
EXPENDITURES				
Current:				
Public works	5,000	8,430	6,341	2,089
Capital outlay	495,495	495,495	34,398	461,097
Total expenditures	500,495	503,925	40,739	463,186
Net change in fund balance	(487,705)	(491,135)	(26,037)	465,098
Fund balance, beginning of year	513,177	513,177	513,177	-
Fund balance, end of year	\$ 25,472	\$ 22,042	\$ 487,140	\$ 465,098

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,727,700	\$ 1,727,700	\$ 1,078,100	\$ (649,600)
Use of money and property	-	-	1,915	1,915
Total revenues	<u>1,727,700</u>	<u>1,727,700</u>	<u>1,080,015</u>	<u>(647,685)</u>
EXPENDITURES				
Current:				
Public works	1,417,700	1,417,700	1,076,377	341,323
Capital outlay	<u>350,000</u>	<u>350,000</u>	<u>111,152</u>	<u>238,848</u>
Total expenditures	<u>1,767,700</u>	<u>1,767,700</u>	<u>1,187,529</u>	<u>580,171</u>
Net change in fund balance	(40,000)	(40,000)	(107,514)	(67,514)
Fund balance, beginning of year	<u>374,853</u>	<u>374,853</u>	<u>374,853</u>	<u>-</u>
Fund balance, end of year	<u>\$ 334,853</u>	<u>\$ 334,853</u>	<u>\$ 267,339</u>	<u>\$ (67,514)</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 10	\$ 10	\$ 20	\$ 10
Other revenue	1,050	1,050	1,279	229
Total revenues	1,060	1,060	1,299	239
Net change in fund balance	1,060	1,060	1,299	239
Fund balance, beginning of year	1,857	1,857	1,857	-
Fund balance, end of year	<u>\$ 2,917</u>	<u>\$ 2,917</u>	<u>\$ 3,156</u>	<u>\$ 239</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 750	\$ 750	\$ 991	\$ 241
Total revenues	750	750	991	241
EXPENDITURES				
Capital outlay	141,872	141,872	-	141,872
Total expenditures	141,872	141,872	-	141,872
Net change in fund balance	(141,122)	(141,122)	991	142,113
Fund balance, beginning of year	144,210	144,210	144,210	-
Fund balance, end of year	<u>\$ 3,088</u>	<u>\$ 3,088</u>	<u>\$ 145,201</u>	<u>\$ 142,113</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property Developer fees	\$ 1,650 27,020	\$ 1,650 27,020	\$ 2,024 20,336	\$ 374 (6,684)
Total revenues	28,670	28,670	22,360	(6,310)
EXPENDITURES				
Capital outlay	181,192	181,192	18,022	163,170
Total expenditures	181,192	181,192	18,022	163,170
Net change in fund balance	(152,522)	(152,522)	4,338	156,860
Fund balance, beginning of year	283,930	283,930	283,930	-
Fund balance, end of year	<u>\$ 131,408</u>	<u>\$ 131,408</u>	<u>\$ 288,268</u>	<u>\$ 156,860</u>

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 170	\$ 170	\$ 424	\$ 254
Developer fees	3,020	3,020	2,247	(773)
Total revenues	3,190	3,190	2,671	(519)
Net change in fund balance	3,190	3,190	2,671	(519)
Fund balance, beginning of year	59,486	59,486	59,486	-
Fund balance, end of year	<u>\$ 62,676</u>	<u>\$ 62,676</u>	<u>\$ 62,157</u>	<u>\$ (519)</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 10	\$ 10	\$ 3,582	\$ 3,572
Total revenues	10	10	3,582	3,572
Net change in fund balance	10	10	3,582	3,572
Fund balance, beginning of year	2,211	2,211	2,211	-
Fund balance, end of year	<u>\$ 2,221</u>	<u>\$ 2,221</u>	<u>\$ 5,793</u>	<u>\$ 3,572</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 5,170	\$ 5,170	\$ 6,280	\$ 1,110
Developer fees	4,500	4,500	-	(4,500)
Other revenue	-	-	9,000	9,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	9,670	9,670	15,280	5,610
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Capital outlay	259,479	259,479	-	259,479
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	259,479	259,479	-	259,479
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	(249,809)	(249,809)	15,280	265,089
Fund balance, beginning of year	903,864	903,864	903,864	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 654,055</u>	<u>\$ 654,055</u>	<u>\$ 919,144</u>	<u>\$ 265,089</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 7,210	\$ 7,210	\$ 9,541	\$ 2,331
Developer fees	17,000	17,000	105,402	88,402
Total revenues	24,210	24,210	114,943	90,733
EXPENDITURES				
Capital outlay	170	3,570	3,349	221
Total expenditures	170	3,570	3,349	221
Net change in fund balance	24,040	20,640	111,594	90,954
Fund balance, beginning of year	1,273,948	1,273,948	1,273,948	-
Fund balance, end of year	<u>\$ 1,297,988</u>	<u>\$ 1,294,588</u>	<u>\$ 1,385,542</u>	<u>\$ 90,954</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 14,330	\$ 14,330	\$ 21,067	\$ 6,737
Other revenues	800,000	800,000	-	(800,000)
Total revenues	814,330	814,330	21,067	(793,263)
EXPENDITURES				
Capital outlay	1,014,420	1,014,420	-	1,014,420
Total expenditures	1,014,420	1,014,420	-	1,014,420
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(2,950,660)	(1,411,278)	1,539,382
Total other financing sources (uses)	-	(2,950,660)	(1,411,278)	1,539,382
Net change in fund balance	(200,090)	(3,150,750)	(1,390,211)	1,760,539
Fund balance, beginning of year	4,424,804	4,424,804	4,424,804	-
Fund balance, end of year	\$ 4,224,714	\$ 1,274,054	\$ 3,034,593	\$ 1,760,539

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 287,500	\$ 287,500	\$ 287,353	\$ (147)
Total revenues	287,500	287,500	287,353	(147)
EXPENDITURES				
Debt service:				
Principal	715,000	715,000	715,000	-
Interest and fiscal charges	493,110	493,110	490,336	2,774
Total expenditures	1,208,110	1,208,110	1,205,336	2,774
Excess (deficiency) of revenues over (under) expenditures	(920,610)	(920,610)	(917,983)	2,627
OTHER FINANCING SOURCES (USES)				
Transfers in	930,590	930,590	930,289	(301)
Transfers out	(445,050)	(445,050)	(444,976)	74
Total other financing sources (uses)	485,540	485,540	485,313	(227)
Net change in fund balance	(435,070)	(435,070)	(432,670)	2,400
Fund balance, beginning of year	1,509,186	1,509,186	1,509,186	-
Fund balance, end of year	\$ 1,074,116	\$ 1,074,116	\$ 1,076,516	\$ 2,400

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 500	\$ 500	\$ 626	\$ 126
Total revenues	500	500	626	126
Net change in fund balance	500	500	626	126
Fund balance, beginning of year	91,069	91,069	91,069	-
Fund balance, end of year	<u>\$ 91,569</u>	<u>\$ 91,569</u>	<u>\$ 91,695</u>	<u>\$ 126</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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Developer fees	\$ 45,620	\$ 45,620	\$ 35,618	\$ (10,002)
Use of money and property	3,810	3,810	4,957	1,147
Total revenues	49,430	49,430	40,575	(8,855)
EXPENDITURES				
Capital outlay	21,447	46,447	31,783	14,664
Total expenditures	21,447	46,447	31,783	14,664
Net change in fund balance	27,983	2,983	8,792	5,809
Fund balance, beginning of year	387,536	387,536	387,536	-
Fund balance, end of year	<u>\$ 415,519</u>	<u>\$ 390,519</u>	<u>\$ 396,328</u>	<u>\$ 5,809</u>

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, 2015

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Use of money and property	\$ 20	\$ 20	\$ 26	\$ 6
Total revenues	20	20	26	6
Net change in fund balance	20	20	26	6
Fund balance, beginning of year	3,844	3,844	3,844	-
Fund balance, end of year	<u>\$ 3,864</u>	<u>\$ 3,864</u>	<u>\$ 3,870</u>	<u>\$ 6</u>

INTERNAL SERVICE FUND

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

City of Poway

Statement of Net Position
Internal Service Fund - Vehicle Maintenance Fund
June 30, 2015

ASSETS

Current assets:

Cash and investments	\$ 9,116,929
Total current assets	<u>9,116,929</u>
Total assets	<u>9,116,929</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related	<u>45,130</u>
-----------------	---------------

LIABILITIES

Current liabilities:

Accounts payable	298,771
Accrued liabilities	9,183
Compensated absences due within one year	<u>29,889</u>
Total current liabilities	<u>337,843</u>

Noncurrent liabilities:

Compensated absences	1,469
Net pension liability	<u>543,401</u>
Total noncurrent liabilities	<u>544,870</u>
Total liabilities	<u>882,713</u>

DEFERRED INFLOWS OF RESOURCES

Pension related	<u>94,115</u>
-----------------	---------------

NET POSITION

Unrestricted	<u>8,185,231</u>
Total net position	<u>\$ 8,185,231</u>

City of Poway

Statement of Revenues, Expenses and Changes in Net Position
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2015

OPERATING REVENUES

Charges for services	\$ 2,738,158
Total operating revenues	<u>2,738,158</u>

OPERATING EXPENSES

Personnel services	333,074
Maintenance and operations	<u>738,741</u>
Total operating expenses	<u>1,071,815</u>
Operating income	<u>1,666,343</u>

NONOPERATING REVENUES

Interest revenue	61,202
Gain on sale of property	52,990
Other nonoperating revenue	<u>36,439</u>
Total nonoperating revenues	<u>150,631</u>
Income before transfers	<u>1,816,974</u>

TRANSFERS

Transfers out	<u>(1,393,070)</u>
Total transfers	<u>(1,393,070)</u>
Change in net position	423,904

Net position, beginning of year as restated (Note 17)	<u>7,761,327</u>
Net position, end of year	<u>\$ 8,185,231</u>

City of Poway

Statement of Cash Flows
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2015

Cash flows from operating activities:	
Cash receipts from interfund charges	\$ 2,738,669
Cash payments to employees for services	(351,835)
Cash payments to suppliers of goods or services	(475,368)
Net cash provided by operating activities	<u>1,911,466</u>
Cash flows from noncapital financing activities:	
Transfer to other funds	<u>(1,393,070)</u>
Net cash (used for) noncapital financing activities	<u>(1,393,070)</u>
Cash flows from capital and related financing activities:	
Sale of assets	<u>89,429</u>
Net cash provided by capital and related financing activities	<u>89,429</u>
Cash flows from investing activities:	
Interest received	<u>61,202</u>
Net cash provided by investing activities	<u>61,202</u>
Net increase in cash and investments	669,027
Cash and investments, beginning of year	<u>8,447,902</u>
Cash and investments, end of year	<u>\$ 9,116,929</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 1,666,343
Adjustments to reconcile operating income to net cash provided by operating activities	
Actuarial pension expense and contributions subsequent to the measurement date	(20,251)
Net cash provided by operating activities:	
(Increase) decrease in assets:	
Accounts receivable	511
Increase (decrease) in liabilities:	
Accounts payable	263,373
Accrued liabilities	<u>1,490</u>
Total adjustments	<u>245,123</u>
Net cash provided by operating activities	<u>\$ 1,911,466</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.

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

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

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

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City of Poway

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2015

	Developer Deposits	Parkway Business Centre CFD No. 88.1 Bond Deposits Fund	High Valley Road AD No. 96-1 Bond Deposits Fund	Old Coach Water Line AD No. 00-1 Bond Deposits Fund	Total Agency Funds
ASSETS					
Cash and investments	\$ 2,805,200	\$ 308,162	\$ 64,647	\$ 68,164	\$ 3,246,173
Cash and investments with fiscal agents	-	1,438,344	53,126	-	1,491,470
Receivables, net:					
Taxes	-	-	224	-	224
Interest	-	12	-	-	12
Total current assets	<u>\$ 2,805,200</u>	<u>\$ 1,746,518</u>	<u>\$ 117,997</u>	<u>\$ 68,164</u>	<u>\$ 4,737,879</u>
LIABILITIES					
Accounts payable	\$ 54,668	\$ 108,177	\$ 4,235	\$ -	\$ 167,080
Developer Deposits	2,750,532	-	-	-	2,750,532
Due to bondholders	-	1,438,341	113,762	68,164	1,620,267
Advances from City of Poway	-	200,000	-	-	200,000
Total liabilities	<u>\$ 2,805,200</u>	<u>\$ 1,746,518</u>	<u>\$ 117,997</u>	<u>\$ 68,164</u>	<u>\$ 4,737,879</u>

City of Poway

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the year ended June 30, 2015

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
DEVELOPER DEPOSITS FUND				
Assets				
Cash and investments	\$ 2,793,466	\$ 1,138,174	\$ (1,126,440)	\$ 2,805,200
Total assets	<u>\$ 2,793,466</u>	<u>\$ 1,138,174</u>	<u>\$ (1,126,440)</u>	<u>\$ 2,805,200</u>
Liabilities				
Accounts payable	\$ 41,693	\$ 54,668	\$ (41,693)	\$ 54,668
Due to fiduciary fund	11,860	-	(11,860)	-
Deposits	2,739,913	1,083,506	(1,072,887)	2,750,532
Total liabilities	<u>\$ 2,793,466</u>	<u>\$ 1,138,174</u>	<u>\$ (1,126,440)</u>	<u>\$ 2,805,200</u>
PARKWAY BUSINESS CENTRE CFD No. 88-1 BOND DEPOSITS FUND				
Assets				
Cash and investments	\$ 3,490,743	\$ 290,649	\$ (3,473,230)	\$ 308,162
Cash and investments with fiscal agents	1,654,813	3,268,803	(3,485,272)	1,438,344
Interest receivable	14	12	(14)	12
Total assets	<u>\$ 5,145,570</u>	<u>\$ 3,559,464</u>	<u>\$ (6,958,516)</u>	<u>\$ 1,746,518</u>
Liabilities				
Accounts payable	\$ 40,520	\$ 3,343,466	\$ (3,275,809)	\$ 108,177
Due to bond holders	4,735,050	215,998	(3,512,707)	1,438,341
Advances from City of Poway	370,000	-	(170,000)	200,000
Total liabilities	<u>\$ 5,145,570</u>	<u>\$ 3,559,464</u>	<u>\$ (6,958,516)</u>	<u>\$ 1,746,518</u>
HIGH VALLEY ROAD AD No. 96-1 BOND DEPOSITS FUND				
Assets				
Cash and investments	\$ 59,225	\$ 59,521	\$ (54,099)	\$ 64,647
Cash and investments with fiscal agents	53,751	52,346	(52,971)	53,126
Taxes receivable	2,087	224	(2,087)	224
Total assets	<u>\$ 115,063</u>	<u>\$ 112,091</u>	<u>\$ (109,157)</u>	<u>\$ 117,997</u>
Liabilities				
Accounts payable	\$ 4,235	\$ 54,099	\$ (54,099)	\$ 4,235
Due to bond holders	110,828	57,992	(55,058)	113,762
Total liabilities	<u>\$ 115,063</u>	<u>\$ 112,091</u>	<u>\$ (109,157)</u>	<u>\$ 117,997</u>

City of Poway

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the year ended June 30, 2015

(Continued)

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
OLD COACH WATERLINE				
AD No. 00-1 BND DEPOSITS FUND				
Assets				
Cash and investments	\$ 64,771	\$ 33,587	\$ (30,194)	\$ 68,164
Total assets	<u>\$ 64,771</u>	<u>\$ 33,587</u>	<u>\$ (30,194)</u>	<u>\$ 68,164</u>
Liabilities				
Due to bond holders	\$ 64,771	\$ 33,587	\$ (30,194)	\$ 68,164
Total liabilities	<u>\$ 64,771</u>	<u>\$ 33,587</u>	<u>\$ (30,194)</u>	<u>\$ 68,164</u>
 ALL AGENCY FUNDS				
Assets				
Cash and investments	\$ 6,408,205	\$ 1,521,931	\$ (4,683,963)	\$ 3,246,173
Cash and investments with fiscal agents	1,708,564	3,321,149	(3,538,243)	1,491,470
Taxes receivable	2,087	224	(2,087)	224
Interest receivable	14	12	(14)	12
Total assets	<u>\$ 8,118,870</u>	<u>\$ 4,843,316</u>	<u>\$ (8,224,307)</u>	<u>\$ 4,737,879</u>
Liabilities				
Accounts payable	\$ 86,448	\$ 3,452,233	\$ (3,371,601)	\$ 167,080
Deposits	2,739,913	1,083,506	(1,072,887)	2,750,532
Due to bondholders	1,613,940	91,579	(85,252)	1,620,267
Advances from City of Poway	370,000	-	(170,000)	200,000
Total liabilities	<u>\$ 4,810,301</u>	<u>\$ 4,627,318</u>	<u>\$ (4,699,740)</u>	<u>\$ 4,737,879</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 Nine Fiscal Years
 (accrual basis of accounting)

	Year Ended <u>June 30, 2015</u>	Year Ended <u>June 30, 2014</u>	Year Ended <u>June 30, 2013</u>	Year Ended <u>June 30, 2012</u>
Governmental activities				
Net investment in capital assets	\$ 86,341,264	\$ 90,442,061	\$ 94,657,067	\$ 93,097,532
Restricted	27,543,292	28,126,711	25,637,627	24,523,246
Unrestricted - as restated	38,671,488	33,998,725	63,928,726	59,865,964
Total governmental activities net position	<u>152,556,044</u>	<u>152,567,497</u>	<u>184,223,420</u>	<u>177,486,742</u>
Business-type activities				
Net investment in capital assets	36,827,442	38,731,821	40,746,468	42,846,682
Restricted	272,301	279,579	279,604	279,575
Unrestricted - as restated	26,130,925	26,867,660	33,305,899	34,543,173
Total business-type activities net position	<u>63,230,668</u>	<u>65,879,060</u>	<u>74,331,971</u>	<u>77,669,430</u>
Primary government				
Net investment in capital assets	123,168,706	129,173,882	135,403,535	135,944,214
Restricted	27,815,593	28,406,290	25,917,231	24,802,821
Unrestricted - as restated	64,802,413	60,866,385	97,234,625	94,409,137
Total primary government net position	<u>\$ 215,786,712</u>	<u>\$ 218,446,557</u>	<u>\$ 258,555,391</u>	<u>\$ 255,156,172</u>

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.

The City restated the Unrestricted Net Position as of June 30, 2014 for the implementation of GASB 68.

City of Poway

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

(Continued)

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>
\$ 50,255,141	\$ 46,412,443	\$ 36,713,773	\$ 28,805,157	\$ 21,675,540	\$ 16,728,005
70,931,373	78,369,565	99,252,462	101,384,182	99,518,581	98,416,094
(71,148,492)	(93,996,026)	(98,283,120)	(95,193,402)	(97,582,504)	(105,519,982)
<u>50,038,022</u>	<u>30,785,982</u>	<u>37,683,115</u>	<u>34,995,937</u>	<u>23,611,617</u>	<u>9,624,117</u>
43,976,262	43,508,027	39,127,764	34,657,630	35,055,052	36,472,213
280,450	280,450	280,469	281,531	283,938	283,534
<u>36,469,136</u>	<u>35,320,341</u>	<u>34,194,395</u>	<u>32,511,666</u>	<u>30,112,939</u>	<u>25,587,312</u>
<u>80,725,848</u>	<u>79,108,818</u>	<u>73,602,628</u>	<u>67,450,827</u>	<u>65,451,929</u>	<u>62,343,059</u>
94,231,403	89,920,470	75,841,537	63,462,787	56,730,592	53,200,218
71,211,823	78,650,015	99,532,931	101,665,713	99,802,519	98,699,628
(34,679,356)	(58,675,685)	(64,088,725)	(62,681,736)	(67,469,565)	(79,932,670)
<u>\$ 130,763,870</u>	<u>\$ 109,894,800</u>	<u>\$ 111,285,743</u>	<u>\$ 102,446,764</u>	<u>\$ 89,063,546</u>	<u>\$ 71,967,176</u>

City of Poway

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

	Year Ended June 30, 2015	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
Expenses:										
Governmental Activities:										
General Government	\$ 5,196,033	\$ 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	21,500,327	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	11,595,286	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	3,664,378	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	5,843,807	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	481,905	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
Total governmental expenses	48,281,736	48,438,289	47,037,551	62,088,765	82,645,876	100,625,868	91,817,670	88,997,925	83,421,065	82,523,136
Business-type activities:										
Water	22,349,556	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	9,451,529	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	31,801,085	32,748,972	32,436,458	29,026,947	25,795,057	25,749,097	26,709,046	25,278,562	25,342,555	24,739,303
Total primary government expenses	\$ 80,082,821	\$ 81,187,261	\$ 79,474,009	\$ 91,115,712	\$ 108,440,933	\$ 126,374,965	\$ 118,526,716	\$ 114,276,487	\$ 108,763,620	\$ 107,262,439

Program revenues:

Governmental Activities:

Charges for services:

General Government	\$ 280,796	\$ 260,802	\$ 118,347	\$ 120,126	\$ 96,397	\$ 91,745	\$ 105,084	\$ 133,893	\$ 176,938	\$ 173,484
Public Safety	1,759,543	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	2,699,095	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	1,558,945	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	2,570,423	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	1,543,785	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	90,379	66,168	99,831	833,137	1,155,384	1,246,555	2,110,463	5,128,657	2,940,273	3,088,436
Total program revenues	10,502,966	10,665,633	10,551,222	14,492,172	17,349,961	19,719,834	19,745,232	22,595,318	19,759,756	18,986,582

Business-type activities:

Charges for services:

Water	20,629,080	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	7,423,494	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	28,052,574	30,729,455	29,435,271	27,913,482	27,453,319	26,533,376	25,366,539	25,247,025	24,645,199	22,727,682
Total primary government program revenue	\$ 38,555,540	\$ 41,395,088	\$ 39,986,493	\$ 42,405,654	\$ 44,803,280	\$ 46,253,210	\$ 45,111,771	\$ 47,842,343	\$ 44,404,955	\$ 41,714,264

Net (expense)/revenue

Governmental activities	(37,778,770)	(37,772,656)	(36,486,329)	(47,596,593)	(65,295,915)	(80,906,034)	(72,072,438)	(66,402,607)	(63,661,309)	(63,536,554)
Business-type activities	(3,748,511)	(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)	\$ (41,527,281)	\$ (39,792,173)	\$ (39,487,516)	\$ (48,710,058)	\$ (63,637,653)	\$ (80,121,755)	\$ (73,414,945)	\$ (66,434,144)	\$ (64,358,665)	\$ (65,548,175)

General revenues and Other Changes in Net Position:

City of Poway

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

	June 30,			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund				
Non-spendable	\$ 10,495,426	\$ 10,134,007	\$ 10,157,087	\$ 10,218,860
Restricted	-	-	-	-
Committed	10,022,691	10,026,079	9,999,309	10,019,883
Assigned	15,870,595	15,383,344	7,173,822	6,666,188
Unassigned	29,285,138	26,624,039	30,695,920	22,906,009
Reserved				
Unreserved:				
Designated				
Undesignated				
Total General Fund	<u>\$ 65,673,850</u>	<u>\$ 62,167,469</u>	<u>\$ 58,026,138</u>	<u>\$ 49,810,940</u>
All Other Governmental Funds				
Non-spendable	\$ -	\$ -	\$ -	\$ -
Restricted	27,543,292	28,126,711	25,929,921	23,733,859
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved				
Unreserved:				
Designated:				
Special revenue funds				
Debt service funds				
Capital projects funds				
Undesignated:				
Special revenue funds				
Debt service funds				
Capital projects funds				
Total all Other Governmental Funds	<u>\$ 27,543,292</u>	<u>\$ 28,126,711</u>	<u>\$ 25,929,921</u>	<u>\$ 23,733,859</u>
Total Fund Balance	<u><u>\$ 93,217,142</u></u>	<u><u>\$ 90,294,180</u></u>	<u><u>\$ 83,956,059</u></u>	<u><u>\$ 73,544,799</u></u>

Note: The City implemented GASB 54, which established new classifications for fund balances, in Fiscal Year 2011.

City of Poway

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

(Continued)

		June 30,									
		<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>				
\$	10,151,108										
	-										
	10,037,638										
	6,466,719										
	23,955,242										
		\$	4,647,709	\$	5,561,391	\$	8,478,531	\$	7,538,564	\$	7,389,245
			31,724,737	32,152,754	31,160,911	30,375,251	27,539,942				
			-	-	-	-	-				
\$	50,610,707	\$	36,372,446	\$	37,714,145	\$	39,639,442	\$	37,913,815	\$	34,929,187
\$	-										
	62,455,191										
	-										
	8,564,840										
	(88,658)										
		\$	51,660,768	\$	62,868,328	\$	55,650,435	\$	43,663,739	\$	39,477,985
			-	-	-	-	-				7,760,635
			-	-	-	-	-				-
			20,795,704	24,840,402	32,578,654	43,037,658					-
			5,913,093	5,982,341	4,676,562	5,278,620					6,014,938
			-	-	-	-					-
			-	-	-	-					37,769,191
\$	70,931,373	\$	78,369,565	\$	93,691,071	\$	92,905,651	\$	91,980,017	\$	91,022,749
\$	121,542,080	\$	114,742,011	\$	131,405,216	\$	132,545,093	\$	129,893,832	\$	125,951,936

City of Poway

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

	Year Ended June 30,			
	2015	2014	2013	2012
Revenues				
Taxes	\$ 36,980,699	\$ 38,447,252	\$ 38,996,849	\$ 51,939,098
Licenses and permits	546,742	561,251	543,838	507,908
Intergovernmental	1,361,671	828,278	1,062,851	1,564,484
Charges for services	2,564,852	2,386,206	1,671,506	1,439,891
Fines and forfeitures	135,609	184,855	527,006	554,570
Use of money and property	1,265,837	1,495,911	2,188,570	3,291,466
Developer Fees	4,013,227	4,806,170	4,029,232	3,279,373
Assessment levied	1,903,369	1,898,872	1,895,888	1,874,967
Other revenues	1,328,515	1,834,531	2,862,343	497,517
Total revenues	50,100,521	52,443,326	53,778,083	64,949,274
Expenditures				
Current:				
General government	4,372,077	4,202,841	4,239,824	5,798,899
Public safety	21,299,851	20,433,826	19,536,711	18,889,733
Public works	9,526,140	9,639,766	9,971,383	10,084,437
Development services	3,811,954	3,830,435	3,779,577	2,807,935
Community services	5,212,917	4,912,545	4,733,922	4,678,369
Capital outlay	1,603,241	2,282,947	860,039	8,542,370
Debt service:				
Principal	715,000	700,000	635,000	2,405,000
Principal-early retirement-sale of capital asset	-	-	-	-
Interest and fiscal charges	490,336	506,527	570,087	6,820,619
Transfers to fiduciary funds	-	440,300	444,282	-
Debt Issuance Costs	-	-	-	-
Tax shift	-	-	-	-
Tax increment reimbursements	-	-	-	48,711
Total expenditures	47,031,516	46,949,187	44,770,825	60,076,073
Excess of revenues over (under) expenditures	3,069,005	5,494,139	9,007,258	4,873,201
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	-	14,350,000	105,109
Refunding bond activity -net	-	-	(15,013,350)	-
Proceeds from sale of capital assets	-	-	842,166	-
Transfers in (out) net	(146,043)	843,982	1,225,186	3,823,436
Total other financing sources	(146,043)	843,982	1,404,002	3,928,545
Extraordinary Items				
Loss on dissolution of Poway Redevelopment Agency	-	-	-	(56,799,027)
Net change in fund balance	\$ 2,922,962	\$ 6,338,121	\$ 10,411,260	\$ (47,997,281)
Debt service as a percentage of noncapital expenditures	3.1%	3.1%	3.3%	17.9%

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

City of Poway

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

(Continued)

		Year Ended June 30,									
		2011	2010	2009	2008	2007	2006				
\$	66,623,806	\$	67,411,848	\$	66,062,646	\$	68,817,462	\$	63,810,241	\$	62,042,614
	457,905		433,517		422,948		328,159		330,755		296,935
	1,800,145		2,994,005		2,889,804		3,971,720		4,336,767		5,796,558
	3,232,221		3,140,274		2,954,967		2,676,329		4,419,664		7,557,159
	678,468		750,551		852,535		803,552		720,949		732,633
	7,821,732		12,180,028		14,862,137		15,516,351		16,120,443		13,459,180
	4,516,243		3,711,578		3,897,877		3,780,128		4,509,741		489,210
	1,902,409		1,886,300		1,873,179		1,892,326		1,868,567		1,845,859
	729,933		2,228,662		1,013,135		2,568,693		1,389,762		1,157,139
	87,762,862		94,736,763		94,829,228		100,354,720		97,506,889		93,377,287
	2,680,162		6,056,348		6,733,135		7,252,320		9,614,109		9,552,247
	18,328,287		18,966,380		18,673,036		18,528,701		17,897,811		16,563,059
	9,990,368		9,943,681		8,566,157		8,009,622		6,556,796		11,338,373
	2,388,077		4,475,943		5,279,297		5,420,200		5,028,405		-
	9,894,345		9,048,983		9,741,990		12,593,136		11,877,425		11,884,718
	16,818,821		27,639,839		17,981,861		18,354,376		14,205,962		18,802,010
	6,703,020		7,150,000		6,855,000		6,560,000		6,470,000		5,875,000
	26,720,000		-		-		-		-		-
	17,972,119		14,943,766		16,732,005		17,077,417		17,896,630		17,101,983
	-		-		-		-		-		-
	-		-		-		-		-		-
	2,820,770		13,700,882		-		-		-		1,674,851
	5,948,554		2,380,740		6,205,709		5,515,447		4,889,025		3,831,350
	120,264,523		114,306,562		96,768,190		99,311,219		94,436,163		96,623,591
	(32,501,661)		(19,569,799)		(1,938,962)		1,043,501		3,070,726		(3,246,304)
	169,930		161,049		154,734		151,285		148,273		149,563
	-		-		-		-		(184,586)		-
	38,300,000		-		-		-		-		-
	831,800		2,745,545		644,351		1,456,475		907,483		1,445,898
	39,301,730		2,906,594		799,085		1,607,760		871,170		1,595,461
	-		-		-		-		-		-
\$	6,800,069	\$	(16,663,205)	\$	(1,139,877)	\$	2,651,261	\$	3,941,896	\$	(1,650,843)
	22.1%		21.3%		25.8%		26.2%		29.1%		26.4%

City of Poway

**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Assessed Value					Net Taxable Value before HOE
	Land	Improvements	Personal Property	Total	Exemptions	
2006	\$ 2,991,468,898	\$ 3,840,250,821	\$ 245,308,882	\$ 7,077,028,601	\$ (139,157,252)	\$ 6,937,871,349
2007	3,230,084,121	4,191,380,246	278,291,264	7,699,755,631	(150,825,447)	7,548,930,184
2008	3,525,237,590	4,412,172,141	272,804,881	8,210,214,612	(151,463,568)	8,058,751,044
2009	3,647,796,486	4,472,160,193	254,000,489	8,373,957,168	(166,537,126)	8,207,420,042
2010	3,640,861,781	4,548,446,929	288,729,686	8,478,038,396	(183,766,176)	8,294,272,220
2011	3,606,251,228	4,540,602,915	276,448,124	8,423,302,267	(178,136,001)	8,245,166,266
2012	3,638,418,566	4,608,371,669	286,292,343	8,533,082,578	(193,398,758)	8,339,683,820
2013	3,604,077,934	4,615,585,498	294,522,436	8,514,185,868	(212,901,964)	8,301,283,904
2014	3,770,334,144	4,733,730,176	298,807,480	8,802,871,800	(227,065,282)	8,575,806,518
2015	3,980,268,935	4,944,098,407	286,435,733	9,210,803,075	(236,519,578)	8,974,283,497

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 Assessor's Office

City of Poway

**Assessed Value of Taxable Property
Last Ten Fiscal Years**

(Continued)

Assessed Value (Continued)		Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
Homeowners Exemptions (HOE)	Net Taxable Value			
\$ (78,211,308)	\$ 6,859,660,041	12.09%	\$ 7,781,110	0.211%
(78,390,625)	7,470,539,559	8.91%	8,524,332	0.211%
(78,469,144)	7,980,281,900	6.82%	9,105,592	0.211%
(78,430,066)	8,128,989,976	1.86%	9,282,993	0.211%
(78,218,791)	8,216,053,429	1.07%	9,189,474	0.211%
(77,678,375)	8,167,487,891	-0.59%	9,169,316	0.211%
(76,787,840)	8,262,895,980	1.17%	9,374,419	0.211%
(75,843,150)	8,225,440,754	-0.45%	9,311,665	0.211%
(74,913,680)	8,500,892,838	3.35%	9,648,224	0.211%
(74,448,910)	8,899,834,587	4.69%	10,117,764	0.211%

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	
		2006	0.211%	0.389%	0.167%	0.118%	
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%
2015	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	
		2006	1.000%	0.007%	
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%
2015	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 Assessor's Office

City of Poway

**Principal Secured Property Tax Payers
Current Year and Nine Years Ago**

	2015			2006		
	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	\$ 185,410,559	1	2.01%			
Ventas Inc	76,393,619	2	0.83%			
HCPLS Poway I LLC	74,816,327	3	0.81%			
San Miguel Valley Corp	45,195,419	4	0.49%			
Sysco Food Services	39,900,000	5	0.43%			
Hometown Poway Royal Estates LLC	39,897,585	6	0.43%			
Costco Wholesale Corp	34,300,000	7	0.37%			
Toray Membrane USA Inc	33,048,456	8	0.36%			
Government Employees Insurance Co.	32,301,622	9	0.35%	\$ 28,407,217	5	0.40%
Fairfield Township LLC	29,890,259	10	0.32%			
Toppan Optical Products				39,229,965	1	0.55%
Prudential Insurance				37,355,349	3	0.53%
Slough Poway I LLC				37,060,551	4	0.52%
Government Employees Insurance Co.				28,407,217	5	0.40%
Resmed Corporation				26,640,697	6	0.38%
PCF Funding Inc.				23,793,054	7	0.34%
Cohu Inc.				23,380,781	8	0.33%
Home Depot				23,053,262	9	0.33%
Regency Centers LP				21,784,132	10	0.31%
	<u>\$ 591,153,846</u>		<u>6.40%</u>	<u>\$ 289,112,225</u>		<u>4.09%</u>

Source: San Diego County Assessor's Office

City of Poway

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

Fiscal Year Ended June 30,	Assessed Value				Exemptions	Base Year Values	Net Taxable Value	Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
	Land	Improvements	Personal Property	Total						
Redevelopment Agency										
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%
2015	1,765,636,957	2,462,514,646	237,703,511	4,465,855,114	(95,034,853)	(186,287,869)	4,184,532,392	4.40%	41,845,324	1.000%

In 1978 the voters of the State of California passed Proposition 13 which resulted in dramatic tax reform as it relates to property tax collections. Proposition 13 established a property tax of 1% based upon the assessed value of the property being taxed. Each year the assessed value of property may be increased by an "inflation factor" that may not exceed 2%. With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point the new assessed value is fixed at the purchase price of the property. Due to the nature of Proposition 13, over time the assessed value base has become significantly undervalued when compared to the true market value of the property. Because the true market value is not tied to any type of annual valuation process, there is no reliable means of determining the market value of the parcels within the City and therefore this amount is not disclosed.

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

Source: San Diego County Assessor's Office

City of Poway

**Redevelopment Property Tax Levies and Collections
Fiscal Years 2005-06 through 2011-12**

Fiscal Year Ended June 30,	Within The Year of Levy			Percent of Levy Collected	Collections From Prior Years' Levies	Total Collections
	Current Secured Tax Levy	Current Secured Collected				
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 Assessor's 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		
	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
2006	\$ 15,924,752	\$ 15,669,141	98.39%	\$ 265,490	\$ 154,006	58.01%
2007	16,494,681	16,171,714	98.04%	420,812	269,867	64.13%
2008	17,034,013	16,641,698	97.70%	543,797	329,517	60.60%
2009	17,295,459	16,805,480	97.17%	674,580	378,562	56.12%
2010	16,665,674	16,276,757	97.67%	849,654	490,668	57.75%
2011	14,772,947	14,515,679	98.26%	808,521	411,305	50.87%
2012	14,976,590	14,752,163	98.50%	702,501	232,773	33.13%
2013	15,044,676	14,897,994	99.03%	550,273	214,571	38.99%
2014	15,325,043	15,160,972	98.93%	507,586	226,146	44.55%
2015	12,524,910	12,418,741	99.15%	470,515	278,069	59.10%

Source: San Diego County Assessor's 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.

The decrease in the June 30, 2015 Current Secured Tax Levy was due to the final assessment for Community Facilities District #88-1 being in the prior fiscal year. That amount was \$3,209,813.

**General Property Tax Levies and Collections
Last Ten Fiscal Years**

(Continued)

Total Collections to Date

Total Levies	Total Collections	Percentage
\$ 16,190,242	\$ 15,823,147	97.73%
16,915,493	16,441,581	97.20%
17,577,810	16,971,215	96.55%
17,970,039	17,184,042	95.63%
17,515,328	16,767,426	95.73%
15,581,468	14,926,983	95.80%
15,679,092	14,984,936	95.57%
15,594,949	15,112,565	96.91%
15,832,630	15,387,118	97.19%
12,995,425	12,696,810	97.70%

City of Poway

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities			Business-type Activities
	Tax Allocation Bonds	Certificates of Participation	Loan Payable	Revenue Bonds
2006	\$ 251,675,000	\$ 54,195,000	\$ 2,169,647	\$ 2,095,000
2007	247,395,000	52,810,000	2,201,788	1,930,000
2008	242,280,000	51,365,000	2,250,467	1,760,000
2009	236,940,000	49,850,000	2,282,702	1,580,000
2010	231,385,000	48,255,000	2,400,513	1,390,000
2011	225,610,000	20,690,000	2,542,009	1,190,000
2012	-	17,475,000	2,672,503	975,000
2013	-	16,700,000	2,780,463	750,000
2014	-	16,000,000	2,885,549	515,000
2015	-	15,285,000	2,971,614	265,000

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

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

(Continued)

	Total Primary Government	Percentage of Personal Income	Per Capita	Private Purpose Trust		Total Private Purpose Trust
				Certificates of Participation	Tax Allocation Bonds	
\$	310,134,647	14.36%	\$ 6,136	\$ -	\$ -	\$ -
	304,336,788	13.48%	5,987	-	-	-
	297,655,467	12.39%	5,825	-	-	-
	290,652,702	12.44%	5,685	-	-	-
	283,430,513	12.22%	5,445	-	-	-
	250,032,009	11.37%	5,192	-	-	-
	21,122,503	0.92%	437	2,335,000	219,430,000	221,765,000
	20,230,463	0.84%	417	1,980,000	212,735,000	214,715,000
	19,400,549	0.80%	396	1,615,000	205,715,000	207,330,000
	18,521,614	0.73%	378	1,235,000	198,265,000	199,500,000

City of Poway

**Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Outstanding General Bonded Debt Tax Allocation Bonds	Percent of Assessed Value (a)	Per Capita
2006	\$ -	0.00%	-
2007	-	0.00%	-
2008	-	0.00%	-
2009	-	0.00%	-
2010	-	0.00%	-
2011	-	0.00%	-
2012	219,430,000	2.57%	4,535
2013	212,735,000	2.50%	4,381
2014	205,715,000	2.34%	4,200
2015	198,265,000	2.15%	4,043

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, 2015

2014-15 Assessed Valuation: \$ 8,974,283,497

	Debt Outstanding	% Applicable (1)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 110,420,000	0.386%	\$ 426,221
Palomar Community College District	515,523,901	9.011%	46,453,859
Poway Unified School District School Facilities Improvement District No. 2002-1	158,924,320	39.541%	62,840,265
Poway Unified School District School Facilities Improvement District No. 2007-1	178,999,086	40.059%	71,705,244
Escondido Union High School District	94,782,397	0.097%	91,939
San Pasqual Union School District	399,945	2.819%	11,274
Palomar Pomerado Hospital District	471,441,406	13.163%	62,055,832
Poway Unified School District Community Facilities District No. 1	18,335,000	0.666%	122,111
City of Poway Community Facilities District No. 88-1	1,410,000	100.000%	1,410,000
City of Poway 1915 Act Bonds	149,107	100.000%	149,107
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	\$ 1,550,385,162		\$ 245,265,852
<u>DIRECT & OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 351,670,000	2.141%	\$ 7,529,255
San Diego County Pension Obligations	682,615,180	2.141%	14,614,791
San Diego County Superintendent of Schools General Fund Obligations	14,732,500	2.141%	315,423
Palomar Community College District Certificates of Participation	4,350,000	9.011%	391,979
Escondido Union High School District Certificates of Participation	58,705,000	0.097%	56,944
Poway Unified School District Certificates of Participation	62,408,869	24.373%	15,210,914
City of Poway Certificates of Participaton	15,285,000	100.000%	15,285,000
TOTAL OVERLAPPING GENERAL FUND DEBT	\$ 1,189,766,549		\$ 53,404,306
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>			
Tax Allocation Bonds	\$ 198,265,000	100.000%	\$ 198,265,000 (3)
Certificates of Participation	1,235,000	100.000%	1,235,000
TOTAL OVERLAPPING TAX INCREMENT DEBT	\$ 199,500,000		\$ 199,500,000
TOTAL DIRECT DEBT			\$ 15,285,000
TOTAL OVERLAPPING DEBT			\$ 482,885,158
COMBINED TOTAL DEBT			\$ 498,170,158 (2)
<u>Ratios to 2014-15 Assessed Valuation:</u>			
Total Overlapping Tax and Assessment Debt	2.73%		
Total Direct Debt	0.17%		
Combined Total Debt	5.55%		
<u>Ratios to Redevelopment Successor Agency Incremental Valuation (\$4,184,532,392):</u>			
Total Overlapping Tax Increment Debt	4.77%		

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.

(3) Excludes refunding issue dated 7/6/15. Includes issues to be refunded.

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			
	2015	2014	2013	2012
Assessed valuation	\$ 4,789,751,105	\$ 4,567,470,473	\$ 4,408,143,750	\$ 4,437,851,067
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,197,437,776	1,141,867,618	1,102,035,938	1,109,462,767
Debt limit percentage	15%	15%	15%	15%
Debt limit	179,615,666	171,280,143	165,305,391	166,419,415
Total net debt applicable to limit:				
General obligation bonds	-	-	-	-
Legal debt margin	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					
2011	2010	2009	2008	2007	2006
\$ 4,340,755,570	\$ 4,350,898,397	\$ 4,394,570,216	\$ 4,310,588,610	\$ 4,035,420,029	\$ 3,683,578,609
25%	25%	25%	25%	25%	25%
1,085,188,893	1,087,724,599	1,098,642,554	1,077,647,153	1,008,855,007	920,894,652
15%	15%	15%	15%	15%	15%
162,778,334	163,158,690	164,796,383	161,647,073	151,328,251	138,134,198
-	-	-	-	-	-
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

City of Poway

**Pledged Revenue Coverage
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Tax Allocation Bonds					
	Tax Increment	RPTTF Distribution	Debt Service			Coverage
			Principal	Interest	Total	
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	-	40,907,420	7,020,000	10,889,354	17,909,354	2.28
2015	-	42,495,591	7,450,000	10,565,336	18,015,336	2.36

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
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%
2015	49,041	2,530,249,449	51,595	26,000	3.2%

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 Nine Years Prior**

Employer	2015			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
General Atomics Aeronautical Systems	5,000	1	19.23%			
Geico Direct	1,720	2	6.62%	1,800	1	6.57%
Poway Unified School District	1,299	3	5.00%	758	5	2.77%
Delta Design, Inc.	750	4	2.88%	1,000	3	3.65%
Pomerado Hospital	738	5	2.84%	750	6	2.74%
Sysco Food Services of SD	385	6	1.48%	500	8	1.82%
H. M. Electronics Inc.	315	7	1.21%	935	4	3.41%
Walmart	300	8	1.15%			
Neal Electric Corp.	275	9	1.06%			
Mitchell Repair Information Co., LLC	268	10	1.03%			
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	11,050		42.50%	8,318		30.36%
Total City Labor Force	26,000			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	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	29.00	28.00	27.00	31.00	33.00	40.00	35.00	37.00	38.00	38.00
Public Safety (a)	55.00	54.00	54.00	54.00	54.00	54.00	57.00	57.00	57.00	57.00
Public works	81.00	79.00	81.00	85.00	84.00	83.00	92.00	92.00	90.00	90.00
Redevelopment Services	-	-	-	-	9.00	9.00	9.00	9.00	10.00	10.00
Community Services	20.00	20.00	20.00	20.00	20.00	20.00	27.00	28.00	29.00	28.00
Development Services	21.00	22.00	23.00	30.00	29.00	29.00	37.00	36.00	37.00	37.00
	<u>206.00</u>	<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>

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 Nine Years

Function	2015	2014	2013	2012
General government:				
Business registrations issued	1,510	1,285	1,522	1,418
Vendor payments processed	6,705	6,426	6,770	7,020
Public Safety:				
Arrests made	1,214	1,069	1,038	1,123
Fire emergency responses	4,229	4,099	3,846	3,638
Safety Inspections	3,069	2,899	2,687	2,474
Development Services:				
Building permits issued (1)	2,070	1,504	1,345	1,237
Building inspections	12,488	8,221	8,349	5,981
Culture and recreation:				
Performing arts center attendance	60,276	55,652	59,389	59,897
Library-number of holdings in collection	(3)	93,951	75,000	96,000
Library-number of holdings circulated	733,689	709,823	782,288	693,783
Athletic field permits issued	232	282	156	161
Highways and streets:				
Roads resurfaced in square feet	237,024	299,038	188,561	201,968
Roads slurry sealed in square feet	4,378,483	4,379,695	3,928,425	4,563,496
Pot holes repaired/work orders (2)	193	175	644	1,323
Water:				
Residential water customers	12,765	12,674	12,509	12,523
Commercial water customers	658	645	529	464
Average daily consumption (mg)	8.21	10.66	10.16	9.36
Sewer:				
Residential sewer customers	11,530	11,498	11,474	11,383
Commercial sewer customers	630	627	623	782
Average daily treatment (mg)	2.53	2.73	2.86	3.01

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.
- (3) Because of County-wide interbranch loan program this statistic is no longer tracked.

City of Poway

Operating Indicators

Current and Prior Nine Years

(Continued)

2011	2010	2009	2008	2007	2006
1,317	1,192	942	1,240	1,071	792
7,063	7,804	8,936	10,230	10,562	10,782
1,145	1,334	1,015	1,052	981	1,898
3,811	3,691	3,711	3,907	3,460	3,602
2,863	1,606	2,104	4,827	4,024	3,196
1,176	1,144	1,157	1,441	2,740	3,048
6,126	6,580	7,417	9,280	11,264	11,163
53,249	61,214	68,993	74,420	64,728	67,004
104,367	125,977	124,977	124,977	124,977	120,628
765,704	638,494	562,865	545,279	492,501	390,974
152	148	144	140	124	214
207,968	290,877	600,000	600,000	200,000	16,000
4,369,160	4,369,503	4,980,000	5,000,000	5,000,000	5,000,000
571	193	147	46	36	35
12,439	12,492	12,458	12,588	12,556	12,530
496	514	514	510	514	511
8.99	9.57	11.61	12.82	13.83	13.37
11,241	11,225	11,191	11,175	11,180	11,322
770	774	770	771	755	532
3.27	3.15	3.43	3.24	3.25	3.42

City of Poway

Capital Assets Statistics Current and Prior Nine Years

Function	2015	2014	2013	2012
Public Safety:				
Number of fire stations	3	3	3	3
Number of sheriff stations	1	1	1	1
Public works:				
Total number of streetlights	3,059	3,059	3,059	3,073
Signal controlled intersections	56	56	55	55
Health and welfare:				
Senior center facilities	1	1	1	1
Culture and recreation:				
Number of Libraries	1	1	1	1
Number of Performing Arts Centers	1	1	1	1
Number of Parks	19	19	19	19
Acres of developed parks	232	232	232	232
Number of reserves/preserves	2	2	2	2
Acres of reserves/preserves	2,400	2,400	2,400	2,400
Miles of trails	56	56	56	56
Highways and streets:				
Miles of roadway	165	165	165	165
Water:				
Miles of water lines	289	289	289	289
Water storage capacity (billion/gallons)	1.11	1.11	1.11	1.11
Sewer:				
Miles of sewer lines	186	186	186	186
Miles of storm sewers	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.

City of Poway

**Capital Assets Statistics
Current and Prior Nine Years**

(Continued)

2011	2010	2009	2008	2007	2006
3	3	3	3	3	3
1	1	1	1	1	1
3,073	3,045	3,045	3,026	2,889	2,874
55	55	55	55	55	53
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
19	18	18	18	18	18
232	232	232	232	232	232
2	2	2	2	2	2
2,400	2,400	2,400	2,400	2,400	2,400
56	56	56	56	56	56
165	165	165	165	165	165
289	253	253	253	253	253
1.11	1.11	1.11	1.11	1.11	1.11
186	175	175	175	175	175
64	64	64	64	64	64

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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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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, 2015, 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 29, 2016.

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

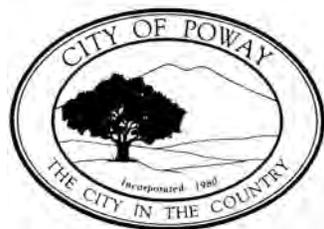
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 29, 2016
San Bernardino, California



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