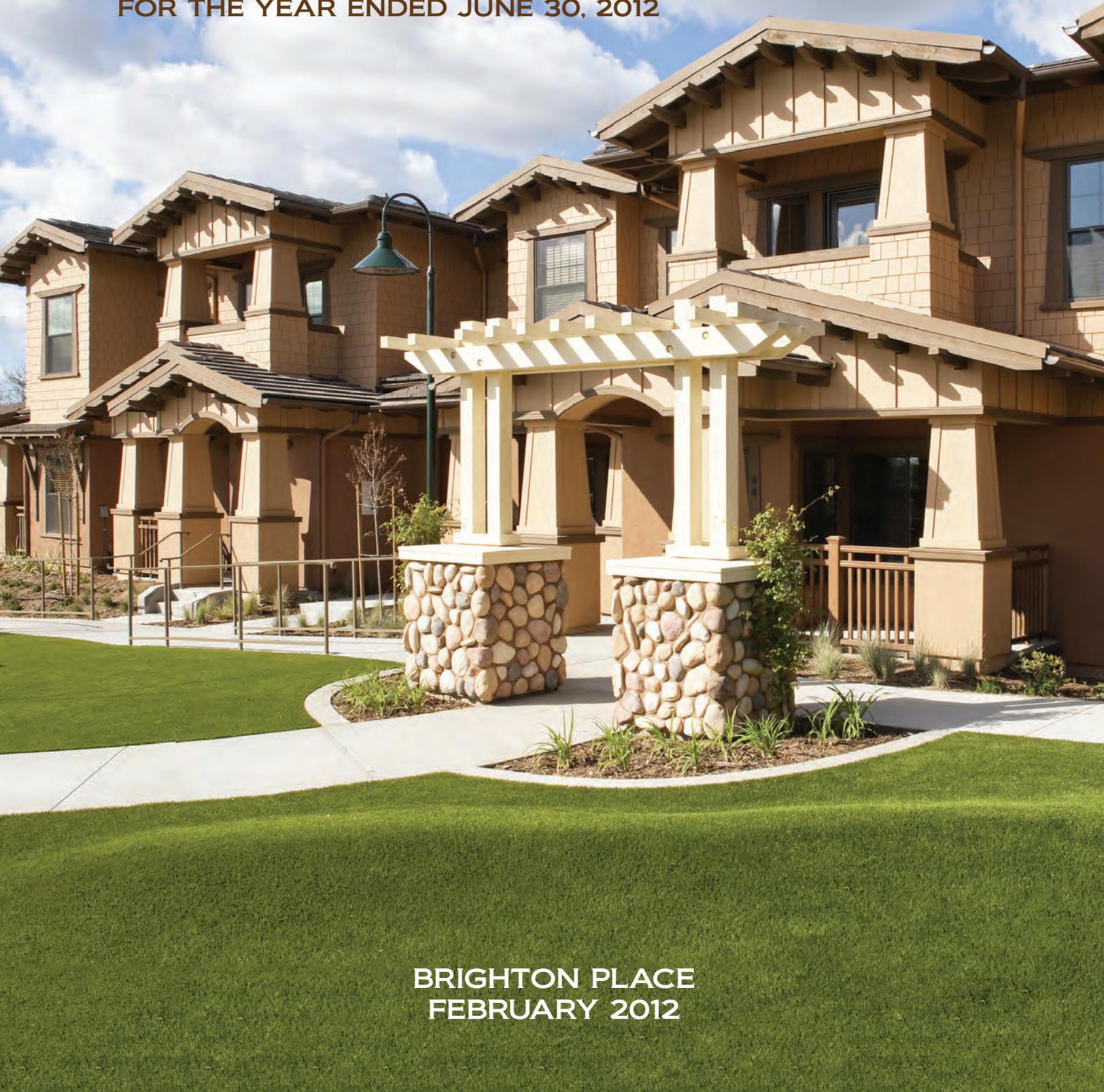




CITY OF POWAY

CALIFORNIA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**



**BRIGHTON PLACE
FEBRUARY 2012**

City of Poway

Poway, California

Comprehensive Annual Financial Report

For the year ended June 30, 2012

Prepared by the
Administrative Services Department
of the
City of Poway

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2012

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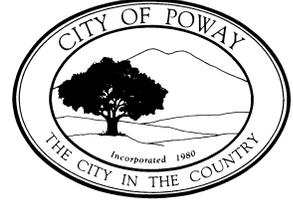
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CITY OF POWAY

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



January 31, 2013

Honorable Mayor and Members of the City Council
Poway, California

This Comprehensive Annual Financial Report (CAFR) is prepared in order to provide you and the community with a report of the financial transactions of the City of Poway, for the year ended June 30, 2012. Responsibility for the accuracy, completeness, and fairness of the report rests with the City.

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

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

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

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

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

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

The Reporting Entity and Its Services

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

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

The Poway Redevelopment Agency was established April 26, 1983, pursuant to the State of California Health and Safety Codes, Section 33000, entitled "Community Redevelopment Law." Its purpose was to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities. Pursuant to the schedule set forth by the California Supreme Court in *California Redevelopment Association et al. v. Ana Matosantos*, the Poway Redevelopment Agency was dissolved effective February 1, 2012. Prior to its dissolution, on January 17, 2012, the Poway City Council elected to be Successor Agency to the Redevelopment Agency, and continue to implement "enforceable obligations" which were in place prior to dissolution. These include existing contracts, bonds, leases, etc.

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

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

History

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

The City of Poway flourishes with a family-oriented population of 48,382 and covers 39 square miles with elevations ranging from 450 to 2,250 feet above sea level. The City absorbed existing special districts as of February 1, 1981. Poway is a full-service general-law city governed by a council of five members-at-large serving staggered four-year terms. In 1990, the City had its first mayor directly elected by the voters. The City provides water, sewage collection, fire, paramedic, parks and recreation, planning and building, and street maintenance. Law enforcement services are contracted through the San Diego County Sheriff's Department, and wastewater treatment is provided by the City of San Diego.

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

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

Poway has been popularly dubbed the "City in the Country." Poway has set aside over 65 percent of total land use as open space, nearly 3,000 acres of dedicated public open space, 568 acres of developed parkland featuring community parks and centers, and 82 miles of riding and hiking trails.

Economic Condition and Outlook

The City has historically and continues to manage its financial affairs using sound and sustainable fiscal policies. The City remains committed to these consistent and conservative practices, despite economic challenges and the loss of redevelopment resources.

Over the last year, the economy has begun to slowly improve. While some have expressed concerns of a "double dip" recession, so far, those concerns have not materialized. The national economy has begun to grow; however, there are still significant economic challenges and unknown factors that could impact City finances. The State of California continues to pose the most significant threat to the City of Poway. The State's inability to balance its budget and solve its ballooning structural deficit remains the greatest risk to our City, and others throughout the State.

An example of this is the State's elimination of redevelopment as an economic tool. The loss of the future economic and social benefits that would have been provided by the City's former Redevelopment Agency will be a challenge for the City. On December 29, 2011, the lawsuit, *California Redevelopment Association et al. v. Ana Matosantos* was settled by the California Supreme Court. As a result, under the schedule set by the California Supreme Court, every California redevelopment agency, including the Poway Redevelopment Agency, was dissolved as of January 31, 2012.

While redevelopment ceases to exist, many of its obligations will remain for decades. The terms of ABX1 26 provided that the City may become the successor to the Redevelopment Agency, and continue to implement "enforceable obligations" which were in place prior to its dissolution to allow for orderly unwinding. These include existing contracts, bonds, leases, etc. The Poway City Council elected to be Successor Agency on January 17, 2012. The City of Poway and Poway Housing Authority, as successor entities to the former Poway Redevelopment Agency, are now also responsible for ongoing repair and maintenance of former Agency-owned properties until such time they are sold or developed.

The legislation also required the formation of an Oversight Board, made up of seven members appointed by local taxing agencies, with authority over the former redevelopment agency's (RDA) financial affairs. In addition to approving the successor agency's administrative budget, the Oversight Board adopts the Recognized Obligation Payment Schedule (ROPS) — the central document that identifies the financial obligations of the former RDA that the successor agency may pay over successive six-month periods. Oversight Board members have a fiduciary responsibility to holders of enforceable obligations, as well as to the local agencies that would benefit from property tax distributions from the former redevelopment project area.

Separate from the financial effects of the demise of redevelopment, the City Council eliminated the City's storm water fee in October 2011. With the passage of Proposition 26 in November 2010, combined with subsequent court decisions, the process used to adopt the storm water fee was believed to be insufficient. The City's storm water fees generated approximately \$1.3 million annually. These fees offset nearly \$1.6 million of yearly storm water program costs, with the remaining cost borne by the General Fund. The elimination of these fees results in the General Fund bearing the full cost of all storm water program activities. Compliance with the State's storm water permit is mandatory and the City cannot eliminate or reduce storm water program activities. As such, the City's General Fund is now responsible for these ongoing costs.

Despite these challenges, the City is committed to continuing the work of improving the City and the lives of its residents without the economic benefit of the Redevelopment Agency or the storm water fee. The City is fortunate to have a history of clear and consistent leadership coupled with strong financial management. This has allowed the City to build and maintain healthy reserves, even through difficult times.

Economic Development

The City's economic base remains vibrant, despite approaching full build-out. Poway is also experiencing significant reinvestment from existing businesses. Consistent improvements in economic benchmarks are a positive sign of Poway's economic resiliency. Unemployment continues to decrease at a consistent rate. Poway's unemployment rate continues to be lower than the rest of the state and nation. While unemployment measured 4.3% in Poway, this compares to California's rate of 10.4% and a national unemployment rate of 8.1% as of July 2012.

Another strong economic indicator is Poway's household income. Poway has the second highest median household income in San Diego County, at \$105,099 for 2012. Housing prices have also stabilized. Home lots are often larger than in most other areas, with a median sales price of \$540,000 in June 2012. The June 2012 median sales price represents a 40.3% increase from the June 2011 median sales price of \$385,000. While Poway has not been immune to the national downturn in housing prices, Poway's property tax base has not been materially affected as of this date.

Poway's local economy is based primarily on general consumer goods, automobile and transportation related sales, and business and industry. In recent years, new retail development in the Poway Business Park has generated growth in our sales tax base. While automobile sales have traditionally led the way, with the development of the Business Park, other sectors such as business and industry and general consumer goods have helped to diversify the City's sales tax base.

The Business Park now represents approximately 8.9 million square feet of developed space, with an average overall vacancy rate of 4.5%, which is among the lowest in San Diego County through the second quarter of 2012. The Park is comprised of approximately 533 businesses, with a workforce of more than 18,000 people. Besides adding diversity to the City's sales tax base, the Business Park is home to several of the City's major employers such as Geico Direct, Sysco Food Services, and General Atomics Aeronautical Systems.

Major Accomplishments

In spite of economic challenges, the City recognizes that creating and maintaining a vibrant and livable community is a fundamental responsibility. As such, continued reinvestment in streets and roads, parks and public facilities has fostered opportunities for economic growth in the business community.

Planning and Development Services: In September 2011, Toyota of Poway committed to a \$13 million reinvestment in our community. It plans to relocate and expand the existing automobile dealership to the south side of Poway Road. This relocation was made possible when the former Poway Redevelopment Agency invested \$3 million to purchase a vacant Chrysler dealership in September 2010. A ground lease enabled Toyota to expand its operations on the Successor Agency-owned property with two adjacent parcels the Toyota dealership owned. In April 2012, the City issued building permits for the project and the auto dealership has commenced construction. The project includes renovation of existing buildings on the site and the addition of approximately 9,000 square feet of new building space. The applicant anticipates completing construction and improvements by December 2012.

Wal-Mart has also decided to expand and remodel its existing retail store in Poway. In March 2012, construction and improvement plans were submitted to the Development Services Department for review. The project will include demolition of the existing automotive service area and an adjacent 7,000 square-foot vacant commercial structure. The expansion will involve the addition of 36,996 square feet of commercial retail uses, resulting in a nearly 180,000 square-foot store with a full-service grocery department. Staff anticipates building permits to be issued in late 2012 or early 2013 for the project.

Hoist Fitness plans to construct an approximate 130,000 square-foot office/manufacturing building on two contiguous properties that total approximately seven acres, in the Poway Business Park. Construction plans were submitted and a building permit was issued in 2012. Construction began the spring of 2012, and is anticipated to be completed in early 2013.

In September 2011, *Lowes Home Improvement* received City Council approval to redevelop the former Toyota and Chevrolet automobile dealership sites located on Poway Road with a new commercial retail project. The project includes construction of an approximate 121,000 square-foot building with an attached 30,000 square-foot garden center. The project also includes a second 4,500 square-foot building for a retail business. Lowes is expected to submit construction plans in 2013.

Target also completed an approximate 10,000-square-foot building expansion that included enclosing their former garden center and a portion of their existing entryway, and redesigning their building façade. The interior improvements include the construction of a new and expanded food court and an expanded grocery area. The construction was completed in June 2012.

In April 2012, the City Council approved plans for the construction of an outdoor amphitheater at the Blue Sky Ecological Reserve. The amphitheater, partially funded by the Blue Sky Community Foundation, consists of five terraced rows of seats facing a 20 foot diameter circular stage, and can accommodate up to 150 people. A decomposed granite pathway provides access to the amphitheater from the parking lot. An observation area offers scenic views of the Reserve, and the use of concrete and earthen materials in the construction of the amphitheater make it a low maintenance facility that blends into the local environment. This facility will attract more visitors to the 700-acre Reserve and generate interest in expanded programming for diverse audiences. Construction began in fall 2012.

In response to feedback from the business community, the City Council and staff worked to complete a comprehensive amendment to the sign regulations. After a series of public workshops in 2011, recommendations were developed to balance the needs of the business community while maintaining a high quality visual appearance in all areas of the City.

Process improvements were also on the work plan last year. The City implemented reduced timelines for certain building plan check and building permit applications. To provide enhanced service, the City now offers expedited turnaround times on a variety of building-related permit applications. These new

services were added to the City's existing over-the-counter building permit services offered by the Building Services Division.

Community Services: The Community Services Department fulfilled its disaster preparedness responsibilities last year by meeting with the City's faith-based partners and conducted refresher training on emergency shelter operations. This refresher training is essential for keeping the community prepared for any manmade or natural disaster.

The department also continues to foster new and existing partnerships to provide top-quality service to the community. The Poway Kiwanis volunteer to help run a monthly art program at Community Park. Fun Flicks, a Poway-based media company, sponsored a swim-in movie and movie in the park series. At Lake Poway and Old Poway Park, sponsorship from Sharp Memorial Hospital brought a series of five outdoor summer concerts.

The City hosted 23 community events including: the annual Summer Concert in the Park Series, Old Fashioned 4th of July Fireworks, Christmas in the Park, Movies in the Park, Family-Fun series, Art in the Park, and Rendezvous in Poway. Poway introduced WinterFest in December, 2011, an event held in Community Park that featured an outdoor ice skating rink, a snow hill, and a variety of craft activities. WinterFest's success was supported by donations from the community to help offset the cost of the event and provide scholarships for children in the community.

Some highlights from the year include:

- Over 15,000 people attended the Summer Concert in the Park series with 28% first-time attendees;
- 1,000 school-aged children and 3,500 community attendees experienced living history encampments during the Rendezvous in Poway;
- Youth Supervised Skate Sessions continued and Supervised Bike Sessions were launched for youth of all ages. In total, 46 bike sessions were hosted from May through December;
- The Poway Center for the Performing Arts hosted 54,404 patrons and 152 performances; and
- A total of 34,000 volunteer hours were recorded by approximately 650 volunteers, which is valued at \$782,000.

Affordable Housing: Brighton Place affordable housing development is the newest addition to the Old Poway Park area. With the assistance of tax credit financing, a bank-funded construction loan, and contribution from the Poway Housing Authority, the new 77-unit affordable, multi-family rental development was complete in February 2012. These townhomes feature a Craftsman design with ample open space, energy efficient elements, and on-site resident services.

The renovation of Orange Gardens, a 52-unit apartment complex on Oak Knoll Road, is underway. This project began in fall 2011, and was funded through tax-exempt bond financing and a loan from the Poway Housing Authority. The scope of work includes interior and exterior enhancements, a new community building, tot lot, drought tolerant landscaping, and complete redesign of an adjacent private driveway that runs along the west side of the site and connects Poway and Oak Knolls Roads. Renovation of the private driveway will include the addition of speed pillows, new sidewalk, street lights, paving and landscape improvements, making this a safer path of travel for vehicles and pedestrians. These homes will be available to very-low, and low-income households and was completed in fall 2012.

Sale of The Meadows for-sale affordable homes is now complete. This project included the sale of thirty-three, for-sale affordable homes to low- and moderate-income households. These homes include

a variety of "green" energy efficient elements including photovoltaic systems, dual pane windows, low-flow toilets, tankless water heaters, energy efficient appliances, and drought-tolerant landscaping.

Public Safety: The City of Poway remains one of the safest cities in San Diego County. According to crime analysts, the City's crime index for 2012 was 13.5 (crimes/1000) which is among the lowest in San Diego County. Poway Sheriff deputies continued their aggressive, zero-tolerance enforcement policy regarding gang-related crimes.

On April 4, 2011, Governor Brown signed AB 109 Prison Realignment into law to reduce California's swelling prison population. AB 109 limits who can be sentenced to state prison for new crimes that are committed and for violations of the terms and conditions of parole. Non-violent, non-serious and non-sexual offenders will now be sentenced to county jail versus prison with county probation responsible for post-release supervision. Sentencing for roughly 500 felony crimes are affected by AB 109. AB 109 has created a major change in the criminal justice system and will undoubtedly impact local law enforcement, probation departments and county jails as inmate populations and post-release supervision shift to local control. With prison realignment still in its infancy, the full impact of AB 109 and how it may ultimately affect crime and crime rates in Poway and the region has yet to be seen.

The Poway Sheriff's Station recently formed the Poway Criminal Apprehension Team (PCAT) to target known offenders and those areas in Poway impacted by crimes. Targeting Known Offenders (TKO) focuses on subjects who violate the conditions of their probation and parole, or are involved in criminal activity. PCAT is seeing success through arrests and the seizure of contraband and works closely with crime analysts to utilize information-led policing philosophies and strategies. PCAT also conducts narcotics-related investigations with the goal of reducing the availability of narcotics to our youth, as well as targeting drug-related criminal activity.

PCAT deputies will continue their efforts in the area of narcotics enforcement, as well as alcoholic-beverage-control-related issues, sex registrant monitoring, and juvenile/transient-related issues. With schools now back in session, deputies are once again partnering with local community organizations to continue educating students, parents, and teachers about the dangers of substance abuse and drug trends.

The Poway Sheriff's Station will continue to collaborate with the Poway Unified School District through its School Resource Officers and increased deputy-student interaction. Several community outreach education presentations on OxyContin and other related drugs have been conducted. The Sheriffs have also instituted a "no questions asked" prescription drug drop box to rid households of medications that are expired or no longer needed.

Deputies offer monthly Start Smart driver safety education presentations for new and future-licensed teenage drivers and their parents. The Poway Sheriff's Station also instituted a Juvenile Diversion Program for first-time traffic offenders. The program is education based and eliminates notification of the first-time offenses to the Department of Motor Vehicles upon successful completion of the program.

A basic yet fundamental component of reducing crime is prevention. The Poway Sheriff's Station provides the community with an expert Crime Prevention Specialist who is skilled and trained in educating the public on crime prevention programs including Neighborhood Watch, residential and commercial security consultations, personal safety, identity theft prevention, senior safety, Internet safety, and crime free multi-housing.

Finally, the Traffic Division conducted six driving-under-the-influence (DUI) checkpoints in the City of Poway. Drivers and passengers passing through the checkpoints were given information regarding the costs associated with being arrested for driving under the influence. Several DUI saturation patrols

were also conducted in the City of Poway. We believe that the additional law enforcement presence and education contributed to a two-percent decrease in DUI arrests this year.

Fire: The Poway Fire Department celebrated 50 years of service in October 2011. The Department maintains an administrative office, three fire stations, and a fire training tower complex. Daily staffing of 17 firefighters are deployed on three paramedic engines, one paramedic ladder truck, two paramedic ambulances, and one duty chief officer. Firefighters cross-staff one CalEMA fire engine, one water tender, and two brush fire engines. The Department responds to emergency and non-emergency incidents including structure and vegetation fires, rescues, traffic collisions, emergency medical services (EMS), alarms, lockouts, public assistance, events involving hazardous materials, and requests for aid from other jurisdictions. In 2011, the Poway Fire Department responded to 3,594 emergency responses with approximately 73% of the incidents as emergency medical services (EMS) related.

The Department maintains the latest in communication technology including two separate radio systems and mobile data computers (MDC). During the last year, the Department upgraded several mobile and portable radios and replaced 33% of the MDCs in use on fire apparatus. Additionally, new MDCs were equipped with external modems. These new MDCs operate at a faster speed and improve emergency incident management, response mapping, and resource allocation. The Department also replaced two patient gurneys and EKG heart monitors used by paramedics with the latest in advanced life-saving equipment.

Projects completed this year include the updating of incident response maps, computer use of preincident plans, and 1,296 business inspections. In addition, staff completed 510 permit inspections, 41 apartment inspections, 46 educational and preschool inspections, and 47 engine company referral inspections.

Major Ongoing Initiatives

The City continues building its future while effectively and efficiently delivering core services. Providing residents with safe and vibrant neighborhoods is a priority. Working together, the City will address our challenges, take advantage of our many resources, and secure a stronger, more vibrant, Poway for the future.

Disaster Preparedness: The City continues to improve its emergency planning and disaster preparedness. These improvements build upon the effectiveness of the City's Emergency Operations Plan by maintaining up-to-date information available in the City's Emergency Operations Center (EOC).

Poway Neighborhood Emergency Corp (PNEC) is a local grassroots organization that is also active in disaster preparedness. PNEC is organized as a group of community volunteers that are equipped to lead different neighborhoods in times of emergency or other need. PNEC also incorporates the use of social media to keep the community informed in the event of an emergency.

The City maintains a care and shelter program with three local faith-based organizations. When combined with the City's care and shelter facility at Community Park, over 2,400 evacuees may be able to seek temporary care and shelter within Poway. The Fire Department, in partnership with Palomar College, conducted a Community Emergency Response Team (CERT) training course. Twenty-nine students participated in the 10-week training program. As a result, the Poway CERT program now has 80 members divided into four separate groups. Last year, Poway CERT members participated in bi-monthly training sessions, several community education events, and three County-wide disaster drills.

The City continues to administer its Wildfire Defensible Space Program (WDSP). This program requires 100 feet of defensible space be cleared around habitable structures within the Wildfire Urban Interface Area. Staff continues to work with residents to ensure that the amount of flammable vegetation is significantly reduced on properties. This program continues to be successful, with nearly 100% voluntary compliance.

Housing Element Update: The City is in the process of updating the Housing Element for the 2013-2020 cycle as required by State law. The Housing Element, a component of the City's General Plan, establishes policies for the production of affordable housing in the City. The Housing Element Update will identify affordable housing sites in the City consistent with regional and State housing regulations. The City will hold workshops and public meetings in the fall and winter of 2012. Staff anticipates submitting a draft Housing Element Update to the State in January 2013, and bringing the final document to the City Council in March 2013, for adoption.

Affordable Housing Overlay Zone – Chapter 6 (Housing Plan) of the Housing Element includes goals and action programs to implement the requirements of the Housing Element. One of these programs requires the application of an Affordable Housing Overlay Zone (AHOZ) on parcels that may be developed for low and moderate income housing. An AHOZ allows for higher densities and flexible development standards if properties are developed for affordable housing. In 2011, the City initiated the process of amending the General Plan and Municipal Code to include AHOZ regulations and apply the AHOZ to six parcels owned by the City's Housing Authority. Neighborhood meetings were held in early 2012. The City Council approved the amendments and the AHOZs in April 2012.

Capital Improvement Projects (CIP): 13 CIP projects were completed including Oak Knoll Road Improvements, Arbolitos Sports Field Renovation and Lights, High Valley Waterline Replacement, and High Valley Pump station.

There are currently two CIP projects under construction, both of which are substantially complete. The two projects are Valle Verde Road Traffic Calming/Solera Way Sidewalk Improvements and Midland Road utility undergrounding.

Four projects, including the Water Treatment Plant Corrosion Repair, are in the pre-construction phase. The four projects have a combined construction cost estimate of over \$3,000,000.

There are another 14 CIP projects in various stages of design. It is expected that construction of many of these projects will begin within the next two years. Some of the projects currently under design are Rattlesnake Creek Streambank Stabilization, ADA Barrier Removal at Old Poway Park, and the Sewer Master Plan Update. The Sewer Master Plan Update is anticipated for completion in late 2012. The Sewer Master Plan Update will be used to update the City's short term and long term CIP sewer project priority list.

Energy Efficient Initiatives: Based on a comprehensive energy audit, the City Council authorized the installation of selected energy efficiency measures at several City facilities. The projects included the installation of a new chiller and variable speed drives at the Poway Center for the Performing Arts and installation of energy efficiency lighting at various City facilities. Upon completion and initiation of the projects, it is anticipated that the energy savings will total about \$20,000 and 109,174 Kilowatt hours annually. Total project implementation cost was \$194,971 with \$114,900 funded by Energy Efficiency and Conservation Block Grant (EECBG) monies received through the American Recovery and Reinvestment Act and \$80,071 from City capital outlay funds. Realization of the projects also yielded about \$19,000 in SDG&E rebates and incentives to offset City funding. Additionally, \$50,000 in EECBG funding was used for a residential rebate program for variable speed pool pumps and for upgrades to residential air conditioning. Initial response from Poway residents resulted in 176 pool pump rebates by

the end of 2011, outpacing SDG&E's total regional response of 100 applications the previous year. Due to the enthusiastic interest, the allowance for residential rebates was increased from 176 rebates to 243 rebates and \$72,900.

Water: Although water supply conditions continued to improve in 2011-12, costs of raw water continue to rise due to a variety of factors. A significant regional discussion is underway regarding development of local supplies including the potential for ocean desalination and indirect potable reuse of recycled water. The City of Poway is actively involved in these discussions, recognizing the financial impact to our water and sewer rate payers. Imported water supply costs are also expected to increase exponentially in the coming decade, making the cost of investing in the proposed diversification projects worth consideration.

Independent Audit

The Government Code of the State of California requires general law cities such as Poway to be audited annually by independent certified public accountants selected by the City Council. This requirement has been met and the auditors' independent report is included in this report. Also, please refer to the Management Discussion and Analysis section for an in-depth review of this year's Financial Statements.

GFOA Certificate of Achievement for Excellence in Financial Reporting

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

Acknowledgments

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

We also thank the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,


Penny Riley
City Manager


Scott Edwards
Director of Administrative Services

City Council

Mayor
Deputy Mayor
Council:

Don Higginson
Jim Cunningham
Merrilee Boyack
Dave Grosch
John Mullin

Appointed Officials

City Manager
City Attorney
City Clerk

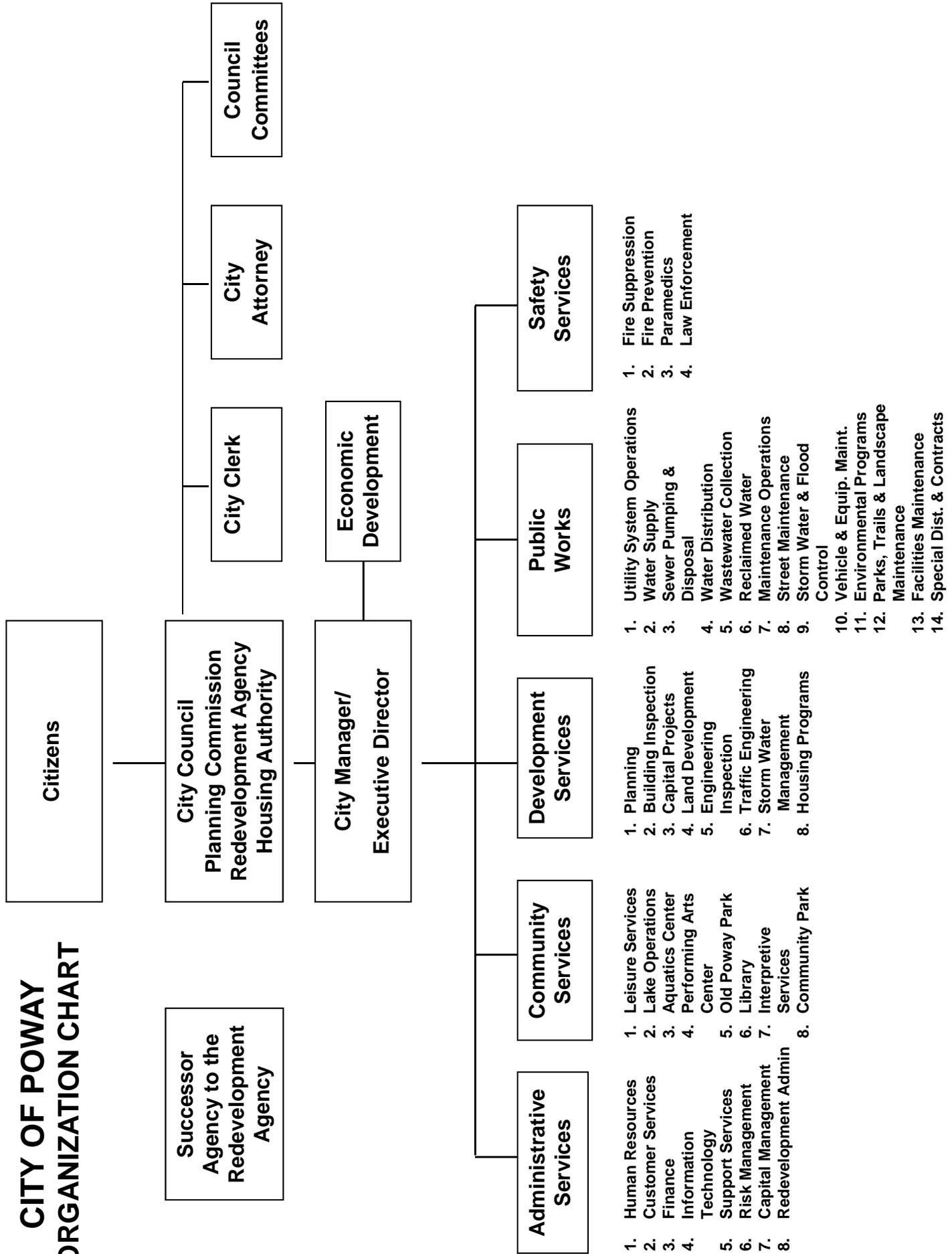
Penny Riley
Morgan Foley
Linda Troyan

Administrative Personnel

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

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

CITY OF POWAY ORGANIZATION CHART



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, 2011

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



Christopher P. Morrell

President

Jeffrey R. Enow

Executive Director

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poway, California ("City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 16 to the basic financial statements, on December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation that provides for the dissolution of the California redevelopment agencies. Accordingly, the Poway Redevelopment Agency, the component unit of the City, was dissolved as of January 31, 2012. On March 1, 2011, the City Council adopted a resolution and created the Housing Authority which assumed the housing functions from the former Poway Redevelopment Agency. All housing assets, as defined by AB X1 26, were transferred to the City and reported in the Housing Authority Special Revenue Fund, and the remaining assets, net of liabilities and not including bond reserve funds, were transferred to the Successor Agency to the Poway Redevelopment Agency. On February 1, 2012 the assets and liabilities of the former Poway Redevelopment Agency, cash and investments related to the former Low and Moderate Income fund that were held by the Housing Authority, and the assets that had been transferred to the City by the March 1, 2011 resolution, were all transferred to the City of Poway as Successor Agency to the Poway Redevelopment Agency.

In our opinion, the basic 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Information and Budgetary Comparison Schedules, and Schedules of Funding Progress on pages 3 through 13, and pages 85 through 88, respectively, 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.

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

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

San Diego, California
January 31, 2013

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, 2012. It should be read in conjunction with the accompanying transmittal letter beginning on page i and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's net assets increased by \$124,392 to \$255,156 during the fiscal year. The major change during the fiscal year being the dissolution of the Poway Redevelopment Agency which moved the Agency's assets and liabilities to the Private Purpose Trust Fund. If the Private Purpose Trust Fund is included net assets decreased by 2.3% to \$127,803 primarily as a result of normal operations.
- During the year, the City's revenues including program revenues, taxes, and other governmental revenues were greater than governmental and business activity expenses, excluding the extraordinary item for the dissolution of the Redevelopment Agency, by \$4. This was also primarily attributable to the dissolution of the Redevelopment Agency. With the inclusion of the extraordinary gain the primary government's net assets increased by \$128,410.
- The total revenues from all sources were \$219,526 which includes the gain on dissolution of the Poway Redevelopment Agency of \$128,406. Total revenues not including the gain on dissolution were \$91,120.
- The total cost of all City programs was \$91,116.
- Governmental net assets were \$177,487.
- The General Fund reported excess revenues over expenditures and other financing uses of \$(800).
- Actual revenues received in the General Fund were more than the final budget by \$833 while actual expenditures were \$3,396 less than final budget before other financing sources and uses.
- At the end of the fiscal year, unassigned fund balance for the General Fund was \$22,906 or 67.3% of total General Fund expenditures (excluding other financing uses).

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the

accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain amounts held on behalf of developers, property owners, and others. These fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations. The newly created Successor Agency to the Poway Redevelopment Agency is a Private Purpose Trust Fund and is included in the Fiduciary Fund Financial Statements.

THE CITY AS A WHOLE

Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business activities.

Table 1
City of Poway Net Assets
(in Thousands)

	Governmental Activities		Business Activities		Total		Private Purpose Trust
	2012	2011	2012	2011	2012	2011	2012
Assets:							
Current and other assets	\$ 84,172	\$ 139,186	\$ 36,521	\$ 39,331	\$ 120,693	\$ 178,517	\$ 72,008
Capital assets	117,568	176,281	43,816	45,425	161,384	221,706	48,544
Total assets	201,740	315,467	80,337	84,756	282,077	400,223	120,552
Liabilities:							
Long-term debt outstanding	19,034	253,784	1,261	1,449	20,295	255,233	227,534
Other liabilities	5,219	11,645	1,407	2,581	6,626	14,226	20,371
Total liabilities	24,253	265,429	2,668	4,030	26,921	269,459	247,905
Net assets:							
Invested in capital assets, net of debt	93,098	50,255	42,847	43,976	135,945	94,231	
Held in trust							(127,353)
Restricted	24,523	70,931	279	280	24,802	71,211	
Unrestricted	59,866	(71,148)	34,543	36,470	94,409	(34,678)	
Total net assets	\$ 177,487	\$ 50,038	\$ 77,669	\$ 80,726	\$ 255,156	\$ 130,764	\$ (127,353)

The City's combined net assets for the fiscal year ended June 30, 2012, were \$255,156. The City has chosen to account for its water and sewer operations as enterprise funds, which is shown as Business Activities on Table 1. Because of the dissolution of the Poway Redevelopment Agency a column for the Private Purpose Trust was added to this table in order to help explain the governmental activities changes. The City's net assets for governmental activities increased 254.7% from \$50,038 to \$177,487. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets decreased \$55,015 or 39.5% principally due to the dissolution of the Poway Redevelopment Agency. The Private Purpose Trust Fund increased by this amount in addition to its fiscal 2011-12 activity.
- Capital assets decreased \$58,713 (net of depreciation and disposition) as detailed in Table 4. This decrease was also primarily related to the dissolution of the Poway Redevelopment Agency.
- Governmental long-term debt decreased \$234,750. The decrease is attributable to the dissolution of the Redevelopment Agency and principal payments made towards the remaining certificates of participation. The decrease of \$7.4 million in total long-term debt, including the Private Purpose Trust Fund, was primarily attributable to scheduled principal payments.
- Governmental other liabilities decreased by \$6.4 million. The decrease is attributable to the prior year's inclusion of \$5.6 million in accounts payable for Redevelopment Agency tax sharing and owner participation payments. Additionally, because of the dissolution of the Redevelopment Agency and the transfer of its debt to the Private Purpose Trust Fund, the interest expense accrual for long term debt was lower at June 30, 2012 as compared to the prior year.
- Invested in capital assets net of debt increased \$42.8 due to the transfer of debt to the Private Purpose Trust Fund.
- Restricted net assets decreased by \$46.4 million, or 65.4%, again due to the dissolution of the Redevelopment Agency and the transfer of Redevelopment Agency debt service, housing and capital project funds to the Private Purpose Trust Fund.
- 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 \$131.0 million, or 184.1%, again primarily due to the dissolution of the Redevelopment Agency.

Governmental Activities

The cost of all Governmental activities this year was \$62,089 as shown on Table 2 and 2.1. Of this cost, \$8,898 was paid for by those who directly benefited from the programs, \$5,594 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$48,372 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$14,492. Items of significance within Table 2 are:

Revenues:

- Property taxes decreased by 31.9% primarily due to dissolution of the Poway Redevelopment Agency and the reduction in tax increment revenue. However, when tax increment is removed from both years the remaining property taxes increased by 1.6%.
- Sales taxes increased by 8.2% with the automobile and transportation increase of 19.5% being largest of all the sales tax major categories.
- Charges for services decreased by 13.9% primarily due to the discontinuance of the Stormwater Fee.
- Grants and contributions decreased by 20.2% primarily because of decreased funding from developer fees for capital projects.
- The General Revenue category decreased 42.6% primarily due to the decrease in property taxes attributable to the dissolution of the Redevelopment Agency and that the previous year included a gain of \$13.6 million for the sale of the Poway Royal Mobilehome Park.

Expenses:

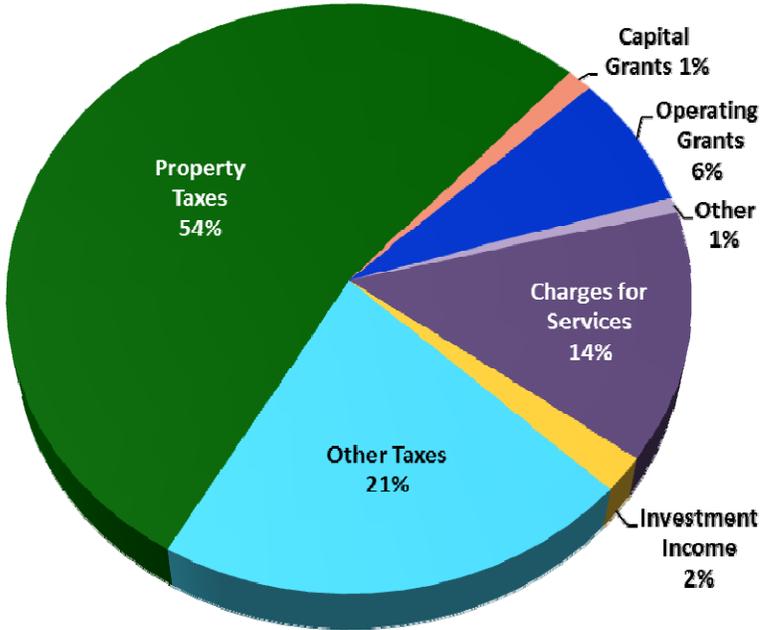
- General Government Expenses decreased \$2.9 million or 17.0%. The decrease was the cumulative result of reduced administrative expenditures (substantially related to the dissolution of the Redevelopment Agency), a decrease in spending on projects for which financial assistance was provided but were not capitalized, and a decrease in depreciation, also related to the dissolution of the Redevelopment Agency.
- The Public Safety line increased by 3.3%. Law enforcement and fire suppression increased slightly as compared to the prior year, but there were no significant changes that contributed to the increase.
- Public Works had an immaterial 1.1% decrease in expenses. There were no significant changes in this category.
- The Development Services department increased by \$.4 million, or 17.9%. The increase can be attributed to the absorption of costs due to the dissolution of the Redevelopment Agency.
- Community Services decreased by \$9.6 million or 66.3%. The decrease was primarily attributable to the dissolution of the Redevelopment Agency. The prior year included \$5.9 million for tax increment reimbursements while the current year's total is only \$48,711 because the remainder of these expenses were recorded in the Private Purpose Trust Fund. The prior year \$2.8 million for the Supplemental Educational Revenue Augmentation Fund payment also contributes to the variance. Finally, while the Poway Royal Mobilehome Park was sold near the beginning of fiscal year 2010-11 there were still \$1 million of expenditures included for the year.
- Interest and fiscal charges decreased \$9.0 million, or 52.1%. The decrease is the result of the former Redevelopment Agency's Tax Allocation Bond debt service payments made in June 2012 being recorded in the Private Purpose Trust Fund.

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

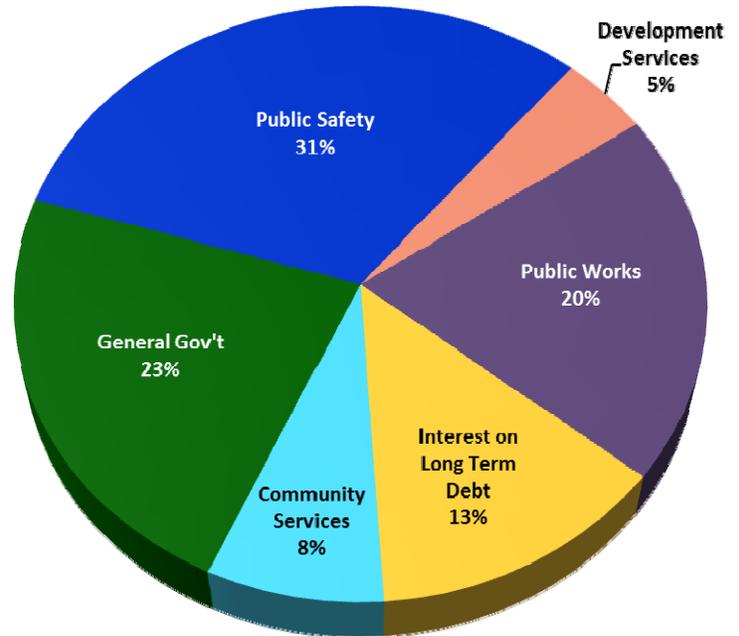
	Governmental Activities		Business Activities		Total		Private Purpose Trust 2012
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program Revenues:							
Charges for services	\$ 8,898	\$ 10,337	\$ 27,913	\$ 27,453	\$ 36,811	\$ 37,790	\$ -
Operating grants and contributions	4,761	5,857	-	-	4,761	5,857	-
Capital grants and contributions	833	1,155	-	-	833	1,155	-
General Revenues:							
Property taxes	34,714	50,961	-	-	34,714	50,961	16,048
Other taxes	13,905	13,197	-	-	13,905	13,197	-
Other	(246)	20,040	342	310	96	20,350	741
Total revenues	62,865	101,547	28,255	27,763	91,120	129,310	16,789
Expenses:							
General Government	14,227	17,144	-	-	14,227	17,144	11,044
Public safety	19,514	18,899	-	-	19,514	18,899	-
Public works	12,484	12,622	-	-	12,484	12,622	-
Development services	2,768	2,349	-	-	2,768	2,349	-
Community services	4,849	14,399	-	-	4,849	14,399	-
Interest & charges	8,247	17,233	-	-	8,247	17,233	4,692
Water	-	-	20,653	18,144	20,653	18,144	-
Sewer	-	-	8,374	7,651	8,374	7,651	-
Total expenses	62,089	82,646	29,027	25,795	91,116	108,441	15,736
Change in net assets before transfers	776	18,901	(772)	1,968	4	20,869	1,053
Transfers	2,285	351	(2,285)	(351)	-	-	-
Extraordinary Item	128,406	-	-	-	128,406	-	-
Change in net assets after transfers	131,467	19,252	(3,057)	1,617	128,410	20,869	1,053
Net assets - 7/1	46,020	30,786	80,726	79,109	126,746	109,895	-
Net assets - 2/1	-	-	-	-	-	-	(128,406)
Net assets - 6/30	\$ 177,487	\$ 50,038	\$ 77,669	\$ 80,726	\$ 255,156	\$ 130,764	\$ (127,353)

**Fiscal Year 2012
Governmental Activities**
(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses



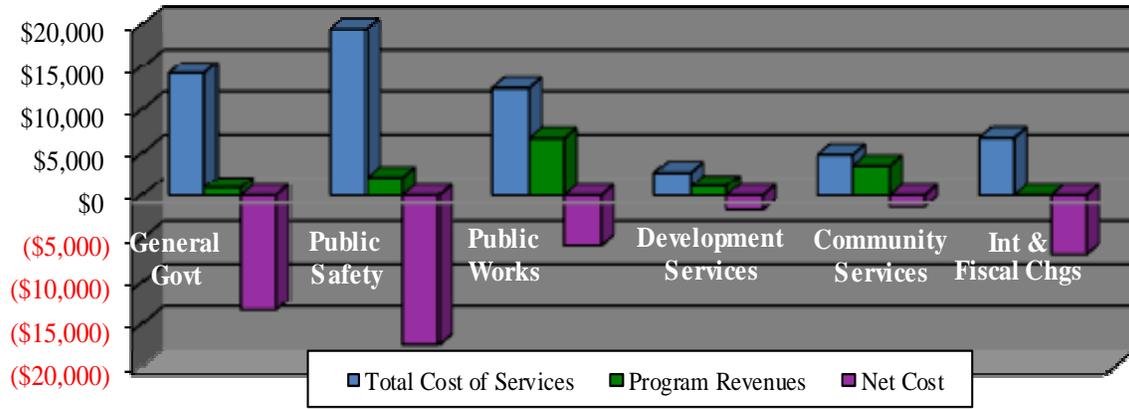
Net Cost of Governmental Activities

The City's programs include: General Government, Public Safety, Public Works, 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	
	2012	2011	2012	2011	2012	2011
General government	\$ 14,227	\$ 17,144	\$ 898	\$ 617	\$ (13,329)	\$ (16,527)
Public safety	19,514	18,899	2,192	2,240	(17,322)	(16,659)
Public works	12,484	12,622	6,727	8,003	(5,757)	(4,619)
Development services	2,768	2,349	1,119	2,284	(1,649)	(65)
Community services	4,849	14,399	3,556	4,206	(1,293)	(10,193)
Interest and fiscal chgs	8,247	17,233	-	-	(8,247)	(17,233)
Totals	\$ 62,089	\$ 82,646	\$ 14,492	\$ 17,350	\$ (47,597)	\$ (65,296)

**Total Cost of Services, Program Revenues & Net Cost
Governmental Activities (in Thousands)**



Total resources available during the year to finance governmental operations were \$239,576 consisting of Net Assets at July 1, 2011, of \$46,020, Program Revenues of \$14,492, General Revenues of \$48,373, \$2,285 of Transfers and an Extraordinary Item of \$128,406. Total Governmental Activities during the year were \$62,089; thus Net Assets increased by \$131,467 to \$177,487. As noted elsewhere the materially large and unusual item that contributed to this increase was the sale of the Poway Royal Mobilehome Park. Also, as discussed previously, increased sales tax and reduced expenses also contributed to the increase in Net Assets.

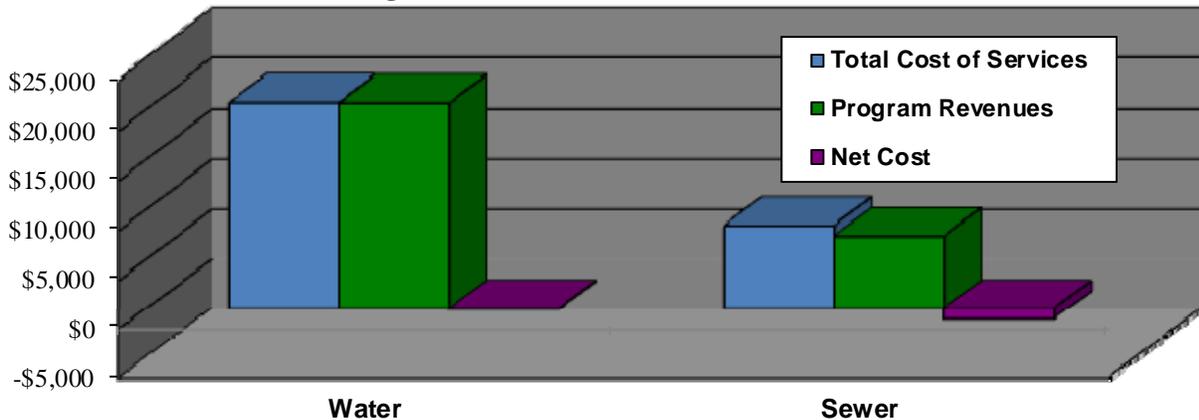
Business-Type Activities

Net assets of the Proprietary Funds (Business-Type activities) at June 30, 2012, as reflected in Table 1 were \$77,669. As shown in Table 2, program revenues were \$27,913, while the cost of providing all Proprietary (Business-Type) Activities this year was \$29,027 resulting in a decrease of \$1,114. The net use of \$1,943 from other revenues, non-operating activity and transfers resulted in a Net Assets decrease of \$3,057 or 3.8%. The water revenue increase was attributable to both rate and volume increases. The increased cost of water services was primarily attributable to water purchases. Although the Sewer fund experienced higher sewage transportation and treatment costs, revenues declined due to a rate reduction attributable to the use of accumulated reserves.

**Table 2.2
Net Cost of Business Activities
(in Thousands)**

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2012	2011	2012	2011	2012	2011
Water	\$ 20,653	\$ 18,144	\$ 20,612	\$ 18,694	\$ (41)	\$ 550
Sewer	8,374	7,651	7,301	8,759	(1,073)	1,108
Totals	\$ 29,027	\$ 25,795	\$ 27,913	\$ 27,453	\$ (1,114)	\$ 1,658

**Fiscal Year 2012
Total Cost of Services, Program Revenues & Net Cost – Business Activities (in thousands)**



Major Funds Budgetary Highlights

General Fund:

The final appropriations for the City's General Fund at year-end were \$3,396 more than actual expenditures prior to other financing uses. The largest components of the budget to actual variance were in the General government and Capital outlay categories. The General government variance is primarily attributable to a delay in purchasing several items including a fire fighting apparatus. The variance in the Capital outlay category is attributable to delays in several projects that are only just starting or are partially complete. With the exception of Development Services all of the expenditure categories were under budget primarily due the City's across-the-board efforts to control expenditures. The variance in Development Services was related to the dissolution of the Poway Redevelopment Agency, which caused the department to absorb additional costs for capital improvement project planning and management expenses. Actual revenues compared favorably to the final budget resulting in an \$833 positive variance (excluding other financing sources). The major variances were in Taxes, Intergovernmental, Use of Money and Property and Developer Fees. Actual Taxes revenue was higher than budgeted primarily due to the continued recovery of sales tax combined with additional property taxes attributable to the dissolution of the Redevelopment Agency. A decline in the Intergovernmental category was attributable to the State of California discontinuing the allocation of motor vehicle in-lieu fees to cities. The Use of Money and Property was under budget primarily due to the reinvestment of funds, which occurred at lower than anticipated rates. The Developer Fee category was lower than expected, which was attributable to fewer new projects than anticipated and more development reviews performed in-house. 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.

Redevelopment Agency:

As part of its plan to balance the state budget, the State of California eliminated Redevelopment Agencies with the adoption of ABX1 26 and AB 1484. In fiscal year 2010-11 Poway transferred the majority of its Agency's assets to the City, with the exception of the Agency's debt service fund, and repaid advances made to the Agency for capital improvement projects. In accordance with state law these assets were subsequently transferred to the Successor Agency to the Poway Redevelopment Agency on February 1, 2012, and the advance repayments were reversed. Therefore, as of June 30, 2012 the Poway Redevelopment Agency's funds, including debt service, capital project and special revenue funds, have been closed. The Agency's debt and non-housing capital assets have also been transferred to the Successor Agency.

Agency Housing/City Housing Authority Special Revenue Funds:

The City of Poway created its Housing Authority during fiscal year 2010-11 and transferred all of the Agency's housing assets to the Housing Authority. As a result of ABX1 26 the Housing Authority was able to retain its capital assets, and any related income, but was required to transfer its liquid assets to the Successor Agency effective February 1, 2012. With the passage of subsequent legislation, AB 1484, twenty-percent of the City's advances to the Redevelopment Agency were transferred to the Housing Authority. The City plans on continuing to use these funds to improve the quantity and quality of affordable housing in the City.

Redevelopment Capital Project/City Capital Project Funds:

The remaining funds in the Agency's Capital Project fund were transferred to a new City Capital Project fund in fiscal year 2010-11. These funds continued to be used for redevelopment eligible projects. The remaining balance of these funds was transferred to the Successor Agency on February 1, 2012.

City of Poway Redevelopment Agency Debt Service Fund:

This fund transferred a small amount of cash and investments to the City in fiscal year 2010-11, but remained relatively intact. The assets of this fund were primarily composed of cash and investments as well as cash and investments held by the trustee for debt service reserves. These assets, including the assets that had been transferred from this fund to the City in fiscal year 2010-11, were transferred to the Successor Agency on February 1, 2012.

Other Governmental funds:

With the exception of the following three funds, there was no unusual activity in the Other Governmental grouping of funds during the fiscal year. As reported last year, as a result of the discontinuance of the Storm Water fee, the Storm Water Management fund was closed and the majority of its activity absorbed by the General Fund. In the prior year both the Street Improvement and Drainage funds received repayments of advances, including principal and accrued interest, from the Redevelopment Agency. The prior year's repayment of the advances and accrued interest was reversed during fiscal year 2011-12, and twenty-percent of the advance balances were transferred to the Housing Authority.

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 Redevelopment Agency's tax increment revenue) to pay the approved items on the ROPS. Any funds in excess of ROPS requirements are distributed to the appropriate taxing agencies based on each agency's pro rata share of the one-percent property tax.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in the performance of City functions. Capital Assets include land, buildings, facility improvements, infrastructure, equipment and vehicles. Construction in Progress decreased by \$13,413 due to the completion of infrastructure as well as water and sewer pipeline projects. A prior period adjustment for \$4,228 along with \$1,723 of former Redevelopment Agency projects that were abandoned reduced net capital assets by \$5,951, while current year depreciation of \$6,157 further reduced the net asset value of capital assets. Finally, \$47,988 was transferred to the Private Purpose Trust Fund on February 1, 2012 as part of the dissolution of the Poway Redevelopment Agency. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See Table 4 & Note III, C to the financial statements)

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

	Governmental Activities		Business Activities		Fiduciary	Total	
	2012	2011	2012	2011	2012	2012	2011
Land	\$ 31,171	\$ 56,203	\$ 77	\$ 77	\$ 24,732	\$ 55,980	\$ 56,280
Buildings	32,925	38,690	5,023	5,489	3,470	41,418	44,179
Improvements	1,226	4,676	37,012	35,679	3,711	41,949	40,355
Infrastructure	44,329	57,512	-	-	16,631	60,960	57,512
Equip & Vehicles	6,927	7,525	1,120	868	-	8,047	8,393
Construction in Prog	990	11,675	584	3,312	-	1,574	14,987
	<u>\$ 117,568</u>	<u>\$ 176,281</u>	<u>\$ 43,816</u>	<u>\$ 45,425</u>	<u>\$ 48,544</u>	<u>\$ 209,928</u>	<u>\$ 221,706</u>

Debt

At year-end, the City had \$19,034 in governmental-type debt and \$1,261 in Proprietary debt and \$227,545 in Fiduciary debt (Table 5). As part of the Redevelopment Agency dissolution its debt was moved to a fiduciary-type fund. However, the overall decrease in bond balances was due to scheduled principal payments and premium/discount amortizations. The increased Loans Payable balance was attributable to accrued interest related to the operating covenant with AZ Poway, LLC (dba Mossy Nissan) which exceeded the payment required under the covenant. Finally, the Compensated Absences balances had minor changes, but again there was no unusual activity. See the Notes to the Basic Financial Statements, number 5, Long-term Debt for additional information.

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

	Governmental Activities		Business Activities		Fiduciary	Total	
	2012	2011	2012	2011	2012	2012	2011
Tax Allocation Bonds	\$ -	\$ 228,957	\$ -	\$ -	\$ 222,517	\$ 222,517	\$ 228,957
Certificates of Participation	17,628	20,871	-	-	2,344	19,972	20,871
Revenue Bonds	-	-	969	1,182	-	969	1,182
Loans Payable	-	2,542	-	-	2,673	2,673	2,542
Comp Absences	1,406	1,414	292	266	-	1,698	1,680
Total	<u>\$ 19,034</u>	<u>\$ 253,784</u>	<u>\$ 1,261</u>	<u>\$ 1,448</u>	<u>\$ 227,534</u>	<u>\$ 247,829</u>	<u>\$ 255,232</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2012-2013, the City Council and management continue to be cautious but do expect a modest recovery in the local economy. Property taxes remain stable and modest increases in sales taxes are expected to continue. These two revenue sources are the primary reason that General Fund revenue was budgeted to increase by 8.8% when compared to fiscal year 2011-12 revenue. Beyond the projected increase in sales tax previously noted, property tax revenue was also higher due to the City now receiving its share of the property taxes that formerly went to the Redevelopment Agency. General Fund expenditures are budgeted to increase by approximately 10.2%. The increase is primarily attributable to the absorption of costs previously shared by the Redevelopment Agency as well the absorption of storm water program costs that had been separately funded by a storm water fee that has been discontinued. The City's initial projections included drawing down \$491,000 from the Economic Uncertainty Fund in fiscal year 2012-13. However, the refunding of the City Office Building Certificates of Participation Bonds will save approximately \$170,000. Further expenditure reductions and increased revenues are anticipated, with the City's use of reserves expected to be significantly lower, or not necessary, by year-end.

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>

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Poway
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 58,161,946	\$ 21,748,923	\$ 79,910,869
Cash and investments with fiscal agents	1,489,636	279,575	1,769,211
Receivables:			
Taxes	3,948,982	-	3,948,982
Accounts	356,042	5,070,723	5,426,765
Interest	702,384	-	702,384
Due from other government agencies	916,332	6,985	923,317
Prepaid items	90,942	-	90,942
Inventories	109,806	2,195,482	2,305,288
Total current assets	<u>65,776,070</u>	<u>29,301,688</u>	<u>95,077,758</u>
Noncurrent assets:			
Notes receivable	10,018,112	-	10,018,112
Loans due from Successor Agency to the Poway Redevelopment Agency	8,378,053	6,498,481	14,876,534
Loans to Business Park Fiduciary Fund	-	700,000	700,000
Deferred charges, net	-	21,455	21,455
Capital assets:			
Nondepreciable assets	32,161,267	660,387	32,821,654
Depreciable assets, net	85,406,653	43,155,444	128,562,097
Total capital assets	<u>117,567,920</u>	<u>43,815,831</u>	<u>161,383,751</u>
Total noncurrent assets	<u>135,964,085</u>	<u>51,035,767</u>	<u>186,999,852</u>
Total assets	<u>201,740,155</u>	<u>80,337,455</u>	<u>282,077,610</u>

City of Poway
Statement of Net Assets, Continued
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 4,066,328	\$ 1,348,021	\$ 5,414,349
Accrued liabilities	223,326	-	223,326
Accrued interest payable	928,023	8,938	936,961
Deposits	2,100	50,399	52,499
Long-term debt - due within one year	1,878,741	475,078	2,353,819
Total current liabilities	<u>7,098,518</u>	<u>1,882,436</u>	<u>8,980,954</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	17,154,895	785,589	17,940,484
Total noncurrent liabilities	<u>17,154,895</u>	<u>785,589</u>	<u>17,940,484</u>
Total liabilities	<u>24,253,413</u>	<u>2,668,025</u>	<u>26,921,438</u>
NET ASSETS			
Investments in capital assets, net of related debt	<u>93,097,532</u>	<u>42,846,682</u>	<u>135,944,214</u>
Restricted for:			
Special revenue:			
Streets	2,566,378	-	2,566,378
Drainage	2,300,232	-	2,300,232
Maintenance districts	6,755,600	-	6,755,600
Grants	2,721,235	-	2,721,235
Miscellaneous	44,703	-	44,703
Affordable housing	3,101,776	-	3,101,776
Debt service	3,079,313	279,575	3,358,888
Capital improvement projects	3,074,803	-	3,074,803
Permanent:			
Expendable	879,206	-	879,206
Total restricted	<u>24,523,246</u>	<u>279,575</u>	<u>24,802,821</u>
Unrestricted	<u>59,865,964</u>	<u>34,543,173</u>	<u>94,409,137</u>
Total net assets	<u>\$ 177,486,742</u>	<u>\$ 77,669,430</u>	<u>\$ 255,156,172</u>

City of Poway
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 14,226,478	\$ 120,126	\$ 778,362	\$ -	\$ 898,488
Public safety	19,514,321	2,030,510	161,073	-	2,191,583
Public works	12,484,070	3,537,666	3,188,214	1,355	6,727,235
Development services	2,767,969	1,049,318	69,314	-	1,118,632
Community services	4,848,768	2,160,596	563,856	831,782	3,556,234
Interest and fiscal charges	8,247,159	-	-	-	-
Total governmental activities	<u>62,088,765</u>	<u>8,898,216</u>	<u>4,760,819</u>	<u>833,137</u>	<u>14,492,172</u>
Business-Type activities:					
Water	20,652,724	20,612,607	-	-	20,612,607
Sewer	8,374,223	7,300,875	-	-	7,300,875
Total business-type activities	<u>29,026,947</u>	<u>27,913,482</u>	<u>-</u>	<u>-</u>	<u>27,913,482</u>
Total primary government	<u><u>\$ 91,115,712</u></u>	<u><u>\$ 36,811,698</u></u>	<u><u>\$ 4,760,819</u></u>	<u><u>\$ 833,137</u></u>	<u><u>\$ 42,405,654</u></u>

City of Poway
Statement of Activities and Changes in Net Assets, Continued
For the year ended June 30, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (13,327,990)	\$ -	\$ (13,327,990)
Public safety	(17,322,738)	-	(17,322,738)
Public works	(5,756,835)	-	(5,756,835)
Development services	(1,649,337)	-	(1,649,337)
Community services	(1,292,534)	-	(1,292,534)
Interest and fiscal charges	(8,247,159)	-	(8,247,159)
Total governmental activities	<u>(47,596,593)</u>	<u>-</u>	<u>(47,596,593)</u>
Business-Type activities:			
Water	-	(40,117)	(40,117)
Sewer	-	(1,073,348)	(1,073,348)
Total business-type activities	<u>-</u>	<u>(1,113,465)</u>	<u>(1,113,465)</u>
Total primary government	<u>(47,596,593)</u>	<u>(1,113,465)</u>	<u>(48,710,058)</u>
General revenues:			
Taxes:			
Property taxes	34,713,961	-	34,713,961
Sales taxes	11,276,884	-	11,276,884
Motor vehicle license taxes	26,685	-	26,685
Transient occupancy taxes	462,508	-	462,508
Franchise taxes	1,512,878	-	1,512,878
Other taxes	626,421	-	626,421
Total taxes	48,619,337	-	48,619,337
Investment earnings	1,297,998	65,593	1,363,591
Gain (loss) on disposal of assets	(2,088,434)	-	(2,088,434)
Miscellaneous	542,954	276,439	819,393
Transfers	2,284,985	(2,284,985)	-
Extraordinary item:			
Gain on dissolution of the former Poway Redevelopment Agency (Note 16)	128,406,347	-	128,406,347
Total general revenues, transfers, and extraordinary item	<u>179,063,187</u>	<u>(1,942,953)</u>	<u>177,120,234</u>
Change in net assets	131,466,594	(3,056,418)	128,410,176
Net assets - beginning of year	50,038,022	80,725,848	130,763,870
Prior period adjustment (Note 17)	(4,017,874)	-	(4,017,874)
Net assets - end of year	<u>\$ 177,486,742</u>	<u>\$ 77,669,430</u>	<u>\$ 255,156,172</u>

See accompanying Notes to Basic 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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GOVERNMENTAL FUND FINANCIAL STATEMENTS

**City of Poway
Balance Sheet
Governmental Funds
June 30, 2012**

	Major Funds				Total Governmental Funds
	City of Poway Redevelopment Agency Debt Service Fund (1)	Housing Authority Fund	Other Governmental Funds	General	
ASSETS					
Cash and investments	\$ 34,190,001	\$ -	\$ 131,556	\$ 17,574,056	\$ 51,895,613
Receivables:					
Taxes	3,870,417	-		78,565	3,948,982
Notes	10,018,112	-	-	-	10,018,112
Accounts	286,682	-	-	67,813	354,495
Interest	702,345	-	-	39	702,384
Due from other funds	620,472	-	-	-	620,472
Due from other governments	164,754	-	-	751,578	916,332
Prepaid items	90,942	-	-	-	90,942
Inventories, at cost	109,806	-	-	-	109,806
Advances to other funds	3,439,466	-	2,975,307	2,993,655	9,408,428
Restricted assets:					
Cash and investments with fiscal agents	-	-	-	1,489,636	1,489,636
Total assets	\$ 53,492,997	\$ -	\$ 3,106,863	\$ 22,955,342	\$ 79,555,202
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,444,818	\$ -	\$ 2,987	\$ 498,784	\$ 3,946,589
Accrued liabilities	223,326	-	-	-	223,326
Due to other funds	-	-	-	620,472	620,472
Deposits	-	-	2,100	-	2,100
Deferred revenue	13,913	-	-	173,628	187,541
Advances from other funds	-	-	-	1,030,375	1,030,375
Total liabilities	3,682,057	-	5,087	2,323,259	6,010,403
Fund Balances:					
Nonspendable	10,218,860	-	-	-	10,218,860
Restricted	-	-	3,101,776	20,632,083	23,733,859
Committed	10,019,883	-	-	-	10,019,883
Assigned	6,666,188	-	-	-	6,666,188
Unassigned	22,906,009	-	-	-	22,906,009
Total fund balances	49,810,940	-	3,101,776	20,632,083	73,544,799
Total liabilities and fund balances	\$ 53,492,997	\$ -	\$ 3,106,863	\$ 22,955,342	\$ 79,555,202

(1) This fund is closed on January 31, 2012. See Note 16.

City of Poway
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012

Total Fund Balances - Total Governmental Funds	<u>\$ 73,544,799</u>
Amounts reported for governmental activities in the Statement of Net Assets were different because:	
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Nondepreciable	32,161,267
Depreciable, net of accumulated depreciation	<u>85,406,653</u>
Total capital assets	<u>117,567,920</u>
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	(1,878,741)
Long-term liabilities - due in more than one year (net of \$27,173 reported in Internal Service Fund)	<u>(17,127,722)</u>
Total long-term liabilities	<u>(19,006,463)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	
	<u>(928,023)</u>
Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
	<u>187,541</u>
Internal service funds were used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds were included in governmental activities in the Government-Wide Statement of Net Assets.	
	<u>6,120,968</u>
Net Assets of Governmental Activities	<u><u>\$ 177,486,742</u></u>

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City of Poway
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2012

	Major Funds				Total Governmental Funds
	City of Poway Redevelopment Agency Debt Service Fund (1)	Housing Authority Fund	Other Governmental Funds	General	
REVENUES:					
Taxes	\$ 26,039,598	\$ 21,926,632	\$ -	\$ 3,972,868	\$ 51,939,098
Licenses and permits	507,908	-	-	-	507,908
Intergovernmental	308,026	-	-	1,256,458	1,564,484
Charges for services	955,002	-	-	484,889	1,439,891
Fines and forfeitures	554,570	-	-	-	554,570
Use of money and property	1,914,679	275,431	98,067	1,003,289	3,291,466
Developer fees	3,215,116	-	-	64,257	3,279,373
Assessment levied	-	-	-	1,874,967	1,874,967
Other revenues	358,593	-	96,533	42,391	497,517
Total revenues	33,853,492	22,202,063	194,600	8,699,119	64,949,274
EXPENDITURES:					
Current:					
General government	4,294,425	-	484,545	1,019,929	5,798,899
Public safety	18,776,174	-	-	113,559	18,889,733
Public works	3,198,085	-	-	6,886,352	10,084,437
Development services	2,807,935	-	-	-	2,807,935
Community services	4,677,086	-	-	1,283	4,678,369
Capital outlay	270,706	-	4,492,299	3,779,365	8,542,370
Debt service:					
Principal	-	1,525,000	-	880,000	2,405,000
Interest and fiscal charges	-	5,851,823	-	968,796	6,820,619
Tax increment reimbursement	-	48,711	-	-	48,711
Total expenditures	34,024,411	7,425,534	4,976,844	13,649,284	60,076,073
REVENUES OVER (UNDER) EXPENDITURES	(170,919)	14,776,529	(4,782,244)	(4,950,165)	4,873,201
OTHER FINANCING SOURCES (USES):					
Issuance of debt	-	105,109	-	-	105,109
Transfers in	2,384,629	15,262,701	2,975,307	4,868,394	25,491,031
Transfers out	(3,013,477)	(2,331,290)	(816,063)	(15,506,765)	(21,667,595)
Total other financing sources (uses)	(628,848)	13,036,520	2,159,244	(10,638,371)	3,928,545
EXTRAORDINARY ITEM:					
Loss on dissolution of the former Poway Redevelopment Agency (Note 16)	-	(42,102,694)	(14,696,333)	-	(56,799,027)
NET CHANGE IN FUND BALANCE	(799,767)	(14,289,645)	(17,319,333)	(15,588,536)	(47,997,281)
FUND BALANCES:					
Beginning of year	50,610,707	14,289,645	20,421,109	36,220,619	121,542,080
End of year	\$ 49,810,940	\$ -	\$ 3,101,776	\$ 20,632,083	\$ 73,544,799

(1) Period is for seven months ended January 31, 2012. See Note 16.

See accompanying Notes to Basic Financial Statements.

City of Poway
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (47,997,281)

Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds report capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets will be allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period with the balance of \$7,003,636 charged as maintenance expenditures for a total capital outlay expenditure of \$8,542,370.	1,538,734
Depreciation was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation and amortization expense was not reported as expenditures in governmental funds.	(6,157,081)
Disposal of City's property provides current financial resources to governmental funds, but disposal of capital asset decrease capital assets in the Government-Wide Statement of Net Assets.	(2,088,434)
Compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in governmental funds. This amount represents the change in compensated absences from prior year.	7,961
Issuance costs from issuing debt were expenditures at the fund level but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.	
Amortization of bond issuance costs	(23,834)
Proceeds from long-term debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets.	
Proceeds from loans	(105,109)
Repayment of contract and notes payable	48,711
Principal payment	2,405,000
Amortization on bond premium was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization was not reported as expenditures in governmental funds.	
2003 Tax Allocation Bonds	109,034
2007 Tax Allocation Bonds	37,020
2003 Certificates of Participation	9,074
2005 Certificates of Participation	6,773
Interest expense on long-term debt was reported in the government-wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in Governmental Funds. The following amount represents the change in accrued interest from the prior year.	(1,426,540)
Revenues in the Government-Wide Statement of Activities and Changes in Net Assets that did not provide current financial resources are not reported as revenues in the funds.	(37,990)
Internal service funds were used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds was reported with governmental activities.	(64,818)
Extraordinary gain (loss) in the Government-Wide Statement of Activities and Changes in Net Assets resulted from the increase or decrease of long term assets and liabilities which were not reported in the governmental funds. This was caused by the dissolution of the City of Poway Redevelopment Agency. See Note 16.	185,205,374
Change in Net Assets of Governmental Activities	\$ 131,466,594

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

City of Poway
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Major Funds		Total	Governmental Activities Internal Service Fund
	Water	Sewer		
ASSETS				
Current assets:				
Cash and investments	\$ 4,499,162	\$ 17,249,761	\$ 21,748,923	\$ 6,266,333
Cash and investments with fiscal agents	279,575	-	279,575	-
Receivables:				
Accounts	3,790,047	1,280,676	5,070,723	1,547
Due from other governments	3,550	3,435	6,985	-
Inventories	2,185,057	10,425	2,195,482	-
Total current assets	<u>10,757,391</u>	<u>18,544,297</u>	<u>29,301,688</u>	<u>6,267,880</u>
Noncurrent assets:				
Advances to other funds	2,085,083	4,413,398	6,498,481	-
Advances to Fiduciary Fund - Business Park	-	700,000	700,000	-
Deferred charges	21,455	-	21,455	-
Capital assets:				
Nondepreciable	583,590	76,797	660,387	-
Depreciable	58,015,934	36,058,830	94,074,764	-
Less accumulated depreciation	<u>(33,106,337)</u>	<u>(17,812,983)</u>	<u>(50,919,320)</u>	<u>-</u>
Total net capital assets	<u>25,493,187</u>	<u>18,322,644</u>	<u>43,815,831</u>	<u>-</u>
Total noncurrent assets	<u>27,599,725</u>	<u>23,436,042</u>	<u>51,035,767</u>	<u>-</u>
Total assets	<u>38,357,116</u>	<u>41,980,339</u>	<u>80,337,455</u>	<u>6,267,880</u>
LIABILITIES				
Current liabilities:				
Accounts payable	1,294,214	53,807	1,348,021	119,739
Deposits	50,399	-	50,399	-
Accrued interest payable	8,938	-	8,938	-
Compensated absences due within one year	214,657	35,421	250,078	-
Long-term debt due within one year	<u>225,000</u>	<u>-</u>	<u>225,000</u>	<u>-</u>
Total current liabilities	<u>1,793,208</u>	<u>89,228</u>	<u>1,882,436</u>	<u>119,739</u>
Noncurrent liabilities:				
Compensated absences	34,525	6,915	41,440	27,173
Long-term debt due in more than one year	<u>744,149</u>	<u>-</u>	<u>744,149</u>	<u>-</u>
Total noncurrent liabilities	<u>778,674</u>	<u>6,915</u>	<u>785,589</u>	<u>27,173</u>
Total liabilities	<u>2,571,882</u>	<u>96,143</u>	<u>2,668,025</u>	<u>146,912</u>
NET ASSETS				
Invested in capital assets, net of related debt	24,524,038	18,322,644	42,846,682	-
Restricted for debt service	279,575	-	279,575	-
Unrestricted	<u>10,981,621</u>	<u>23,561,552</u>	<u>34,543,173</u>	<u>6,120,968</u>
Total net assets	<u>\$ 35,785,234</u>	<u>\$ 41,884,196</u>	<u>\$ 77,669,430</u>	<u>\$ 6,120,968</u>

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2012

	Major Funds		Total	Governmental Activities Internal Service Fund
	Water	Sewer		
OPERATING REVENUES:				
Charges for services	\$ 20,554,802	\$ 7,165,397	\$ 27,720,199	\$ 2,439,378
Connection fees	57,805	135,478	193,283	-
Other	37,209	239,230	276,439	111,501
Total operating revenues	<u>20,649,816</u>	<u>7,540,105</u>	<u>28,189,921</u>	<u>2,550,879</u>
OPERATING EXPENSES:				
Personnel services	3,224,389	577,925	3,802,314	325,127
Maintenance and operations	4,692,310	6,749,403	11,441,713	793,296
Cost of purchased water	11,235,970	-	11,235,970	-
Depreciation	1,500,055	1,046,895	2,546,950	-
Total operating expenses	<u>20,652,724</u>	<u>8,374,223</u>	<u>29,026,947</u>	<u>1,118,423</u>
OPERATING INCOME (LOSS)	<u>(2,908)</u>	<u>(834,118)</u>	<u>(837,026)</u>	<u>1,432,456</u>
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	24,690	110,687	135,377	41,177
Interest expense and fiscal charges	(69,784)	-	(69,784)	-
Total nonoperating revenues (expenses)	<u>(45,094)</u>	<u>110,687</u>	<u>65,593</u>	<u>41,177</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(48,002)</u>	<u>(723,431)</u>	<u>(771,433)</u>	<u>1,473,633</u>
TRANSFERS:				
Transfers out	(760,659)	(1,524,326)	(2,284,985)	(1,538,451)
Total contributed capital and transfers	<u>(760,659)</u>	<u>(1,524,326)</u>	<u>(2,284,985)</u>	<u>(1,538,451)</u>
Change in net assets	<u>(808,661)</u>	<u>(2,247,757)</u>	<u>(3,056,418)</u>	<u>(64,818)</u>
NET ASSETS:				
Beginning of year	36,593,895	44,131,953	80,725,848	6,185,786
End of year	<u>\$ 35,785,234</u>	<u>\$ 41,884,196</u>	<u>\$ 77,669,430</u>	<u>\$ 6,120,968</u>

City of Poway
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2012

	Major Funds		Total	Governmental Activities Internal Service Fund
	Water	Sewer		
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 20,045,107	\$ 7,432,646	\$ 27,477,753	\$ 2,550,879
Cash paid to other funds	(2,085,083)	(2,015,730)	(4,100,813)	-
Cash paid to employees for services	(2,975,207)	(535,589)	(3,510,796)	(325,127)
Cash paid to suppliers for goods or services	(16,973,309)	(6,813,701)	(23,787,010)	(720,388)
Other	37,209	239,230	276,439	-
Net cash provided (used) by operating activities	(1,951,283)	(1,693,144)	(3,644,427)	1,505,364
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Intergovernmental	(3,550)	(3,435)	(6,985)	-
Transfers in	-	-	-	-
Transfers out	(760,659)	(1,524,326)	(2,284,985)	(1,538,451)
Net cash provided (used) by noncapital financing activities	(764,209)	(1,527,761)	(2,291,970)	(1,538,451)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions to capital assets	(312,156)	(625,639)	(937,795)	-
Principal paid on long-term debt	(440,247)	(39,328)	(479,575)	(422)
Payment of interest and fees	(71,754)	-	(71,754)	41,177
Net cash provided (used) by capital and related financing activities	(824,157)	(664,967)	(1,489,124)	40,755
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	24,690	110,687	135,377	-
Net cash provided (used) by investing activities	24,690	110,687	135,377	-
Net increase (decrease) in cash and cash equivalents	(3,514,959)	(3,775,185)	(7,290,144)	7,668
CASH AND EQUIVALENTS:				
Beginning of year	8,293,696	21,024,946	29,318,642	6,258,665
End of year	<u>\$ 4,778,737</u>	<u>\$ 17,249,761</u>	<u>\$ 22,028,498</u>	<u>\$ 6,266,333</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	4,499,162	17,249,761	21,748,923	6,266,333
Cash with investments with fiscal agents	279,575	-	279,575	-
Total cash and investments	<u>\$ 4,778,737</u>	<u>\$ 17,249,761</u>	<u>\$ 22,028,498</u>	<u>\$ 6,266,333</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (2,908)	\$ (834,118)	\$ (837,026)	\$ 1,432,456
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,500,055	1,046,895	2,546,950	-
Changes in operating assets and liabilities:				
Accounts receivable	(559,742)	131,771	(427,971)	-
Inventories	44,367	4,182	48,549	-
Deferred charges	6,437	-	6,437	-
Advances to other funds	(2,085,083)	(2,015,730)	(4,100,813)	-
Accounts payable	(1,095,833)	(68,480)	(1,164,313)	72,908
Compensated absences	249,182	42,336	291,518	-
Deposits	(7,758)	-	(7,758)	-
Total adjustments	(1,948,375)	(859,026)	(2,807,401)	72,908
Net cash provided (used) by operating activities	<u>\$ (1,951,283)</u>	<u>\$ (1,693,144)</u>	<u>\$ (3,644,427)</u>	<u>\$ 1,505,364</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Poway
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>	<u>Successor Agency to the Poway Redevelopment Agency</u>
ASSETS		
Current assets:		
Cash and investments	\$ 7,068,177	\$ 44,678,665
Receivables:		
Taxes	159,661	-
Accounts	700,000	2,321
Interest	14	33,137
Notes	-	7,729,974
Due from other governments	-	4,705
Cash and investments with fiscal agent	1,708,320	19,059,365
Total current assets	<u>9,636,172</u>	<u>71,508,167</u>
Noncurrent assets:		
Deferred charges, net	-	499,515
Capital assets:		
Nondepreciable	-	24,731,737
Depreciable	-	35,320,861
Less accumulated depreciation	-	<u>(11,508,611)</u>
Total noncurrent assets	<u>-</u>	<u>49,043,502</u>
Total assets	<u><u>\$ 9,636,172</u></u>	<u><u>\$ 120,551,669</u></u>
LIABILITIES		
Accounts payable	\$ 49,314	\$ 4,993,927
Due to other funds	-	-
Deposits	3,217,230	-
Due to bondholders	5,669,628	-
Advances from City of Poway	700,000	14,876,534
Deferred revenue	-	2,350
Interest payable	-	498,042
Long-term debt due within one year	-	7,050,000
Long-term debt due in more than one year	-	220,483,757
Total liabilities	<u><u>\$ 9,636,172</u></u>	<u><u>\$ 247,904,610</u></u>
NET ASSETS (DEFICITS)		
Held in trust for retirement of obligations of the former Poway Redevelopment Agency		<u><u>\$ (127,352,941)</u></u>

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the five months ended June 30, 2012

	Successor Agency to the Poway Redevelopment Agency <hr/>
ADDITIONS:	
Property taxes	\$ 16,047,570
Investment earnings	634,906
Other revenue	107,119
Total additions	<hr/> 16,789,595
 DEDUCTIONS:	
Enforceable obligations payments	10,193,554
Administration expenses	499,128
Depreciation and amortization	351,475
Interest expense and fiscal charges	4,692,032
Total deductions	<hr/> 15,736,189
Change in net assets	<hr/> 1,053,406
 NET ASSETS:	
Beginning of year	<hr/> -
Transfers of operations from the former Poway Redevelopment Agency (Note 16)	<hr/> (128,406,347)
End of year	<hr/> \$ (127,352,941) <hr/>

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City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2012

Notes to Basic Financial Statements

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City of Poway
Notes to Basic Financial Statements
For the year ended June 30, 2012

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 Redevelopment Agency

The Poway Redevelopment Agency (the "Agency") was established on April 26, 1983 pursuant to the State of California Health and Safety Code, Section 33000 entitled "Community Redevelopment Law". Its purpose was to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Agency was included within the scope of the reporting entity of the City because its governing body was composed in its entirety of council members of the City. The Agency was dissolved on January 31, 2012. See Note 16 for further discussion.

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 Agency. Its purpose is to assist in financing and refinancing projects for the benefit of the City and the Agency. The Authority was included within the scope of the reporting entity of the City because its governing body is composed in its entirety of council members of the City. Separate financial statements are not prepared.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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.

Government - Wide and Fund Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. 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 Assets. The Statement of Activities presents changes in net assets. 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government – Wide and Fund Financial Statements, Continued

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

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

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets 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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance of their business-type activities and enterprise funds, subject to this limitation. The government has elected not to follow subsequent private-sector guidance.

Governmental Fund Financial Statements

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

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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

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

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

The City reports the following major governmental funds:

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

The **City of Poway Redevelopment Agency Debt Service Fund** is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the debt. This fund was closed as of February 1, 2012.

The **Housing Authority Fund** is used to account for funds restricted for financing the City’s Housing Agency activity to carry out the projects and activities with the objectives and purposes included in the Redevelopment and Implementation Plans.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

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 Assets. The Statement of Revenues, Expenses and Change in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

The City reports the following major proprietary funds:

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

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

Fiduciary Fund Financial Statements

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

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

C. Cash, Cash Equivalents and Investments

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

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

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

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

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

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

D. Inter-fund Transactions

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

E. Inventories

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

F. Capital Assets

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets, Continued

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

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

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

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

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

Capital Assets Acquired Under Lease Purchase Contracts

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

G. Compensated Absences

Government-Wide Financial Statements

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. *Compensated Absences, Continued*

Fund Financial Statements

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

H. *Long-Term Debt*

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

I. *Net Assets*

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

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

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 assets first, then unrestricted net assets as they are needed.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

J. Fund Balances

In the governmental fund financial statements, fund balances are classified in the following categories:

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

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

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

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

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

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

K. Use of Estimates

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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, 2012:

	Government-Wide		Fiduciary	Total
	Statement of Net Assets		Funds	
	Governmental	Business-Type	Statement of	
	Activities	Activities	Net Assets	
Cash and investments	\$ 58,161,946	\$ 21,748,923	\$ 51,746,842	\$ 131,657,711
Cash and investments with fiscal agents	1,489,636	279,575	20,767,685	22,536,896
Total	\$ 59,651,582	\$ 22,028,498	\$ 72,514,527	\$ 154,194,607

Cash, cash equivalents, and investments consisted of the following at June 30, 2012:

Cash on hand	\$ 8,651
Demand deposits	939,279
Investments	153,246,677
Total	\$ 154,194,607

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$939,279 at June 30, 2012. Bank balances at June 30, 2012, were \$3,860,050 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

B. Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agency Securities	5 years	75%	25%
Bankers' Acceptances	180 days	40%	5%
Medium-Term and Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Backed Securities	5 years	20%	None
Asset Backed Securities	5 years	20%	None
Commercial Paper	270 days	25%	3%
Negotiable Certificates of Deposits	5 years	30%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None
County of San Diego Investment Pool	N/A	None	None
CalTrust Joint Powers Authority	N/A	None	None
Obligation of any State	5 years	None	None

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

C. Investment Authorized by Debt Agreements

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

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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 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	\$ 3,016,913	\$ 1,004,023	\$ 2,012,890		\$ -
U.S. Agencies	4,070,163	806,849	1,000,740	2,262,574	-
CalTrust Investment Pool-Short term	29,213,095	29,213,095	-	-	-
CalTrust Investment Pool-Medium term	29,019,270	29,019,270	-	-	-
Commercial Paper	7,987,200	7,987,200	-	-	-
Medium-Term and Corporate Notes	21,967,681	4,052,833	5,783,149	12,131,699	-
Local Agency Investment Fund (LAIF)	35,234,268	35,234,268	-	-	-
San Diego County Investment Pool	26,463	26,463	-	-	-
Improvement Bond Act of 1915	124,728	22,237	23,517	78,974	-
Certificates of Deposit	50,000	50,000	-	-	-
Held by bond trustee:					
Money Market Funds	11,462,964	11,462,964	-	-	-
Investment Contracts	11,073,932	-	-	-	11,073,932
Total	\$ 153,246,677	\$ 118,879,202	\$ 8,820,296	\$ 14,473,247	\$ 11,073,932

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following presentation is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of June 30, 2012 for each investment type:

Investment Type	Amounts	Minimum Rating	Exempt	AAA/Aaa	AA+/Aaa	AA+/Aa2	AA+/Aa3	AA/A1	AA+/A2	A+/A2	A+/A3	A1+/P1	A1/P1	AAAf	AA+/Aaamf	Not Rated	
U.S. Treasury Bills	\$ 3,016,913	Aaa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
U.S. Agencies	4,070,163	Aaa	-	\$ 3,016,913	-	-	-	-	-	-	-	-	-	-	-	-	
CalTrust Investment Pool-Short term	29,213,095	N/A	-	4,070,163	-	-	-	-	-	-	-	-	-	-	-	-	
CalTrust Investment Pool-Medium term	29,019,270	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	29,019,270	
Commercial Paper	7,987,200	Aaa	-	-	-	-	-	-	-	-	-	5,991,288	1,995,912	-	-	-	
Medium-Term and Corporate Notes	21,967,681	A1	-	2,058,896	1,012,474	3,060,987	3,060,987	2,314,460	2,004,470	2,118,348	1,051,808	2,072,726	-	-	-	-	
Local Agency Investment Fund (LAIF)	35,234,268	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	35,234,268	
San Diego County Investment Pool	26,463	N/A	-	-	-	-	-	-	-	-	-	-	-	26,463	-	-	
Obligation of any State	124,728	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Certificates of Deposit	50,000	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Held by bond trustee:																	
Money Market Funds	11,462,964	N/A	-	-	-	-	-	-	-	-	-	-	-	-	11,462,964	-	
Investment Contracts	11,073,932	N/A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	\$ 153,246,677		\$ 11,248,660	\$ 2,058,896	\$ 8,099,550	\$ 3,060,987	\$ 3,060,987	\$ 2,314,460	\$ 2,004,470	\$ 2,118,348	\$ 1,051,808	\$ 2,072,726	\$ 5,991,288	\$ 1,995,912	\$ 26,463	\$ 11,462,964	\$ 64,253,338

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Concentration of Credit Risk

The City's Policy states that not more than 20% 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 California Asset Management Program). In addition, purchases of commercial paper must not exceed 20% of the value of the portfolio at any time and single issuer holdings must not exceed 3% per issuer. The City is in compliance with these provisions of the Policy.

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

<u>Trustee/Custodian</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Union Bank	U.S. Treasuries	\$ 3,016,913
Union Bank	U.S. Agencies	4,070,163
Union Bank	CalTrust Investment Pool	58,232,365
Union Bank	Commercial Paper	7,987,200
Union Bank	Corporates	21,967,681
State Treasurer Office	LAIF	35,234,268
San Diego County	Investment Pool	26,463
US Bank	Investment Contract	11,073,932
US Bank	Money Market	9,808,394
Bank of New York Mellon	Money Market	1,654,570
City of Poway	Improvement Bond Act of 1915	124,728

E. Investment in Local Agency Investment Funds

The City's investments with Local Agency Investment Funds ("LAIF") at June 30, 2012, 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

E. Investment in Local Agency Investment Funds, Continued

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, 2012, the City had \$35,234,268 invested in LAIF, which had invested 5.01% 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 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, 2012, the City had \$26,463 invested in the San Diego County Investment Pool.

3. INTERFUND TRANSACTIONS

A. Due To and Due From Other Funds

As of June 30, 2012, balances were as follows:

Due to other funds	Due from other funds	
	General Fund	Total
Governmental Activities:		
Non-major Governmental Funds	\$ 620,472	\$ 620,472
Total	\$ 620,472	\$ 620,472

These balances resulted from loans to cover negative cash balances as of June 30, 2012.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. INTERFUND TRANSACTIONS, Continued

B. Advances To and Advances From Other Funds

Advances to other funds	Advances from other funds		
	Non-major Governmental Funds	Fiduciary Funds	Total
Governmental Activities:			
General Fund	\$ 798,299	\$ 2,641,166	\$ 3,439,466
Housing Authority	-	2,975,307	2,975,307
Non-major Governmental Funds	17,576	2,976,080	2,993,655
Business-Type Activities:			
Water	-	2,085,083	2,085,083
Sewer	214,500	4,898,898	5,113,398
Total	\$ 1,030,375	\$ 15,576,534	\$ 16,606,909

The advances were primarily used for the following:

The City Council authorized various loans to the former Redevelopment Agency, which now reside in the Successor Agency, totaling \$14,876,534 and to other Non-major Government funds totaling \$1,030,375 at various interest rates. The terms of the loans are indefinite. Accrued interest on the loans of \$3,265,706 and \$1,058,999, respectively, are 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 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 loaned \$700,000 to 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 assessment in 2014-15.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

3. INTERFUND TRANSACTIONS, Continued

C. Transfers To and From Other Funds

Transfers for the year ended June 30, 2012, were as follows:

	Transfers Out							Total
	General	City of Poway RDA Debt Service Fund	Housing Authority Fund	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 726,388	\$ 86,650	\$ 33,140	\$ 1,538,451	\$ 2,384,629
City of Poway RDA								
Debt Service Fund	47,610	-	816,063	14,036,357	36,974	325,697	-	15,262,701
Housing Authority Fund	660,292	-	-	744,019	521,271	1,049,725	-	2,975,307
Non-major Governmental Funds	2,305,575	2,331,290	-	-	115,764	115,764	-	4,868,394
Total	\$ 3,013,477	\$ 2,331,290	\$ 816,063	\$ 15,506,765	\$ 760,659	\$ 1,524,326	\$ 1,538,451	\$ 25,491,031

Transfers are primarily used for the following:

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

Summary of changes in capital assets for governmental activities for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Prior Period Adjustments	Additions	Deletions	Reclassification	Transferred to Successor Agency	Balance June 30, 2012
Non-Depreciable Assets:							
Land	\$ 56,203,077	\$ (4,227,874)	\$ -	\$ (32,554)	\$ 3,659,850	\$ (24,431,136)	\$ 31,171,363
Construction in progress	11,674,657	-	1,007,128	(1,690,724)	(10,001,157)	-	989,904
Total non-depreciable assets	67,877,734	(4,227,874)	1,007,128	(1,723,278)	(6,341,307)	(24,431,136)	32,161,267
Depreciable Assets:							
Buildings	64,628,129	-	-	(460,975)	-	(13,075,366)	51,091,788
Improvements other than buildings	6,002,629	-	-	-	478,626	(4,503,217)	1,978,038
Infrastructure	139,805,234	350,000	-	-	5,758,649	(17,125,452)	128,788,431
Machinery and equipment	17,486,579	-	531,606	(1,106,194)	104,032	-	17,016,023
Total depreciable assets, at cost	227,922,571	350,000	531,606	(1,567,169)	6,341,307	(34,704,035)	198,874,280
Less accumulated depreciation:							
Buildings	(25,938,624)	-	(1,714,859)	95,819	-	9,390,520	(18,167,144)
Improvements other than buildings	(1,326,574)	-	(169,169)	-	-	743,388	(752,355)
Infrastructure	(82,292,687)	(140,000)	(3,039,374)	-	-	1,013,296	(84,458,765)
Machinery and equipment	(9,961,878)	-	(1,233,679)	1,106,194	-	-	(10,089,363)
Total accumulated depreciation	(119,519,763)	(140,000)	(6,157,081)	1,202,013	-	11,147,204	(113,467,627)
Total depreciable assets, net	108,402,808	210,000	(5,625,475)	(365,156)	6,341,307	(23,556,831)	85,406,653
Total governmental activities	\$ 176,280,542	\$ (4,017,874)	\$ (4,618,347)	\$ (2,088,434)	\$ -	\$ (47,987,967)	\$ 117,567,920

Governmental activities depreciation expense for capital assets for the year ended June 30, 2012 is as follows:

General government	\$ 1,410,935
Public safety	1,024,959
Public works	3,354,651
Community services	366,536
Total depreciation expense	\$ 6,157,081

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Summary of changes in capital assets for business-type activities for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Deletions	Reclassification	Balance June 30, 2012
Non-Depreciable Assets:					
Land	\$ 76,797	\$ -	\$ -	\$ -	\$ 76,797
Construction in progress	3,311,691	518,961	-	(3,247,062)	583,590
Total non-depreciable assets	3,388,488	518,961	-	(3,247,062)	660,387
Depreciable Assets:					
Buildings	21,076,441	-	-	-	21,076,441
Improvements other than buildings	66,278,839	12,851	-	3,247,062	69,538,752
Machinery and equipment	3,122,054	413,368	(75,851)	-	3,459,571
Total depreciable assets, at cost	90,477,334	426,219	(75,851)	3,247,062	94,074,764
Less accumulated depreciation:					
Buildings	(15,587,258)	(465,738)	-	-	(16,052,996)
Improvements other than buildings	(30,599,255)	(1,927,081)	-	-	(32,526,336)
Machinery and equipment	(2,254,323)	(154,131)	68,466	-	(2,339,988)
Total accumulated depreciation	(48,440,836)	(2,546,950)	68,466	-	(50,919,320)
Total depreciable assets, net	42,036,498	(2,120,731)	(7,385)	3,247,062	43,155,444
Total business-type activities	\$ 45,424,986	\$ (1,601,770)	\$ (7,385)	\$ -	\$ 43,815,831

Business-type activities depreciation expense for capital assets for the year ended June 30, 2012 is as follows:

Water Enterprise Fund	\$ 1,500,055
Sewer Enterprise Fund	1,046,895
Total depreciation expense	\$ 2,546,950

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT

Summary of changes in long-term debt for the year ended June 30, 2012:

	Balance July 1, 2011	Debt Issued	Debt Retired	Transfer to Successor Agency	Balance June 30, 2012	Classification	
						Due Within One Year	Due In More Than One Year
Governmental Activities:							
Tax Allocation Bonds	\$ 228,957,393	\$ -	\$ (1,671,054)	\$ (227,286,339)	\$ -	\$ -	\$ -
Certificates of Participation	20,870,836	-	(895,847)	(2,347,218)	17,627,771	560,000	17,067,771
Notes Payable	2,542,008	105,109	(48,711)	(2,598,406)	-	-	-
Compensated Absences	1,414,248	1,318,221	(1,326,604)	-	1,405,865	1,318,741	87,124
Total governmental activities	\$ 253,784,485	\$ 1,423,330	\$ (3,942,216)	\$ (232,231,963)	\$ 19,033,636	\$ 1,878,741	\$ 17,154,895
Business-Type Activities:							
Revenue Bonds	\$ 1,182,394	\$ -	\$ (213,245)	\$ -	\$ 969,149	\$ 225,000	\$ 744,149
Compensated Absences	266,330	253,658	(228,470)	-	291,518	250,078	41,440
Total business-type activities	\$ 1,448,724	\$ 253,658	\$ (441,715)	\$ -	\$ 1,260,667	\$ 475,078	\$ 785,589

	Balance July 1, 2011	Transfer from City	Debt Issued	Debt Retired	Balance June 30, 2012	Classification	
						Due Within One Year	Due In More Than One Year
Fiduciary Funds:							
Tax Allocation Bonds	\$ -	\$ 227,286,339	\$ -	\$ (4,769,397)	\$ 222,516,942	\$ 6,695,000	\$ 215,821,942
Certificates of Participation	-	2,347,218	-	(2,906)	2,344,312	355,000	1,989,312
Notes Payable	-	2,598,406	74,097	-	2,672,503	-	2,672,503
Total governmental activities	\$ -	\$ 232,231,963	\$ 74,097	\$ (4,772,303)	\$ 227,533,757	\$ 7,050,000	\$ 220,483,757

A. Governmental Activities Long-Term Debt

Tax Allocation Bonds

Tax Allocation Bonds at June 30, 2012, consisted of the following:

	Balance July 1, 2011	Debt Issued	Debt Retired	Transfer to Successor Agency	Balance June 30, 2012	Classification	
						Due Within One Year	Due In More Than One Year
2000 Tax Allocation Bonds	\$ 6,555,000	\$ -	\$ (740,000)	\$ (5,815,000)	\$ -	\$ -	\$ -
2001 Tax Allocation Bonds	71,895,000	-	(670,000)	(71,225,000)	-	-	-
2003 Tax Allocation Bonds	122,540,000	-	(100,000)	(122,440,000)	-	-	-
Bond Premium	2,143,033	-	(109,034)	(2,033,999)	-	-	-
2007 Tax Allocation Bonds	24,620,000	-	(15,000)	(24,605,000)	-	-	-
Bond Premium	1,204,360	-	(37,020)	(1,167,340)	-	-	-
Total Tax Allocation Bonds	\$ 228,957,393	\$ -	\$ (1,671,054)	\$ (227,286,339)	\$ -	\$ -	\$ -

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

Fiduciary Funds Long-Term Debt

	Balance July 1, 2011	Transfer from City	Debt Retired	Balance June 30, 2012	Classification	
					Due Within One Year	Due In More Than One Year
2000 Tax Allocation Bonds	\$ -	\$ 5,815,000	\$ -	\$ 5,815,000	\$ -	\$ 5,815,000
2001 Tax Allocation Bonds	-	71,225,000	(690,000)	70,535,000	2,200,000	68,335,000
2003 Tax Allocation Bonds	-	122,440,000	(3,950,000)	118,490,000	4,465,000	114,025,000
Bond Premium	-	2,033,999	(85,355)	1,948,644	-	1,948,644
2007 Tax Allocation Bonds	-	24,605,000	(15,000)	24,590,000	30,000	24,560,000
Bond Premium	-	1,167,340	(29,042)	1,138,298	-	1,138,298
Total Tax Allocation Bonds	\$ -	\$ 227,286,339	\$ (4,769,397)	\$ 222,516,942	\$ 6,695,000	\$ 215,821,942

2000 Tax Allocation Bonds

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

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

The Redevelopment Agency has pledged a portion of future property tax increment revenue to repay the 2000 Tax Allocation Refunding Bonds. The bonds required 3% of property tax received by both the Redevelopment and Successor Agencies. Total principal and interest remaining on the bond is \$11,899,071 payable through 2033. Future principal and interest payments will be funded by the Redevelopment Property Tax 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. The principal and interest paid for the current year by the Successor Agency amounted to \$167,181 and the total tax revenues reported by the Agency and the Successor Agency were \$21,926,632 and \$16,047,570, respectively. Total principal and interest remaining on the bond is \$11,899,071 payable through 2033.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

2000 Tax Allocation Bonds, Continued

The annual requirements to amortize the bonds outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ -	\$ 334,362	\$ 334,362
2014	-	334,362	334,362
2015	-	334,362	334,362
2016	-	334,362	334,362
2017	-	334,362	334,362
2018-2022	-	1,671,812	1,671,812
2023-2027	375,000	1,671,812	2,046,812
2028-2032	4,405,000	1,023,787	5,428,787
2033	1,035,000	44,850	1,079,850
Total	\$ 5,815,000	\$ 6,084,071	\$ 11,899,071

2001 Tax Allocation Bonds

In July 2001, 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 Agency has pledged a portion of future property tax increment revenue to repay the 2001 Tax Allocation Bonds. The bonds required 13% of property tax received by both the Redevelopment and Successor Agencies. Total principal and interest remaining on the bond is \$115,926,076 payable through 2033. Future principal and interest payments will be funded by the Redevelopment Property Tax 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. The principal and interest paid for the current year by the Successor Agency amounted to \$2,522,068 and the total tax revenues reported by the Agency and the Successor Agency were \$21,926,632 and \$16,047,570, respectively. Total principal and interest remaining on the bond is \$115,926,076 payable through 2033.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

2001 Tax Allocation Bonds, Continued

The annual requirements to amortize the bonds outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 2,200,000	\$ 3,608,461	\$ 5,808,461
2014	2,295,000	3,507,414	5,802,414
2015	2,410,000	3,395,149	5,805,149
2016	2,225,000	3,269,861	5,494,861
2017	2,345,000	3,152,011	5,497,011
2018-2022	12,235,000	13,844,976	26,079,976
2023-2027	20,330,000	10,205,812	30,535,812
2028-2032	22,405,000	4,250,182	26,655,182
2033	4,090,000	157,210	4,247,210
Total	\$ 70,535,000	\$ 45,391,076	\$ 115,926,076

2003 Tax Allocation Bonds

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

The Agency has pledged a portion of future property tax increment revenue to repay the 2003 Tax Allocation Bonds. The bonds required 27% of property tax received by both the Redevelopment and Successor Agencies. Total principal and interest remaining on the bond is \$182,904,313 payable through 2033. Future principal and interest payments will be funded by the Redevelopment Property Tax Trust Fund.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

2003 Tax Allocation Bonds, Continued

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. The principal and interest paid for the current year by the Successor Agency amounted to \$7,026,650 and the total tax revenues reported by the Agency and the Successor Agency were \$21,926,632 and \$16,047,570, respectively. Total principal and interest remaining on the bond is \$182,904,313 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 4,465,000	\$ 6,003,300	\$ 10,468,300
2014	4,695,000	5,824,950	10,519,950
2015	5,010,000	5,614,300	10,624,300
2016	5,225,000	5,352,475	10,577,475
2017	5,490,000	5,079,263	10,569,263
2018-2022	32,110,000	20,770,763	52,880,763
2023-2027	35,940,000	11,204,388	47,144,388
2028-2032	19,850,000	4,351,000	24,201,000
2033	5,705,000	213,874	5,918,874
Total	\$ 118,490,000	\$ 64,414,313	\$ 182,904,313

2007 Tax Allocation Bonds

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

2007 Tax Allocation Bonds, Continued

The Agency has pledged a portion of future property tax increment revenue to repay the 2007 Tax Allocation Bonds. The bonds required 3% of property tax received by both the Redevelopment and Successor Agencies. Total principal and interest remaining on the bond is \$46,608,425 payable through 2033. Future principal and interest payments will be funded by the Redevelopment Property Tax Trust Fund.

The outstanding balance of the bonds in the amount of \$24,605,000 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. The principal and interest paid for the current year by the Successor Agency amounted to \$627,259 and the total tax revenues reported by the Agency and the Successor Agency were \$21,926,632 and \$16,047,570, respectively. Total principal and interest remaining on the bond is \$46,608,425 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 30,000	\$ 1,223,708	\$ 1,253,708
2014	30,000	1,222,628	1,252,628
2015	30,000	1,221,525	1,251,525
2016	30,000	1,220,415	1,250,415
2017	40,000	1,219,188	1,259,188
2018-2022	200,000	6,072,568	6,272,568
2023-2027	1,805,000	6,027,144	7,832,144
2028-2032	18,200,000	3,652,125	21,852,125
2033	4,225,000	159,124	4,384,124
Total	\$ 24,590,000	\$ 22,018,425	\$ 46,608,425

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation

Certificates of Participation at June 30, 2012, consisted of the following:

	Balance July 1, 2011	Debt Issued	Debt Retired	Transfer to Successor Agency	Balance June 30, 2012	Classification	
						Due Within One Year	Due In More Than One Year
2003 Certificates of Participation	\$ 14,890,000	\$ -	\$ (400,000)	\$ -	\$ 14,490,000	\$ 410,000	\$ 14,080,000
Bond Premium	123,517	-	(9,074)	-	114,443	-	114,443
2005 Certificates of Participation	5,800,000	-	(480,000)	(2,335,000)	2,985,000	150,000	2,835,000
Bond Premium	57,319	-	(6,773)	(12,218)	38,328	-	38,328
Total Certificates of Participation	\$ 20,870,836	\$ -	\$ (895,847)	\$ (2,347,218)	\$ 17,627,771	\$ 560,000	\$ 17,067,771

Fiduciary Funds Long-Term Debt

	Balance July 1, 2011	Transfer from City	Debt Retired	Balance June 30, 2012	Classification	
					Due Within One Year	Due In More Than One Year
2005 Certificates of Participation	\$ -	\$ 2,335,000	\$ -	\$ 2,335,000	\$ 355,000	\$ 1,980,000
Bond Premium	-	12,218	(2,906)	9,312	-	9,312
Total Certificates of Participation	\$ -	\$ 2,347,218	\$ (2,906)	\$ 2,344,312	\$ 355,000	\$ 1,989,312

2003 Certificates of Participation

In January 2003, the City issued 2003 Certificates of Participation in the amount of \$17,655,000 for the construction of a City office building. The 2003 Certificates of Participation consisted of \$5,930,000 serial certificates maturing from 2004 through 2011 in annual installments of \$350,000 to \$515,000 and term certificates of \$3,005,000, \$3,830,000 and \$4,890,000 maturing in 2023, 2028 and 2033, respectively. Interest is payable semi-annually on July 1 and January 1 at rates ranging from 3.00% to 5.00%. Certificates maturing on or after January 1, 2018 are subject to optional redemption in whole or in part, on or after January 1, 2017. Certificates maturing on January 1, 2033 are subject to mandatory redemption, without premium, on January 1, 2019. At June 30, 2012, the outstanding balance of the 2003 Certificates of Participation was \$14,490,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation

2003 Certificates of Participation, Continued

The annual requirements to amortize the Certificates of Participation outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 410,000	\$ 716,740	\$ 1,126,740
2014	430,000	700,750	1,130,750
2015	445,000	683,550	1,128,550
2016	470,000	660,188	1,130,188
2017	495,000	635,513	1,130,513
2018-2022	2,860,000	2,788,250	5,648,250
2023-2027	3,650,000	1,997,500	5,647,500
2028-2032	4,655,000	990,000	5,645,000
2033	1,075,000	53,750	1,128,750
Total	\$ 14,490,000	\$ 9,226,241	\$ 23,716,241

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 June 30, 2012, the City's portion of the outstanding balance of the 2005 Certificates of Participation was \$2,985,000.

The Agency portion of the outstanding balance of the Certificates of Participation in the amount of \$2,335,000 was transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

2005 Certificates of Participation, Continued

The annual requirements to amortize the City portion of Certificates of Participation outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 150,000	\$ 125,250	\$ 275,250
2014	155,000	119,325	274,325
2015	160,000	112,338	272,338
2016	165,000	105,744	270,744
2017	175,000	98,712	273,712
2018-2022	975,000	378,056	1,353,056
2023-2027	1,205,000	140,512	1,345,512
Total	\$ 2,985,000	\$ 1,079,937	\$ 4,064,937

The annual requirements to amortize the Successor Agency portion of Certificates of Participation outstanding at June 30, 2012, are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 355,000	\$ 89,281	\$ 444,281
2014	365,000	75,300	440,300
2015	380,000	58,775	438,775
2016	395,000	43,056	438,056
2017	410,000	26,425	436,425
2018-2022	430,000	8,600	438,600
Total	\$ 2,335,000	\$ 301,437	\$ 2,636,437

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Notes Payable

Notes payable at June 30, 2012, consisted of the following:

	Balance July 1, 2011	Debt Issued	Debt Retired	Transfer to Successor Agency	Balance June 30, 2012	Classification	
						Due Within One Year	Due In More Than One Year
Mossy Nissan	\$ 2,542,008	\$ 105,109	\$ (48,711)	\$ (2,598,406)	\$ -	\$ -	\$ -
Total Notes Payable	\$ 2,542,008	\$ 105,109	\$ (48,711)	\$ (2,598,406)	\$ -	\$ -	\$ -

Fiduciary Funds Long-Term Debt

	Balance July 1, 2011	Transfer from City	Debt Issued	Balance June 30, 2012	Classification	
					Due Within One Year	Due In More Than One Year
Mossy Nissan	\$ -	\$ 2,598,406	\$ 74,097	\$ 2,672,503	\$ -	\$ 2,672,503
Total Notes Payable	\$ -	\$ 2,598,406	\$ 74,097	\$ 2,672,503	\$ -	\$ 2,672,503

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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

B. Business-Type Activities Long-Term Debt

Revenue Bonds

Revenue Bonds at June 30, 2012, consisted of the following:

	Balance July 1, 2011	Debt Issued	Debt Retired	Balance June 30, 2012	Classification	
					Due Within One Year	Due In More Than One Year
1995 Revenue Bonds	\$ 1,190,000	\$ -	\$ (215,000)	\$ 975,000	\$ 225,000	\$ 750,000
Bond Discounts	(7,606)	-	1,755	(5,851)	-	(5,851)
Total Revenue Bonds	\$ 1,182,394	\$ -	\$ (213,245)	\$ 969,149	\$ 225,000	\$ 744,149

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, 2012, the outstanding balance of the 1995 Revenue Bonds was \$975,000.

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 \$1,085,964 payable through 2016.

The annual requirements to amortize the bonds outstanding at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 225,000	\$ 47,438	\$ 272,438
2014	235,000	34,788	269,788
2015	250,000	21,450	271,450
2016	265,000	7,288	272,288
Total	\$ 975,000	\$ 110,964	\$ 1,085,964

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

5. LONG-TERM DEBT, Continued

B. *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, 2012, the outstanding balance of governmental activities and business-type activities compensated absences were \$1,405,865 and \$291,518, respectively.

6. ASSESSMENT DISTRICT AND COMMUNITY FACILITIES DISTRICTS BONDS ISSUES

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, 2012, the outstanding balances of December 2009 issuances was \$10,640,000.

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, 2012, the outstanding balance of the bonds was \$220,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

6. ASSESSMENT DISTRICT AND COMMUNITY FACILITIES DISTRICTS BONDS ISSUES, Continued

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, 2012, the outstanding balance of the bonds was \$124,728.

7. RETIREMENT BENEFITS

A. California Public Employees' Retirement Plan (PERS)

Plan Description

The City contributes to the California Public Employees' Retirement System ("PERS"), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. The City has a two tiered retirement plan with PERS for both its Miscellaneous and Safety members. For Miscellaneous members hired on or before December 31, 2011, (Tier 1) the City provides the 2%-at-55 formula with the one year highest compensation option. For Miscellaneous members hired after December 31, 2011, (Tier 2) the City provides the 2%-at-60 formula with the three year highest average compensation option. For Safety members hired on or before December 31, 2011, (Tier 1) the City provides the 3%-at-50 formula with the three year highest average compensation option. For Safety members hired after December 31, 2011, (Tier 2) the City provides the 3%-at-55 formula with the three year highest average compensation option. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy

Active members are required by State statute to contribute 7% if a Miscellaneous member, and 9% if a Safety member, of their annual covered salary. Starting in Fiscal Year 2011-12 the City no longer contributes towards the employee rate, so both Miscellaneous and Safety members contribute the full 7% and 9%, respectively. For the fiscal year, the City's employer required contribution rate for Tier 1 employees was 13.186% for Miscellaneous and 23.091% for Safety, and for Tier 2 employees it was 13.186% for Miscellaneous and 20.308% for Safety.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. RETIREMENT BENEFITS, Continued

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

Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$2,433,129 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 14.45% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as of the valuation date is eighteen years for safety and twenty-four years for miscellaneous employees.

THREE-YEAR TREND INFORMATION FOR PERS

(\$ Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation
	Safety	Miscellaneous	Total		
6/30/2010	\$ 1,097	\$ 1,404	\$ 2,501	100%	\$ -
6/30/2011	\$ 855	\$ 1,292	\$ 2,147	100%	\$ -
6/30/2012	\$ 1,022	\$ 1,411	\$ 2,433	100%	\$ -

Most Recent Actuarial Study – Schedule of Funding Progress

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous							
Employee Group	6/30/2011	\$ 66,319	\$ 78,673	\$ 12,354	84.30%	\$ 11,191	110.39%
Public Safety							
Employee Group	6/30/2011	\$ 34,926	\$ 39,552	\$ 4,626	88.30%	\$ 4,684	98.76%

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. RETIREMENT BENEFITS, Continued

B. Public Agency Retirement Plan (PARS)

Plan Description

The City sponsors the PARS Retirement Enhancement Plan. The plan provides a benefit equal to the 2.7% at 55 plan factor, less the CalPERS 2% at 55 plan factors. For employees hired before March 28, 2008, the benefit applies to City of Poway and all prior CalPERS or reciprocal agency service. For Employees hired between March 28, 2008 and December 31, 2011, the benefit applies only to service with the City of Poway. Employees hired after December 31, 2011, do not receive this benefit. Sample rates are as follows:

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

Funding Policy

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

- Normal cost
- Amortization of the unfunded actuarial accrued liability

Annual Pension Cost

Annual Pension Cost for the year ended June 30, 2012, the City's annual required contribution is \$1,030,564. The required contribution was based on the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.00% investment return (net of administrative expenses), (b) projected salary increases range from 3.25% to 12.65%, based on years of service, and (c) cost-of-living adjustment of 2% per year. Both (a) and (b) included an inflation component of 3.50%. The unfunded actuarial accrued liability is being fresh started and amortization payments are increasing by 3.25% per year over 20 years, with 14 years remaining at June 30, 2010.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

7. RETIREMENT BENEFITS, Continued

B. Public Agency Retirement Plan (PARS), Continued

THREE-YEAR TREND INFORMATION FOR PARS

(\$ Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2010	\$ 1,027	100%	\$ -
6/30/2011	\$ 1,085	100%	\$ -
6/30/2012	\$ 1,031	100%	\$ -

Most Recent Actuarial Study – Schedule of Funding Progress

(\$ Amounts in Thousands)

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

C. Defined Contribution Plan

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

For the year ended June 30, 2012, the City’s payroll covered by the plan was \$641,202. The City made employer contributions of \$492 (0.0767% of current covered payroll), and employees contributed \$47,599 (7.4233% of current covered payroll).

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. REHABILITATION LOAN PROGRAM

A. *The City Loan Programs*

Commercial Rehabilitation Loans

The City has one commercial rehabilitation loan outstanding at June 30, 2012. The original loan amount was \$2,250 and is forgiven at a rate of 20% per year given that all loan covenants are met. 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 outstanding balance at June 30, 2012 is \$450.

B. *The City, Redevelopment Agency 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, 2012 is \$102,307, and the balance of the non-forgivable rehabilitation loans at June 30, 2012 is \$94,068.

BEGIN Program Loans

This program is sponsored by a State of California grant to aid first-time buyers in the purchase of affordable housing in the City of Poway. These loans have a thirty year term with a one percent interest rate. If the property is transferred or sold within five years the loan must be repaid. After five years, if the property is transferred or sold the loan must be assumed by the buyer for the remaining term. At the end of the thirty years the loan must be repaid with principal and interest. Per the grant terms, loan repayments must be re-loaned. Due to the contingent nature of the repayment schedule of these loans, an expenditure is recorded when the loan is made and no receivable is included in the accompanying basic financial statements. The balance of the BEGIN loans, including accrued interest, at June 30, 2012 is \$1,572,778.

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, 2012 is \$4,107,632.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

8. REHABILITATION LOAN PROGRAM, Continued

B. The City, Redevelopment Agency and Housing Authority Loan Programs, Continued

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, 2012 is \$30,566,787.

9. TAX INCREMENT REIMBURSEMENT EXPENDITURES

The tax increment reimbursement expenditures are comprised of pass through payments to other taxing agencies such as the County of San Diego and owner participation agreement payments to developers that funded public improvements within the project area.

10. RISK MANAGEMENT

The City is a member of the California Joint Powers Insurance Authority ("Authority"). The Authority is composed of 123 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.

A. General Liabilities

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claim year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Limit: \$50 million combined single limit per occurrence.

B. Workers' Compensation

The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). Six months after the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Limit: Statutory benefits and \$10 million employers' liability.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

10. RISK MANAGEMENT, Continued

C. Environmental Insurance

The City also participates in the pollution legal liability and remediation legal liability insurance that is administered by the Authority. This policy covers sudden and gradual pollution of scheduled property, streets and storm drains owned by the City. Limit: \$10 million per member, \$50,000 per occurrence self-insured retention.

D. Property Insurance

The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City's property is currently insured accordingly to a schedule of covered property submitted by the City to the Authority. Total all-risk property insurance coverage is \$ 149,643,226. There is a \$5,000 per loss deductible except for earthquake which has a 5% deductible and flood which has a \$100,000 per occurrence deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

E. Fidelity Bonds

The City purchases blanket fidelity bond coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments. At June 30, 2012, no liability was recorded in the accompanying basic financial statements.

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 audited information of the JPA for the fiscal year ended June 30, 2012 is as follows:

Total Assets	\$ 353,369
Total Liabilities	\$ 4,644
Total Equity	\$ 348,725
Total Revenues	\$ 273,676
Total Expenses	\$ 250,570
Net Increase in Fund Equity	\$ 23,106

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

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.

12. PROPERTY TAXES

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

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

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

No allowance for doubtful accounts was considered necessary.

13. CONTINGENT LIABILITIES AND COMMITMENTS

A. Litigation

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

B. Grants

The City participates in a number of programs that are fully or partially funded by grants received from federal, state, and county governments. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor agency. As of June 30, 2012, 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

13. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

C. Construction

Various construction projects were in progress at June 30, 2012 with an estimated cost to complete of approximately \$10,319,435 in all fund types.

D. Stormwater Fees

On October 18, 2011 the City of Poway ceased the imposition and collection of the stormwater fee. In compliance with Proposition 218, the City mailed approximately 36,000 public hearing notices to water, sewer and stormwater customers and property owners in 2007, providing a complete explanation of the proposed stormwater fee. A public hearing was held and 20 written protests were received, which did not constitute a majority protest. At that time staff believed the majority protest process under Proposition 218 was adequate to approve the fee. With the passage of Proposition 26 in November 2010, combined with subsequent court decisions, it now appears that a majority protest process was not sufficient, rather, a simple majority of property owners responding to a mail-in ballot would be required to establish a stormwater fee. Annual revenues from the stormwater fee were approximately \$1.3 million. The cost of the program is now borne by the General Fund. A claims process was established and customers may make claim for the stormwater fees paid during a twelve-month period, and have until October 18, 2012 to file a claim. An expenditure for the total claims exposure was reflected was in June 30, 2011 financial statements.

14. COMMITMENTS UNDER DEVELOPER AGREEMENTS

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

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

15. FUND BALANCES CLASSIFICATION

The City's fund balances at June 30, 2012 are tabulated below by fund types.

	Major Funds			Total
	General Fund	Housing Authority Fund	Other Governmental Fund	
Nonspendable:				
Prepaid Items	\$ 90,942	\$ -	\$ -	\$ 90,942
Inventories	109,806	-	-	109,806
Notes Receivable	10,018,112	-	-	10,018,112
Total nonspendable	<u>10,218,860</u>	<u>-</u>	<u>-</u>	<u>10,218,860</u>
Restricted:				
Capital Projects	-	-	2,768,650	2,768,650
Debt Service Payments	-	-	3,079,313	3,079,313
Drainage	-	-	2,300,232	2,300,232
Fire Protection	-	-	44,703	44,703
Grants	-	-	2,721,235	2,721,235
Housing	-	3,101,776	-	3,101,776
Maintenance Districts	-	-	6,755,600	6,755,600
Parks and Recreation	-	-	395,972	395,972
Streets	-	-	1,761,082	1,761,082
Transportation	-	-	805,296	805,296
Total restricted	<u>-</u>	<u>3,101,776</u>	<u>20,632,083</u>	<u>23,733,859</u>
Committed:				
Economic Stabilization	3,103,633	-	-	3,103,633
Street Maintenance	4,488,540	-	-	4,488,540
Pension Stabilization	2,427,710	-	-	2,427,710
Total committed	<u>10,019,883</u>	<u>-</u>	<u>-</u>	<u>10,019,883</u>
Assigned:				
Capital Projects	489,319	-	-	489,319
Community Relations	791	-	-	791
Contractual Services	25,634	-	-	25,634
Education and Training	315,433	-	-	315,433
Equipment	857	-	-	857
Landscape Maintenance	4,200	-	-	4,200
Library	890,836	-	-	890,836
Parks and Recreation	587,578	-	-	587,578
Printing	1,131	-	-	1,131
Public Safety	86,240	-	-	86,240
Repair and Maintenance	4,264,029	-	-	4,264,029
Traffic Engineering	140	-	-	140
Total assigned	<u>6,666,188</u>	<u>-</u>	<u>-</u>	<u>6,666,188</u>
Unassigned	22,906,009	-	-	22,906,009
Total unassigned	<u>22,906,009</u>	<u>-</u>	<u>-</u>	<u>22,906,009</u>
Total fund balances	<u>\$ 49,810,940</u>	<u>\$ 3,101,776</u>	<u>\$ 20,632,083</u>	<u>\$ 73,544,799</u>

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

16. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the Supreme Court of the State of California (the "Court") upheld the enforceability of legislation that provides for the dissolution of California Redevelopment Agencies, but struck down the Assembly Bill X1 27 which would have provided a means for Redevelopment Agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. As a result of the Court ruling, the dissolution of California Redevelopment Agencies was effective as of January 31, 2012.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California Redevelopment Agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Recognized Obligation Payment Schedule will be allocated to the successor agencies.

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between Redevelopment Agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency as defined in Assembly Bill X1 26.

On January 17, 2012, the City affirmed its intent to retain the housing assets and functions previously performed by the dissolved Agency pursuant to Section 34176(a)(1) of the California Health and Safety Code. At January 31, 2012, the Agency had net assets of \$128,406,347. Accordingly, on February 1, 2012 the City transferred all the Agency assets, net of liabilities, in the amount of \$128,406,347 to the Successor Agency to the Former Poway Redevelopment Agency and all Successor Agency activities were reported in the Fiduciary Funds.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

**16. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY,
Continued**

The transfer of assets and liabilities is summarized as follows:

Balance as of January 31, 2012 (modified accrual basis):	
City of Poway Redevelopment Agency Debt Service Fund	\$ (42,102,694)
Housing Authority Fund	(14,696,333)
Extraordinary loss - Governmental Funds	<u>(56,799,027)</u>
Reconciliation to accrual basis:	
Capital assets	(47,987,967)
Deferred charges	(499,515)
Interest payable	1,460,893
Long-term debt	232,231,963
Total	<u>185,205,374</u>
Balance as of February 1, 2012 (accrual basis)	<u>128,406,347</u>
Extraordinary gain - Government-Wide	<u>\$ 128,406,347</u>

17. PRIOR PERIOD ADJUSTMENTS

During the year the City recorded a prior period adjustment in order to remove capital assets that had been transferred to developers. The effect of the adjustment on the Government-Wide Statement of Activities and Changes in Net Assets is as follows:

	Governmental Activities
Beginning Net Assets, unadjusted	\$ 50,038,022
Prior period adjustment	(4,017,874)
Beginning Net Assets, adjusted	<u>\$ 46,020,148</u>

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2012

18. SUBSEQUENT EVENT

2012 Refunding 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 Authority 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 Authority. The interest with respect to the Certificates is payable on January 1 and July 1 of each year, commencing January 1, 2013.

City of Poway
Comprehensive Annual Financial Report
For the year ended June 30, 2012

Required Supplementary Information (Unaudited)

City of Poway
Required Supplementary Information
For the year ended June 30, 2012

1. BUDGETARY INFORMATION

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

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

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

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

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

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

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

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

Budget Comparison Schedule, General Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 24,412,280	\$ 24,412,280	\$ 26,039,598	\$ 1,627,318
Licenses and permits	419,950	419,950	507,908	87,958
Intergovernmental	475,920	475,920	308,026	(167,894)
Charges for services	913,760	960,380	955,002	(5,378)
Fines and forfeitures	604,600	604,600	554,570	(50,030)
Use of money and property	2,269,990	2,269,990	1,914,679	(355,311)
Developer fees	3,334,940	3,603,690	3,215,116	(388,574)
Other revenues	273,800	273,800	358,593	84,793
Total revenues	<u>32,705,240</u>	<u>33,020,610</u>	<u>33,853,492</u>	<u>832,882</u>
EXPENDITURES:				
Current:				
General government	4,829,486	4,924,596	4,294,425	630,171
Public safety	19,201,837	19,286,837	18,776,174	510,663
Public works	3,351,744	3,351,744	3,198,085	153,659
Development Services	2,412,097	2,706,297	2,807,935	(101,638)
Community services	4,790,896	4,943,716	4,677,086	266,630
Capital outlay	2,058,863	2,207,365	270,706	1,936,659
Total expenditures	<u>36,644,923</u>	<u>37,420,555</u>	<u>34,024,411</u>	<u>3,396,144</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,939,683)</u>	<u>(4,399,945)</u>	<u>(170,919)</u>	<u>4,229,026</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,137,340	3,397,085	2,384,629	(1,012,456)
Transfers out	(1,192,350)	(3,156,222)	(3,013,477)	142,745
Total other financing sources (uses)	<u>(55,010)</u>	<u>240,863</u>	<u>(628,848)</u>	<u>(869,711)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,994,693)</u>	<u>\$ (4,159,082)</u>	<u>(799,767)</u>	<u>\$ 3,359,315</u>
FUND BALANCES:				
Beginning of year			<u>50,610,707</u>	
End of year			<u>\$ 49,810,940</u>	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2012

1. BUDGETARY INFORMATION, Continued

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

Budget Comparison Schedule, Housing Authority Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ 379,270	\$ 379,270	\$ 98,067	\$ (281,203)
Other revenues	45,000	45,000	96,533	51,533
Total revenues	<u>424,270</u>	<u>424,270</u>	<u>194,600</u>	<u>(229,670)</u>
EXPENDITURES:				
Current:				
General government	1,169,264	1,169,264	484,545	684,719
Capital outlay	15,090,150	15,180,150	4,492,299	10,687,851
Total expenditures	<u>16,259,414</u>	<u>16,349,414</u>	<u>4,976,844</u>	<u>11,372,570</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(15,835,144)</u>	<u>(15,925,144)</u>	<u>(4,782,244)</u>	<u>11,142,900</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	7,975,550	10,950,857	2,975,307	(7,975,550)
Transfers out	(1,887,580)	(16,583,913)	(816,063)	15,767,850
Total other financing sources (uses)	<u>6,087,970</u>	<u>(5,633,056)</u>	<u>2,159,244</u>	<u>7,792,300</u>
EXTRAORDINARY ITEMS				
Loss on dissolution of Poway Redevelopment Agency (Note 16)	-	-	(14,696,333)	(14,696,333)
NET CHANGE IN FUND BALANCE	<u>\$ (9,747,174)</u>	<u>\$ (21,558,200)</u>	<u>(17,319,333)</u>	<u>\$ 18,935,200</u>
FUND BALANCES:				
Beginning of year			<u>20,421,109</u>	
End of year			<u>\$ 3,101,776</u>	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2012

2. DEFINED BENEFIT PENSION PLANS

A. California Public Employees' Retirement Plan (PERS)

A schedule of funding progress for the year ended June 30, 2012 including the past three actuarial valuations is presented below.

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
Miscellaneous	6/30/2009	\$ 59,494	\$ 69,735	\$ 10,241	85.31%	\$ 12,754	80.30%
Employee Group	6/30/2010	\$ 62,915	\$ 73,762	\$ 10,847	85.29%	\$ 11,972	90.60%
	6/30/2011	\$ 66,319	\$ 78,673	\$ 12,354	84.30%	\$ 11,191	110.39%
Public Safety							
Employee Group	6/30/2011	\$ 34,926	\$ 39,552	\$ 4,626	88.30%	\$ 4,684	98.76%

The City's safety plan becomes part of a CalPERS Risk Pool for employers with less than 100 active plan members. As part of a cost sharing multiple-employer defined benefits plan, disclosures of the schedule of funding progress is not required. However, CalPERS did provide this information for the June 30, 2011 Actuarial Valuation Date.

B. Public Agency Retirement Services (PARS)

A schedule of funding progress for the year ended June 30, 2012 including the past three actuarial valuations is presented below.

(\$ Amounts in Thousands)

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

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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

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

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

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

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

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

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

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.

Storm Water Management Fund - Used to account for revenues received and expenditures made for the City's storm water pollution prevention program.

Fire Equipment Trust Fund - Used to account for funds that have been set-aside to purchase equipment used by the City's Fire Department.

Public Art Trust Fund - Used to account for funds that have been set-aside to purchase public art for the City of Poway.

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS:

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

DEBT SERVICE FUNDS:

City Debt Service Fund - Used to account for accumulation of resources for the payment of interest and principal of long-term debt.

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.

CIP Fund - Used to account for financing and construction of major capital facilities including infrastructure. Major capital projects include construction of governmental buildings, parks, and infrastructure including streets and roads, and water and sewer.

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2012

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Street Improvement	Drainage
ASSETS					
Cash and investments	\$ -	\$ 26,463	\$ 1,167,849	\$ 3,238	\$ 556,602
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	2,190	20	-	-	63,161
Accounts	-	-	-	-	-
Interest	-	21	-	-	-
Due from other governments and agencies	-	-	151,725	-	5,985
Advances to other funds	-	-	-	1,314,355	1,679,300
Total assets	\$ 2,190	\$ 26,504	\$ 1,319,574	\$ 1,317,593	\$ 2,305,048
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 9,180	\$ 79,892	3,316	\$ 4,816
Due to other funds	-	-	-	69,730	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	723,147	-
Total liabilities	-	9,180	79,892	796,193	4,816
Fund Balances:					
Restricted	2,190	17,324	1,239,682	521,400	2,300,232
Total fund balances	2,190	17,324	1,239,682	521,400	2,300,232
Total liabilities and fund balances	\$ 2,190	\$ 26,504	\$ 1,319,574	\$ 1,317,593	\$ 2,305,048

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue Funds				
	Maintenance Districts	Miscellaneous Grants	Community Development Block Grant	Transportation Development Act	Proposition A
ASSETS					
Cash and investments	\$ 6,813,441	\$ 619,285	\$ 9,922	\$ 530,403	\$ 15,289
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	13,194	-	-	-	-
Accounts	18,961	48,852	-	-	-
Interest	-	-	-	-	-
Due from other governments and agencies	340	314,760	91,882	10,318	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 6,845,936	\$ 982,897	\$ 101,804	\$ 540,721	\$ 15,289
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 90,336	\$ 38,639	\$ 15,388	\$ 6,024	\$ -
Due to other funds	-	288,572	86,416	-	-
Deferred revenue	-	31,378	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	90,336	358,589	101,804	6,024	-
Fund Balances:					
Restricted	6,755,600	624,308	-	534,697	15,289
Total fund balances	6,755,600	624,308	-	534,697	15,289
Total liabilities and fund balances	\$ 6,845,936	\$ 982,897	\$ 101,804	\$ 540,721	\$ 15,289

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue Funds				
	Storm Water Management	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program	Housing In-lieu
ASSETS					
Cash and investments	\$ 66,758	\$ 257,605	\$ 25,189	\$ -	\$ 879,206
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest	-	-	-	-	-
Due from other governments and agencies	-	-	-	176,568	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 66,758	\$ 257,605	\$ 25,189	\$ 176,568	\$ 879,206
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 66,758	\$ 2,295	\$ -	\$ -	\$ -
Due to other funds	-	-	-	175,754	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	66,758	2,295	-	175,754	-
Fund Balances:					
Restricted	-	255,310	25,189	814	879,206
Total fund balances	-	255,310	25,189	814	879,206
Total liabilities and fund balances	\$ 66,758	\$ 257,605	\$ 25,189	\$ 176,568	\$ 879,206

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Special Revenue Fund	Permanent Fund	Debt Service Fund	Capital Projects Funds	
	Habitat In-lieu	Mary Patricia Ross Trust	City Debt Service Fund	Park Improvement	Municipal Improvement
ASSETS					
Cash and investments	\$ 1,216,907	\$ 89,819	\$ 1,731,909	\$ 613,381	\$ 3,791
Cash and investments with fiscal agents	-	-	1,489,636	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Interest	-	-	18	-	-
Due from other governments and agencies	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 1,216,907	\$ 89,819	\$ 3,221,563	\$ 613,381	\$ 3,791
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	142,250	-	-
Advances from other funds	-	-	-	307,228	-
Total liabilities	-	-	142,250	307,228	-
Fund Balances:					
Restricted	1,216,907	89,819	3,079,313	306,153	3,791
Total fund balances	1,216,907	89,819	3,079,313	306,153	3,791
Total liabilities and fund balances	\$ 1,216,907	\$ 89,819	\$ 3,221,563	\$ 613,381	\$ 3,791

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2012

	Capital Projects Funds	Total Other Governmental Funds
	CIP Fund	Funds
ASSETS		
Cash and investments	\$ 2,946,999	\$ 17,574,056
Cash and investments with fiscal agents	-	1,489,636
Receivables:		
Taxes	-	78,565
Accounts	-	67,813
Interest	-	39
Due from other governments and agencies	-	751,578
Advances to other funds	-	2,993,655
Total assets	\$ 2,946,999	\$ 22,955,342
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 182,140	\$ 498,784
Due to other funds	-	620,472
Deferred revenue	-	173,628
Advances from other funds	-	1,030,375
Total liabilities	182,140	2,323,259
Fund Balances:		
Restricted	2,764,859	20,632,083
Total fund balances	2,764,859	20,632,083
Total liabilities and fund balances	\$ 2,946,999	\$ 22,955,342

(Concluded)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2012

	Special Revenue Funds				
	Fire Protection	800 MHz Communication System	Gas Tax	Street Improvement	Drainage
REVENUES:					
Taxes	\$ 626,421	\$ 135,241	\$ 1,462,000	\$ -	\$ 755,220
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Development fees	-	-	-	25,515	6,208
Assessment levied	-	-	-	-	-
Use of money and property	-	150	4,681	-	-
Other revenues	-	-	16,185	-	-
Total revenues	<u>626,421</u>	<u>135,391</u>	<u>1,482,866</u>	<u>25,515</u>	<u>761,428</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	113,559	-	-	-
Public works	-	-	1,746,997	-	633,882
Community services	-	-	-	-	-
Capital outlay	-	-	-	601,280	48,970
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>-</u>	<u>113,559</u>	<u>1,746,997</u>	<u>601,280</u>	<u>682,852</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>626,421</u>	<u>21,832</u>	<u>(264,131)</u>	<u>(575,765)</u>	<u>78,576</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(626,388)	-	-	(1,485,265)	(2,762,436)
Total other financing sources (uses)	<u>(626,388)</u>	<u>-</u>	<u>-</u>	<u>(1,485,265)</u>	<u>(2,762,436)</u>
NET CHANGE IN FUND BALANCE	<u>33</u>	<u>21,832</u>	<u>(264,131)</u>	<u>(2,061,030)</u>	<u>(2,683,860)</u>
FUND BALANCES:					
Beginning of year	2,157	(4,508)	1,503,813	2,582,430	4,984,092
End of year	<u>\$ 2,190</u>	<u>\$ 17,324</u>	<u>\$ 1,239,682</u>	<u>\$ 521,400</u>	<u>\$ 2,300,232</u>

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Special Revenue Funds				
	Maintenance	Miscellaneous	Community	Transportation	Proposition A
	Districts	Grants	Development Block Grant	Development Act	
REVENUES:					
Taxes	\$ 305,036	\$ -	\$ -	\$ -	\$ 688,950
Intergovernmental	-	808,410	202,306	10,318	-
Charges for services	699	-	-	-	-
Development fees	-	-	-	-	-
Assessment levied	1,874,967	-	-	-	-
Use of money and property	38,787	3,659	-	3,275	5,257
Other revenues	22,258	3,948	-	-	-
Total revenues	2,241,747	816,017	202,306	13,593	694,207
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	2,349,664	-	-	5,318	688,950
Community services	-	-	-	-	-
Capital outlay	105,327	695,600	202,306	22,927	16,760
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,454,991	695,600	202,306	28,245	705,710
REVENUES OVER (UNDER) EXPENDITURES	(213,244)	120,417	-	(14,652)	(11,503)
OTHER FINANCING SOURCES (USES):					
Transfers in	309,742	-	-	-	-
Transfers out	-	(100,000)	-	-	-
Total other financing sources (uses)	309,742	(100,000)	-	-	-
NET CHANGE IN FUND BALANCE	96,498	20,417	-	(14,652)	(11,503)
FUND BALANCES:					
Beginning of year	6,659,102	603,891	-	549,349	26,792
End of year	\$ 6,755,600	\$ 624,308	\$ -	\$ 534,697	\$ 15,289

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Special Revenue Funds				
	Storm Water Management	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program	Housing In-lieu
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	235,424	-
Charges for services	484,190	-	-	-	-
Development fees	-	6,369	6,459	-	1,600
Assessment levied	-	-	-	-	-
Use of money and property	-	1,585	145	-	5,411
Other revenues	-	-	-	-	-
Total revenues	<u>484,190</u>	<u>7,954</u>	<u>6,604</u>	<u>235,424</u>	<u>7,011</u>
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	1,461,541	-	-	-	-
Community services	-	-	-	-	1,212
Capital outlay	-	5,479	-	235,424	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	<u>1,461,541</u>	<u>5,479</u>	<u>-</u>	<u>235,424</u>	<u>1,212</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(977,351)</u>	<u>2,475</u>	<u>6,604</u>	<u>-</u>	<u>5,799</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	1,093,291	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	<u>1,093,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>115,940</u>	<u>2,475</u>	<u>6,604</u>	<u>-</u>	<u>5,799</u>
FUND BALANCES:					
Beginning of year	(115,940)	252,835	18,585	814	873,407
End of year	<u>\$ -</u>	<u>\$ 255,310</u>	<u>\$ 25,189</u>	<u>\$ 814</u>	<u>\$ 879,206</u>

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Special Revenue Funds	Permanent Fund	Debt Service Fund	Capital Project Funds	
	Habitat In-lieu	Mary Patricia Ross Trust	City Debt Service Fund	Park Improvement	Municipal Improvement
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Development fees	4,420	-	-	13,686	-
Assessment levied	-	-	-	-	-
Use of money and property	7,495	553	291,722	3,913	23
Other revenues	-	-	-	-	-
Total revenues	11,915	553	291,722	17,599	23
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community services	71	-	-	-	-
Capital outlay	-	-	-	814,609	-
Debt service:					
Principal	-	-	880,000	-	-
Interest and fiscal charges	-	-	968,796	-	-
Total expenditures	71	-	1,848,796	814,609	-
REVENUES OVER (UNDER) EXPENDITURES	11,844	553	(1,557,074)	(797,010)	23
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	1,576,771	-	-
Transfers out	-	-	(1,146,654)	-	-
Total other financing sources (uses)	-	-	430,117	-	-
NET CHANGE IN FUND BALANCE	11,844	553	(1,126,957)	(797,010)	23
FUND BALANCES:					
Beginning of year	1,205,063	89,266	4,206,270	1,103,163	3,768
End of year	\$ 1,216,907	\$ 89,819	\$ 3,079,313	\$ 306,153	\$ 3,791

(Continued)

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2012

	Capital Project Funds	Total Other Governmental Funds
	CIP Fund	Funds
REVENUES:		
Taxes	\$ -	\$ 3,972,868
Intergovernmental	-	1,256,458
Charges for services	-	484,889
Development fees	-	64,257
Assessment levied	-	1,874,967
Use of money and property	636,633	1,003,289
Other revenues	-	42,391
Total revenues	<u>636,633</u>	<u>8,699,119</u>
EXPENDITURES:		
Current:		
General government	1,019,929	1,019,929
Public safety	-	113,559
Public works	-	6,886,352
Community services	-	1,283
Capital outlay	1,030,683	3,779,365
Debt service:		
Principal	-	880,000
Interest and fiscal charges	-	968,796
Total expenditures	<u>2,050,612</u>	<u>13,649,284</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,413,979)</u>	<u>(4,950,165)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	1,888,590	4,868,394
Transfers out	(9,386,022)	(15,506,765)
Total other financing sources (uses)	<u>(7,497,432)</u>	<u>(10,638,371)</u>
NET CHANGE IN FUND BALANCE	<u>(8,911,411)</u>	<u>(15,588,536)</u>
FUND BALANCES:		
Beginning of year	<u>11,676,270</u>	<u>36,220,619</u>
End of year	<u>\$ 2,764,859</u>	<u>\$ 20,632,083</u>

(Concluded)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
City of Poway RDA Debt Service Fund
For the seven months ended January 31, 2012

	Budgeted Amount		Actual	Variance with Final Budget
	Original (1)	Final (1)		
Fund balance, July 1, 2011	\$ 14,289,645	\$ 14,289,645	\$ 14,289,645	\$ -
Resources (inflows):				
Tax increment	39,877,760	39,877,760	21,926,632	(17,951,128)
Use of money and property	701,170	701,170	275,431	(425,739)
Lease revenue	-	-		-
Proceeds from loans	-	-		-
Issuance of debt	180,010	180,010	105,109	(74,901)
Transfers in	1,887,580	1,887,580	15,262,701	13,375,121
Amount available for appropriation	<u>42,646,520</u>	<u>42,646,520</u>	<u>37,569,873</u>	<u>(5,076,647)</u>
Charges to appropriation (outflows):				
Debt service:				
Principal	6,180,000	6,180,000	1,525,000	4,655,000
Interest and fiscal charges	11,678,330	11,678,330	5,851,823	5,826,507
Tax increment reimbursement	7,861,490	12,207,672	48,711	12,158,961
Transfers out	16,926,700	45,025,456	2,331,290	(42,694,166)
Total charges to appropriations	<u>42,646,520</u>	<u>75,091,458</u>	<u>9,756,824</u>	<u>(20,053,698)</u>
Excess of resources over (under) charges to appropriations	<u>-</u>	<u>(32,444,938)</u>	<u>27,813,049</u>	<u>(25,130,345)</u>
Extraordinary item:				
Loss on dissolution of the former Poway Redevelopment Agency	<u>-</u>	<u>-</u>	<u>(42,102,694)</u>	<u>(42,102,694)</u>
Fund balance, June 30, 2012	<u>\$ 14,289,645</u>	<u>\$ (18,155,293)</u>	<u>\$ -</u>	<u>\$ (67,233,039)</u>

(1) This fund was closed as of February 1, 2012. However, the budget was prepared based on a 12-month period ended June 30, 2012.

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Protection Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 2,157	\$ 2,157	\$ 2,157	\$ -
Resources (inflows):				
Taxes	636,000	636,000	626,421	(9,579)
Amount available for appropriation	636,000	636,000	626,421	(9,579)
Charges to appropriations (outflows):				
Transfers out	636,000	636,000	626,388	9,612
Total charges to appropriations	636,000	636,000	626,388	9,612
Excess of resources over (under) charges to appropriations	-	-	33	33
Fund balance, June 30, 2012	\$ 2,157	\$ 2,157	\$ 2,190	\$ 33

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
800 MHz Communication System Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ (4,508)	\$ (4,508)	\$ (4,508)	\$ -
Resources (inflows):				
Taxes	134,000	134,000	135,241	1,241
Use of money and property	500	500	150	(350)
Amount available for appropriation	134,500	134,500	135,391	891
Charges to appropriations (outflows):				
Public safety	70,000	118,800	113,559	5,241
Capital outlay	-	-		-
Debt service:				
Principal				-
Interest and fiscal charges				-
Total charges to appropriations	70,000	118,800	113,559	5,241
Excess of resources over (under) charges to appropriations	64,500	15,700	21,832	6,132
Fund balance, June 30, 2012	\$ 59,992	\$ 11,192	\$ 17,324	\$ 6,132

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 1,503,813	\$ 1,503,813	\$ 1,503,813	\$ -
Resources (inflows):				
Taxes	1,372,420	1,372,420	1,462,000	89,580
Intergovernmental	-	-		-
Charges for services	-	-		-
Use of money and property	7,210	7,210	4,681	(2,529)
Other revenue	-	-	16,185	16,185
Amount available for appropriation	<u>1,379,630</u>	<u>1,379,630</u>	<u>1,482,866</u>	<u>13,656</u>
Charges to appropriations (outflows):				
Public works	<u>1,886,859</u>	<u>1,886,859</u>	<u>1,746,997</u>	<u>139,862</u>
Total charges to appropriations	<u>1,886,859</u>	<u>1,886,859</u>	<u>1,746,997</u>	<u>139,862</u>
Excess of resources over (under) charges to appropriations	<u>(507,229)</u>	<u>(507,229)</u>	<u>(264,131)</u>	<u>153,518</u>
Fund balance, June 30, 2012	<u>\$ 996,584</u>	<u>\$ 996,584</u>	<u>\$ 1,239,682</u>	<u>\$ 153,518</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Street Improvement Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 2,582,430	\$ 2,582,430	\$ 2,582,430	\$ -
Resources (inflows):				
Developers fee	61,720	61,720	25,515	(36,205)
Use of money and property	7,640	7,640	-	(7,640)
Amount available for appropriation	69,360	69,360	25,515	(43,845)
Charges to appropriations (outflows):				
Capital outlay	641,352	641,352	601,280	(40,072)
Transfers out	-	1,485,265	1,485,265	-
Total charges to appropriations	-	1,485,265	2,086,545	(601,280)
Excess of resources over (under) charges to appropriations	69,360	(1,415,905)	(2,061,030)	(645,125)
Fund balance, June 30, 2012	\$ 2,651,790	\$ 1,166,525	\$ 521,400	\$ (645,125)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Drainage Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 4,984,092	\$ 4,984,092	\$ 4,984,092	\$ -
Resources (inflows):				
Taxes	687,380	687,380	755,220	67,840
Intergovernmental	-	-		-
Developer fees	21,000	21,000	6,208	(14,792)
Use of money and property	7,210	7,210	-	(7,210)
Amount available for appropriation	<u>715,590</u>	<u>715,590</u>	<u>761,428</u>	<u>45,838</u>
Charges to appropriations (outflows):				
Public works	617,664	617,664	633,882	(16,218)
Capital outlay	779,480	779,480	48,970	730,510
Transfers out	-	2,762,436	2,762,436	-
Total charges to appropriations	<u>1,397,144</u>	<u>4,159,580</u>	<u>3,445,288</u>	<u>714,292</u>
Excess of resources over (under) charges to appropriations	<u>(681,554)</u>	<u>(3,443,990)</u>	<u>(2,683,860)</u>	<u>760,130</u>
Fund balance, June 30, 2012	<u>\$ 4,302,538</u>	<u>\$ 1,540,102</u>	<u>\$ 2,300,232</u>	<u>\$ 760,130</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Maintenance Districts Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 6,659,102	\$ 6,659,102	\$ 6,659,102	\$ -
Resources (inflows):				
Taxes	299,050	299,050	305,036	5,986
Intergovernmental	-	-		-
Charges for services	-	-	699	699
Assessment levied	1,879,230	1,879,230	1,874,967	(4,263)
Use of money and property	81,930	81,930	38,787	(43,143)
Other revenue	-	-	22,258	22,258
Transfers in	321,110	321,110	309,742	(11,368)
Amount available for appropriation	2,581,320	2,581,320	2,551,489	(29,831)
Charges to appropriations (outflows):				
Public works	2,722,045	2,732,555	2,349,664	(382,891)
Capital outlay	-	119,790	105,327	14,463
Total charges to appropriations	2,722,045	2,852,345	2,454,991	(368,428)
Excess of resources over (under) charges to appropriations	(140,725)	(271,025)	96,498	(398,259)
Fund balance, June 30, 2012	\$ 6,518,377	\$ 6,388,077	\$ 6,755,600	\$ (398,259)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Miscellaneous Grant Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 603,891	\$ 603,891	\$ 603,891	\$ -
Resources (inflows):				
Intergovernmental	219,500	219,500	808,410	588,910
Use of money and property	6,110	6,110	3,659	(2,451)
Other revenue	-	-	3,948	3,948
Amount available for appropriation	<u>225,610</u>	<u>225,610</u>	<u>816,017</u>	<u>590,407</u>
Charges to appropriations (outflows):				
Capital outlay	1,155,501	1,318,080	695,600	622,480
Transfers out	100,000	100,000	100,000	-
Total charges to appropriations	<u>1,255,501</u>	<u>1,418,080</u>	<u>795,600</u>	<u>622,480</u>
Excess of resources over (under) charges to appropriations	<u>(1,029,891)</u>	<u>(1,192,470)</u>	<u>20,417</u>	<u>1,212,887</u>
Fund balance, June 30, 2012	<u>\$ (426,000)</u>	<u>\$ (588,579)</u>	<u>\$ 624,308</u>	<u>\$ 1,212,887</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	171,599	171,599	202,306	30,707
Amount available for appropriation	171,599	171,599	202,306	30,707
Charges to appropriations (outflows):				
Capital outlay	288,447	293,924	202,306	91,618
Total charges to appropriations	288,447	293,924	202,306	91,618
Excess of resources over (under) charges to appropriations	(116,848)	(122,325)	-	122,325
Fund balance, June 30, 2012	\$ (116,848)	\$ (122,325)	\$ -	\$ 122,325

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Transportation Development Act Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 549,349	\$ 549,349	\$ 549,349	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	10,318	5,318
Use of money and property	7,930	7,930	3,275	(4,655)
Amount available for appropriation	12,930	12,930	13,593	663
Charges to appropriations (outflows):				
Public works	-	-	5,318	5,318
Capital outlay	346,395	346,395	22,927	323,468
Total charges to appropriations	346,395	346,395	28,245	318,150
Excess of resources over (under) charges to appropriations	(333,465)	(333,465)	(14,652)	318,813
Fund balance, June 30, 2012	\$ 215,884	\$ 215,884	\$ 534,697	\$ 318,813

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Proposition A Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 26,792	\$ 26,792	\$ 26,792	\$ -
Resources (inflows):				
Taxes	684,570	684,570	688,950	4,380
Use of money and property	1,440	1,440	5,257	3,817
Amount available for appropriation	686,010	686,010	694,207	8,197
Charges to appropriations (outflows):				
Public works	688,950	688,950	688,950	-
Capital outlay	16,760	16,760	16,760	-
Total charges to appropriations	705,710	705,710	705,710	-
Excess of resources over (under) charges to appropriations	(19,700)	(19,700)	(11,503)	8,197
Fund balance, June 30, 2012	\$ 7,092	\$ 7,092	\$ 15,289	\$ 8,197

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Storm Water Management Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ (115,940)	\$ (115,940)	\$ (115,940)	\$ -
Resources (inflows):				
Charges for services	1,448,300	1,448,300	484,190	(964,110)
Transfers in	159,270	1,265,930	1,093,291	(172,639)
Amount available for appropriation	1,607,570	2,714,230	1,577,481	(1,136,749)
Charges to appropriations (outflows):				
Public works	1,647,609	1,647,609	1,461,541	186,068
Debt service:				
Principal				-
Interest and fiscal charges				-
Transfers out	-	-		-
Total charges to appropriations	1,647,609	1,647,609	1,461,541	186,068
Excess of resources over (under) charges to appropriations	(40,039)	1,066,621	115,940	(950,681)
Fund balance, June 30, 2012	\$ (155,979)	\$ 950,681	\$ -	\$ (950,681)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Regional Arterial Traffic Mitigation Special Revenue Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 252,835	\$ 252,835	\$ 252,835	\$ -
Resources (inflows):				
Developers fee	21,230	21,230	6,369	(14,861)
Use of money and property	2,160	2,160	1,585	(575)
Amount available for appropriation	23,390	23,390	7,954	(15,436)
Charges to appropriations (outflows):				
Debt service:				
Principal				-
Interest and fiscal charges				-
Capital outlay	-	60,000	5,479	54,521
Total charges to appropriations	-	60,000	5,479	54,521
Excess of resources over (under) charges to appropriations	23,390	(36,610)	2,475	39,085
Fund balance, June 30, 2012	\$ 276,225	\$ 216,225	\$ 255,310	\$ 39,085

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Fire Protection Impact Fees Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 18,585	\$ 18,585	\$ 18,585	\$ -
Resources (inflows):				
Development fees	2,810	2,810	6,459	3,649
Use of money and property	220	220	145	(75)
Amount available for appropriation	3,030	3,030	6,604	3,574
Excess of resources over (under) charges to appropriations	3,030	3,030	6,604	3,574
Fund balance, June 30, 2012	<u>\$ 21,615</u>	<u>\$ 21,615</u>	<u>\$ 25,189</u>	<u>\$ 3,574</u>

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
BEGIN Program Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 814	\$ 814	\$ 814	\$ -
Resources (inflows):				
Intergovernmental	-	-	235,424	235,424
Amount available for appropriation	-	-	235,424	235,424
Charges to appropriations (outflows):				
Capital outlay	236,356	236,356	235,424	932
Total charges to appropriations	236,356	236,356	235,424	932
Excess of resources over (under) charges to appropriations	(236,356)	(236,356)	-	235,448
Fund balance, June 30, 2012	\$ 814	\$ 814	\$ 814	\$ 814

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Housing In-Lieu Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 873,407	\$ 873,407	\$ 873,407	\$ -
Resources (inflows):				
Development fees	3,000	3,000	1,600	(1,400)
Use of money and property	12,400	12,400	5,411	(6,989)
Amount available for appropriation	15,400	15,400	7,011	(8,389)
Charges to appropriations (outflows):				
Community services	260,691	260,691	1,212	259,479
Total charges to appropriations	260,691	260,691	1,212	259,479
Excess of resources over (under) charges to appropriations	(245,291)	(245,291)	5,799	(267,868)
Fund balance, June 30, 2012	\$ 628,116	\$ 628,116	\$ 879,206	\$ (267,868)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Habitat In-lieu Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 1,205,063	\$ 1,205,063	\$ 1,205,063	\$ -
Resources (inflows):				
Development fees	34,000	34,000	4,420	(29,580)
Use of money and property	16,050	16,050	7,495	(8,555)
Amount available for appropriation	50,050	50,050	11,915	(38,135)
Charges to appropriations (outflows):				
Community services	241	241	71	170
Total charges to appropriations	241	241	71	170
Excess of resources over (under) charges to appropriations	49,809	49,809	11,844	(38,305)
Fund balance, June 30, 2012	\$ 1,254,872	\$ 1,254,872	\$ 1,216,907	\$ (38,305)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Mary Patricia Ross Trust Permanent Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 89,266	\$ 89,266	\$ 89,266	\$ -
Resources (inflows):				
Use of money and property	1,270	1,270	553	(717)
Amount available for appropriation	1,270	1,270	553	(717)
Excess of resources over (under) charges to appropriations	1,270	1,270	553	(717)
Fund balance, June 30, 2012	\$ 90,536	\$ 90,536	\$ 89,819	\$ (717)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
City Debt Service Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 4,206,270	\$ 4,206,270	\$ 4,206,270	\$ -
Resources (inflows):				
Use of money and property	780,120	780,120	291,722	(488,398)
Transfers in	661,980	1,331,600	1,576,771	245,171
Amount available for appropriation	1,442,100	2,111,720	1,868,493	(243,227)
Charges to appropriations (outflows):				
Debt service:				
Principal	880,000	880,000	880,000	-
Interest and fiscal charges	974,080	974,080	968,796	5,284
Transfers out	-	1,176,654	1,146,654	30,000
Total charges to appropriations	1,854,080	3,030,734	2,995,450	35,284
Excess of resources over (under) charges to appropriations	(411,980)	(919,014)	(1,126,957)	(207,943)
Fund balance, June 30, 2012	\$ 3,794,290	\$ 3,287,256	\$ 3,079,313	\$ (207,943)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Park Improvement Capital Project Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 1,103,163	\$ 1,103,163	\$ 1,103,163	\$ -
Resources (inflows):				
Development fees	45,620	45,620	13,686	(31,934)
Use of money and property	10,090	10,090	3,913	(6,177)
Amount available for appropriation	55,710	55,710	17,599	(6,177)
Charges to appropriations (outflows):				
Capital outlay	632,151	822,151	814,609	7,542
Total charges to appropriations	632,151	822,151	814,609	7,542
Excess of resources over (under) charges to appropriations	(576,441)	(766,441)	(797,010)	1,365
Fund balance, June 30, 2012	\$ 526,722	\$ 336,722	\$ 306,153	\$ 1,365

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Municipal Improvement Capital Project Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 3,768	\$ 3,768	\$ 3,768	\$ -
Resources (inflows):				
Use of money and property	50	50	23	(27)
Amount available for appropriation	50	50	23	(27)
Excess of resources over (under) charges to appropriations	50	50	23	(27)
Fund balance, June 30, 2012	\$ 3,818	\$ 3,818	\$ 3,791	\$ (27)

City of Poway
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
CIP Fund
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2011	\$ 11,676,270	\$ 11,676,270	\$ 11,676,270	\$ -
Resources (inflows):				
Use of money and property	631,750	631,750	636,633	4,883
Transfers in	3,593,530	3,593,530	1,888,590	(1,704,940)
Amount available for appropriation	4,225,280	4,225,280	2,525,223	(1,700,057)
Charges to appropriations (outflows):				
General government	2,786,992	2,786,992	1,019,929	1,767,063
Capital outlay	1,993,352	2,297,603	1,030,683	1,266,920
Transfers out	-	8,784,510	9,386,022	(601,512)
Total charges to appropriations	4,780,344	13,869,105	11,436,634	2,432,471
Excess of resources over (under) charges to appropriations	(555,064)	(9,643,825)	(8,911,411)	732,414
Fund balance, June 30, 2012	\$ 11,121,206	\$ 2,032,445	\$ 2,764,859	\$ 732,414

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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 Assets
Internal Service Fund - Vehicle Maintenance Fund
June 30, 2012

ASSETS

Current assets:

Cash and investments	\$ 6,266,333
Accounts receivable	1,547
	6,267,880
Total current assets	6,267,880
Total assets	6,267,880

LIABILITIES

Current liabilities:

Accounts payable	119,739
	119,739
Total current liabilities	119,739

Noncurrent liabilities:

Compensated absences	27,173
	27,173
Total noncurrent liabilities	27,173
Total liabilities	146,912

NET ASSETS

Unrestricted	6,120,968
	6,120,968
Total net assets	\$ 6,120,968

City of Poway
Statement of Activities and Changes in Net Assets
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2012

OPERATING REVENUES:

Charges for services		\$ 2,439,378
Other		<u>111,501</u>
Total operating revenues		<u><u>2,550,879</u></u>

OPERATING EXPENSES:

Personnel services	1,432,456	325,127
Maintenance and operations		<u>793,296</u>
Total operating expenses		<u><u>1,118,423</u></u>

OPERATING INCOME (LOSS)

1,432,456

NONOPERATING REVENUES:

Interest revenue		<u>41,177</u>
Total nonoperating revenues		<u><u>41,177</u></u>

INCOME (LOSS) BEFORE TRANSFERS

1,473,633

TRANSFERS:

Transfers out		<u>(1,538,451)</u>
Total transfers		<u><u>(1,538,451)</u></u>

Changes in net assets

(64,818)

NET ASSETS:

Beginning of year		<u>6,185,786</u>
End of year		<u><u>\$ 6,120,968</u></u>

City of Poway
Statement of Cash Flows
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from users	\$ 2,550,879
Cash payments to employees for services	(325,127)
Cash payments to suppliers of goods or services	(720,388)
	1,505,364
Net cash provided by operating activities	1,505,364

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers out	(1,538,451)
	(1,538,451)
Net cash used in noncapital financing activities	(1,538,451)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on long-term debt	(422)
	(422)
Net cash used in capital and related financing activities	(422)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	41,177
	41,177
Net cash provided by capital and related financing activities	41,177
Net increase in cash and cash equivalents	7,668

CASH AND CASH EQUIVALENTS:

Beginning of year	6,258,665
End of year	\$ 6,266,333

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

Operating income	\$ 1,432,456
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts payable	72,908
Total adjustments	72,908
Net cash provided by operating activities	\$ 1,505,364

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

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

Old Coach Waterline AD No. 2001-1 Bond Deposits Fund - Used to account for debt service payments AD No. 01-1 Bond Deposits collected through property tax assessments remitted to fiscal agent-trustee for payment on bonds.

City of Poway
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2012

	Developer Deposits Fund	South Poway CFD No. 1 Bond Deposits Fund	Parkway Business Centre CFD No. 88-1 Bond Deposits Fund	High Valley Road AD No. 96-1 Bond Deposits Fund	Old Coach Water Line AD No. 2001-1 Bond Deposits Fund	Total Agency Funds
ASSETS						
Cash and investments	\$ 3,261,319	\$ 64,118	\$ 3,621,279	\$ 57,121	\$ 64,340	\$ 7,068,177
Receivables:						
Taxes	-	-	157,651	48	1,962	159,661
Accounts	-	-	700,000	-	-	700,000
Interest	-	-	14	-	-	14
Cash and investments with fiscal agents	-	-	1,654,570	53,750	-	1,708,320
Total assets	\$ 3,261,319	\$ 64,118	\$ 6,133,514	\$ 110,919	\$ 66,302	\$ 9,636,172
LIABILITIES						
Accounts payable	\$ 44,089	\$ -	\$ 990	\$ 4,235	\$ -	\$ 49,314
Deposits	3,217,230	-	-	-	-	3,217,230
Due to bondholders	-	64,118	5,432,524	106,684	66,302	5,669,628
Advances from City of Poway	-	-	700,000	-	-	700,000
Total liabilities	\$ 3,261,319	\$ 64,118	\$ 6,133,514	\$ 110,919	\$ 66,302	\$ 9,636,172

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Developer Deposits Fund</u>				
Assets:				
Cash and investments	\$ 3,448,335	\$ 803,622	\$ (990,638)	\$ 3,261,319
Total assets	\$ 3,448,335	\$ 803,622	\$ (990,638)	\$ 3,261,319
Liabilities:				
Accounts payable	\$ 41,672	\$ 44,089	\$ (41,672)	\$ 44,089
Deposits	3,406,663	759,533	(948,966)	3,217,230
Total liabilities	\$ 3,448,335	\$ 803,622	\$ (990,638)	\$ 3,261,319
<u>South Poway CFD No. 1</u>				
<u>Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 63,720	\$ 398	\$ -	\$ 64,118
Total assets	\$ 63,720	\$ 398	\$ -	\$ 64,118
Liabilities:				
Accounts payable	\$ 63,720	\$ 398	\$ -	\$ 64,118
Total liabilities	\$ 63,720	\$ 398	\$ -	\$ 64,118
<u>Parkway Business Centre</u>				
<u>CFD No. 88-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 3,725,541	\$ 3,500,227	\$ (3,604,489)	\$ 3,621,279
Taxes receivable	7,195	157,651	(7,195)	157,651
Accounts receivable	850,000	-	(150,000)	700,000
Interest receivable	21,363	14	(21,363)	14
Cash and investments with fiscal agent	1,657,123	3,358,300	(3,360,853)	1,654,570
Total assets	\$ 6,261,222	\$ 7,016,192	\$ (7,143,900)	\$ 6,133,514
Liabilities:				
Accounts payable	\$ -	\$ 3,298,160	\$ (3,297,170)	\$ 990
Due to bondholders	5,411,222	3,718,032	(3,696,730)	5,432,524
Advances from City of Poway	850,000	-	(150,000)	700,000
Total liabilities	\$ 6,261,222	\$ 7,016,192	\$ (7,143,900)	\$ 6,133,514

(Continued)

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds, Continued
For the year ended June 30, 2012

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>High Valley Road</u>				
<u>AD No. 96-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 54,154	\$ 57,093	\$ (54,126)	\$ 57,121
Taxes receivable	-	48	-	48
Cash and investments with fiscal agents	53,750	49,844	(49,844)	53,750
Total assets	\$ 107,904	\$ 106,985	\$ (103,970)	\$ 110,919
Liabilities:				
Accounts payable	\$ 4,235	\$ 58,314	\$ (58,314)	\$ 4,235
Due to bondholders	103,669	48,671	(45,656)	106,684
Total liabilities	\$ 107,904	\$ 106,985	\$ (103,970)	\$ 110,919
<u>Old Coach Waterline</u>				
<u>AD No. 2001-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 61,770	\$ 29,524	\$ (26,954)	\$ 64,340
Taxes receivable	976	1,962	(976)	1,962
Total assets	\$ 62,746	\$ 31,486	\$ (27,930)	\$ 66,302
Liabilities:				
Due to bondholders	\$ 62,746	\$ 31,486	\$ (27,930)	\$ 66,302
Total liabilities	\$ 62,746	\$ 31,486	\$ (27,930)	\$ 66,302
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 7,353,520	\$ 4,390,864	\$ (4,676,207)	\$ 7,068,177
Taxes receivable	8,171	159,661	(8,171)	159,661
Accounts receivable	850,000	-	(150,000)	700,000
Interest receivable	21,363	14	(21,363)	14
Cash and investments with fiscal agents	1,710,873	3,408,144	(3,410,697)	1,708,320
Total assets	\$ 9,943,927	\$ 7,958,683	\$ (8,266,438)	\$ 9,636,172
Liabilities:				
Accounts payable	\$ 109,627	\$ 3,400,961	\$ (3,397,156)	\$ 113,432
Deposits	3,406,663	759,533	(948,966)	3,217,230
Due to bondholders	5,577,637	3,798,189	(3,770,316)	5,605,510
Advances from City of Poway	850,000	-	(150,000)	700,000
Total liabilities	\$ 9,943,927	\$ 7,958,683	\$ (8,266,438)	\$ 9,636,172



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**INDEPENDENT AUDITORS' 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**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poway, California ("City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 31, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness [2012-01], as defined previously. The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City's response and, accordingly, we express no opinion on the response.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

This report is intended solely for the information and use of management, the City Council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Paul J. McGeady LLP". The signature is written in a cursive, slightly slanted style.

San Diego, California
January 31, 2013

City of Poway
Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Types of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	2012-01
• Significant deficiency(ies) identified?	None
Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS

Finding: 2012-01 Internal Control Over Financial Reporting

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

City of Poway
Schedule of Findings and Questioned Costs, Continued
For the year ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS, Continued

A. CURRENT YEAR FINANCIAL STATEMENT FINDINGS, Continued

Finding: 2012-01 Internal Control Over Financial Reporting, Continued

Views of Responsible Officials and Planned Corrective Actions:

The City of Poway recently completed a comprehensive analysis of items included on the capital assets list for the former Redevelopment Agency. This exercise prompted an update to the schedule of capital assets in order to ensure items included on the schedule were properly reflected and recorded. To ensure future accuracy, enhancements will be made to the process for reviewing and recording capital assets and transfers, which will primarily include better internal coordination and communication.

B. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No financial statement findings were noted for the year ended June 30, 2011.

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	143
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	150
These schedules contain information to help the reader assess the government's most significant local revenue sources.	
Debt Capacity	156
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	163
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	166
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.

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

	Year Ended <u>June 30, 2012</u>	Year Ended <u>June 30, 2011</u>	Year Ended <u>June 30, 2010</u>	Year Ended <u>June 30, 2009</u>	Year Ended <u>June 30, 2008</u>	Year Ended <u>June 30, 2007</u>	Year Ended <u>June 30, 2006</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 93,097,532	\$ 50,255,141	\$ 46,412,443	\$ 36,713,773	\$ 28,805,157	\$ 21,675,540	\$ 16,728,005
Restricted	24,523,246	70,931,373	78,369,565	99,252,462	101,384,182	99,518,581	98,416,094
Unrestricted - as restated	59,865,964	(71,148,492)	(93,996,026)	(98,283,120)	(95,193,402)	(97,582,504)	(105,519,982)
Total governmental activities net assets	<u>177,486,742</u>	<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>
Business-type activities							
Invested in capital assets, net of related debt	42,846,682	43,976,262	43,508,027	39,127,764	34,657,630	35,055,052	36,472,213
Restricted	279,575	280,450	280,450	280,469	281,531	283,938	283,534
Unrestricted	34,543,173	36,469,136	35,320,341	34,194,395	32,511,666	30,112,939	25,587,312
Total business-type activities net assets	<u>77,669,430</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>
Primary government							
Invested in capital assets, net of related debt	135,944,214	94,231,403	89,920,470	75,841,537	63,462,787	56,730,592	53,200,218
Restricted	24,802,821	71,211,823	78,650,015	99,532,931	101,665,713	99,802,519	98,699,628
Unrestricted	94,409,137	(34,679,356)	(58,675,685)	(64,088,725)	(62,681,736)	(67,469,565)	(79,932,670)
Total primary government net assets	<u>\$ 255,156,172</u>	<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>

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

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

City of Poway
Changes in Net Assets
Current and Prior Six Years
(accrual basis of accounting)

	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	\$ 14,226,478	\$ 17,144,376	\$ 23,947,500	\$ 23,261,446	\$ 18,616,222	\$ 14,559,177	\$ 15,689,334
Public Safety	19,514,321	18,899,606	19,475,481	19,227,914	19,039,199	18,121,264	17,313,198
Public Works	12,484,070	12,622,204	12,595,756	11,213,841	10,607,352	9,100,534	13,023,698
Development Services	2,767,969	2,348,622	4,423,865	5,226,071	5,367,148	4,978,301	
Community Services	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	8,247,159	17,232,642	14,969,311	16,692,399	17,038,330	19,697,044	16,986,839
Total governmental expenses	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	20,652,724	18,143,829	18,226,463	18,697,576	17,534,682	17,371,707	16,009,205
Sewer	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	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	\$ 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	\$ 120,126	\$ 96,397	\$ 91,745	\$ 105,084	\$ 133,893	\$ 176,938	\$ 173,484
Public Safety	2,030,510	2,121,984	2,131,729	2,413,197	2,068,632	2,181,971	2,104,975
Public Works	3,537,666	4,422,522	4,479,896	4,868,530	4,327,217	4,011,644	3,512,623
Development Services	1,049,318	1,584,838	1,332,714	1,388,448	1,522,060	1,451,489	
Community Services	2,160,596	2,111,476	2,821,718	3,033,466	2,935,862	2,894,396	3,908,179
Interest and fiscal charges	-	-	-	-	-	-	-
Operating grants and contributions	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	833,137	1,155,384	1,246,555	2,110,463	5,128,657	2,940,273	3,088,436
Total program revenues	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	20,612,607	18,694,318	17,881,695	16,714,571	16,806,379	16,637,705	15,181,771
Sewer	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	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	\$ 42,405,654	\$ 44,803,280	\$ 46,253,210	\$ 45,111,771	\$ 47,842,343	\$ 44,404,955	\$ 41,714,264
Net (expense)/revenue	(47,596,593)	(65,295,915)	(80,906,034)	(72,072,438)	(66,402,607)	(63,661,309)	(63,536,554)
Governmental activities	(1,113,465)	1,658,262	784,279	(1,342,507)	(31,537)	(697,356)	(2,011,621)
Business-type activities	(48,710,058)	(63,637,653)	(80,121,755)	(73,414,945)	(66,434,144)	(64,358,665)	(65,548,175)
Total primary government net (expense)							

City of Poway
Changes in Net Assets, Continued
Current and Prior Six Years
(accrual basis of accounting)

	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006
General revenues and Other Changes in Net Assets:							
Governmental Activities:							
Taxes:							
Property taxes	\$ 34,713,961	\$ 50,960,736	\$ 51,526,758	\$ 51,190,712	\$ 50,669,452	\$ 48,048,249	\$ 45,725,853
Sales taxes	11,276,884	10,418,322	9,833,390	10,325,455	12,904,265	13,032,518	13,918,879
Motor vehicle license tax	26,685	262,412	150,641	173,673	225,353	273,727	392,240
Transient occupancy tax	462,508	433,934	367,434	247,787	206,323	202,767	190,097
Franchise taxes	1,512,878	1,465,926	1,491,231	1,590,066	1,497,724	1,588,677	1,399,524
Other Taxes	626,421	616,466	629,589	597,880	598,965	596,868	609,982
Total taxes	48,619,337	64,157,796	63,999,043	64,125,573	66,102,082	63,742,806	62,236,575
Investment earnings	1,297,998	5,964,802	8,287,516	9,879,153	10,639,352	10,569,205	8,508,647
Miscellaneous	542,954	512,858	1,251,844	607,387	714,405	3,349,606	2,894,418
Sale/disposal of capital assets	(2,088,434)	13,561,625	-	-	-	-	(11,262)
Transfers	2,284,985	350,874	470,498	147,503	331,088	(12,808)	460,810
Extraordinary Item	128,406,347	-	-	-	-	-	-
Total governmental activities	179,063,187	84,547,955	74,008,901	74,759,616	77,786,927	77,648,809	74,089,188
Business-type activities:							
Property taxes	-	-	-	-	-	-	309,296
Investment earnings	65,593	254,279	463,177	1,987,778	2,283,493	3,038,852	1,157,563
Contributed capital	-	-	4,225,637	4,720,039	-	-	-
Miscellaneous	276,439	55,363	503,595	933,994	78,030	754,566	738,337
Transfers	(2,284,985)	(350,874)	(470,498)	(147,503)	(331,088)	12,808	(460,810)
Total business-type activities	(1,942,953)	(41,232)	4,721,911	7,494,308	2,030,435	3,806,226	1,744,386
Total primary government	\$ 177,120,234	\$ 84,506,723	\$ 78,730,812	\$ 82,253,924	\$ 79,817,362	\$ 81,455,035	\$ 75,833,574
Change in Net Assets							
Governmental activities	\$ 131,466,594	\$ 19,252,040	\$ (6,897,133)	\$ 2,687,178	\$ 11,384,320	\$ 13,987,500	\$ 10,552,634
Business-type activities	(3,056,418)	1,617,030	5,506,190	6,151,801	1,998,898	3,108,870	(267,235)
Total primary government	\$ 128,410,176	\$ 20,869,070	\$ (1,390,943)	\$ 8,838,979	\$ 13,383,218	\$ 17,096,370	\$ 10,285,399

Notes:

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

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

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

	June 30,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund					
Non-spendable	\$ 10,218,860	\$ 10,151,108	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	10,019,883	10,037,638	-	-	-
Assigned	6,666,188	6,466,719	-	-	-
Unassigned	23,330,289	23,955,242	-	-	-
Reserved	-	-	4,647,709	5,561,391	8,478,531
Unreserved:					
Designated	-	-	31,724,737	32,152,754	31,160,911
Undesignated	-	-	-	-	-
Total General Fund	\$ 50,235,220	\$ 50,610,707	\$ 36,372,446	\$ 37,714,145	\$ 39,639,442
All Other Governmental Funds					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	23,733,859	62,455,191	-	-	-
Committed	-	-	-	-	-
Assigned	-	8,564,840	-	-	-
Unassigned	-	(88,658)	-	-	-
Reserved	-	-	51,660,768	62,868,328	55,650,435
Unreserved:					
Designated:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	20,795,704	24,840,402	32,578,654
Undesignated:					
Special revenue funds	-	-	5,913,093	5,982,341	4,676,562
Debt service funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Total all Other Governmental Funds	\$ 23,733,859	\$ 70,931,373	\$ 78,369,565	\$ 93,691,071	\$ 92,905,651
Total Fund Balance	\$ 73,969,079	\$ 121,542,080	\$ 114,742,011	\$ 131,405,216	\$ 132,545,093

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

	June 30,				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General Fund					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	7,538,564	7,389,245	7,885,013	7,581,391	6,907,055
Unreserved:					
Designated	30,375,251	27,539,942	25,115,075	21,827,076	12,325,729
Undesignated	-	-	-	-	8,556,645
Total General Fund	\$ 37,913,815	\$ 34,929,187	33,000,088	29,408,467	27,789,429
All Other Governmental Funds					
Non-spendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	43,663,739	39,477,985	35,478,892	44,761,898	51,282,639
Unreserved:					
Designated:					
Special revenue funds	-	7,760,635	8,816,961	8,175,996	8,613,436
Debt service funds	-	-	-	-	-
Capital projects funds	43,037,658	-	-	-	-
Undesignated:					
Special revenue funds	5,278,620	6,014,938	7,795,241	7,804,756	6,898,403
Debt service funds	-	-	-	-	-
Capital projects funds	-	37,769,191	42,511,597	55,342,242	44,896,736
Total all Other Governmental Funds	\$ 91,980,017	\$ 91,022,749	94,602,691	116,084,892	111,691,214
Total Fund Balance	\$ 129,893,832	\$ 125,951,936	127,602,779	145,493,359	139,480,643

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

	Year Ended June 30,				
	2012	2011	2010	2009	2008
Revenues					
Taxes	\$ 51,939,098	\$ 66,623,806	\$ 67,411,848	\$ 66,062,646	\$ 68,817,462
Licenses and permits	507,908	457,905	433,517	422,948	328,159
Intergovernmental	1,564,484	1,800,145	2,994,005	2,889,804	3,971,720
Charges for services	1,439,891	3,232,221	3,140,274	2,954,967	2,676,329
Fines and forfeitures	554,570	678,468	750,551	852,535	803,552
Use of money and property	3,291,466	7,821,732	12,180,028	14,862,137	15,516,351
Developer Fees	3,279,373	4,516,243	3,711,578	3,897,877	3,780,128
Assessment levied	1,874,967	1,902,409	1,886,300	1,873,179	1,892,326
Other revenues	497,517	729,933	2,228,662	1,013,135	2,568,693
Total revenues	<u>64,949,274</u>	<u>87,762,862</u>	<u>94,736,763</u>	<u>94,829,228</u>	<u>100,354,720</u>
Expenditures					
Current:					
General government	5,798,899	2,680,162	6,056,348	6,733,135	7,252,320
Public safety	18,889,733	18,328,287	18,966,380	18,673,036	18,528,701
Public works	10,084,437	9,990,368	9,943,681	8,566,157	8,009,622
Development services	2,807,935	2,388,077	4,475,943	5,279,297	5,420,200
Community services	4,678,369	9,894,345	9,048,983	9,741,990	12,593,136
Capital outlay	8,542,370	16,818,821	27,639,839	17,981,861	18,354,376
Debt service:					
Principal	2,405,000	6,703,020	7,150,000	6,855,000	6,560,000
Principal-early retirement-sale of capital asset	-	26,720,000	-	-	-
Interest and fiscal charges	6,820,619	17,972,119	14,943,766	16,732,005	17,077,417
Debt Issuance Costs	-	-	-	-	-
Tax shift	-	2,820,770	13,700,882	-	-
Tax increment reimbursements	48,711	5,948,554	2,380,740	6,205,709	5,515,447
Total expenditures	<u>60,076,073</u>	<u>120,264,523</u>	<u>114,306,562</u>	<u>96,768,190</u>	<u>99,311,219</u>
Excess of revenues over (under) expenditures	<u>4,873,201</u>	<u>(32,501,661)</u>	<u>(19,569,799)</u>	<u>(1,938,962)</u>	<u>1,043,501</u>
Other Financing Sources (Uses)					
Proceeds from issuance of debt	105,109	169,930	161,049	154,734	151,285
Refunding bond activity -net	-	-	-	-	-
Proceeds from sale of capital assets	-	38,300,000	-	-	-
Transfers in (out) net	(9,756,222)	831,800	2,745,545	644,351	1,456,475
Total other financing sources	<u>(9,651,113)</u>	<u>39,301,730</u>	<u>2,906,594</u>	<u>799,085</u>	<u>1,607,760</u>
Extraordinary Items					
Loss on dissolution of Poway Redevelopment Agency	(42,795,089)	-	-	-	-
Net change in fund balance	<u>\$ (47,573,001)</u>	<u>\$ 6,800,069</u>	<u>\$ (16,663,205)</u>	<u>\$ (1,139,877)</u>	<u>\$ 2,651,261</u>
Debt service as a percentage of noncapital expenditures	17.9%	22.1%	21.3%	25.8%	26.2%

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

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

	Year Ended June 30,				
	2007	2006	2005	2004	2003
Revenues					
Taxes	\$ 63,810,241	\$ 62,042,614	\$ 55,406,112	\$ 47,368,683	\$ 43,439,827
Licenses and permits	330,755	296,935	288,716	296,984	295,471
Intergovernmental	4,336,767	5,796,558	4,637,517	5,445,572	8,313,394
Charges for services	4,419,664	7,557,159	7,607,467	7,449,929	8,452,248
Fines and forfeitures	720,949	732,633	273,322	251,834	176,291
Use of money and property	16,120,443	13,459,180	13,535,451	8,152,189	11,924,593
Developer Fees	4,509,741	489,210	536,404	1,243,389	1,208,015
Assessment levied	1,868,567	1,845,859	1,835,519	1,816,524	1,825,528
Other revenues	1,389,762	1,157,139	2,525,614	1,473,492	2,007,778
Total revenues	<u>97,506,889</u>	<u>93,377,287</u>	<u>86,646,122</u>	<u>73,498,596</u>	<u>77,643,145</u>
Expenditures					
Current:					
General government	9,614,109	9,552,247	11,114,009	10,668,972	10,178,866
Public safety	17,897,811	16,563,059	17,304,746	15,588,991	13,866,595
Public works	6,556,796	11,338,373	4,865,184	3,966,484	4,246,773
Development services	5,028,405				
Community services	11,877,425	11,884,718	10,671,636	7,569,324	7,373,691
Capital outlay	14,205,962	18,802,010	31,981,651	31,743,517	32,096,700
Debt service:					
Principal	6,470,000	5,875,000	6,706,720	7,875,000	14,192,769
Principal-early retirement-sale of capital asset					
Interest and fiscal charges	17,896,630	17,101,983	16,482,351	15,477,533	18,455,993
Debt Issuance Costs	-	-	255,302	2,765,590	-
Tax shift	-	1,674,851	2,549,564	1,357,911	780,349
Tax increment reimbursements	4,889,025	3,831,350	2,380,488	29,865,057	5,678,795
Total expenditures	<u>94,436,163</u>	<u>96,623,591</u>	<u>104,311,651</u>	<u>126,878,379</u>	<u>106,870,531</u>
Excess of revenues over (under) expenditures	<u>3,070,726</u>	<u>(3,246,304)</u>	<u>(17,665,529)</u>	<u>(53,379,783)</u>	<u>(29,227,386)</u>
Other Financing Sources (Uses)					
Proceeds from issuance of debt	148,273	149,563	8,499,883	156,029,702	17,856,218
Refunding bond activity -net	(184,586)	-	(9,301,120)	(99,094,350)	-
Proceeds from sale of capital assets	-	-	232,168	1,110,603	14,600,000
Transfers in (out) net	907,483	1,445,898	506,234	1,346,544	658,650
Total other financing sources	<u>871,170</u>	<u>1,595,461</u>	<u>(62,835)</u>	<u>59,392,499</u>	<u>33,114,868</u>
Extraordinary Items					
Loss on dissolution of Poway Redevelopment Agency	-	-	-	-	-
Net change in fund balance	<u>\$ 3,941,896</u>	<u>\$ (1,650,843)</u>	<u>\$ (17,728,364)</u>	<u>\$ 6,012,716</u>	<u>\$ 3,887,482</u>
Debt service as a percentage of noncapital expenditures	29.1%	26.4%	27.3%	19.9%	38.9%

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

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

Fiscal Year Ended June 30,	Assessed Value					Net Taxable Value	Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
	Land	Improvements	Personal Property	Total	Exemptions				
2003	2,128,867,560	3,119,821,315	200,414,378	5,449,103,253	(145,945,106)	5,303,158,147	9.95%	5,954,586	0.211%
2004	2,338,197,043	3,315,524,886	190,767,595	5,844,489,524	(171,519,517)	5,672,970,007	6.97%	6,399,317	0.211%
2005	2,611,610,220	3,535,334,922	187,042,681	6,333,987,823	(214,007,737)	6,119,980,086	7.88%	6,895,981	0.211%
2006	2,991,468,898	3,840,250,821	245,308,882	7,077,028,601	(217,368,560)	6,859,660,041	12.09%	7,615,898	0.211%
2007	3,230,084,121	4,191,380,246	278,291,264	7,699,755,631	(229,216,072)	7,470,539,559	8.91%	8,358,741	0.211%
2008	3,525,237,590	4,412,172,141	272,804,881	8,210,214,612	(229,932,712)	7,980,281,900	6.82%	8,939,836	0.211%
2009	3,647,796,486	4,472,160,193	254,000,489	8,373,957,168	(244,967,192)	8,128,989,976	1.86%	9,117,319	0.211%
2010	3,640,861,781	4,548,446,929	288,729,686	8,478,038,396	(261,984,967)	8,216,053,429	1.07%	9,024,247	0.211%
2011	3,606,251,228	4,540,602,915	276,448,124	8,423,302,267	(255,814,376)	8,167,487,891	-0.59%	9,005,230	0.211%
2012	3,638,418,566	4,608,371,669	286,292,343	8,533,082,578	(270,186,598)	8,262,895,980	1.17%	9,212,214	0.211%

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

Source: San Diego County Assessors Office

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

Fiscal Year Ended June 30,	City Direct Rate	Overlapping Rates					Total 1% Property Tax Rate
		Poway Unified School District	San Diego County	Educational Revenue Augmentation Fund	Palomar Community College District	All Other	
2003	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2004	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2005	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2006	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2007	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2008	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2009	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2010	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2011	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2012	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%

Fiscal Year Ended June 30,	Total 1% Property Tax Rate	Rates for Voter Approved Bond Indebtedness			
		City Rate	Poway Unified School District	All Other	Total Property Tax Rate
2003	1.000%	0.010%	0.000%	0.007%	1.018%
2004	1.000%	0.000%	0.052%	0.007%	1.059%
2005	1.000%	0.007%	0.047%	0.006%	1.060%
2006	1.000%	0.007%	0.043%	0.023%	1.072%
2007	1.000%	0.000%	0.046%	0.022%	1.069%
2008	1.000%	0.000%	0.045%	0.032%	1.077%
2009	1.000%	0.000%	0.047%	0.035%	1.082%
2010	1.000%	0.000%	0.055%	0.031%	1.086%
2011	1.000%	0.000%	0.055%	0.042%	1.097%
2012	1.000%	0.000%	0.055%	0.041%	1.096%

In 1978, California voters passed Proposition 13 which resulted in dramatic tax reform as it relates to property tax. Proposition 13 set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. Because the rate is fixed at 1.00%, the rate for each taxing agency shares within the 1.00% does not change materially from year-to-year. Rates over the one percent are for voter approved bond indebtedness

Source: San Diego County Assessors Office

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

	2012			2003		
	Taxable Assessed Secured Value	Rank	% of Total City Assessed Secured Value	Taxable Assessed Secured Value	Rank	% of Total City Assessed Secured Value
	Sorento West Properties	\$ 111,917,705	1	1.31%	-	
Slough Poway I LLC	99,376,759	2	1.16%	-		0.00%
NHP/PMB Pomerado LLC	74,557,218	3	0.87%	-		0.00%
San Miguel Valley Corp	41,193,548	4	0.48%	-		0.00%
Hometown Poway Royal Estates LLC	38,175,000	5	0.45%	-		0.00%
Sysco Food Services	35,010,062	6	0.41%	\$ 26,015,276	3	0.48%
Government Employees Insurance Company	34,070,289	7	0.40%	26,803,707	2	0.49%
Toray Membrane USA Inc	33,167,606	8	0.39%	-		0.00%
Costco Wholesale Corporation	29,850,000	9	0.35%	-		0.00%
Poway Crossings Investors LLC	29,613,238	10	0.35%	-		0.97%
Prudential Insurance	-		-	34,384,000	1	0.63%
Wells Lloyd Elift Trust	-		-	24,752,277	4	0.45%
Resmed Corporation	-		-	24,432,805	5	0.45%
Pomerado Leasing	-		-	23,915,815	6	0.44%
Cohu Inc.	-		-	23,233,715	7	0.43%
PCF Funding Inc.	-		-	22,400,000	8	0.41%
First American Title Insurance Co.	-		-	20,543,741	9	0.38%
Regency Centers LP	-		-	20,492,724	10	0.38%
	<u>\$ 526,931,425</u>		<u>6.18%</u>	<u>\$ 246,974,060</u>		<u>4.53%</u>

Source: San Diego County Assessors Office

City of Poway
Assessed Value of Taxable Property
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						
2003	984,697,076	1,545,545,528	167,042,477	2,697,285,081	(26,741,073)	2,484,256,139	14.78%	25,377,236	1.022%
2004	1,069,060,617	1,644,074,499	157,368,510	2,870,503,626	(40,683,262)	2,643,532,495	6.41%	26,732,816	1.011%
2005	1,190,799,171	1,756,732,835	145,512,135	3,093,044,141	(51,334,639)	2,855,421,633	8.02%	29,031,365	1.017%
2006	1,366,315,823	1,923,849,526	205,148,011	3,495,313,360	(54,732,751)	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)	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)	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)	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)	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)	3,904,410,696	-1.00%	39,482,933	1.011%
2012	1,645,381,909	2,296,714,929	219,462,356	4,161,559,194	(73,438,572)	3,901,832,753	-0.07%	39,526,579	1.013%

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

Source: San Diego County Assessors Office

City of Poway
Redevelopment Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Within The Year of Levy			Collections From Prior Years' Levies	Total Collections
	Current Secured Tax Levy	Current Secured Collected	Percent of Levy Collected		
2003	25,285,115	25,033,065	99.00%	383,654	25,416,719
2004	26,637,504	26,397,127	99.10%	419,490	26,816,617
2005	28,914,339	28,583,331	98.86%	387,359	28,970,690
2006	32,938,833	32,397,596	98.36%	494,520	32,892,116
2007	35,319,838	34,426,834	97.47%	629,698	35,056,532
2008	37,650,893	36,657,780	97.36%	930,938	37,588,718
2009	38,031,377	37,099,651	97.55%	1,465,939	38,565,590
2010	39,609,344	38,592,272	97.43%	1,495,015	40,087,287
2011	39,189,880	38,684,907	98.71%	1,399,870	40,084,777
2012	39,162,627	21,655,038	55.30%	580,773	22,235,811

Source: San Diego County Assessors Office

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

City of Poway
General Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Within The Year of Levy		Cumulative Prior Years of Levy			Total Collections to Date			
	Current Secured Tax Levy	Current Secured Collected	Percent of Levy Collected	Prior Year's Levies	Collections From Prior Year's Levies	Percent of Prior Year's Levies Collected	Total Levies	Total Collections	Percentage
2003	14,461,370	14,250,473	98.54%	323,569	213,996	66.14%	14,784,939	14,464,469	97.83%
2004	14,539,338	14,432,902	99.27%	350,441	252,391	72.02%	14,889,779	14,685,293	98.63%
2005	15,074,377	14,925,461	99.01%	217,086	125,713	57.91%	15,291,463	15,051,174	98.43%
2006	15,924,752	15,669,141	98.39%	265,490	154,006	58.01%	16,190,242	15,823,147	97.73%
2007	16,494,681	16,171,714	98.04%	420,812	269,867	64.13%	16,915,493	16,441,581	97.20%
2008	17,034,013	16,641,698	97.70%	543,797	329,517	60.60%	17,577,810	16,971,215	96.55%
2009	17,295,459	16,805,480	97.17%	674,580	378,562	56.12%	17,970,039	17,184,042	95.63%
2010	16,665,674	16,276,757	97.67%	849,654	490,668	57.75%	17,515,328	16,767,426	95.73%
2011	14,772,947	14,515,679	98.26%	808,521	411,305	50.87%	15,581,468	14,926,983	95.80%
2012	14,976,590	14,752,163	98.50%	702,501	232,773	33.13%	15,679,092	14,984,936	95.57%

Source: San Diego County Assessors Office: Tax Apportionments: Delinquent Secured and Unsecured, Discharged Delinquent Unsecured and Delinquent Unsecured St Unitary

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 years', not the amount related to each fiscal year.

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

Fiscal Year Ended June 30,	Governmental Activities				
	Tax Allocation Bonds	Certificates of Participation	Capital Leases	Loan Payable	General Obligation
2003	211,895,000	58,740,000	150,674	40,572	1,500,000
2004	260,910,000	57,410,000	98,711	1,939,667	1,025,000
2005	256,350,000	55,395,000	43,565	2,120,310	525,000
2006	251,675,000	54,195,000	-	2,169,647	-
2007	247,395,000	52,810,000	-	2,201,788	-
2008	242,280,000	51,365,000	-	2,250,467	-
2009	236,940,000	49,850,000	-	2,282,702	-
2010	231,385,000	48,255,000	-	2,400,513	-
2011	225,610,000	20,690,000	-	2,542,009	-
2012	219,430,000	19,810,000	-	2,672,503	-

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

Source: City of Poway Administrative Services Department

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

Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Revenue Bonds	Capital Leases	Contract Payable			
2,540,000	62,993	5,407	274,934,646	15.49%	5,517
2,400,000	41,268	5,407	323,830,053	16.85%	6,396
2,250,000	18,213	5,407	316,707,495	15.64%	6,250
2,095,000	-	-	310,134,647	14.36%	6,136
1,930,000	-	-	304,336,788	13.48%	5,987
1,760,000	-	-	297,655,467	12.39%	5,825
1,580,000	-	-	290,652,702	12.44%	5,685
1,390,000	-	-	283,430,513	12.22%	5,445
1,190,000	-	-	250,032,009	11.37%	5,192
975,000	-	-	242,887,503	10.59%	5,020

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

Fiscal Year Ended June 30,	Outstanding General Bonded Debt <hr/> Tax Allocation Bonds	Percent of Assessed Value (a)	Per Capita
2003	211,895,000	3.89%	4,252
2004	260,910,000	4.46%	5,153
2005	256,350,000	4.05%	5,059
2006	251,675,000	3.56%	4,980
2007	247,395,000	3.21%	4,867
2008	242,280,000	2.95%	4,741
2009	236,940,000	2.83%	4,634
2010	231,385,000	2.73%	4,445
2011	225,610,000	2.68%	4,685
2012	219,430,000	2.57%	4,535

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, 2012

2011-12 Assessed Valuation:	\$ 8,339,683,820
Redevelopment Incremental Valuation:	3,901,832,753
Adjusted Assessed valuation:	<u>\$ 4,437,851,067</u>

	Debt Outstanding	% Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 196,545,000	0.244%	\$ 479,570
Palomar Community College District	318,573,901	5.713%	18,200,127
Poway Unified School District School Facilities Improvement District No. 2002-1	172,149,320	26.316%	45,302,815
Poway Unified School District School Facilities Improvement District No. 2007-1	178,999,086	26.947%	48,234,884
Escondido Union High School District	101,449,212	0.114%	115,652
San Pasqual Union School District	656,351	2.784%	18,273
Palomar Pomerado Hospital District	479,863,205	8.640%	41,460,181
Poway Unified School District Community Facilities District No. 1	34,890,000	0.391%	136,420
City of Poway Community Facilities District No. 88-1	10,640,000	100.000%	10,640,000
City of Poway 1915 Act Bonds	344,728	100.000%	344,728
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,494,110,803</u>		<u>\$ 164,932,650</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 395,115,000	1.288%	\$ 5,089,081
San Diego County Pension Obligations	787,112,618	1.288%	10,138,011
San Diego County Superintendent of Schools General Fund Obligations	18,750,000	1.288%	241,500
Palomar Community College District Certificates of Participation	5,820,000	5.713%	332,497
Escondido Union High School District Certificates of Participation	60,645,000	0.114%	69,135
Poway Unified School District Certificates of Participation	34,783,991	15.323%	5,329,951
TOTAL OVERLAPPING GENERAL FUND DEBT	<u>\$ 1,302,226,609</u>		<u>\$ 21,200,175</u>
TOTAL OVERLAPPING DEBT	<u>\$ 2,796,337,412</u>		<u>\$ 186,132,825 (b)</u>
<u>DIRECT GENERAL FUND DEBT:</u>			
City of Poway Certificates of Participation	19,810,000	100.000%	19,810,000
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 2,816,147,412</u>		<u>\$ 205,942,825</u>

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.98%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$20,690,000) 0.45%

Combined Total Debt 4.64%

State School Building Aid Repayable as of 6/30/11: \$ -

Notes:

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

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

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

Source: California Municipal Statistics, Inc.

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

	FISCAL YEAR				
	2012	2011	2010	2009	2008
Assessed valuation	\$ 4,437,851,067	\$ 4,340,755,570	\$ 4,350,898,397	\$ 4,394,570,216	\$ 4,310,588,610
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,109,462,767	1,085,188,893	1,087,724,599	1,098,642,554	1,077,647,153
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	166,419,415	162,778,334	163,158,690	164,796,383	161,647,073
Total net debt applicable to limit:					
General obligation bonds	-	-	-	-	-
Legal debt margin	0.00%	0.00%	0.00%	0.00%	0.00%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

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

Source:

City of Poway Administrative Services Department
San Diego County Assessors Office

City of Poway
Legal Debt Margin Information, Continued
Last Ten Fiscal Years

	FISCAL YEAR				
	2007	2006	2005	2004	2003
Assessed valuation	\$ 4,035,420,029	\$ 3,683,578,609	\$ 3,341,441,046	\$ 3,106,118,400	\$ 2,894,214,986
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	1,008,855,007	920,894,652	835,360,262	776,529,600	723,553,747
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	151,328,251	138,134,198	125,304,039	116,479,440	108,533,062
Total net debt applicable to limit:					
General obligation bonds	-	-	243,728	491,401	466,036
Legal debt margin	0.00%	0.00%	0.19%	0.42%	0.43%

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	
2003	26,247,819		2,560,000	11,571,940	14,131,940	1.86
2004	27,665,286		6,545,000	10,953,444	17,498,444	1.58
2005	30,428,470		4,560,000	13,740,175	18,300,175	1.66
2006	34,109,857		4,675,000	12,781,669	17,456,669	1.95
2007	36,011,865		5,085,000	12,328,271	17,413,271	2.07
2008	38,256,892		5,115,000	12,299,556	17,414,556	2.20
2009	38,940,302		5,340,000	12,068,451	17,408,451	2.24
2010	39,377,603		5,555,000	11,877,545	17,432,545	2.26
2011	39,015,261		5,775,000	11,658,142	17,433,142	2.24
2012	21,926,632	16,047,570	6,180,000	11,411,148	17,591,148	2.16

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
2003	49,833	1,775,051,460	35,620	26,400	3.2%
2004	50,632	1,922,243,880	37,965	26,900	2.8%
2005	50,675	2,025,072,272	39,962	27,300	2.5%
2006	50,542	2,159,204,782	42,721	27,400	2.4%
2007	50,830	2,258,376,900	44,430	28,000	2.7%
2008	51,103	2,402,914,163	47,021	28,600	3.5%
2009	51,126	2,336,764,956	45,706	28,100	6.1%
2010	52,056	2,318,838,039	44,545	28,000	6.3%
2011	48,155	2,198,908,930	45,663	27,900	6.2%
2012	48,382	2,292,564,112	47,385	28,600	5.5%

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

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

Employer	2012			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
General Atomics Aeronautical Systems	5,000	1	17.48%			
Geico Direct	1,500	2	5.24%	1,800	1	6.57%
Poway Unified School District	1,322	10	4.62%	758	5	2.77%
Pomerado Hospital	743	3	2.60%	750	6	2.74%
Cohu Inc.	650	4	2.27%			
Sysco Food Services of SD	456	5	1.59%	500	8	1.82%
Digirad Corporation	434	6	1.52%	375	10	1.37%
Core Logic Credco	416	7	1.45%	935	4	3.41%
Walmart	340	8	1.19%			
Mitchell Repair Information Co.	265	9	0.93%			
HNR Framing				1,200	2	4.38%
Delta Design, Inc.				1,000	3	3.65%
Disguise, Inc				600	7	2.19%
Cor-O-Van				400	9	1.46%
Total	11,126		38.90%	8,318		30.36%
Total City Labor Force	28,600			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 Eight Fiscal Years

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

Notes:

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

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

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

Source: City of Poway Human Resources Division

City of Poway
Operating Indicators
Current and Prior Six Years

Function	2012	2011	2010	2009	2008	2007	2006
General government:							
Business registrations issued	1,407	1,317	1,192	942	1,240	1,071	792
Vendor payments processed	7,020	7,063	7,804	8,936	10,230	10,562	10,782
Public Safety:							
Arrests made	1,123	1,145	1,334	1,015	1,052	981	1,898
Fire emergency responses	3,638	3,811	3,691	3,711	3,907	3,460	3,602
Safety Inspections	2,474	2,863	1,606	2,104	4,827	4,024	3,196
Development Services:							
Building permits issued (1)	1,237	1,176	1,144	1,157	1,441	2,740	3,048
Building inspections	5,981	6,126	6,580	7,417	9,280	11,264	11,163
Culture and recreation:							
Performing arts center attendance	59,897	53,249	61,214	68,993	74,420	64,728	67,004
Library-number of holdings in collection	96,000	104,367	125,977	124,977	124,977	124,977	120,628
Library-number of holdings circulated	693,783	765,704	638,494	562,865	545,279	492,501	390,974
Athletic field permits issued	161	152	148	144	140	124	214
Highways and streets:							
Roads resurfaced in square feet	201,968	207,968	290,877	600,000	600,000	200,000	16,000
Roads slurry sealed in square feet	4,563,496	4,369,160	4,369,503	4,980,000	5,000,000	5,000,000	5,000,000
Pot holes repaired/ work orders (2)	1,323	571	193	147	46	36	35
Water:							
Residential water customers	12,523	12,439	12,492	12,458	12,588	12,556	12,530
Commercial water customers	464	496	514	514	510	514	511
Average daily consumption (mg)	9.36	8.99	9.57	11.61	12.82	13.83	13.37
Sewer:							
Residential sewer customers	11,383	11,241	11,225	11,191	11,175	11,180	11,322
Commercial sewer customers	782	770	774	770	771	755	532
Average daily treatment (mg)	3.01	3.27	3.15	3.43	3.24	3.25	3.42

Source:

City of Poway

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

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

City of Poway
Capital Assets Statistics
Current and Prior Six Years

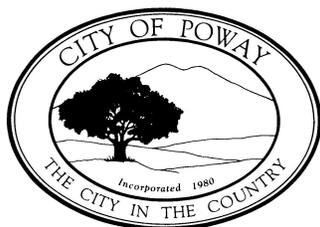
Function	2012	2011	2010	2009	2008	2007	2006
Public Safety:							
Number of fire stations	3	3	3	3	3	3	3
Number of sheriff stations	1	1	1	1	1	1	1
Public works:							
Total number of streetlights	3,073	3,073	3,045	3,045	3,026	2,889	2,874
Signal controlled intersections	55	55	55	55	55	55	53
Health and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

Source:

City of Poway

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

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