

CITY OF POWAY

CALIFORNIA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2011



City of Poway

Poway, California

Comprehensive Annual Financial Report

For the year ended June 30, 2011

PREPARED BY THE CITY OF POWAY, CALIFORNIA

FINANCE DIVISION

City of Poway
Basic Financial Statements
For the year ended June 30, 2011

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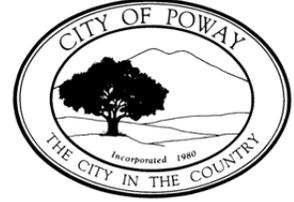
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CITY OF POWAY

DON HIGGINSON, Mayor
JIM CUNNINGHAM, Deputy Mayor
MERRILEE BOYACK, Councilmember
DAVE GROSCH, Councilmember
JOHN MULLIN, Councilmember



January 13, 2012

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, 2011. 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 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 both 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 is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities.

The Poway Housing Authority was established by Resolution of the Poway City Council at a special meeting on March 11, 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 Poway Redevelopment Agency. Its purpose is to assist in financing and refinancing projects for the benefit of the City and the 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 48,155 and covers 39 square miles with elevations ranging from 450 to 2,250 feet above sea level. 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 absorbed existing special districts as of February 1, 1981. The City provides water, sewage collection, fire, paramedic, parks and recreation, planning and building, street maintenance, and redevelopment services. 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 that has the lowest crime rate 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.

Poway has the second highest median household income in San Diego County, at \$105,099 for 2011. Home lots are often larger than in most other areas, with a median sales price of \$385,000 in June 2011. Like many areas of the country, especially in Southern California, the June 2011 median sales price represents a 20.8% decrease from the June 2010 median sales price of \$486,250 but is comparable to the June 2009 median sales price of \$373,500. 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.

Economic Condition and Outlook

While official economic growth indicators confirmed that the recession had officially ended during 2010, the rippling effects of the global recession continued to adversely influence governments, businesses, and households throughout the year. For the City of Poway, continued fiscal challenges meant a concentrated effort to maintain the level of services and programming that the residents of Poway have come to expect. It also meant exercising the discipline to refrain from any new spending outside of the City's core work program.

The City has been additionally challenged by the State's recent efforts to eliminate redevelopment. On June 28, 2011, Governor Brown signed several budget trailer bills to implement the State Budget for Fiscal Year 2011-2012. These bills included AB X1 26, which immediately suspended all new redevelopment activities and dissolved redevelopment agencies effective October 1, 2011, and AB X1 27 that allowed redevelopment agencies to avoid dissolution, if their host cities/counties elected to comply with the alternative redevelopment program and committed to making certain payments to the State beginning in January 2012. Although the City opted to participate in the alternative program and make payments to the State, the California Supreme Court rendered a decision on December 29, 2011 upholding the constitutionality of Assembly Bill X1 26 and striking down AB X1 27. As a result of this decision, the Redevelopment Agency will be replaced by the City of Poway as a successor agency. The successor agency will be governed by an independent oversight board charged with "winding down" the agency's affairs and disposing of all of its assets. The tax increment that the Agency formerly received would continue to be used for servicing the bonded indebtedness of the agency, with the residual being shared among local tax receiving entities in the same manner as the normal property taxes. The City of Poway will see an increase in property taxes, as it shares with other local taxing agencies in the division of the former tax increment. The full fiscal implications of AB X1 26 will be understood in greater clarity as the legislation is implemented.

In anticipation of the Governor's attempt to eliminate redevelopment agencies statewide, the City acted to protect its assets and community interests. In March 2011, the Redevelopment Agency transferred all non-housing related assets to the City and all housing related assets to the newly created Poway Housing Authority through cooperation agreements. Under the terms of the agreements, the City and the Housing Authority agree to respectively carry out the projects and activities of the Agency.

Despite such daunting realities, the City has fundamental reasons for optimism. Its dedicated and tireless employees, well maintained public infrastructure, honored education system, and creative and committed residents will help the City meet the challenges ahead.

The City has made strategic cuts to the General Fund totaling \$3.7 million over the last two years. Additional budgetary savings were achieved when employees began contributing toward their pension costs in FY 2009-10 and increased their contributions in the following fiscal years. By the beginning of FY 2011-12, non-safety employees were contributing 7% of their salaries and safety employees were contributing 9% of their salaries toward pension costs. Additionally, bargaining agreements were in place with all employee groups agreeing to second-tier pension for new employees hired after January 2012. We are proud of the pension reform the City achieved with the collaboration and support of its employees.

General fund revenues for FY 2010-11 came in above midyear projections and realized the first year-over-year increase since FY 2007-08. Operating expenditures came in under budget. From the resulting surplus, the City Council elected to prepay a portion of the City's share of cost increases in the general liability and workers' compensation pool funds. The Council also restored the general fund contribution to the Capital Facilities Fund. Lastly, the Council recognized the need to purchase additional emergency equipment following an extended county-wide power outage in September.

The City plans to continue to assess and evaluate its budget quarterly and will make additional adjustments as necessary to ensure a sustainable budget. Sales tax revenues began to recover in 2011, making increases each quarter from the previous year. Property taxes were not as dramatically affected in the region as they were elsewhere, and have regained their pre-recession levels. The unemployment rate in Poway was 6.1% when measured in March of 2011, about half of the statewide figure at the time.

Long Term Financial Planning: The unassigned general fund balance exceeds the City Council policy minimum (25% of general fund operating expenditures). Additional committed fund balances have been established in the general fund to protect against economic uncertainty (\$3.1 million), to provide pension stabilization (\$2.4 million), and to ensure street maintenance (\$4.5 million).

The City's long term plans include the proposed construction of the Michael P. Cafagna Community Facility and Senior Center in Community Park. Construction costs were originally planned to be financed by the issuance of redevelopment bonds. This financing method may be unavailable, depending on the outcome of a case currently being considered by the California Supreme Court, and future actions by the State of California. When the Community Facility and Senior Center is built, the City of Poway will incur significant new costs to operate and maintain the new facility.

Economic Development: 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. While diversification has helped, the slowdown in the larger economy, including automobile sales, is still reflected in the City's sales tax revenue, when compared to pre-recession years. Declines in local sales tax revenues are generally thought to have "bottomed out" and expectations are for moderate gains to continue over the next few years.

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 third

quarter of 2011. The Park is comprised of approximately 533 businesses, with a workforce of more than 18,000 people. The much anticipated completion of In-N-Out and the addition of approximately 100,000 square feet to the existing Sysco facility highlight recent improvement to the Park. General Atomics is now the largest employer in the Business Park, offering many quality jobs attracting highly skilled and educated employees. The Business Park also attracts businesses in the biotech industry as well as companies in the growing "clean technology" sector. These include companies like Aero-Tech Engineering, Clean Air Power Inc., and the Sea Space Corporation. The industrial leasing market in the Poway Business Park is considered better than the market in the rest of the county.

On January 26, 2011, the City of Poway hosted a Business Summit at the Poway Hampton Inn & Suites in an effort to strengthen Poway's pro-business environment. The event provided a forum for local business leaders to provide direct feedback and suggestions on City services and communications, business-to-business opportunities, marketing, and training and networking strategies. Following the Summit, the City partnered with the Chamber of Commerce to hold a series of focus group meetings centered on manufacturing and distribution businesses, retailers and commercial real estate brokers, and Chief Executive Officers of local businesses. Together, these efforts provided good insight and ideas on how the City can continue to support the Poway business community.

Major Accomplishments

Public Safety: Public safety is managed by the Department of Safety Services through two entities: contract law enforcement with the County of San Diego Sheriff's Department and the City's Fire Department.

The City of Poway remains one of the safest cities in San Diego County. Poway Sheriff deputies continued their aggressive zero-tolerance policy enforcement toward gang-related crimes. Deputies conducted detailed documentation of known gang members and partnered with the District Attorney's Office to ensure gang-related crimes are prosecuted by the District Attorney's Gang Unit. The station recently formed an internal criminal apprehension team to target those individuals identified as significant contributors to Poway crime. "Targeting Known Offenders" (TKO) searches for potential violations of court ordered conditions are one of the many methods the team uses to keep criminals in check. This team is already seeing success through arrests and the seizure of contraband. Members of this multi-faceted team implement the latest intelligence-led policing techniques.

Last year, traffic collisions were reduced through increased traffic enforcement operations. Deputies analyzed crash data and altered work schedules by placing more deputies when and where collisions were most likely to occur. Periodic re-evaluations were conducted by the Sheriff's Crime Analyst to insure resources were focused at the right locations to enhance safety to the public.

Deputies continued their partnership with the Poway Unified School District by providing School Resource Officers and increased student interaction. Several community outreach education presentations on the abuse of Oxycontin and other related drugs were conducted. Deputies offered monthly Smart Start driver safety education presentations targeting new and future-licensed teenage drivers and their parents/guardians. The station also offered a "no questions asked" prescription drug drop box to rid households of medications that were expired or no longer needed.

The Poway Sheriff's Station also used a Juvenile Diversion program for first time traffic offenders. It is education based and helps by establishing a bridge between citizen and community partners. Successful completion of the program eliminates notification of the first time offense to insurance companies and the Department of Motor Vehicles.

A basic, but fundamental, component of reducing crime is prevention. The Poway Sheriff's Station provided the community with the resources and expertise of a Crime Prevention Specialist who is skilled and trained in educating the public on many programs. These include Neighborhood Watch, deterring burglary, residential and commercial security consultations, personal safety, identity theft prevention, senior safety, Internet safety, and the successful City of Poway endorsed program, Crime Free Multi-Housing, which addresses reducing crime in apartment communities.

The Poway Fire Department is an all-risk first responder and Emergency Medical Services transport agency which celebrated 50 years of service in 2011. 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. 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. In 2010, the Poway Fire Department responded to 3,801 emergency responses with approximately 70% of the incidents as Emergency Medical Services (EMS) related.

A new emergency power back-up system was installed at Fire Station #1 and ADA-compliant improvements were completed at Fire Station #1 and Fire Station #2. Two new replacement fire engines were placed in service. The Department upgraded its incident pager system and replaced 33% of the Mobile Data Computers (MDC) in use on fire apparatus. These new MDCs operate at a faster speed and improve emergency incident management, response mapping, and resource allocation. The Department also replaced two EKG heart monitors used by paramedics with the latest in advanced life-saving equipment.

Department personnel completed many projects including the updating of incident response maps, computer use of pre-incident plans, and 1,296 business inspections. In addition, Fire Prevention staff completed 510 permit inspections, 41 apartment inspections, 46 educational and preschool inspections, and 47 engine company referral inspections.

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

Poway's Public Works Department Operations Center (PW DOC) was outfitted with a new computer system and display technologies. The Center has also been configured with computer and communications technology to enable it to operate as a backup site hosting the City's information systems, should that be necessary. The City remains committed to training employees, minimizing risk to the effects of disasters, and providing educational opportunities to community members. Staff received refresher training on the use of WebEOC, AlertSanDiego emergency notification system, Disaster Service Worker, and care and shelter operations. Personnel assigned roles in the EOC and PW DOC participated in two disaster drills/training exercises.

A care and shelter program is maintained with three local faith-based organizations. When combined with the City's Community Park Care and Shelter facility, over 2,400 evacuees may be able to seek temporary care and shelter within Poway. The Department, in partnership with Palomar College, conducted a Community Emergency Response Team (CERT) training course. Forty-one students participated in the 10-week training program. As a result, the Poway CERT program consists of 80 members divided into three separate groups. Last year, Poway CERT members participated in ten training sessions, three community education events, and three county-wide disaster drills.

The City continued to administer the 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.

Community Services: The Department continues to establish new partnerships and foster existing ones in order to provide quality services within the community. For example, staff has worked with the Poway Kiwanis to provide a monthly art program. A local media company, Fun Flicks, sponsored a dive-in movie and movie in the park series. Finally, strong financial sponsorships from both Cox Communications and the Poway Kiwanis club helped the City meet the increased need for PLAY Scholarships, while sponsorship from Sharp Memorial Hospital brought a series of five free outdoor summer concerts in the parks.

The City hosted 22 different community events including: an annual summer concert in the park series, Old Fashioned 4th of July Fireworks, Christmas in the Park, Youth Day at the Pool, Movies in the Park, the Family- Fun series, Art in the Park series, and new this year, Poway WinterFest.

Streamlining of programs and the creation of staffing efficiencies has been a focus this past year. Staff was able to reduce operational costs for programs such as the Lake Poway Day Camp and raise the cost recovery rate for the program to 74%.

Redevelopment: Effective February 1, 2012, as successor agency to the Poway Redevelopment Agency in accordance with the requirements of AB X1 26, the City of Poway and the Housing Authority will carry out the allowable activities and projects of the former Redevelopment Agency.

In an effort to revitalize blighted parcels in the auto district located at the east end of Poway Road, the Poway Redevelopment Agency invested \$3 Million to purchase the vacant Chrysler dealership in September 2010. In turn, the RDA entered into a DDA with Pinnacle Realty of California, LLC which will enable them to relocate its Toyota of Poway operations onto the former Agency-owned property and two adjacent parcels now controlled by the City of Poway as successor agency. Once development of the new site is complete, Pinnacle will have invested approximately \$10.1 million in site acquisition and construction costs. This project received entitlements, with construction expected to begin in early 2012.

The City of Poway as successor agency is responsible for ongoing repair and maintenance of properties previously owned by the Redevelopment Agency. These properties are reviewed regularly to ensure that they are well-maintained and preserved. The Agency acquired a commercial office building located in the Town Center planning area in 2008 with the intention of removing the structure in preparation for the Town Center development. Since that time, the Town Center project has been put on hold due to a downturn in the economy. In order to continue to lease out this property, the City of Poway as successor agency will begin assessing the American with Disability Act (ADA) improvements that will be required. Additionally, the Redevelopment Agency demolished several blighted structures located on agency property during fiscal year 2010-11, including three single family homes and two commercial structures and outbuildings.

In July 2010, the City of Poway sold the 51-acre Poway Royal Estates Mobilehome Park to Hometown America for \$38.3 Million. As a requirement of the sale, Hometown was given 24 months to complete an extensive list of repairs and renovations to the Park totaling over \$1,000,000 including renovation of two clubhouse facilities and recreational areas, road work, drought tolerant landscaping, and other infrastructure improvements. Hometown worked diligently and completed the required work in September 2011, well ahead of the two-year deadline.

Development Services: Staff has been working with SANDAG on the procedures for the next update of the Housing Element of the General Plan and the allocation of the regional housing needs assessment that will establish the number of affordable housing units that must be accommodated in that document. The Housing Element must be adopted by January 2013. The affordable housing overlay zones that will implement the last Housing Element are in process and will be presented to the City Council for adoption in February 2012. These overlay zones will provide the regulatory framework to achieve the affordable housing goals adopted with the Housing Element.

The Oak Knoll area improvements, which began in 2008, were completed in early November 2011. This project included a complete sewer line replacement, new storm drain system, streetscape improvements, installation of landscaping, curb and gutters, sidewalks, and undergrounding of utility lines along Oak Knoll Road. These significant infrastructure improvements now complement the housing renovation of Oak Knoll Villas, and the Orange Gardens affordable apartments which is currently underway. Together, these improvements have made the Oak Knoll neighborhood a safer, more pedestrian friendly and attractive part of our community.

June 2011 was the end of the 15-year amortization period for several non-conforming properties. General Plan Amendments were processed for some of the properties, while the others subject to Proposition FF restrictions were notified that the non-conforming use must terminate in rural residential zones.

As a result of the Business Summit meeting held in January 2011, the City Council directed staff to update the sign regulations in the Municipal Code. City Council workshops and a neighborhood meeting were held and staff has developed recommendations. The proposed Code revisions will be presented to the City Council in early 2012.

New Building Codes were adopted this year as required by the State to implement new "green" building standards. Development entitlements were processed for three major projects: approximately 37,000 square foot expansion of the existing Wal-Mart, a new 152,500 square foot Lowe's home improvement store, and the Toyota dealership relocation. An extensive Environmental Impact Report was processed for the Wal-Mart project. Work on the Community Park Master Plan has resumed with site planning and a schematic design prepared by the City's consultants.

The Department is in the second year of enforcing the Wildfire Defensible Space Program. Of the initial 921 properties identified for vegetation clearing, 607 will remain in the program for annual maintenance. The other 314 properties were removed from the annual requirements because these properties already had the required 100 feet of clearance and do not require annual inspections. Nearly one hundred percent compliance was achieved in 2011.

Major On-Going Initiatives

Energy Efficient Initiatives: A comprehensive energy audit completed in late spring 2010 identified and prioritized recommended energy efficiency improvement projects. Suggested projects included replacement of selected HVAC equipment, interior and exterior lighting fixtures, and the installation of energy monitoring equipment to measure and verify energy savings. Additionally, the audit identified sites best suited for the installation of renewable energy technologies to expand on-site renewable energy generation capacity and reduce the City's energy consumption. Based on the audit results, the City Council authorized moving forward to hire an Energy Services Company to provide design/build services for installation of the recommended energy efficient equipment at several City facilities. Design is anticipated to begin in February 2012, followed by installation in the spring 2012. It is expected that the selected projects will result in a 41.8% energy savings totaling about \$58,000 in annual cost savings. Total project implementation cost is approximately \$269,000 with about \$138,000

funded by Energy Efficiency and Conservation Block Grant (EECBG) monies received through the American Recovery and Reinvestment Act (ARRA), \$35,000 through SDG&E incentives and rebates and \$96,000 from City capital outlay funds.

Additionally, \$50,000 in EECBG funding was approved for a residential rebate program for variable speed pool pumps and for upgrades to residential air conditioning. Poway residents responded with over 70 applying for pool pump rebates in 2011. This number outpaces SDG&E's total regional response of 100 applications last year. The City's program will be in place through June 2012 or until funding is exhausted.

Housing: With the assistance of tax credit financing, a bank construction loan and a Poway Redevelopment Agency contribution, construction began on the new 77-unit affordable apartment complex known as Brighton Place, located on Brighton Avenue near Old Poway Park on Midland Road. The townhome style complex will feature a Craftsman design with ample open space, energy efficient elements and on-site resident services. Construction completion is anticipated in early 2012.

Renovations are underway at Orange Gardens, a 52-unit apartment complex on Oak Knoll Road. In partnership with the Poway Housing Authority, Poway Family Housing Partners, L.P. secured tax exempt bond financing and a Poway Housing Authority loan to make this renovation possible. Improvements will include interior and exterior enhancements along with renovations to the private driveway adjacent to the apartment complex. Once complete, apartments will be available to low income households. Construction is scheduled to be complete in summer 2012.

The Redevelopment Agency, in partnership with local non-profit housing developer Community HousingWorks, rehabilitated the 52-unit Oak Knoll Villas apartment complex on Oak Knoll Road. Rents for this development were permanently converted to affordable rents for low-income households. The final stage of drainage enhancements and landscape upgrades is underway.

A total of 31 Meadows homes have sold, or are in escrow, and expected to close shortly. Two homes remain available at this affordable for-sale housing development. Homes at The Meadows are available to low- and moderate-income households and 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.

Water: California's water supply outlook improved during fiscal year 2010-2011 due to increased precipitation and snowpack in the Sierra Nevada Mountains. Due to significant conservation over the past few years and increased supply, the California Department of Water Resources was able to increase water deliveries to Southern California and Metropolitan Water District (MWD) was able to replenish its storage reservoirs. In April 2011, the City's wholesale water suppliers, MWD and the San Diego County Water Authority (SDCWA) lifted mandatory water restrictions which began on July 1, 2009. The City of Poway discontinued its Level 2 water shortage condition on May 17, 2011.

In June 2011, the City Council adopted the City's 2010 Urban Water Management Plan (UWMP). Water agencies in California are required to prepare UWMPs every five years, projecting water use demand and supply for the next 25 years. Regional water wholesalers like MWD and SDCWA, use data from retail water agency plans to forecast regional water supply and demand. Most significantly, Poway's most recent UWMP addresses a new State of California requirement for mandatory water efficiency, commonly referred to as 20 by 2020, which requires that water agencies throughout California reduce water use by 20% by 2020 based on daily per capita water use. Poway's 2020 target is 215 gallons per capita per day. In 2006, Poway was at 282 gallons per capita per day. Thanks to tremendous effort made by Poway residents and businesses, Poway was at 171 gallons per capita per

day for 2010. In the coming years, it will be important for Poway to maintain an overall reduction in water use.

Water use in Poway during FY 2010-11 is down by 36% compared to FY 2007-08. Water conservation during FY 2010-11 alone decreased consumption by 6% from FY 2009-2010. Cooler weather, the expensive cost of water, and increased water-efficiency awareness are the likely drivers, as well as the mandatory water use restrictions that were in place until May 2011.

Capital Improvement Projects (CIP): There are 10 CIP projects that are under construction, five of which are substantially complete. Some of the major projects that are substantially complete include Oak Knoll Road Improvements, High Valley Pump Station and St. Andrews Pump Station. Projects under construction include Arbolitos Sports Field Renovation and Lights, High Valley Waterline Replacement, and Old Winery Sewer Pipeline Replacement. There are 10 CIP projects that were completed including Veterans Park, Highlands Ranch Pump Station, and the Water Treatment Plant Launder Replacement.

There are currently three projects, Valle Verde Traffic Calming and Solera Way Sidewalk, ADA Barrier Removal Old Poway Park, and Old Poway Park Maintenance Project, which are in the pre-construction phase. These projects have a combined construction cost estimate of \$526,000.

There are 20 CIP projects totaling approximately \$7.8 million that are in various stages of design. It is expected that construction on most of these will begin within the next two years. Some of the major projects currently being designed are the Sewer Master Plan Update, the Drainage Master Plan, the Corrugated Metal Pipe Study, the Rattlesnake Creek Stream Bank Stabilization project, the Water Treatment Plant Corrosion Repair project, and the Clearwell Redundant Pipeline.

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, 2010. 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.

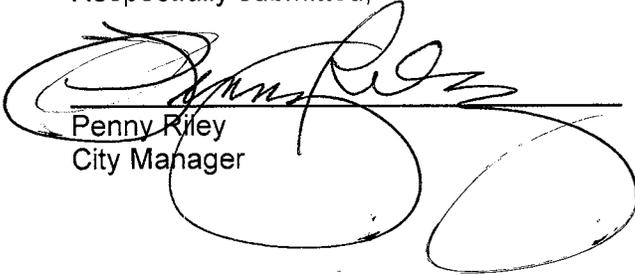
Acknowledgments

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

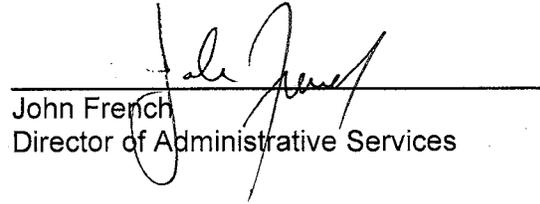
Weston, Senior Accountant; Debra Oestreich, Senior Accountant; and the entire Finance Division staff. Their yearlong hard work and dedication have made this report possible.

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



John French
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

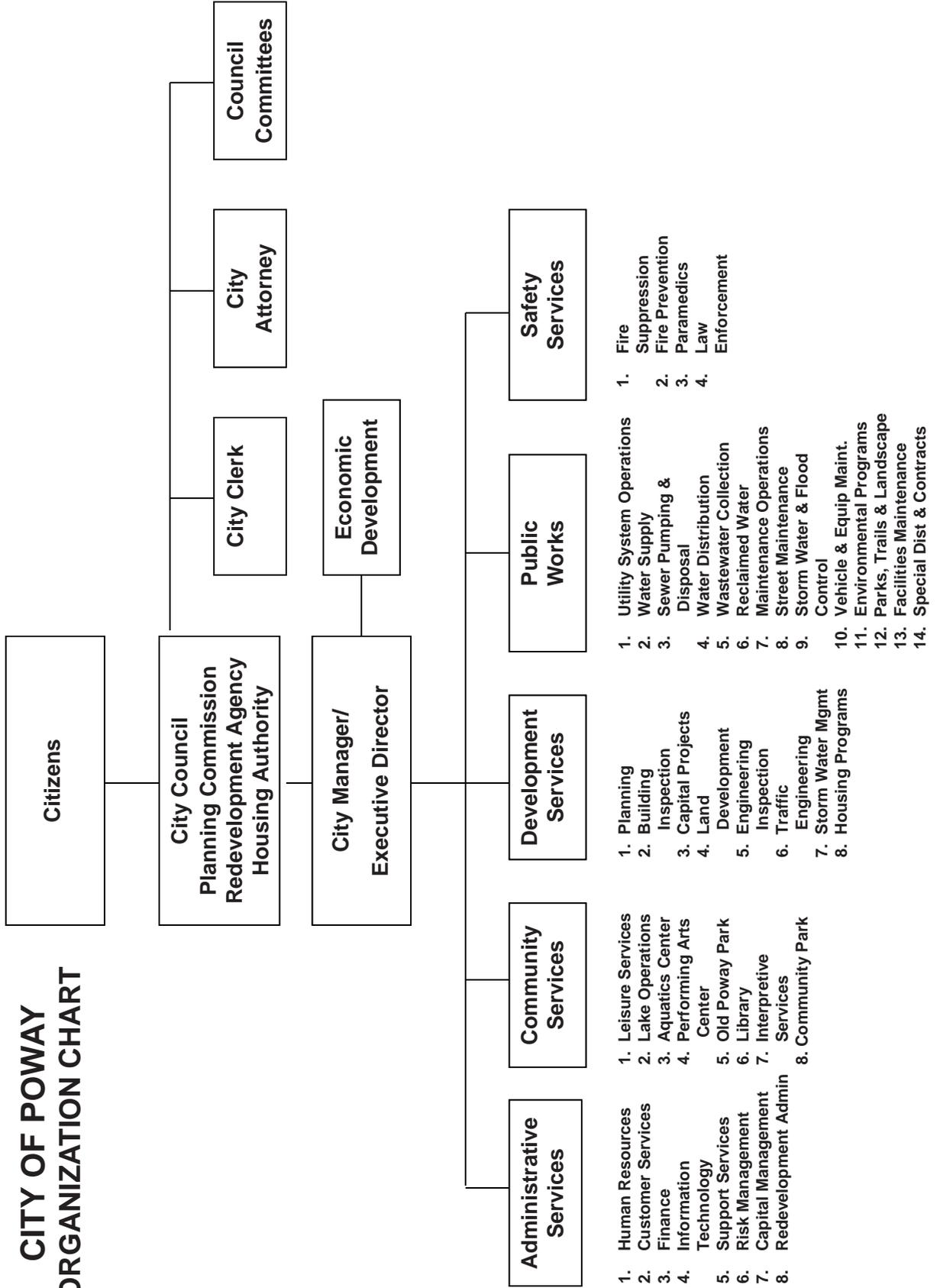
Penny Riley
Morgan Foley
Linda Troyan

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
John French
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, 2010

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.



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

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, 2011, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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, 2011, 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.

The accompanying financial statements have been prepared assuming that the Development Agency, a component unit of the City, will continue as a going concern. As discussed in Note 19 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 California redevelopment agencies. The full impact of this most recent development is not known at this time. These recent legislative and judicial actions raise substantial doubt about the ability of this agency and all redevelopment agencies in the State of California to continue as a going concern. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

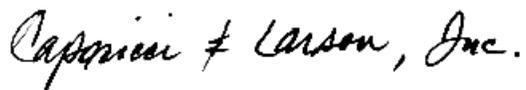
To the Honorable Mayor and Members of the City Council
of the City of Poway
Poway, California
Page 2

The City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and governmental Fund Type Definitions*, as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2012 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 schedule, and schedules of funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
January 13, 2012

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, 2011. 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 18.99% to \$130,764 as a result of the sale of the Poway Royal Mobilehome Park and of this year's operations.
- During the year, the City's revenues including program revenues, taxes, other governmental revenues exceeded governmental and business-type activity expenses by \$20,869, again primarily due to the sale of the Poway Royal Mobilehome Park and current year operations.
- The total revenues from all sources were \$129,310.
- The total cost of all City programs was \$108,441.
- Governmental net assets were \$50,038.
- Business-Type net assets were \$80,726.
- The General Fund reported excess revenues over expenditures and other financing uses of \$12,719.
- Actual revenues received in the General Fund were more than the final budget by \$2,091 while actual expenditures were \$5,736 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 \$23,955 or 73% of total General Fund expenditures (excluding other financing uses).

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are accounted for regardless of when cash is received or paid.

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

health is improving or deteriorating. However, it is important to consider other nonfinancial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

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

- Governmental activities - All of the City's basic services are considered to be governmental activities, including general government, public safety, public works, and community services. Property taxes, sales taxes, motor vehicle license fees and franchise fees finance most of these activities.
- Proprietary activities/Business-type activities - The City charges a fee to customers to cover all or most of the cost of the services provided. The City's Water and Sewer systems are reported in this category.
- Component units - The City's governmental activities include the blending of two separate legal entities: the Poway Redevelopment Agency and the Poway Housing 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 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-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets:						
Current and other assets	\$ 139,186	\$ 127,520	\$ 39,331	\$ 37,862	\$ 178,517	\$ 165,382
Capital assets	176,281	199,065	45,425	44,889	221,706	243,954
Total assets	315,467	326,585	84,756	82,751	400,223	409,336
Liabilities:						
Long-term debt outstanding	253,784	287,223	1,449	1,662	255,233	288,885
Other liabilities	11,645	8,576	2,581	1,980	14,226	10,556
Total liabilities	265,429	295,799	4,030	3,642	269,459	299,441
Net assets:						
Invested in capital assets, net of debt	50,255	46,412	43,976	43,226	94,231	89,638
Restricted	70,931	78,370	280	280	71,211	78,650
Unrestricted	(71,148)	(93,996)	36,470	35,603	(34,678)	(58,393)
Total net asset:	\$ 50,038	\$ 30,786	\$ 80,726	\$ 79,109	\$ 130,764	\$ 109,895

The City's combined net assets for the fiscal year ended June 30, 2011, were \$130,764. The City has chosen to account for its water and sewer operations as enterprise funds, which is shown as Business Activities on Table 1. The City's net assets for governmental activities increased 62.5% from \$30,786 to \$50,038. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets increased \$11,667, or 9.2% principally due to an increase in notes receivable for a new \$10 million note related to the sale of the Poway Royal Mobilehome Park.
- Capital assets decreased \$22,785 (net of depreciation and disposition) as detailed in Table 4. This decrease was also primarily related to the sale of the Poway Royal Mobilehome Park which had a value net of depreciation of \$22 million.
- Governmental long-term debt decreased \$33,441. The decrease is primarily due to the retirement of the Poway Royal bonds that had a remaining balance of \$26,720 with the remainder related to scheduled principal payments. (See Table 5 for additional detail.)
- Other liabilities increased by a net \$3.1 million. The increase was related to higher payments by the Redevelopment Agency for tax sharing and owner participation payments being accrued at June 30, 2011. A major factor in the calculation of these

payments is the Supplemental Educational Revenue Augmentation Fund payment which was reduced from \$13.7 million in fiscal year 2009-10 to \$2.8 million in fiscal year 2010-11 and resulted in an increase in those payments as compared to the prior year.

- Invested in capital assets net of debt increased \$3.8 due to the amortization of debt and additions not funded by debt.
- Restricted net assets decreased by \$7,438, or 9.5%, again due to the sale of the Poway Royal Mobilehome Park and expenditures on capital projects.
- 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 \$22.8 million, or 24.0%, primarily due to current year operations.

Governmental Activities

The cost of all Governmental activities this year was \$82,646 as shown on Table 2 and 2.1. Of this cost, \$10,337 was paid for by those who directly benefited from the programs, \$7,013 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$84,548 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$17,350. Items of significance within Table 2 are:

Revenues:

- Charges for services decreased by 4.8% primarily due to the Community Services decrease related to the Sale of Poway Royal Mobilehome Park.
- Grants and contributions decreased by 20.9% primarily because of decreased funding for street maintenance, decreased use of housing related grants and fewer federally funded projects.
- The General Revenue category increased 14.2% primarily due to the gain on the sale of the Poway Royal Mobilehome Park and increases in sales tax.

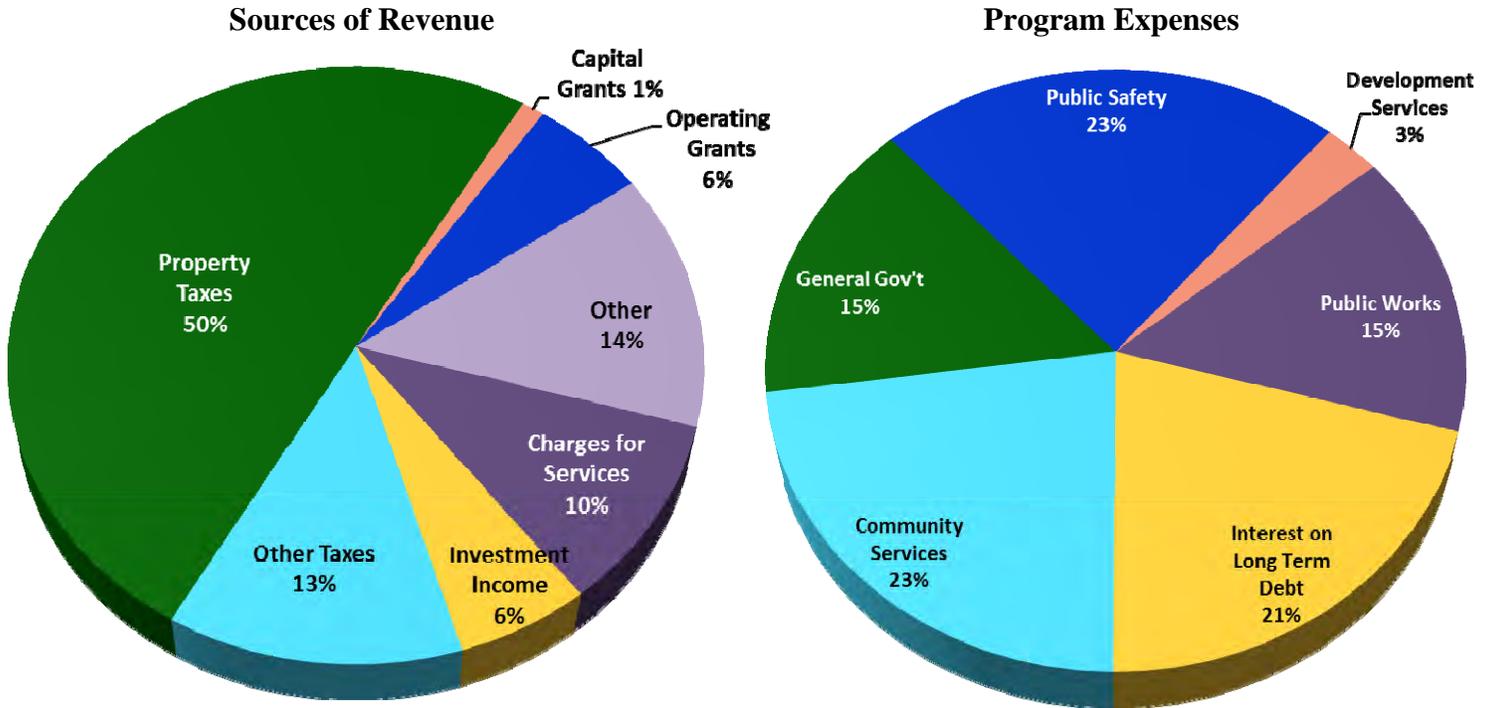
Expenses:

- General Government Expenses decreased \$6.8 million or 28.4%. The decrease was the net result of reduced administrative expenditures and a decrease in spending on projects for which financial assistance was provided, but that were not capitalized.
- The Public Safety line decreased by 3.0%. There were no significant changes in this category just slight decrease in law enforcement and fire suppression.
- Public Works had a small .21% increase in expenses. There were no significant changes in this category.
- The Development Services department decreased by \$2.1 million, or 46.9%. The decrease was caused because of reduced staffing and the reduced use of outside consultants due to less development activity. Additionally, costs were allocated to non-governmental activities which also contributed to the decrease.
- Community Services decreased by \$10.8 million or 42.9%. The decrease was the net result of the Supplemental Educational Revenue Augmentation Fund payment being \$10.9 million lower and the related \$3.6 million increase in tax shift and tax increment payments as compared to the prior year. Finally, a \$3.6 million reduction was related to the Sale of Poway Royal.
- Interest and fiscal charges increased \$2.3 million, or 15.1%. The increase is related to the payment of accrued but not recorded interest on several interfund loans.

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

	Governmental Activities		Business Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 10,337	\$ 10,858	\$ 27,453	\$ 26,533	\$ 37,790	\$ 37,391
Operating grants and contributions	5,857	7,615			5,857	7,615
Capital grants and contributions	1,155	1,247	-	4,226	1,155	5,473
General revenues:						
Property taxes	50,961	51,527	-	-	50,961	51,527
Other taxes	13,197	12,472	-	-	13,197	12,472
Other	20,040	9,539	310	967	20,350	10,506
Total revenues	101,547	93,258	27,763	31,726	129,310	124,984
Expenses:						
General government	17,144	23,948			17,144	23,948
Public safety	18,899	19,475			18,899	19,475
Public works	12,622	12,596			12,622	12,596
Development Svcs	2,349	4,424			2,349	4,424
Community Svcs	14,399	25,214			14,399	25,214
Interest and charges	17,233	14,969			17,233	14,969
Water			18,144	18,226	18,144	18,226
Sewer			7,651	7,523	7,651	7,523
Total expenses	82,646	100,626	25,795	25,749	108,441	126,375
Change in net assets before transfers	18,901	(7,368)	1,968	5,977	20,869	(1,391)
Transfers	351	471	(351)	(471)	-	-
Change in net assets after transfers	19,252	(6,897)	1,617	5,506	20,869	(1,391)
Net assets - 7/1	30,786	37,683	79,109	73,603	109,895	111,286
Net assets - 6/30	\$ 50,038	\$ 30,786	\$ 80,726	\$ 79,109	\$ 130,764	\$ 109,895

**Fiscal Year 2011
Governmental Activities**
(Graphic representation of Table 2 in percentages)



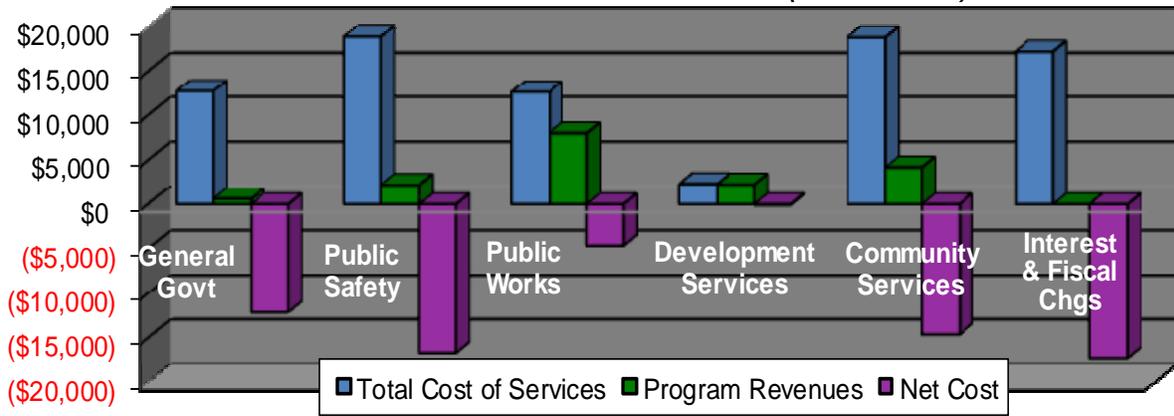
Net Cost of Governmental Activities

The City's programs include: General Government, Public Safety, Public Works, 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	
	2011	2010	2011	2010	2011	2010
General government	\$ 17,144	\$ 23,948	\$ 617	\$ 1,037	\$ (16,527)	\$ (22,911)
Public safety	18,899	19,475	2,240	2,323	(16,659)	(17,152)
Public works	12,622	12,596	8,003	9,196	(4,619)	(3,400)
Development services	2,349	4,424	2,284	1,635	(65)	(2,789)
Community services	14,399	25,214	4,206	5,529	(10,193)	(19,685)
Interest and fiscal chgs	17,233	14,969	-	-	(17,233)	(14,969)
Totals	\$ 82,646	\$ 100,626	\$ 17,350	\$ 19,720	\$ (65,296)	\$ (80,906)

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



Total resources available during the year to finance governmental operations were \$132,684 consisting of Net Assets at July 1, 2010, of \$30,786, Program Revenues of \$17,350, General Revenues of \$84,197 and \$351 of Transfers. Total Governmental Activities during the year were \$82,646; thus Net Assets increased by \$19,252 to \$50,038. 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

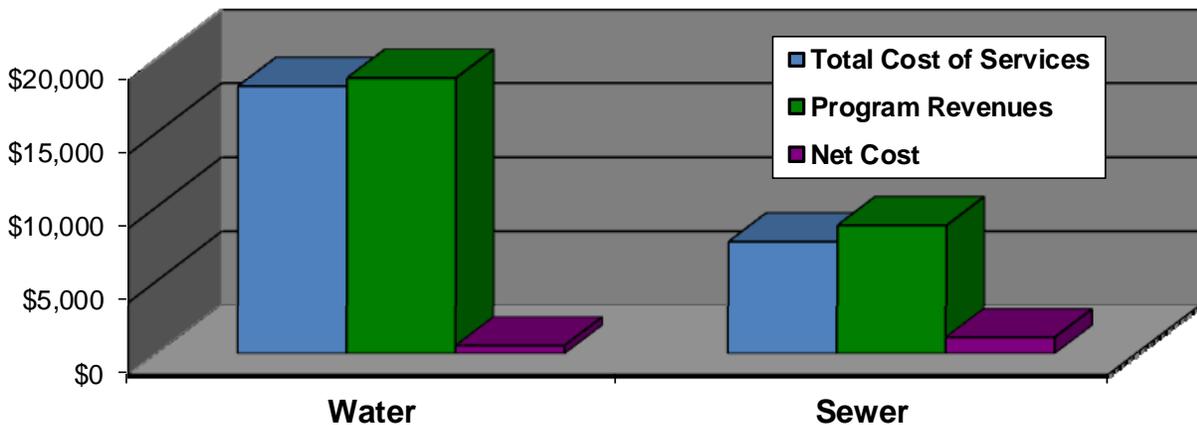
Net assets of the Proprietary Funds (Business-Type activities) at June 30, 2011, as reflected in Table 1 were \$80,726. As shown in Table 2, program revenues were \$27,769, while the cost of providing all Proprietary (Business-Type) Activities this year was \$25,795 resulting in an increase of \$1,658. The net use of \$61 from other revenues, non-operating activity and transfers resulted in a Net Assets increase of \$1,617 or 2.0%. The decrease in the Water Program Revenue is attributable to the previous fiscal year including \$4 million in contributed capital related to completed projects that were paid for by the Redevelopment Agency.

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

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2011	2010	2011	2010	2011	2010
Water	\$ 18,144	\$ 18,226	\$ 18,694	\$ 17,882	\$ 550	\$ (344)
Sewer	7,651	7,523	8,759	8,652	1,108	1,129
Totals	\$ 25,795	\$ 25,749	\$ 27,453	\$ 26,534	\$ 1,658	\$ 785

Fiscal Year 2011

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 \$5,331 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 section includes equipment replacement and several large purchases for automobiles, trucks, firefighting apparatuses and copiers were delayed which contributed to the variance. In regards to the Capital outlay category, it was under budget because several projects have been budgeted and are only just starting or are partially complete. All of the expenditure categories were under budget primarily due the City's across the board efforts to control expenditures. Overtime costs continued to be lower than expected and the City's law enforcement contract with the County of San Diego also was lower than expected which resulted in this category's under budget variance. Actual revenues compared favorably to the final budget resulting in a \$2,091 positive variance (excluding other financing sources). The major variances were in Taxes, Intergovernmental, Charges for services, Developer Fees and Other Revenue. The Taxes actual was higher than budgeted primarily because of the uptick in sales tax combined with property taxes also doing better than expected. The Intergovernmental category was higher because the State of California reconciled the amounts owed to cities for previous year's motor vehicle in-lieu fees and made additional payments for funds owed. Charges for services were under budget because the administrative fees related to equipment replacement were low because those anticipated purchases were not made during the fiscal year. More development related review work was performed in-house so the Developer fee category was higher than expected. Finally the Other Revenue category exceeded its budget because donations for various City projects including Veteran's Park and the Blue Sky Amphitheater. During the fiscal year the City continued to produce quarterly budget updates in addition to its traditional midyear budget update in order to enhance focus on the City's financial position and the current factors that were affecting that position.

Redevelopment Agency:

Because the State of California proposed to eliminate or "disestablish" redevelopment agencies as part of its plan to balance the state's budget the Agency transferred its housing assets to the city's new Housing Authority and capital project assets to the city. The Housing Authority fund appears as a Major Fund and the Capital Project fund is included in the Non-Major Funds combining schedules. As a result there is activity in both the redevelopment housing and capital projects funds previous to the transfer and in the city housing and capital projects funds after the transfer. The end result was that both the Agency's housing and capital projects funds have a zero fund balance as of June 30, 2011. As for the Agency's debt service fund, it remained relatively unchanged though an effort was made to use all available resources to pay down its Advances from City of Poway balance to the greatest possible extent. See the notes to the Financial Statements for a further discussion of the State's actions and redevelopment.

Agency Housing/City Housing Authority Special Revenue Funds:

As previously mentioned the Agency's Housing fund transferred all of its assets to the City's Housing Authority fund. When comparing the Agency's Housing fund's June 30, 2010, fund balance to the City's Housing Authority fund's fund balance at June 30, 2011, there is a \$2.8 million increase. However, at the end of fiscal year 2010-11 74% of the fund balance was committed to projects while at the end of fiscal year 2009-10 it was 66%. Depending upon the

outcome of California's Redevelopment litigation 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. When comparing the Agency's Capital Project fund's June 30, 2010, fund balance to the City's June 30, 2011, fund balance there is a decrease of \$9.8 million. The decrease in the comparative fund balance is attributable to the repayment of previously loaned and unspent funds and to the fact that there was no new significant funding, such as from the issuance of tax allocation bonds. Proceeds from previous bond funds continued to be spent on projects.

City of Poway Redevelopment Agency Debt Service Fund:

Though this fund's fund balance was relatively stable between fiscal years, increasing by approximately \$350,000, there was significant unusual activity. Funds were transferred-in from the sale of the Poway Royal Mobilehome Park to pay off the remaining principal and interest on those bonds. Additionally, other available redevelopment funds were transferred-in to repay advances from other City funds. The Agency was required to make a Supplemental Educational Revenue Augmentation Fund (SERAF) payment of \$2.8 million in fiscal year 2010-11. Also, as further discussed in the notes to the financial statements, the City has elected to opt-in to the Alternative Voluntary Redevelopment Program. As such an Alternative Voluntary Redevelopment Program payment of \$10,252,000 will be due for fiscal year 2011-12.

Poway Royal Mobilehome Park Fund:

The City purchased the Poway Royal Mobilehome Park in 1991 at the request of Park residents. The City's goals were to stabilize rents, ensure the Park was properly maintained, and preserve Poway Royal as part of the continuum of reasonably priced housing in the community. The City's intent has always been to transfer the Park to private ownership. The Park's sale to Hometown America was completed in July 2010. Hometown America paid \$38,300,000 for the Park, accepted the City's required rent guarantees, and agreed not to raise rent for two years while completing a list of Park renovations and repairs. As part of the sale, the 1995 Certificates of Participation with a remaining balance of \$26,720,000 were retired and the City received a note receivable from Hometown America for \$10,000,000.

Other Governmental funds:

There was no unusual activity in the Other Governmental grouping of funds during the fiscal year. The Storm Water Management Fund's negative fund balance was reduced by approximately 21% and the remainder of the negative fund balance was expected to be recouped over the next several years. However, as mentioned in the notes to the financial statements the Storm Water fee was discontinued in October 2011 and those operations, as well as the negative fund balance, will be funded by the General Fund.

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, park facility improvements, infrastructure, equipment and vehicles. Land decreased by a net \$16.7 million due to the sale of the Poway Royal Mobile Home Park (\$21.7 million) netted with land purchases of \$5.0 million for affordable housing and commercial revitalization. Improvements increased by \$4.0 million and Construction in Progress decreased by \$4.0 million primarily due to the completion of water and sewer pipeline projects. 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		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 56,203	\$ 72,902	\$ 77	\$ 77	\$ 56,280	\$ 72,979
Buildings	38,690	40,654	5,489	5,954	44,179	46,608
Improvements	4,676	5,173	35,679	31,132	40,355	36,305
Infrastructure	57,512	60,651	-	-	57,512	60,651
Equip & Vehicles	7,525	7,342	868	986	8,393	8,328
Construction in Prog	11,675	12,344	3,312	6,739	14,987	19,083
	<u>\$ 176,281</u>	<u>\$ 199,066</u>	<u>\$ 45,425</u>	<u>\$ 44,888</u>	<u>\$ 221,706</u>	<u>\$ 243,954</u>

Debt

At year-end, the City had \$253,784 in governmental-type debt and \$1,448 in Proprietary debt. During the year the Poway Royal Mobilehome Park was sold and the related 1995 Certificates of Participation balance of \$26,720,000 was paid-off in full. No other bonds were refunded so, therefore, the other decreases in bond balances were due to scheduled principal payments and premium/discount amortizations. The Loans Payable balance increased because accrued interest related to the operating covenant with AZ Poway, LLC (dba Mossy Nissan) was greater than the payment made 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		Total	
	2011	2010	2011	2010	2011	2010
Tax Allocation Bonds	\$ 228,957	\$ 234,987	-	-	\$ 228,957	\$ 234,987
Certificates of Participation	20,871	48,454	-	-	20,871	48,454
Revenue Bonds	-	-	\$ 1,182	\$ 1,381	1,182	1,381
Loans Payable	2,542	2,401	-	-	2,542	2,401
Comp Absences	1,414	1,384	266	282	1,680	1,666
Total	<u>\$ 253,784</u>	<u>\$ 287,226</u>	<u>\$ 1,448</u>	<u>\$ 1,663</u>	<u>\$ 255,232</u>	<u>\$ 288,889</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2011-2012, the City Council and management continued to be cautious but do expect a modest recovery in the local economy. Property taxes have remained stable and sales tax has increased and is expected to continue to increase at a moderate level. General Fund revenue is budgeted to increase by 7.5% from the fiscal year 2010-11 revenue budget. The increase is primarily due to increased budgets for property tax and sales tax based upon the actual performance of these revenues in fiscal year 2010-11. General Fund expenditures are budgeted to decrease by approximately 1%. The reduction was not due to any significant program changes, but rather due to the continued refinement of department budgets and also considering fiscal year 2010-11 savings that were anticipated to be sustained into fiscal year 2011-12. The City continues to monitor the local, state and national economic situation and is prepared to address those situations if they arise. The Poway Redevelopment Agency has elected to "opt-in" under ABx1-27 and depending upon the outcome of the current litigation over this legislation intends to continue its operations. Also, subsequent to the adoption of the budget the City discontinued its storm water fee that funded approximately \$1.3 million of related storm water program expenditures. The storm water program is being reorganized and this will result in the General Fund absorbing approximately an additional \$1 million of storm water program expenditures during fiscal year 2011-12. The City had initially projected a \$600,000 excess for the fiscal year and through a combination of revenue increases and expenditure decreases expects to be able to absorb these expenditures without using reserves.

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 Finance 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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 96,190,357	\$ 29,038,192	\$ 125,228,549
Cash and investments with fiscal agents	20,490,124	280,450	20,770,574
Receivables:			
Taxes	3,403,478	-	3,403,478
Accounts	599,006	4,642,752	5,241,758
Interest	983,825	-	983,825
Due from other governments and agencies	1,114,899	-	1,114,899
Prepaid items	24,366	-	24,366
Inventories	106,339	2,244,031	2,350,370
Total current assets	122,912,394	36,205,425	159,117,819
Noncurrent assets:			
Lease receivable	374	-	374
Notes receivable	17,998,331	-	17,998,331
Internal balances	(2,247,668)	2,247,668	-
Loans to Business Park Fiduciary Fund	-	850,000	850,000
Deferred charges, net	523,349	27,892	551,241
Capital assets:			
Nondepreciable assets	67,877,734	3,388,488	71,266,222
Depreciable assets, net	108,402,808	42,036,498	150,439,306
Total capital assets	176,280,542	45,424,986	221,705,528
Total noncurrent assets	192,554,928	48,550,546	241,105,474
Total assets	315,467,322	84,755,971	400,223,293

City of Poway
Statement of Net Assets, Continued
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,346,742	\$ 2,512,334	\$ 12,859,076
Accrued liabilities	333,597	-	333,597
Accrued interest payable	962,376	10,908	973,284
Deposits	2,100	58,157	60,257
Long-term debt - due within one year	7,258,386	262,518	7,520,904
Total current liabilities	<u>18,903,201</u>	<u>2,843,917</u>	<u>21,747,118</u>
Noncurrent liabilities:			
Long-term debt - due in more than one year	246,526,099	1,186,206	247,712,305
Total noncurrent liabilities	<u>246,526,099</u>	<u>1,186,206</u>	<u>247,712,305</u>
Total liabilities	<u>265,429,300</u>	<u>4,030,123</u>	<u>269,459,423</u>
NET ASSETS			
Investments in capital assets, net of related debt	<u>50,255,141</u>	<u>43,976,262</u>	<u>94,231,403</u>
Restricted for:			
Special revenue:			
Streets	4,915,219	-	4,915,219
Drainage	4,868,152	-	4,868,152
Maintenance districts	6,659,102	-	6,659,102
Grants	2,682,361	-	2,682,361
Miscellaneous	17,048	-	17,048
Affordable housing	20,421,109	-	20,421,109
Debt service	18,495,915	280,450	18,776,365
Capital improvement projects	12,783,201	-	12,783,201
Permanent:			
Expendable	89,266	-	89,266
Total restricted	<u>70,931,373</u>	<u>280,450</u>	<u>71,211,823</u>
Unrestricted	<u>(71,148,492)</u>	<u>36,469,136</u>	<u>(34,679,356)</u>
Total net assets	<u>\$ 50,038,022</u>	<u>\$ 80,725,848</u>	<u>\$ 130,763,870</u>

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2011

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	\$ 17,144,376	\$ 96,397	\$ 520,492	\$ -	\$ 616,889
Public safety	18,899,606	2,121,984	118,367	-	2,240,351
Public works	12,622,204	4,422,522	3,577,755	2,238	8,002,515
Development services	2,348,622	1,584,838	699,139	-	2,283,977
Community services	14,398,426	2,111,476	941,607	1,153,146	4,206,229
Interest and fiscal charges	17,232,642	-	-	-	-
Total governmental activities	82,645,876	10,337,217	5,857,360	1,155,384	17,349,961
Business-Type activities:					
Water	18,143,829	18,694,318	-	-	18,694,318
Sewer	7,651,228	8,759,001	-	-	8,759,001
Total business-type activities	25,795,057	27,453,319	-	-	27,453,319
Total primary government	\$ 108,440,933	\$ 37,790,536	\$ 5,857,360	\$ 1,155,384	\$ 44,803,280

City of Poway
Statement of Activities and Changes in Net Assets, Continued
For the year ended June 30, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (16,527,487)	\$ -	\$ (16,527,487)
Public safety	(16,659,255)	-	(16,659,255)
Public works	(4,619,689)	-	(4,619,689)
Development services	(64,645)	-	(64,645)
Community services	(10,192,197)	-	(10,192,197)
Interest and fiscal charges	(17,232,642)	-	(17,232,642)
Total governmental activities	(65,295,915)	-	(65,295,915)
Business-Type activities:			
Water	-	550,489	550,489
Sewer	-	1,107,773	1,107,773
Total business-type activities	-	1,658,262	1,658,262
Total primary government	(65,295,915)	1,658,262	(63,637,653)
General revenues:			
Taxes:			
Property taxes	50,960,736	-	50,960,736
Sales taxes	10,418,322	-	10,418,322
Motor vehicle license taxes	262,412	-	262,412
Transit occupancy taxes	433,934	-	433,934
Franchise taxes	1,465,926	-	1,465,926
Other taxes	616,466	-	616,466
Total taxes	64,157,796	-	64,157,796
Investment earnings	5,964,802	254,279	6,219,081
Gain (loss) on sale of assets	13,561,625	-	13,561,625
Miscellaneous	512,858	55,363	568,221
Transfers	350,874	(350,874)	-
Total general revenues and transfers	84,547,955	(41,232)	84,506,723
Change in net assets	19,252,040	1,617,030	20,869,070
Net assets - beginning of year, as restated (See Note 18)	30,785,982	79,108,818	109,894,800
Net assets - end of year	\$ 50,038,022	\$ 80,725,848	\$ 130,763,870

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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, 2011

	Major Funds				
	General	Low and Moderate Income Housing Special Revenue Fund	City of Poway Redevelopment Agency Debt Service Fund	Redevelopment Area Capital Project Fund	Housing Authority Fund
ASSETS					
Cash and investments	\$ 35,701,935	\$ 13,700	\$ 5,183,590	\$ 184,912	\$ 20,346,712
Receivables:					
Taxes	2,889,627	-	390,078	-	100,020
Notes	10,020,403	-	-	-	-
Accounts	251,777	-	-	-	-
Interest	866,657	-	116,228	-	-
Lease	-	-	-	-	-
Due from other funds	735,558	-	-	-	-
Due from other governments	281,441	-	4,705	-	-
Prepaid items	24,366	-	-	-	-
Inventories, at cost	106,339	-	-	-	-
Advances to other funds	3,805,762	-	-	-	-
Restricted assets:					
Cash and investments with fiscal agents	-	-	18,992,814	-	-
Total assets	\$ 54,683,865	\$ 13,700	\$ 24,687,415	\$ 184,912	\$ 20,446,732
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,721,148	\$ 13,700	\$ 5,563,144	\$ 184,912	\$ 23,523
Accrued liabilities	333,597	-	-	-	-
Due to other funds	-	-	-	-	-
Deposits	-	-	-	-	2,100
Deferred revenue	18,413	-	-	-	-
Advances from other funds	-	-	4,834,626	-	-
Total liabilities	4,073,158	13,700	10,397,770	184,912	25,623
Fund Balances:					
Nonspendable	10,151,108	-	-	-	-
Restricted	-	-	14,289,645	-	20,421,109
Committed	10,037,638	-	-	-	-
Assigned	6,466,719	-	-	-	-
Unassigned	23,955,242	-	-	-	-
Total fund balances	50,610,707	-	14,289,645	-	20,421,109
Total liabilities and fund balances	\$ 54,683,865	\$ 13,700	\$ 24,687,415	\$ 184,912	\$ 20,446,732

See accompanying Notes to Basic Financial Statements.

City of Poway
Balance Sheet
Governmental Funds, Continued
June 30, 2011

	<u>Major Fund</u>		
	Poway Royal Mobilehome Park	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ -	\$ 28,500,843	\$ 89,931,692
Receivables:			
Taxes	-	23,753	3,403,478
Notes	-	7,977,928	17,998,331
Accounts	-	345,682	597,459
Interest	-	940	983,825
Lease	-	374	374
Due from other funds	-	-	735,558
Due from other governments	-	828,753	1,114,899
Prepaid items	-	-	24,366
Inventories, at cost	-	-	106,339
Advances to other funds	-	17,576	3,823,338
Restricted assets:			
Cash and investments with fiscal agents	-	1,497,310	20,490,124
Total assets	<u>\$ -</u>	<u>\$ 39,193,159</u>	<u>\$ 139,209,783</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 793,484	\$ 10,299,911
Accrued liabilities	-	-	333,597
Due to other funds	-	735,558	735,558
Deposits	-	-	2,100
Deferred revenue	-	207,118	225,531
Advances from other funds	-	1,236,380	6,071,006
Total liabilities	<u>-</u>	<u>2,972,540</u>	<u>17,667,703</u>
Fund Balances:			
Nonspendable	-	-	10,151,108
Restricted	-	27,744,437	62,455,191
Committed	-	-	10,037,638
Assigned	-	8,564,840	15,031,559
Unassigned	-	(88,658)	23,866,584
Total fund balances	<u>-</u>	<u>36,220,619</u>	<u>121,542,080</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 39,193,159</u>	<u>\$ 139,209,783</u>

See accompanying Notes to Basic Financial Statements.

City of Poway
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds	<u>\$ 121,542,080</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	67,877,734
Depreciable, net of accumulated depreciation	<u>108,402,808</u>
Total capital assets	<u>176,280,542</u>
Deferred charges, such as bond issuance costs from issuing debt, were expenditures in the fund financial statements but were deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.	
	523,349
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	(7,258,386)
Long-term liabilities - due in more than one year (net of \$27,595 reported in Internal Service Fund)	<u>(246,498,504)</u>
Total long-term liabilities	<u>(253,756,890)</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>(962,376)</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>225,531</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>6,185,786</u>
Net Assets of Governmental Activities	<u><u>\$ 50,038,022</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, 2011

	Major Funds				
	General	Low and Moderate Income Housing Special Revenue Fund	City of Poway Redevelopment Agency Debt Service Fund	Redevelopment Area Capital Projects Fund	Housing Authority Fund
REVENUES:					
Taxes	\$ 24,263,657	\$ 7,803,052	\$ 31,212,209	\$ -	\$ -
Licenses and permits	457,905	-	-	-	-
Intergovernmental	555,947	-	-	-	-
Charges for services	841,629	-	-	117,017	-
Fines and forfeitures	678,468	-	-	-	-
Use of money and property	1,965,035	28,373	616,391	-	239,985
Developer fees	3,469,785	-	-	-	-
Assessment levied	-	-	-	-	-
Other revenues	499,815	125,013	-	4,215	7,812
Total revenues	32,732,241	7,956,438	31,828,600	121,232	247,797
EXPENDITURES:					
Current:					
General government	2,680,162	727,856	-	2,534,136	280,539
Public safety	18,264,668	-	-	-	-
Public works	3,133,475	-	-	-	-
Development Services	2,388,077	-	-	-	-
Community services	4,452,500	-	-	-	-
Capital outlay	1,937,038	4,279,020	-	6,087,567	2,452,744
Debt service:					
Principal	-	-	32,495,000	-	-
Interest and fiscal charges	-	-	16,868,986	-	94,125
Tax increment reimbursement	-	-	5,948,554	-	-
Tax shift	-	-	2,820,770	-	-
Total expenditures	32,855,920	5,006,876	58,133,310	8,621,703	2,827,408
REVENUES OVER (UNDER) EXPENDITURES	(123,679)	2,949,562	(26,304,710)	(8,500,471)	(2,579,611)
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of property	-	-	-	-	-
Issuance of debt	-	-	169,930	-	-
Transfers in	15,502,350	4,154,297	37,077,848	6,708,499	24,065,401
Transfers out	(2,660,155)	(24,742,785)	(10,592,023)	(19,720,753)	(1,064,681)
Total other financing sources (uses)	12,842,195	(20,588,488)	26,655,755	(13,012,254)	23,000,720
NET CHANGE IN FUND BALANCE	12,718,516	(17,638,926)	351,045	(21,512,725)	20,421,109
FUND BALANCES:					
Beginning of year, as restated (See Note 19)	37,892,191	17,638,926	13,938,600	21,512,725	-
End of year	\$ 50,610,707	\$ -	\$ 14,289,645	\$ -	\$ 20,421,109

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds, Continued
For the year ended June 30, 2011

	Major Fund		
	Poway Royal Mobilehome Park	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	\$ -	\$ 3,344,888	\$ 66,623,806
Licenses and permits	-	-	457,905
Intergovernmental	-	1,244,198	1,800,145
Charges for services	194,115	2,079,460	3,232,221
Fines and forfeitures	-	-	678,468
Use of money and property	11,029	4,960,919	7,821,732
Developer fees	-	1,046,458	4,516,243
Assessment levied	-	1,902,409	1,902,409
Other revenues	284	92,794	729,933
Total revenues	205,428	14,671,126	87,762,862
EXPENDITURES:			
Current:			
General government	-	872,910	7,095,603
Public safety	-	63,619	18,328,287
Public works	-	6,856,893	9,990,368
Development Services	-	-	2,388,077
Community services	1,026,404	-	5,478,904
Capital outlay	-	2,062,452	16,818,821
Debt service:			
Principal	-	928,020	33,423,020
Interest and fiscal charges	-	1,009,008	17,972,119
Tax increment reimbursement	-	-	5,948,554
Tax shift	-	-	2,820,770
Total expenditures	1,026,404	11,792,902	120,264,523
REVENUES OVER (UNDER) EXPENDITURES	(820,976)	2,878,224	(32,501,661)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of property	38,300,000	-	38,300,000
Issuance of debt	-	-	169,930
Transfers in	2,411,150	14,979,318	104,898,863
Transfers out	(44,125,581)	(1,161,085)	(104,067,063)
Total other financing sources (uses)	(3,414,431)	13,818,233	39,301,730
NET CHANGE IN FUND BALANCE	(4,235,407)	16,696,457	6,800,069
FUND BALANCES:			
Beginning of year, as restated (See Note 19)	4,235,407	19,524,162	114,742,011
End of year	\$ -	\$ 36,220,619	\$ 121,542,080

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$ 6,800,069
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 was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	8,486,878
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.	(6,533,304)
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.	(24,738,375)
Compensated absences were 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, compensated absences were not reported as expenditures in governmental funds. This amount represent the change in compensated absences from prior year.	(116,957)
Issuance costs from issuing debt were expenditures at the fund level but were deferred and subject to capitalization and amortization on the 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	(169,930)
Repayment of contract and notes payable	28,434
Principal payment	33,423,020
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	191,162
2007 Tax Allocation Bonds	63,517
2003 Certificates of Participation	9,241
2005 Certificates of Participation	9,019
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. This amount represents the change in accrued interest from prior year.	
Prior year accruals	1,701,853
Current year accruals	(962,376)
	739,477
Revenues in the statement of activities that did not provide current financial resources are not reported as revenues in the funds.	160,799
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.	922,824
Change in Net Assets of Governmental Activities	\$ 19,252,040

See accompanying Notes to Basic Financial Statements.

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

City of Poway
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Fund
ASSETS				
Current assets:				
Cash and investments	\$ 8,013,246	\$ 21,024,946	\$ 29,038,192	\$ 6,258,665
Cash and investments with fiscal agents	280,450	-	280,450	-
Receivables:				
Accounts	3,230,305	1,412,447	4,642,752	1,547
Inventories	2,229,424	14,607	2,244,031	-
Total current assets	<u>13,753,425</u>	<u>22,452,000</u>	<u>36,205,425</u>	<u>6,260,212</u>
Noncurrent assets:				
Advances to other funds	-	2,247,668	2,247,668	-
Advances to Fiduciary Fund - Business Park	-	850,000	850,000	-
Deferred charges	27,892	-	27,892	-
Capital assets:				
Nondepreciable	2,396,728	991,760	3,388,488	-
Depreciable	55,945,511	34,531,823	90,477,334	-
Less accumulated depreciation	(31,661,153)	(16,779,683)	(48,440,836)	-
Total net capital assets	<u>26,681,086</u>	<u>18,743,900</u>	<u>45,424,986</u>	<u>-</u>
Total noncurrent assets	<u>26,708,978</u>	<u>21,841,568</u>	<u>48,550,546</u>	<u>-</u>
Total assets	<u>40,462,403</u>	<u>44,293,568</u>	<u>84,755,971</u>	<u>6,260,212</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,390,047	122,287	2,512,334	46,831
Deposits	58,157	-	58,157	-
Accrued interest payable	10,908	-	10,908	-
Long-term debt due within one year	247,158	15,360	262,518	-
Total current liabilities	<u>2,706,270</u>	<u>137,647</u>	<u>2,843,917</u>	<u>46,831</u>
Noncurrent liabilities:				
Long-term debt due in more than one year	1,162,238	23,968	1,186,206	27,595
Total noncurrent liabilities	<u>1,162,238</u>	<u>23,968</u>	<u>1,186,206</u>	<u>27,595</u>
Total liabilities	<u>3,868,508</u>	<u>161,615</u>	<u>4,030,123</u>	<u>74,426</u>
NET ASSETS				
Invested in capital assets, net of related debt	25,271,690	18,704,572	43,976,262	-
Restricted for debt service	280,450	-	280,450	-
Unrestricted	11,041,755	25,427,381	36,469,136	6,185,786
Total net assets	<u>\$ 36,593,895</u>	<u>\$ 44,131,953</u>	<u>\$ 80,725,848</u>	<u>\$ 6,185,786</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, 2011

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Fund
OPERATING REVENUES:				
Charges for services	\$ 18,615,425	\$ 8,205,724	\$ 26,821,149	\$ 2,373,738
Connection fees	78,893	553,277	632,170	-
Other	48,431	6,932	55,363	24,089
Total operating revenues	18,742,749	8,765,933	27,508,682	2,397,827
OPERATING EXPENSES:				
Personnel services	2,946,819	454,989	3,401,808	344,206
Maintenance and operations	4,581,508	6,160,688	10,742,196	711,627
Cost of purchased water	9,324,624	-	9,324,624	-
Depreciation	1,290,878	1,035,551	2,326,429	-
Total operating expenses	18,143,829	7,651,228	25,795,057	1,055,833
OPERATING INCOME (LOSS)	598,920	1,114,705	1,713,625	1,341,994
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	79,605	251,950	331,555	61,756
Interest expense and fiscal charges	(77,276)	-	(77,276)	-
Total nonoperating revenues (expenses)	2,329	251,950	254,279	61,756
INCOME (LOSS) BEFORE CONTRIBUTED CAPITAL AND TRANSFERS	601,249	1,366,655	1,967,904	1,403,750
CONTRIBUTED CAPITAL AND TRANSFERS:				
Transfers out	(202,192)	(148,682)	(350,874)	(480,926)
Total contributed capital and transfers	(202,192)	(148,682)	(350,874)	(480,926)
Change in net assets	399,057	1,217,973	1,617,030	922,824
NET ASSETS:				
Beginning of year	36,194,838	42,913,980	79,108,818	5,262,962
End of year	\$ 36,593,895	\$ 44,131,953	\$ 80,725,848	\$ 6,185,786

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2011

	Major Funds		Total	Governmental
	Water	Sewer		Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 18,657,711	\$ 8,963,822	\$ 27,621,533	\$ 2,396,280
Cash received to/from other funds	2,606,354	3,365,455	5,971,809	-
Cash paid to employees for services	(2,946,819)	(454,989)	(3,401,808)	(344,206)
Cash paid to suppliers for goods or services	(14,073,739)	(6,105,573)	(20,179,312)	(907,568)
Others	48,431	6,932	55,363	-
Net cash provided (used) by operating activities	4,291,938	5,775,647	10,067,585	1,144,506
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	-
Transfers out	(202,192)	(148,682)	(350,874)	(480,926)
Net cash provided (used) by noncapital financing activities	(202,192)	(148,682)	(350,874)	(480,926)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisitions to capital assets	(2,116,825)	(745,992)	(2,862,817)	-
Principal paid on long-term debt	(212,191)	(1,671)	(213,862)	(3,203)
Payment of interest and fees	(79,060)	-	(79,060)	61,756
Net cash provided (used) by capital and related financing activities	(2,408,076)	(747,663)	(3,155,739)	58,553
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	79,605	251,950	331,555	-
Net cash provided (used) by investing activities	79,605	251,950	331,555	-
Net increase (decrease) in cash and investments	1,761,275	5,131,252	6,892,527	722,133
CASH AND INVESTMENTS:				
Beginning of year	6,532,421	15,893,694	22,426,115	5,536,532
End of year	<u>\$ 8,293,696</u>	<u>\$ 21,024,946</u>	<u>\$ 29,318,642</u>	<u>\$ 6,258,665</u>
RECONCILIATION OF CASH AND INVESTMENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	8,013,246	21,024,946	29,038,192	6,258,665
Cash with investments with fiscal agents	280,450	-	280,450	-
Total cash and investments	\$ 8,293,696	\$ 21,024,946	\$ 29,318,642	\$ 6,258,665
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 598,920	\$ 1,114,705	\$ 1,713,625	\$ 1,341,994
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,290,878	1,035,551	2,326,429	-
Changes in operating assets and liabilities:				
Accounts receivable	(42,352)	204,821	162,469	(1,547)
Inventories	(713,119)	(3,300)	(716,419)	-
Deferred charges	6,437	-	6,437	-
Advances to other funds	2,606,354	3,365,455	5,971,809	-
Accounts payable	539,075	58,415	597,490	(195,941)
Deposits	5,745	-	5,745	-
Total adjustments	3,693,018	4,660,942	8,353,960	(197,488)
Net cash provided (used) by operating activities	\$ 4,291,938	\$ 5,775,647	\$ 10,067,585	\$ 1,144,506

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.

City of Poway
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 7,352,379
Receivables:	
Taxes	8,171
Accounts	850,000
Interest	21,363
Cash and investments with fiscal agent	<u>1,712,014</u>
Total assets	<u>\$ 9,943,927</u>
LIABILITIES	
Accounts payable	\$ 109,627
Deposits	3,406,663
Due to bondholders	5,577,637
Advances from City of Poway	<u>850,000</u>
Total liabilities	<u>\$ 9,943,927</u>

NOTES TO BASIC FINANCIAL STATEMENTS

City of Poway
Notes to Basic Financial Statements
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Poway, California, (the "City") have been prepared in conformity with generally accepted accounting principles ("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 generally accepted accounting principles in the United States, 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 is 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 is composed in its entirety of council members of the City. Separate financial statements can be obtained from the Poway Finance Department located at Poway City Hall.

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, 2011

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 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 Poway Finance Department located at Poway City Hall.

B. Basis of Accounting and Measurement Focus

The accounting policies of the City conform to generally accepted accounting principles in the United States for local governmental units. 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.

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

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government – Wide and Fund Financial Statements, Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 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.

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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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 **Low and Moderate Income Housing Special Revenue Fund** is used to account for funds restricted for low and moderate income housing financial activity.

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.

The **Redevelopment Agency Capital Project Fund** is used to account for the financial resources to be used for the acquisition construction of major capital facilities (other than those financed by proprietary funds).

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.

The **Poway Royal Mobilehome Park Fund** is used to account for revenues received and expenditures made in the administration of the Royal Mobilehome Park.

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, 2011

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 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

Fiduciary fund financial statements include a Statement of Net Assets. The City’s fiduciary funds represent agency funds. 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.

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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, 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, 2011

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 as to change in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, the City adheres to certain disclosure requirements, if applicable for deposit and investment risk 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, 2011

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" as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2006. This appraisal determined the original costs, which are defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

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, 2011

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, 2011

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 Board of Directors is considered the highest authority for the Agency.

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 Board of Directors has authorized the Executive Director 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, 2011

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 investment at June 30, 2011:

	Government-Wide		Fiduciary	Total
	Statement of Net Assets		Funds	
	Governmental	Business-Type	Statement of	
	Activities	Activities	Net Assets	
Cash and investments	\$ 96,190,357	\$ 29,038,192	\$ 7,352,379	\$ 132,580,928
Cash and investments with fiscal agents	20,490,124	280,450	1,712,014	22,482,588
Total	\$ 116,680,481	\$ 29,318,642	\$ 9,064,393	\$ 155,063,516

Cash, cash equivalents, and investments consisted of the following at June 30, 2011:

Cash on hand	\$ 8,660
Demand deposits	2,756,173
Investments	152,298,683
Total	\$ 155,063,516

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$2,756,173 at June 30, 2011. Bank balances at June 30, 2011, were \$4,183,991 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, 2011

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, 2011

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	\$ 5,223,614	\$ 2,211,192	\$ 1,005,860	\$ 2,006,562	\$ -
U.S. Agencies	16,601,383	8,752,002	1,840,422	6,008,959	-
CalTrust Investment Pool-Short term	19,118,810	19,118,810	-	-	-
CalTrust Investment Pool-Medium term	20,757,567	20,757,567	-	-	-
Mortgage Backed	836,626	836,626	-	-	-
Medium-Term and Corporate Notes	16,403,452	7,083,295	4,164,622	5,155,535	-
Local Agency Investment Fund (LAIF)	50,671,440	50,671,440	-	-	-
San Diego County Investment Pool	7,447	7,447	-	-	-
Obligation of any State	145,756	21,028	22,237	74,681	27,810
Certificates of Deposit	50,000	50,000	-	-	-
Held by bond trustee:					
Money Market Funds	1,506,158	1,506,158	-	-	-
Investment Contracts	11,073,932	-	-	-	11,073,932
Federal National Mortgage Association	1,566,724	1,566,724	-	-	-
Federal Home Loan Mortgage Corporation	3,089,970	3,089,970	-	-	-
U.S. Treasury Bills	5,245,804	5,245,804	-	-	-
Total	\$152,298,683	\$120,918,063	\$ 7,033,141	\$ 13,245,737	\$ 11,101,742

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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, 2011 for each investment type:

Investment Type	Amounts	Minimum											
		Rating	Exempt	AAA/Aaa	AA+/Aa2	AA-/Aa2	AA-/Aa+	A+/A2	A/A2	A+/Aa3	AAAF		
U.S. Treasury Bills	\$ 5,223,614	Aaa	\$ -	\$ 5,223,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	16,601,383	Aaa	-	16,601,383	-	-	-	-	-	-	-	-	-
CalTrust Investment Pool-Short term	19,118,810	N/A	-	-	-	-	-	-	-	-	-	-	-
CalTrust Investment Pool-Medium term	20,757,567	N/A	-	-	-	-	-	-	-	-	-	-	-
Mortgage Backed	836,626	Aaa	-	836,626	-	-	-	-	-	-	-	-	-
Medium-Term and Corporate Notes	16,403,452	A1	-	7,105,818	2,090,293	1,005,425	1,035,570	1,024,080	1,056,947	-	-	-	-
Local Agency Investment Fund (LAIF)	50,671,440	N/A	-	-	-	-	-	-	-	-	-	-	-
San Diego County Investment Pool	7,447	N/A	-	-	-	-	-	-	-	-	-	-	7,447
Obligation of any State	145,756	N/A	145,756	-	-	-	-	-	-	-	-	-	-
Certificates of Deposit	50,000	N/A	-	50,000	-	-	-	-	-	-	-	-	-
Held by bond trustee:													
Money Market Funds	1,506,158	N/A	-	-	-	-	-	-	-	-	-	-	-
Investment Contracts	11,073,932	N/A	11,073,932	-	-	-	-	-	-	-	-	-	-
Federal Home Mortgage Association	1,566,724	Aaa	-	1,566,724	-	-	-	-	-	-	-	-	-
Federal Home Loan Mortgage Corporation	3,089,970	Aaa	-	3,089,970	-	-	-	-	-	-	-	-	-
U.S. Treasury Bills	5,245,804	Aaa	-	5,245,804	-	-	-	-	-	-	-	-	-
Total	\$ 152,298,683		\$ 11,219,688	\$ 39,719,939	\$ 3,085,319	\$ 2,090,293	\$ 1,005,425	\$ 1,035,570	\$ 1,024,080	\$ 1,056,947	\$ -	\$ 7,447	\$ -

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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 percent per issuer. The City is in compliance with these provisions of the Policy.

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

<u>Trustee/Custodian</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Union Bank	U.S. Treasuries	\$ 5,223,614
Union Bank	U.S. Agencies	836,626
Union Bank	CalTrust Investment Pool	39,876,377
Union Bank	Corporates	16,403,452
State Treasurer Office	LAIF	50,671,440
FSA Capital	Investment Contract	11,073,932

E. Investment in Local Agency Investment Funds

The City's investments with Local Agency Investment Funds ("LAIF") at June 30, 2011, included a portion of the pooled funds invested in Medium-Term and Short-Term Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

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

As of June 30, 2011, the City had \$50,671,440 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

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-rate a 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, 2011, the City had \$7,447 invested in the San Diego County Investment Pool.

3. INTERFUND TRANSACTIONS

A. Due To and Due From Other Funds

As of June 30, 2011, balances were as follows:

	Due from other funds	
	Due to other funds	
	Fund	Total
Governmental Activities:		
Non-major Governmental Funds	\$ 735,558	\$ 735,558
Total	\$ 735,558	\$ 735,558

These balances resulted from loans to cover negative cash balances as of June 30, 2011.

B. Advances To and Advances From Other Funds

	Advances from other funds				
	Advances to other funds	City of Poway Redevelopment Agency Debt Service Fund	Non-major Governmental Funds	Fiduciary Agency Funds	Total
Governmental Activities:					
General Fund		\$ 2,801,458	\$ 1,004,304	\$ -	\$ 3,805,762
Non-major Governmental Funds		-	17,576	-	17,576
Business-Type Activities:					
Sewer		2,033,168	214,500	850,000	3,097,668
Total		\$ 4,834,626	\$ 1,236,380	\$ 850,000	\$ 6,921,006

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. INTERFUND TRANSACTIONS, Continued

B. Advances To and Advances From Other Funds, Continued

The advances were primarily used for the following:

The City Council authorized various loans to the Redevelopment Agency totaling \$ 4,834,626 and to other Non-major Governmental funds totaling \$1,236,380 at various interest rates. The terms of the loans are indefinite. Accrued interest on the loans of \$5,256 and \$1,058,447 respectively, are not reflected in the accompanying basic financial statements as payment is contingent upon the availability of tax increment. Interest is recorded when it becomes payable from available spendable resources.

The City's Sewer Fund loaned to the Parkway Business Center CFD No. 88-1 Bond Deposit Fiduciary Agency Fund \$850,000. Interest on this loan is paid on an annual basis and the outstanding principal balance will be paid with the final assessment in 2014-2015.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

3. INTERFUND TRANSACTIONS, Continued

C. Transfers To and From Other Funds

Transfers for the year ended June 30, 2011, were as follows:

	Transfers Out										Total
	General	Low and Moderate Income Housing Special Revenue Fund	City of Poway RDA Debt Service Fund	Redevelopment Area Capital Projects Funds	Housing Authority Fund	Royal Mobile Home Park Admin Funds	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds	
General Fund	\$ 1,731,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,650	\$ 33,140	\$ 480,926	\$ 15,502,350
Low and Moderate Income Housing Special Revenue Fund	-	-	-	-	-	4,154,298	-	-	-	-	4,154,297
City of Poway RDA Debt Service Fund	-	677,384	-	7,373,720	1,064,681	27,518,363	-	-	-	-	37,077,848
Redevelopment Area Capital Projects Funds	-	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	6,708,499	-	-	-	-	-	-	-	6,708,499
Housing Authority Fund	-	24,065,401	-	-	-	-	-	-	-	-	24,065,401
Royal Mobile Home Park Admin Non-major Governmental Funds	-	-	2,411,150	-	-	-	-	-	-	-	2,411,150
	928,827	-	1,472,375	12,347,033	-	-	115,542	115,542	-	-	14,979,318
Total	\$ 2,660,155	\$ 24,742,785	\$ 10,592,023	\$ 19,720,753	\$ 1,064,681	\$ 44,125,581	\$ 1,161,085	\$ 202,192	\$ 148,682	\$ 480,926	\$ 104,898,863

Transfers are primary 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, 2011

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

Summary of changes in capital assets for governmental activities for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Deletions	Reclassification	Balance June 30, 2011
Non-Depreciable Assets:					
Land	\$ 72,901,918	\$ 4,954,470	\$ (21,653,311)	\$ -	\$ 56,203,077
Construction in progress	12,344,061	3,175,729	(2,730,489)	(1,114,644)	11,674,657
Total non-depreciable assets	85,245,979	8,130,199	(24,383,800)	(1,114,644)	67,877,734
Depreciable Assets:					
Building	66,292,190	-	(1,727,361)	63,300	64,628,129
Improvements other than buildings	6,309,047	-	(306,418)	-	6,002,629
Infrastructure	139,805,234	-	-	-	139,805,234
Machinery and equipment	16,262,526	356,679	(183,970)	1,051,344	17,486,579
Total depreciable assets, at cost	228,668,997	356,679	(2,217,749)	1,114,644	227,922,571
Less accumulated depreciation:					
Building	(25,638,358)	(1,948,828)	1,648,562	-	(25,938,624)
Improvements other than buildings	(1,135,964)	(221,252)	30,642	-	(1,326,574)
Infrastructure	(79,154,051)	(3,138,636)	-	-	(82,292,687)
Machinery and equipment	(8,921,260)	(1,224,588)	183,970	-	(9,961,878)
Total accumulated depreciation	(114,849,633)	(6,533,304)	1,863,174	-	(119,519,763)
Total depreciable assets, net	113,819,364	(6,176,625)	(354,575)	1,114,644	108,402,808
Total governmental activities	\$ 199,065,343	\$ 1,953,574	\$ (24,738,375)	\$ -	\$ 176,280,542

Governmental activities depreciation expense for capital assets for the year ended June 30, 2011 is as follows:

General government	\$ 1,601,805
Public safety	934,597
Public works	3,497,556
Community services	499,346
Total depreciation expense	<u>\$ 6,533,304</u>

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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, 2011 is as follows:

	Balance July 1, 2010	Additions	Deletions	Reclassification	Balance June 30, 2011
Non-Depreciable Assets:					
Land	\$ 76,797	\$ -	\$ -	\$ -	\$ 76,797
Construction in progress	6,739,432	2,803,345	-	(6,231,086)	3,311,691
Total non-depreciable assets	6,816,229	2,803,345	-	(6,231,086)	3,388,488
Depreciable Assets:					
Buildings	21,076,441	-	-	-	21,076,441
Improvements other than buildings	60,047,753	-	-	6,231,086	66,278,839
Machinery and equipment	3,062,582	59,472	-	-	3,122,054
Total depreciable assets, at cost	84,186,776	59,472	-	6,231,086	90,477,334
Less accumulated depreciation:					
Buildings	(15,121,520)	(465,738)	-	-	(15,587,258)
Improvements other than buildings	(28,915,801)	(1,683,454)	-	-	(30,599,255)
Machinery and equipment	(2,077,086)	(177,237)	-	-	(2,254,323)
Total accumulated depreciation	(46,114,407)	(2,326,429)	-	-	(48,440,836)
Total depreciable assets, net	38,072,369	(2,266,957)	-	6,231,086	42,036,498
Total business-type activities	\$ 44,888,598	\$ 536,388	\$ -	\$ -	\$ 45,424,986

Business-type activities depreciation expense for capital assets for the year ended June 30, 2011 is as follows:

Water Enterprise Fund	\$ 1,290,878
Sewer Enterprise Fund	1,035,551
Total depreciation expense	\$ 2,326,429

B. Fund Financial Statements

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT

Summary of changes in long-term debt for the year ended June 30, 2011:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Classification	
					Due Within One Year	Due In More Than One Year
Governmental Activities:						
Tax Allocation Bonds	\$ 234,987,072	\$ -	\$ (6,029,679)	\$ 228,957,393	\$ 6,180,000	\$ 222,777,393
Certificates of Participation	48,454,096	-	(27,583,260)	20,870,836	880,000	19,990,836
Notes Payable	2,400,512	169,930	(28,434)	2,542,008	-	2,542,008
Compensated Absences	1,383,514	224,809	(194,075)	1,414,248	198,386	1,215,862
Total governmental activities	\$ 287,225,194	\$ 394,739	\$ (33,835,448)	\$ 253,784,485	\$ 7,258,386	\$ 246,526,099
Business-Type Activities:						
Revenue Bonds	\$ 1,380,571	\$ -	\$ (198,177)	\$ 1,182,394	\$ 215,000	\$ 967,394
Compensated Absences	282,015	34,471	(50,156)	266,330	47,518	218,812
Total business-type activities	\$ 1,662,586	\$ 34,471	\$ (248,333)	\$ 1,448,724	\$ 262,518	\$ 1,186,206

A. Governmental Activities Long-Term Debt

Tax Allocation Bonds

Tax Allocation Bonds at June 30, 2011, consisted of the following:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Classification	
					Due Within One Year	Due In More Than One Year
2000 Tax Allocation Bonds	\$ 7,980,000	\$ -	\$ (1,425,000)	\$ 6,555,000	\$ 740,000	\$ 5,815,000
2001 Tax Allocation Bonds	72,475,000	-	(580,000)	71,895,000	1,360,000	70,535,000
2003 Tax Allocation Bonds	126,280,000	-	(3,740,000)	122,540,000	4,050,000	118,490,000
Bond Premium	2,334,195	-	(191,162)	2,143,033	-	2,143,033
2007 Tax Allocation Bonds	24,650,000	-	(30,000)	24,620,000	30,000	24,590,000
Bond Premium	1,267,877	-	(63,517)	1,204,360	-	1,204,360
Total Tax Allocation Bonds	\$ 234,987,072	\$ -	\$ (6,029,679)	\$ 228,957,393	\$ 6,180,000	\$ 222,777,393

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

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 outstanding balance of the bonds at June 30, 2011 was \$6,555,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2000 Tax Allocation Refunding Bonds. The bonds required 7% of property tax increment revenue. Total principal and interest remaining on the bond is \$12,991,934 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 740,000	\$ 352,863	\$ 1,092,863
2013	-	334,362	334,362
2014	-	334,362	334,362
2015	-	334,362	334,362
2016	-	334,362	334,362
2017-2021	-	1,671,810	1,671,810
2022-2026	-	1,671,813	1,671,813
2027-2031	3,795,000	1,255,944	5,050,944
2032-2033	2,020,000	147,056	2,167,056
Total	\$ 6,555,000	\$ 6,436,934	\$ 12,991,934

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

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 cost. The bonds bear interest from 3% to 5.25%, payable semi-annually on June 15 and December 15 through 2033. Payments of the bonds 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 outstanding balance of the bonds at June 30, 2011 was \$71,895,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2001 Tax Allocation Bonds. The bonds required 17% of property tax increment revenue. Total principal and interest remaining on the bond is \$120,964,531 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2011, are as follows:

Year Ending				
June 30,	Principal	Interest	Total	
2012	\$ 1,360,000	\$ 3,678,455	\$	5,038,455
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
2017-2021	11,950,000	14,484,570		26,434,570
2022-2026	17,100,000	11,117,066		28,217,066
2027-2031	24,110,000	5,485,089		29,595,089
2032-2033	8,245,000	523,466		8,768,466
Total	\$ 71,895,000	\$ 49,069,531	\$	120,964,531

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

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 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 outstanding balance of the bonds at June 30, 2011 was \$122,540,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2003 Tax Allocation Bonds. The bonds required 40% of property tax increment revenue. Total principal and interest remaining on the bond is \$193,109,363 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 4,050,000	\$ 6,155,050	\$ 10,205,050
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
2017-2021	30,490,000	22,367,463	52,857,463
2022-2026	38,920,000	13,295,950	52,215,950
2027-2031	18,810,000	5,262,875	24,072,875
2032-2033	10,875,000	693,000	11,568,000
Total	\$ 122,540,000	\$ 70,569,363	\$ 193,109,363

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Tax Allocation Bonds, Continued

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 cost. 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 collateralized by a pledge of tax revenues to be received by the Agency. The bonds maturing on or before June 15, 2017 are not subject to call and optional redemption prior to maturity. Bonds maturing on or after December 15, 2017 are subject to redemption prior to maturity at the option of the Agency. The outstanding balance of the bonds at June 30, 2011 was \$24,620,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2007 Tax Allocation Bonds. The bonds required 5% of property tax increment revenue. Total principal and interest remaining on the bond is \$47,863,205 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 30,000	\$ 1,224,780	\$ 1,254,780
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
2017-2021	200,000	6,080,455	6,280,455
2022-2026	235,000	6,037,319	6,272,319
2027-2031	15,800,000	4,491,000	20,291,000
2032-2033	8,235,000	521,375	8,756,375
Total	\$ 24,620,000	\$ 23,243,205	\$ 47,863,205

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation

Certificates of Participation at June 30, 2011, consisted of the following:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Classification	
					Due Within One Year	Due In More Than One Year
1995 Certificates of Participation	\$ 26,720,000	\$ -	\$ (26,720,000)	\$ -	\$ -	\$ -
2003 Certificates of Participation	15,275,000	-	(385,000)	14,890,000	400,000	14,490,000
Bond Premium	132,758	-	(9,241)	123,517	-	123,517
2005 Certificates of Participation	6,260,000	-	(460,000)	5,800,000	480,000	5,320,000
Bond Premium	66,338	-	(9,019)	57,319	-	57,319
Total Tax Allocation Bonds	\$ 48,454,096	\$ -	\$ (27,583,260)	\$ 20,870,836	\$ 880,000	\$ 19,990,836

1995 Certificates of Participation

In 1995, the Agency issued 1995 Refunding Certificates of Participation in the amount of \$31,770,000 consisting of \$3,895,000 serial certificates maturing from 1996 to 2009 in semi-annual installments of \$10,000 to \$360,000 and term certificates of \$6,335,000, \$6,405,000, and \$15,135,000 maturing in 2016, 2021, and 2029, respectively. The certificates bear interest from 3.65% to 6.15% and are payable semi-annually on February 1 and August 1. Certificates maturing on or after February 1, 2006 are subject to optional prepayment in whole or in part on any interest payment date on or after August 1, 2005. Certificates maturing on August 1, 2015, 2020 and 2028 are subject to mandatory prepayment by lot on any interest payment date beginning February 1, 2009, 2016, and 2021, respectively. The outstanding balance of the certificates was paid in full on August 1, 2010.

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 installment 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, 2011, the outstanding balance of the 2003 Certificates of Participation was \$14,890,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificate of Participation, Continued

2003 Certificates of Participation, Continued

The annual requirements to amortize the Certificates of Participation outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 400,000	\$ 731,540	\$ 1,131,540
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
2017-2021	2,725,000	2,923,263	5,648,263
2022-2026	3,480,000	2,171,500	5,651,500
2027-2031	4,430,000	1,211,500	5,641,500
2032-2033	2,100,000	158,750	2,258,750
Total	\$ 14,890,000	\$ 9,957,781	\$ 24,847,781

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 in part of August 1 of each year beginning August 1, 2021. At June 30, 2011, the outstanding balance of the 2005 Certificates of Participation was \$5,800,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificate of Participation, Continued

2005 Certificates of Participation, Continued

The annual requirements to amortize the Certificates of Participation outstanding at June 30, 2011, are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 480,000	\$ 233,538	\$ 713,538
2013	505,000	214,531	719,531
2014	520,000	194,625	714,625
2015	540,000	171,113	711,113
2016	560,000	148,800	708,800
2017-2021	1,780,000	452,844	2,232,844
2022-2026	1,150,000	193,500	1,343,500
2027-2031	265,000	5,963	270,963
Total	\$ 5,800,000	\$ 1,614,914	\$ 7,414,914

Notes Payable

Notes payable at June 30, 2011, consisted of the following:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Classification	
					Due Within One Year	Due In More Than One Year
Mossy Nissan	\$ 2,400,512	\$ 169,930	\$ (28,434)	\$ 2,542,008	\$ -	\$ 2,542,008
Total Notes Payable	\$ 2,400,512	\$ 169,930	\$ (28,434)	\$ 2,542,008	\$ -	\$ 2,542,008

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 balance outstanding at June 30, 2011 was \$2,542,008.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

B. Business-Type Activities Long-Term Debt

Revenue Bonds

Revenue Bonds at June 30, 2011, consisted of the following:

	Balance July 1, 2010	Debt Issued	Debt Retired	Balance June 30, 2011	Classification	
					Due Within One Year	Due In More Than One Year
1995 Revenue Bonds	\$ 1,390,000	\$ -	\$ (200,000)	\$ 1,190,000	\$ 215,000	\$ 975,000
Bond Discounts	(9,429)	-	1,823	(7,606)	-	(7,606)
Total Revenue Bonds	\$ 1,380,571	\$ -	\$ (198,177)	\$ 1,182,394	\$ 215,000	\$ 967,394

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 serial bonds maturing from 1996 to 2010 in annual installments of \$105,000 to \$200,000 and \$1,190,000 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, 2011, the outstanding balance of the 1995 Revenue Bonds was \$1,190,000.

The City has pledged a portion of future water revenue to repay the 1998 Revenue Bonds. Total principal and interest remaining on the bond is \$1,360,502 payable through 2016.

The annual requirements to amortize the bonds outstanding at June 30, 2011 are as follows:

Year Ending June 30,	Principal	Interest	Total
2012	\$ 215,000	\$ 59,538	\$ 274,538
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	\$ 1,190,000	\$ 170,502	\$ 1,360,502

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

5. LONG-TERM DEBT, Continued

C. 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, 2011, the outstanding balance of governmental activities and business-type activities compensated absences were \$1,414,248 and \$266,330, respectively.

6. ASSESSMENT DISTRICT AND COMMUNITY FACILITIES DISTRICTS BONDS ISSUES

Community Facilities District Special Refunding Bonds

In November 1998, the City issued \$26,090,000 in Special Refunding Bonds, Series A and B to refund the outstanding portion of the \$32,800,000 South Poway Community Facilities District No. 1 1987 Special Tax Refunding Bonds. In April 2004, the City issued \$3,775,000 in Special Tax Refunding Bonds to refund the outstanding portion of the \$26,090,000 South Poway Community Facilities District No. 1 1998 Special Tax Refunding Bonds, Series B. 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 \$33,445,000 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, 2011, the outstanding balances of the November 1998, April 2004 and December 2009 issuances were \$0, \$0, and \$13,530,000, respectively.

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

In June 1996, the City issued \$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 improvement 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, 2011, the outstanding balance of the bonds was \$255,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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 \$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 improvement 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, 2011, the outstanding balance of the bonds was \$145,756.

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. 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. The City pays 3% employee contributions for all Miscellaneous employees and 5% for Safety employees (Fire, Fire Management, and the Fire Chief), which amounted to \$574,918 for the year ended June 30, 2011. The City's employer required contribution rate was 11.416% for Miscellaneous employees and 18.177% for Safety employees for the fiscal year.

Annual Pension Cost

For the year ended June 30, 2011, the City's annual pension cost of \$2,147,835 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2008, 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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. RETIREMENT BENEFITS, Continued

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

Annual Pension Cost, Continued

was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2008, was 24 years for miscellaneous employees and 18 years for safety employees for prior and current service unfunded liability.

THREE-YEAR TREND INFORMATION FOR PERS

(\$ Amounts in Thousands)

Fiscal Year	Annual Pension Cost (APC)			Percentage of APC Contributed	Net Pension Obligation
	Safety	Miscellaneous	Total		
6/30/2009	\$ 1,119	\$ 1,488	\$ 2,607	100%	\$ -
6/30/2010	\$ 1,097	\$ 1,404	\$ 2,501	100%	\$ -
6/30/2011	\$ 1,292	\$ 855	\$ 2,147	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	6/30/2010	\$ 62,915	\$ 73,762	\$ 10,847	85.29%	\$ 11,972	90.60%

Public Safety The City's safety plan is part of a CalPERS Risk Pool for employers with less than 100 active plan members.
Employee Group As part of a cost sharing multiple-employer defined benefits plan, disclosures of the schedule of funding progress is not required.

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. RETIREMENT BENEFITS, Continued

B. Public Agency Retirement Services (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 all years of City service and prior CalPERS service and reciprocal agency service. Sample rates are as follows:

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

Funding Policy

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

- Normal cost
- Amortization of the unfunded actuarial accrued liability

Annual Pension Cost

For the year ended June 30, 2011, the City's annual required contribution is \$1,085,103. 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) 7.0% investment return (net of administrative expenses), (b) the CalPERS 1997 - 2007 Experience Study table for Males and Females, (c) projected annual payroll increases of 3.25% a year plus merit, and (d) cost-of-living adjustment of 2% per year. Both (a) and (c) included an inflation component of 3.00%. In addition, the change in the amortization technique from level percent of pay to level dollar amortization, to comply with GASB requirements increases the Unfunded Actuarial Liability contribution percentage by approximately 1.31 %, assuming the initial 20 year closed amortization period, and 1.55% assuming an initial 30 year closed amortization period.

THREE-YEAR TREND INFORMATION FOR PARS (\$ Amounts in Thousands)
(\$ Amounts in Thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2009	\$ 1,083	100%	\$ -
6/30/2010	\$ 1,027	100%	\$ -
6/30/2011	\$ 1,085	100%	\$ -

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

7. RETIREMENT BENEFITS, Continued

B. Public Agency Retirement Services (PARS), Continued

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 Pension 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, 2011, the City’s payroll covered by the plan was \$603,180. The City made employer contributions of \$499 (0.0828% of current covered payroll), and employees contributed \$44,739 (7.4172% of current covered payroll).

8. REHABILITATION LOAN PROGRAM

A. The City Loan Programs

Commercial Revitalization Loans

The City has two commercial revitalization loans outstanding at June 30, 2011. The original aggregate loan amounts were \$322,250 and are 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, 2011 is \$64,900.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

8. REHABILITATION LOAN PROGRAM, Continued

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, 2011 is \$146,441, and the balance of the non-forgivable rehabilitation loans at June 30, 2011 is \$94,068.

BEGIN Program Loans

This program is sponsored by a State of California grant to aid first-time buyers purchase 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, 2011 is \$1,323,323.

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, 2011 is \$3,989,224.

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, 2011 is \$19,028,039.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

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. OTHER REQUIRED DISCLOSURES

A. Deficit Net Assets/Fund Balance

Government-Wide Financial Statements

At June 30, 2011, the unrestricted net assets had a deficit balance of \$(34,679,356) for governmental activities because long-term debt is in excess of assets owned by the City. The deficit is caused by pass through payments and other non-capitalizable expenditures from bond proceeds.

Fund Financial Statements

At June 30, 2011, the following fund had a deficit fund balance:

<u>Funds</u>	<u>Deficit</u>
Non-Major Governmental Funds:	
800 MHz Communication System	\$ (4,508)
Storm Water Management	(115,940)

800 MHz Communication System - The non-major government fund 800 MHz system has a deficit fund balance of \$(4,508) as a result of slightly higher than expected expenditures. This fund has had an annual payment of \$87,710 for the last 15 years for its share of county-wide infrastructure and the last payment was made during fiscal year 2010-11. Since this payment will not be necessary in fiscal year 2011-12 there will be sufficient funds available to make up this deficit balance.

Storm Water Management - The non-major government fund Storm Water Management has a deficit fund balance of \$(115,940) at June 30, 2011, down from a negative \$(147,169) at June 30, 2010. The deficit was expected to be eliminated over the next several years with annual revenues continuing to exceed annual expenditures. However, as noted in the Contingent Liabilities and Commitments note, the City of Poway ceased the imposition and collection of the storm water fee during fiscal year 2011-12. Therefore, this deficit will be funded by a transfer from the General Fund during fiscal year 2011-12.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

11. 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 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.

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. Premium 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, 2011, no liability was recorded in the accompanying basic financial statements.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

12. 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, 2011 is as follows:

Total Assets	\$ 329,147
Total Liabilities	\$ 3,528
Total Equity	\$ 325,619
Total Revenues	\$ 266,404
Total Expenses	\$ 249,778
Net Increase in Fund Equity	\$ 16,626

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.

13. PROPERTY TAXES

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

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

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

No allowance for doubtful accounts was considered necessary.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

14. CONTINGENT LIABILITIES AND COMMITMENTS

A. *Litigation*

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

B. *Grants*

The City participates in a number of programs that are fully or partially funded by grants received from federal, state, and county governments. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor agency. As of June 30, 2011, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City's overall financial position.

C. *Construction*

Various construction projects were in progress at June 30, 2011 with an estimated cost to complete of approximately \$25,368,679 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 will now be borne by the General Fund. A claims process has been established and customers may make claim for the stormwater fees paid in the preceding twelve-month period, and have approximately one year to do so. An expenditure for the total claims exposure is reflected in the June 30, 2011 financial statements.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

15. 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, 2011

16. FUND BALANCES CLASSIFICATION

The City's fund balances at June 30, 2011 are tabulated below by fund types.

	Major Funds							Total
	General	Low and Moderate Income Housing Special Revenue	City of Poway RDA Debt Service Fund	Redevelopment Area Capital Projects Fund	Housing Authority Fund	Royal Mobilehome Park Administration	Other Governmental Fund	
	Fund	Fund	Service Fund	Projects Fund	Fund	Administration	Fund	
Nonspendable:								
Prepaid Items	\$ 24,366	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,366
Inventories	106,339	-	-	-	-	-	-	106,339
Notes Receivable	10,020,403	-	-	-	-	-	-	10,020,403
Total nonspendable	10,151,108	-	-	-	-	-	-	10,151,108
Restricted:								
Capital Projects	-	-	-	-	-	-	3,083,408	3,083,408
Debt Service Payments	-	-	14,289,645	-	-	-	4,206,270	18,495,915
Drainage	-	-	-	-	-	-	4,984,092	4,984,092
Fire Protection	-	-	-	-	-	-	20,742	20,742
Grants	-	-	-	-	-	-	2,683,175	2,683,175
Housing	-	-	-	-	20,421,109	-	-	20,421,109
Maintenance Districts	-	-	-	-	-	-	6,659,102	6,659,102
Parks and Recreation	-	-	-	-	-	-	1,192,429	1,192,429
Streets	-	-	-	-	-	-	4,086,243	4,086,243
Transportation	-	-	-	-	-	-	828,976	828,976
Total restricted	-	-	14,289,645	-	20,421,109	-	27,744,437	62,455,191
Committed:								
Economic Stabilization	3,109,132	-	-	-	-	-	-	3,109,132
Street Maintenance	4,496,494	-	-	-	-	-	-	4,496,494
Pension Stabilization	2,432,012	-	-	-	-	-	-	2,432,012
Total committed	10,037,638	-	-	-	-	-	-	10,037,638
Assigned:								
Capital Projects	538,699	-	-	-	-	-	8,564,840	9,103,539
Contractual Services	4,104	-	-	-	-	-	-	4,104
Education and Training	208,083	-	-	-	-	-	-	208,083
Equipment	1,759	-	-	-	-	-	-	1,759
Library	891,703	-	-	-	-	-	-	891,703
Parks and Recreation	583,556	-	-	-	-	-	-	583,556
Printing	12,137	-	-	-	-	-	-	12,137
Public Safety	84,848	-	-	-	-	-	-	84,848
Repair and Maintenance	4,141,830	-	-	-	-	-	-	4,141,830
Total Assigned	6,466,719	-	-	-	-	-	8,564,840	15,031,559
Unassigned:								
General Fund	23,955,242	-	-	-	-	-	-	23,955,242
Special Revenue Funds	-	-	-	-	-	-	(88,658)	(88,658)
Total Unassigned	23,955,242	-	-	-	-	-	(88,658)	(88,658)
Total fund balances	\$ 50,610,707	\$ -	\$ 14,289,645	\$ -	\$ 20,421,109	\$ -	\$ 36,220,619	\$ 82,555,279

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

17. RELATED PARTY TRANSACTION

In an effort to ensure that the objectives of Poway’s Redevelopment Plan and the Poway Redevelopment Agency’s (“Agency”) 5-Year Implementation Plan are fulfilled, on March 11, 2011, the Agency transferred all non-housing assets to the City and all housing related assets to the newly created Poway Housing Authority (the “Authority”) through an Amended and Restated Cooperation Agreement between the Agency and the City and a Cooperation Agreement between the Agency and the Housing Authority. Under the terms of these agreements, the City and the Housing Authority agreed to respectively carry out the projects and activities of the Agency in accordance with the objectives and purposes included in the Redevelopment and Implementation Plans. Projects included in the Amended and Restated Cooperation Agreement between the Agency and the City and the Cooperation Agreement between the Agency and the Housing Authority further the goals of the Redevelopment Plan and will be completed based on available tax increment received through 2037.

18. PRIOR PERIOD ADJUSTMENTS

Government-Wide Financial Statements

In 2003, the City implemented GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. The objective of this Statement is to make annual reports more comprehensive and easier to understand and use by requiring state and local governments to begin reporting all government-wide financial transactions on an accrual accounting basis. During the implementation year, the City, in error, recognized the entire lease revenue of Poway Royal Mobilehome Park that was expected to be collected but at the time had not been earned. Accordingly, the City made an adjustment to reduce Net Assets for the unearned revenue as of July 1, 2010.

	Governmental Activities
Net Assets at July 1, 2010	\$ 57,505,982
Lease Revenue	(26,720,000)
Net Assets July 1, 2010, as restated	<u>\$ 30,785,982</u>

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

18. PRIOR PERIOD ADJUSTMENTS, Continued

Fund Financial Statements

On July 1, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Accordingly, the City reclassified certain funds to General Fund.

	Non-Major Governmental Funds	General Fund
Fund Balance at July 1, 2010	\$ 21,043,908	\$ 36,372,446
Non-Major Special Revenue Funds:		
Better Bendixon	(21,077)	21,077
Poway Road Beautification	(10,367)	10,367
Poway Valley Senior Center	(442,571)	442,571
Old Poway Park Tree	(5,995)	5,995
Poway Public Arts Center	(53,566)	53,566
Kumeyaay	(15,514)	15,514
Poway Fine Arts Center	(3,130)	3,130
Senior Volunteer Patrol	(36,703)	36,703
Fire Equipment Trust	(8,925)	8,925
Public Art Trust	(29,124)	29,124
Non-Major Permanent Fund:		
Library	(892,774)	892,774
Fund Balance at July 1, 2010, as Restated	<u>\$ 19,524,162</u>	<u>\$ 37,892,191</u>

19. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On December 29, 2011, the Supreme Court of the State of California 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.

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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2011

19. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

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 Enforceable 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.

The full impacts of this most recent development and its impact on other funds of the City are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

REQUIRED SUPPLEMENTARY INFORMATION

City of Poway
Required Supplementary Information
For the year ended June 30, 2011

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, 2011

1. BUDGETARY INFORMATION, Continued

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

Budget Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 22,792,530	\$ 22,792,530	\$ 24,263,657	\$ 1,471,127
Licenses and permits	406,610	406,610	457,905	51,295
Intergovernmental	320,300	320,300	555,947	235,647
Charges for services	1,002,590	1,002,590	841,629	(160,961)
Fines and forfeitures	655,960	655,960	678,468	22,508
Use of money and property	1,907,600	1,907,600	1,965,035	57,435
Developer fees	3,259,300	3,259,300	3,469,785	210,485
Other revenues	296,300	296,300	499,815	203,515
Total revenues	30,641,190	30,641,190	32,732,241	2,091,051
EXPENDITURES:				
Current:				
General government	2,395,191	4,958,011	2,680,162	2,277,849
Public safety	19,187,010	19,236,310	18,264,668	971,642
Public works	3,687,684	3,408,552	3,133,475	275,077
Development Services	2,546,217	2,728,067	2,388,077	339,990
Community services	4,674,133	4,804,133	4,452,500	351,633
Capital outlay	1,170,931	3,456,938	1,937,038	1,519,900
Total expenditures	33,661,166	38,592,011	32,855,920	5,736,091
REVENUES OVER (UNDER) EXPENDITURES	(3,019,976)	(7,950,821)	(123,679)	7,827,142
OTHER FINANCING SOURCES (USES):				
Transfers in	2,137,340	16,929,436	15,502,350	(1,427,086)
Transfers out	(2,382,750)	(4,103,810)	(2,660,155)	1,443,655
Total other financing sources (uses)	(245,410)	12,825,626	12,842,195	16,569
NET CHANGE IN FUND BALANCE	\$ (3,265,386)	\$ 4,874,805	12,718,516	\$ 7,843,711
FUND BALANCES:				
Beginning of year, as restated (See Note 18)			37,892,191	
End of year			\$ 50,610,707	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Low and Moderate Income Housing Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 7,790,850	\$ 7,806,535	\$ 7,803,052	\$ (3,483)
Use of money and property	391,490	139,124	28,373	(110,751)
Other revenues	45,000	40,057	125,013	84,956
Total revenues	8,227,340	7,985,716	7,956,438	(29,278)
EXPENDITURES:				
Current:				
General government	1,215,751	744,650	727,856	16,794
Capital outlay	11,665,993	4,279,023	4,279,020	3
Total expenditures	12,881,744	5,023,673	5,006,876	16,797
REVENUES OVER (UNDER) EXPENDITURES	(4,654,404)	2,962,043	2,949,562	(12,481)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	4,154,300	4,154,297	(3)
Transfers out	(1,726,390)	(24,742,793)	(24,742,785)	8
Total other financing sources (uses)	(1,726,390)	(20,588,493)	(20,588,488)	5
NET CHANGE IN FUND BALANCE	(6,380,794)	(17,626,450)	(17,638,926)	(12,476)
FUND BALANCES:				
Beginning of year			17,638,926	
End of year			\$ -	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Housing Authority Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 252,366	\$ 239,985	\$ (12,381)
Other revenues	-	4,943	7,812	2,869
Total revenues	-	257,309	247,797	(9,512)
EXPENDITURES:				
Current:				
General government	-	590,899	280,539	310,360
Capital outlay	-	17,542,894	2,452,744	15,090,150
Debt service:				
Interest and fiscal charges	-	-	94,125	(94,125)
Total expenditures	-	18,133,793	2,827,408	15,306,385
REVENUES OVER (UNDER) EXPENDITURES	-	(17,876,484)	(2,579,611)	15,296,873
OTHER FINANCING SOURCES (USES):				
Transfers in	-	24,144,868	24,065,401	(79,467)
Transfers out	-	(1,064,690)	(1,064,681)	9
Total other financing sources (uses)	-	23,080,178	23,000,720	(79,458)
NET CHANGE IN FUND BALANCE	\$ -	\$ 5,203,694	20,421,109	\$ 15,217,415
FUND BALANCES:				
Beginning of year			-	
End of year			\$ 20,421,109	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2011

1. BUDGETARY INFORMATION, Continued

Budget Comparison Schedule, Poway Royal Mobilehome Park Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Charges for services	\$ 4,484,360	\$ 4,484,360	\$ 194,115	\$ (4,290,245)
Use of money and property	56,550	56,550	11,029	(45,521)
Other revenues	-	-	284	284
Total revenues	4,540,910	4,540,910	205,428	(4,335,482)
EXPENDITURES:				
Current:				
Community services	4,260,350	4,260,350	1,026,404	3,233,946
Total expenditures	4,260,350	4,260,350	1,026,404	3,233,946
REVENUES OVER (UNDER) EXPENDITURES	280,560	280,560	(820,976)	(1,101,536)
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of property	-	38,300,000	38,300,000	-
Transfers in	-	2,411,150	2,411,150	-
Transfers out	-	(45,064,011)	(44,125,581)	938,430
Total other financing sources (uses)	-	(4,352,861)	(3,414,431)	938,430
NET CHANGE IN FUND BALANCE	\$ 280,560	\$ (4,072,301)	(4,235,407)	\$ (163,106)
FUND BALANCES:				
Beginning of year			4,235,407	
End of year			\$ -	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2011

2. DEFINED BENEFIT PENSION PLANS

A. California Public Employees' Retirement Plan (PERS)

A schedule of funding progress for the year ended June 30, 2011 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	6/30/2008	\$ 56,126	\$ 63,279	\$ 7,153	88.70%	\$ 12,891	55.49%
Employee Group	6/30/2009	\$ 59,494	\$ 69,735	\$ 10,241	85.31%	\$ 12,754	80.30%
	6/30/2010	\$ 62,915	\$ 73,762	\$ 10,847	85.29%	\$ 11,972	90.60%

Public Safety 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.

Employee Group

B. Public Agency Retirement Services (PARS)

A schedule of funding progress for the year ended June 30, 2011 including the past three actuarial valuation 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.

Traffic Congestion AB2928 Fund - Used to account for revenues received and expenditures made under the State's Traffic Congestion Relief grant, AB 2928. These funds must be used for street and highway pavement maintenance, rehabilitation and reconstruction of necessary associated facilities such as drainage and traffic control devices.

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

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

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

BEGIN Program - 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.

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:

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 Waterline. The remaining funds are to be used for the maintenance and operation costs of the waterline.

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 included streets and roads, and water and sewer.

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	Special Revenue Funds				
	Fire	800 MHz	Gas	Street	
	Protection	Communication System	Tax	Improvement	
ASSETS					
Cash and investments	\$ -	\$ 7,447	1,514,723	\$ 3,446,125	\$ 4,980,255
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	2,157	42	-	-	4,203
Accounts	-	-	4,635	-	-
Interest	-	13	-	-	-
Lease	-	-	-	-	-
Due from other governments and agencies	-	-	160,019	-	5,984
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	17,576
Total assets	\$ 2,157	\$ 7,502	\$ 1,679,377	\$ 3,446,125	\$ 5,008,018
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 4,982	\$ 175,564	140,548	\$ 23,926
Due to other funds	-	7,028	-	-	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	723,147	-
Total liabilities	-	12,010	175,564	863,695	23,926
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	2,157	-	1,503,813	2,582,430	4,984,092
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(4,508)	-	-	-
Total fund balances	2,157	(4,508)	1,503,813	2,582,430	4,984,092
Total liabilities and fund balances	\$ 2,157	\$ 7,502	\$ 1,679,377	\$ 3,446,125	\$ 5,008,018

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue Funds				
	Maintenance Districts	Miscellaneous Grants	Community Development Block Grant	Transportation Development Act	Proposition A
ASSETS					
Cash and investments	\$ 6,745,956	\$ 2,700,163	\$ 71,441	\$ 550,704	\$ 27,872
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	7,349	-	-	-	-
Accounts	-	48,688	-	-	-
Interest	-	-	-	-	-
Lease	-	-	-	-	-
Due from other governments and agencies	340	152,562	194,462	-	-
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ 6,753,645	\$ 2,901,413	\$ 265,903	\$ 550,704	\$ 27,872
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 94,543	\$ 40,924	\$ 91,986	\$ 1,355	1,080
Due to other funds	-	113,260	173,917	-	-
Deferred revenue	-	64,868	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	94,543	219,052	265,903	1,355	1,080
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	6,659,102	2,682,361	-	549,349	26,792
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	6,659,102	2,682,361	-	549,349	26,792
Total liabilities and fund balances	\$ 6,753,645	\$ 2,901,413	\$ 265,903	\$ 550,704	\$ 27,872

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Special Revenue Funds				
	Traffic Congestion AB 2928	Storm Water Management	Regional Arterial Traffic Mitigation	Fire Protection Impact Fees	BEGIN Program
ASSETS					
Cash and investments	\$ -	\$ -	\$ 252,835	\$ 18,585	\$ -
Cash and investments with fiscal agents	-	-	-	-	-
Receivables:					
Taxes	-	-	-	-	-
Accounts	-	292,359	-	-	-
Interest	-	-	-	-	-
Lease	-	374	-	-	-
Due from other governments and agencies	-	-	-	-	315,386
Notes receivable	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total assets	\$ -	\$ 292,733	\$ 252,835	\$ 18,585	\$ 315,386
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	-	\$ 75,887	\$ -	\$ -	\$ -
Due to other funds	-	126,781	-	-	314,572
Deferred revenue	-	-	-	-	-
Advances from other funds	-	206,005	-	-	-
Total liabilities	-	408,673	-	-	314,572
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	-	-	252,835	18,585	814
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	(115,940)	-	-	-
Total fund balances	-	(115,940)	252,835	18,585	814
Total liabilities and fund balances	\$ -	\$ 292,733	\$ 252,835	\$ 18,585	\$ 315,386

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Permanent Funds	Debt Service Fund	Capital Projects Funds		
	Mary Patricia Ross Trust	Debt Service Fund	Park Improvement	Municipal Improvement	CIP Fund
ASSETS					
Cash and investments	\$ 89,266	\$ 2,850,283	\$ 1,411,333	\$ 3,768	\$ 3,830,087
Cash and investments with fiscal agents	-	1,497,310	-	-	-
Receivables:	-	-	-	-	-
Taxes	-	-	-	-	10,002
Accounts	-	-	-	-	-
Interest	-	927	-	-	-
Lease	-	-	-	-	-
Due from other governments and agencies	-	-	-	-	-
Notes receivable	-	-	-	-	7,977,928
Advances to other funds	-	-	-	-	-
Total assets	\$ 89,266	\$ 4,348,520	\$ 1,411,333	\$ 3,768	\$ 11,818,017
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 942	\$ -	\$ 141,747
Due to other funds	-	-	-	-	-
Deferred revenue	-	142,250	-	-	-
Advances from other funds	-	-	307,228	-	-
Total liabilities	-	142,250	308,170	-	141,747
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	89,266	4,206,270	1,103,163	3,768	3,079,640
Committed	-	-	-	-	-
Assigned	-	-	-	-	8,564,840
Unassigned	-	-	-	-	31,790
Total fund balances	89,266	4,206,270	1,103,163	3,768	11,676,270
Total liabilities and fund balances	\$ 89,266	\$ 4,348,520	\$ 1,411,333	\$ 3,768	\$ 11,818,017

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2011

	Total Other Governmental Funds
ASSETS	
Cash and investments	\$ 28,500,843
Cash and investments with fiscal agents	1,497,310
Receivables:	
Taxes	23,753
Accounts	345,682
Interest	940
Lease	374
Due from other governments and agencies	828,753
Notes receivable	7,977,928
Advances to other funds	17,576
Total assets	\$ 39,193,159
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 793,484
Due to other funds	735,558
Deferred revenue	207,118
Advances from other funds	1,236,380
Total liabilities	2,972,540
Fund Balances:	
Nonspendable	-
Restricted	27,744,437
Committed	-
Assigned	8,564,840
Unassigned	(88,658)
Total fund balances	36,220,619
Total liabilities and fund balances	\$ 39,193,159

(Concluded)

City of Poway

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2011

	Special Revenue Funds				
	Fire Protection	800 MHz	Gas Tax	Street Improvement	Drainage
		Communication System			
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,305,554	\$ -	\$ 682,612
Intergovernmental	-	-	2,902	-	5,984
Charges for services	616,467	135,133	15	-	-
Development fees	-	-	-	204,914	11,011
Assessment levied	-	-	-	-	-
Use of money and property	-	-	6,523	1,172,690	2,367,678
Other revenues	-	-	25,587	-	60
Total revenues	616,467	135,133	1,340,581	1,377,604	3,067,345
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	63,619	-	-	-
Public works	-	-	963,585	140,548	573,724
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	125,144
Debt service:					
Principal	-	83,020	-	-	-
Interest and fiscal charges	-	4,691	-	-	-
Total expenditures	-	151,330	963,585	140,548	698,868
REVENUES OVER (UNDER) EXPENDITURES	616,467	(16,197)	376,996	1,237,056	2,368,477
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	(617,385)	-	-	-	-
Total other financing sources (uses)	(617,385)	-	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(918)	(16,197)	376,996	1,237,056	2,368,477
FUND BALANCES:					
Beginning of year	3,075	11,689	1,126,817	1,345,374	2,615,615
End of year	\$ 2,157	\$ (4,508)	\$ 1,503,813	\$ 2,582,430	\$ 4,984,092

(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, 2011

	Special Revenue Funds				
	Maintenance	Miscellaneous	Community	Transportation	
	Districts	Grants	Development Block Grant	Development Act	Proposition A
REVENUES:					
Taxes	\$ 284,208	\$ -	\$ -	\$ -	\$ 1,072,514
Intergovernmental	2,628	586,030	267,412	5,000	-
Charges for services	18	-	-	-	-
Development fees	-	362,728	-	-	-
Assessment levied	1,902,409	-	-	-	-
Use of money and property	64,340	28,466	-	5,533	-
Other revenues	12,243	54,904	-	-	-
Total revenues	2,265,846	1,032,128	267,412	10,533	1,072,514
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	2,081,378	-	-	-	1,134,999
Community services	-	-	-	-	-
Capital outlay	-	453,239	267,412	49,471	83,240
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	2,081,378	453,239	267,412	49,471	1,218,239
REVENUES OVER (UNDER) EXPENDITURES	184,468	578,889	-	(38,938)	(145,725)
OTHER FINANCING SOURCES (USES):					
Transfers in	305,821	-	-	-	-
Transfers out	-	(100,000)	-	-	-
Total other financing sources (uses)	305,821	(100,000)	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	490,289	478,889	-	(38,938)	(145,725)
FUND BALANCES:					
Beginning of year	6,168,813	2,203,472	-	588,287	172,517
End of year	\$ 6,659,102	\$ 2,682,361	\$ -	\$ 549,349	\$ 26,792

(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, 2011

	Special Revenue Funds				
	Traffic		Regional	Fire	
	Congestion AB 2928	Storm Water Management	Arterial Traffic Mitigation	Protection Impact Fees	BEGIN Program
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	374,242
Charges for services	-	1,327,827	-	-	-
Development fees	-	-	158,156	14,653	-
Assessment levied	-	-	-	-	-
Use of money and property	3,728	-	2,891	199	-
Other revenues	-	-	-	-	-
Total revenues	3,728	1,327,827	161,047	14,852	374,242
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	472,211	1,490,448	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	374,242
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	472,211	1,490,448	-	-	374,242
REVENUES OVER (UNDER) EXPENDITURES	(468,483)	(162,621)	161,047	14,852	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	193,850	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	193,850	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(468,483)	31,229	161,047	14,852	-
FUND BALANCES:					
Beginning of year	468,483	(147,169)	91,788	3,733	814
End of year	\$ -	\$ (115,940)	\$ 252,835	\$ 18,585	\$ 814

(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, 2011

	Permanent Funds	Debt Service Fund	Capital Project Fund		
	Mary Patricia Ross Trust	Debt Service Fund	Park Improvement	Municipal Improvement	CIP Fund
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Development fees	-	-	294,996	-	-
Assessment levied	-	-	-	-	-
Use of money and property	913	854,193	15,400	39	438,326
Other revenues	-	-	-	-	-
Total revenues	913	854,193	310,396	39	438,326
EXPENDITURES:					
Current:					
General government	-	-	-	-	872,910
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	67,849	-	641,855
Debt service:					
Principal	-	845,000	-	-	-
Interest and fiscal charges	-	1,004,317	-	-	-
Total expenditures	-	1,849,317	67,849	-	1,514,765
REVENUES OVER (UNDER) EXPENDITURES	913	(995,124)	242,547	39	(1,076,439)
OTHER FINANCING SOURCES (USES):					
Transfers in	-	1,726,938	-	-	12,752,709
Transfers out	-	(443,700)	-	-	-
Total other financing sources (uses)	-	1,283,238	-	-	12,752,709
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	913	288,114	242,547	39	11,676,270
FUND BALANCES:					
Beginning of year	88,353	3,918,156	860,616	3,729	-
End of year	\$ 89,266	\$ 4,206,270	\$ 1,103,163	\$ 3,768	\$ 11,676,270

(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, 2011

	Total Other Governmental Funds
	<u> </u>
REVENUES:	
Taxes	\$ 3,344,888
Intergovernmental	1,244,198
Charges for services	2,079,460
Development fees	1,046,458
Assessment levied	1,902,409
Use of money and property	4,960,919
Other revenues	92,794
Total revenues	<u>14,671,126</u>
EXPENDITURES:	
Current:	
General government	872,910
Public safety	63,619
Public works	6,856,893
Community services	-
Capital outlay	2,062,452
Debt service:	
Principal	928,020
Interest and fiscal charges	1,009,008
Total expenditures	<u>11,792,902</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>2,878,224</u>
OTHER FINANCING SOURCES (USES):	
Transfers in	14,979,318
Transfers out	(1,161,085)
Total other financing sources (uses)	<u>13,818,233</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	2,226,609 16,696,457
FUND BALANCES:	
Beginning of year	<u>19,524,162</u>
End of year	<u>\$ 36,220,619</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 year ended June 30, 2011

	Budgeted Amount		Actual	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 13,938,600	\$ 13,938,600	\$ 13,938,600	\$ -
Resources (inflows):				
Tax increment	38,954,230	38,954,230	31,212,209	(7,742,021)
Use of money and property	733,330	683,502	616,391	(67,111)
Lease revenue	2,402,920	2,402,920	-	(2,402,920)
Proceeds from loans	169,760	169,760	169,930	170
Transfers in	1,726,390	37,062,173	37,077,848	15,675
Amount available for appropriation	43,986,630	79,272,585	69,076,378	(10,196,207)
Charges to appropriation (outflows):				
Debt service:				
Principal	6,600,000	33,320,000	32,495,000	825,000
Interest and fiscal charges	15,048,100	19,634,943	16,868,986	2,765,957
Tax increment reimbursement	6,517,390	6,517,390	5,948,554	568,836
Tax shift	2,818,050	2,818,050	2,820,770	(2,720)
Transfers out	12,430,330	27,543,069	10,592,023	(16,951,046)
Total charges to appropriations	43,413,870	89,833,452	68,725,333	(12,793,973)
Excess of resources over (under) charges to appropriations	572,760	(10,560,867)	351,045	(22,990,180)
Fund balance, June 30, 2011	\$ 14,511,360	\$ 3,377,733	\$ 14,289,645	\$ (22,990,180)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 3,075	\$ 3,075	\$ 3,075	\$ -
Resources (inflows):				
Charges for services	600,000	600,000	616,467	16,467
Amount available for appropriation	600,000	600,000	616,467	16,467
Charges to appropriations (outflows):				
Transfers out	600,000	617,390	617,385	5
Total charges to appropriations	600,000	617,390	617,385	5
Excess of resources over (under) charges to appropriations	-	(17,390)	(918)	16,472
Fund balance, June 30, 2011	\$ 3,075	\$ (14,315)	\$ 2,157	\$ 16,472

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 11,689	\$ 11,689	\$ 11,689	\$ -
Resources (inflows):				
Charges for services	134,000	134,000	135,133	1,133
Use of money and property	500	500	-	(500)
Amount available for appropriation	134,500	134,500	135,133	633
Charges to appropriations (outflows):				
Public safety	68,000	68,000	63,619	4,381
Debt service:				
Principal	83,020	83,020	83,020	-
Interest and fiscal charges	4,700	4,700	4,691	9
Total charges to appropriations	155,720	155,720	151,330	4,390
Excess of resources over (under) charges to appropriations	(21,220)	(21,220)	(16,197)	5,023
Fund balance, June 30, 2011	\$ (9,531)	\$ (9,531)	\$ (4,508)	\$ 5,023

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 1,126,817	\$ 1,126,817	\$ 1,126,817	\$ -
Resources (inflows):				
Taxes	1,324,260	1,324,260	1,305,554	(18,706)
Intergovernmental	-	-	2,902	2,902
Charges for services	-	-	15	15
Use of money and property	7,610	7,610	6,523	(1,087)
Other revenue	-	-	25,587	25,587
Amount available for appropriation	1,331,870	1,331,870	1,340,581	27,417
Charges to appropriations (outflows):				
Public works	1,687,703	1,509,077	963,585	545,492
Total charges to appropriations	1,687,703	1,509,077	963,585	545,492
Excess of resources over (under) charges to appropriations	(355,833)	(177,207)	376,996	572,909
Fund balance, June 30, 2011	\$ 770,984	\$ 949,610	\$ 1,503,813	\$ 572,909

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 1,345,374	\$ 1,345,374	\$ 1,345,374	\$ -
Resources (inflows):				
Developers fee	86,610	86,610	204,914	118,304
Use of money and property	5,220	2,793,129	1,172,690	(1,620,439)
Amount available for appropriation	91,830	2,879,739	1,377,604	(1,502,135)
Charges to appropriations (outflows):				
Public works	101,900	781,900	140,548	641,352
Total charges to appropriations	101,900	781,900	140,548	641,352
Excess of resources over (under) charges to appropriations	(10,070)	2,097,839	1,237,056	(860,783)
Fund balance, June 30, 2011	\$ 1,335,304	\$ 3,443,213	\$ 2,582,430	\$ (860,783)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 2,615,615	\$ 2,615,615	\$ 2,615,615	\$ -
Resources (inflows):				
Taxes	655,270	655,270	682,612	27,342
Intergovernmental	-	-	5,984	5,984
Developer fees	-	-	11,011	11,011
Use of money and property	19,570	3,379,371	2,367,678	(1,011,693)
Other revenue	-	-	60	60
Amount available for appropriation	674,840	4,034,641	3,067,345	(967,296)
Charges to appropriations (outflows):				
Public works	631,568	636,958	573,724	63,234
Capital outlay	469,859	994,859	125,144	869,715
Total charges to appropriations	1,101,427	1,631,817	698,868	932,949
Excess of resources over (under) charges to appropriations	(426,587)	2,402,824	2,368,477	(34,347)
Fund balance, June 30, 2011	\$ 2,189,028	\$ 5,018,439	\$ 4,984,092	\$ (34,347)

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 6,168,813	\$ 6,168,813	\$ 6,168,813	\$ -
Resources (inflows):				
Taxes	304,920	304,920	284,208	(20,712)
Intergovernmental	-	-	2,628	2,628
Charges for services	-	-	18	18
Assessment levied	1,883,990	1,883,990	1,902,409	18,419
Use of money and property	106,830	106,830	64,340	(42,490)
Other revenue	-	-	12,243	12,243
Transfers in	321,150	321,150	305,821	(15,329)
Amount available for appropriation	2,616,890	2,616,890	2,571,667	(45,223)
Charges to appropriations (outflows):				
Public works	2,297,831	2,356,235	2,081,378	274,857
Total charges to appropriations	2,297,831	2,356,235	2,081,378	274,857
Excess of resources over (under) charges to appropriations	319,059	260,655	490,289	229,634
Fund balance, June 30, 2011	\$ 6,487,872	\$ 6,429,468	\$ 6,659,102	\$ 229,634

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 2,203,472	\$ 2,203,472	\$ 2,203,472	\$ -
Resources (inflows):				
Intergovernmental	434,264	434,264	586,030	151,766
Developer fees	39,200	39,200	362,728	323,528
Use of money and property	40,680	40,680	28,466	(12,214)
Other revenue	-	-	54,904	54,904
Amount available for appropriation	514,144	514,144	1,032,128	517,984
Charges to appropriations (outflows):				
Capital outlay	1,464,569	1,256,297	453,239	803,058
Transfers out	100,000	100,000	100,000	-
Total charges to appropriations	1,564,569	1,356,297	553,239	803,058
Excess of resources over (under) charges to appropriations	(1,050,425)	(842,153)	478,889	1,321,042
Fund balance, June 30, 2011	\$ 1,153,047	\$ 1,361,319	\$ 2,682,361	\$ 1,321,042

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	208,760	208,760	267,412	58,652
Amount available for appropriation	208,760	208,760	267,412	58,652
Charges to appropriations (outflows):				
Capital outlay	454,679	393,303	267,412	125,891
Total charges to appropriations	454,679	393,303	267,412	125,891
Excess of resources over (under) charges to appropriations	(245,919)	(184,543)	-	184,543
Fund balance, June 30, 2011	\$ (245,919)	\$ (184,543)	\$ -	\$ 184,543

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 588,287	\$ 588,287	\$ 588,287	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	5,000	-
Use of money and property	11,960	11,960	5,533	(6,427)
Amount available for appropriation	16,960	16,960	10,533	(6,427)
Charges to appropriations (outflows):				
Capital outlay	395,866	395,866	49,471	346,395
Total charges to appropriations	395,866	395,866	49,471	346,395
Excess of resources over (under) charges to appropriations	(378,906)	(378,906)	(38,938)	339,968
Fund balance, June 30, 2011	\$ 209,381	\$ 209,381	\$ 549,349	\$ 339,968

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 172,517	\$ 172,517	\$ 172,517	\$ -
Resources (inflows):				
Taxes	1,139,270	1,139,270	1,072,514	(66,756)
Use of money and property	5,440	5,440	-	(5,440)
Other revenue	-	-	-	-
Amount available for appropriation	1,144,710	1,144,710	1,072,514	(72,196)
Charges to appropriations (outflows):				
Public works	1,144,710	1,144,710	1,134,999	9,711
Capital outlay	100,000	100,000	83,240	16,760
Total charges to appropriations	1,244,710	1,244,710	1,218,239	26,471
Excess of resources over (under) charges to appropriations	(100,000)	(100,000)	(145,725)	(45,725)
Fund balance, June 30, 2011	\$ 72,517	\$ 72,517	\$ 26,792	\$ (45,725)

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Traffic Congestion AB 2928 Special Revenue Fund For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 468,483	\$ 468,483	\$ 468,483	\$ -
Resources (inflows):				
Use of money and property	1,630	1,630	3,728	2,098
Amount available for appropriation	1,630	1,630	3,728	2,098
Charges to appropriations (outflows):				
Public works	5,000	472,220	472,211	9
Total charges to appropriations	5,000	472,220	472,211	9
Excess of resources over (under) charges to appropriations	(3,370)	(470,590)	(468,483)	2,107
Fund balance, June 30, 2011	\$ 465,113	\$ (2,107)	\$ -	\$ 2,107

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ (147,169)	\$ (147,169)	\$ (147,169)	\$ -
Resources (inflows):				
Charges for services	1,430,300	1,430,300	1,327,827	(102,473)
Transfers in	193,850	193,850	193,850	-
Amount available for appropriation	1,624,150	1,624,150	1,521,677	(102,473)
Charges to appropriations (outflows):				
Public works	1,613,253	1,621,173	1,490,448	130,725
Total charges to appropriations	1,613,253	1,621,173	1,490,448	130,725
Excess of resources over (under) charges to appropriations	10,897	2,977	31,229	28,252
Fund balance, June 30, 2011	\$ (136,272)	\$ (144,192)	\$ (115,940)	\$ 28,252

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 91,788	\$ 91,788	\$ 91,788	\$ -
Resources (inflows):				
Developers fee	24,980	24,980	158,156	133,176
Use of money and property	1,960	1,960	2,891	931
Amount available for appropriation	26,940	26,940	161,047	134,107
Excess of resources over (under) charges to appropriations	26,940	26,940	161,047	134,107
Fund balance, June 30, 2011	\$ 118,728	\$ 118,728	\$ 252,835	\$ 134,107

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Fire Protection Impact Fees

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 3,733	\$ 3,733	\$ 3,733	\$ -
Resources (inflows):				
Development fees	3,870	3,870	14,653	10,783
Use of money and property	-	-	199	199
Amount available for appropriation	3,870	3,870	14,852	10,982
Excess of resources over (under) charges to appropriations	3,870	3,870	14,852	10,982
Fund balance, June 30, 2011	\$ 7,603	\$ 7,603	\$ 18,585	\$ 10,982

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

BEGIN Program

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 814	\$ 814	\$ 814	\$ -
Resources (inflows):				
Intergovernmental	-	-	374,242	374,242
Amount available for appropriation	-	-	374,242	374,242
Charges to appropriations (outflows):				
Capital outlay	610,598	610,598	374,242	236,356
Total charges to appropriations	610,598	610,598	374,242	236,356
Excess of resources over (under) charges to appropriations	(610,598)	(610,598)	-	137,886
Fund balance, June 30, 2011	\$ (1,545,000)	\$ (1,545,000)	\$ 814	\$ 814

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	<u>\$ 88,353</u>	<u>\$ 88,353</u>	<u>\$ 88,353</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	<u>920</u>	<u>920</u>	<u>913</u>	<u>(7)</u>
Amount available for appropriation	<u>920</u>	<u>920</u>	<u>913</u>	<u>(7)</u>
Excess of resources over (under) charges to appropriations	<u>920</u>	<u>920</u>	<u>913</u>	<u>(7)</u>
Fund balance, June 30, 2011	<u><u>\$ 89,273</u></u>	<u><u>\$ 89,273</u></u>	<u><u>\$ 89,266</u></u>	<u><u>\$ (7)</u></u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 3,918,156	\$ 3,918,156	\$ 3,918,156	\$ -
Resources (inflows):				
Use of money and property	799,700	849,528	854,193	4,665
Transfers in	662,170	1,728,870	1,726,938	(1,932)
Amount available for appropriation	1,461,870	2,578,398	2,581,131	2,733
Charges to appropriations (outflows):				
Debt service:				
Principal	845,000	845,000	845,000	-
Interest and fiscal charges	1,013,130	1,013,130	1,004,317	8,813
Transfers out	-	443,700	443,700	-
Total charges to appropriations	1,858,130	2,301,830	2,293,017	8,813
Excess of resources over (under) charges to appropriations	(396,260)	276,568	288,114	11,546
Fund balance, June 30, 2011	\$ 3,521,896	\$ 4,194,724	\$ 4,206,270	\$ 11,546

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 860,616	\$ 860,616	\$ 860,616	\$ -
Resources (inflows):				
Development fees	54,740	54,740	294,996	240,256
Use of money and property	21,750	21,750	15,400	(6,350)
Amount available for appropriation	76,490	76,490	310,396	(6,350)
Charges to appropriations (outflows):				
Capital outlay	-	700,000	67,849	632,151
Total charges to appropriations	-	700,000	67,849	632,151
Excess of resources over (under) charges to appropriations	76,490	(623,510)	242,547	625,801
Fund balance, June 30, 2011	\$ 937,106	\$ 237,106	\$ 1,103,163	\$ 625,801

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ 3,729	\$ 3,729	\$ 3,729	\$ -
Resources (inflows):				
Use of money and property	80	80	39	(41)
Amount available for appropriation	80	80	39	(41)
Excess of resources over (under) charges to appropriations	80	80	39	(41)
Fund balance, June 30, 2011	\$ 3,809	\$ 3,809	\$ 3,768	\$ (41)

City of Poway

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual CIP Fund

For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Fund balance, July 1, 2010	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	557,652	438,326	(119,326)
Transfers in	-	12,688,741	12,752,709	63,968
Amount available for appropriation	-	13,246,393	13,191,035	(55,358)
Charges to appropriations (outflows):				
General government	-	1,632,316	872,910	759,406
Capital outlay	-	2,301,631	641,855	1,659,776
Total charges to appropriations	-	3,933,947	1,514,765	2,419,182
Excess of resources over (under) charges to appropriations	-	9,312,446	11,676,270	2,363,824
Fund balance, June 30, 2011	\$ -	\$ 9,312,446	\$ 11,676,270	\$ 2,363,824

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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, 2011

ASSETS

Current assets:

Cash and investments	\$ 6,258,665
Accounts receivable	1,547
Total current assets	<u>6,260,212</u>
Total assets	<u><u>6,260,212</u></u>

LIABILITIES

Current liabilities:

Accounts payable	46,831
Total current liabilities	<u>46,831</u>

Noncurrent liabilities:

Long-term debt due in more than one year	27,595
Total current liabilities	<u>27,595</u>
Total liabilities	<u><u>74,426</u></u>

NET ASSETS

Unrestricted	6,185,786
Total net assets	<u><u>\$ 6,185,786</u></u>

City of Poway
Statement of Activities and Changes in Net Assets
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2011

OPERATING REVENUES:

Charges for services	\$ 2,373,738
Other	24,089
Total operating revenues	<u>2,397,827</u>

OPERATING EXPENSES:

Personnel services	344,206
Maintenance and operations	711,627
Total operating expenses	<u>1,055,833</u>

OPERATING INCOME (LOSS)	<u>1,341,994</u>
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NONOPERATING REVENUES:

Interest revenue	61,756
Total nonoperating revenues	<u>61,756</u>

INCOME (LOSS) BEFORE TRANSFERS	<u>1,403,750</u>
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TRANSFERS:

Transfers out	(480,926)
Total transfers	<u>(480,926)</u>

Changes in net assets	922,824
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NET ASSETS:

Beginning of year	5,262,962
End of year	<u>\$ 6,185,786</u>

City of Poway
Statement of Cash Flows
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from users	\$ 2,396,280
Cash payments to employees for services	(344,206)
Cash payments to suppliers of goods or services	(907,568)
Net cash provided (used) by operating activities	1,144,506

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers out	(480,926)
Net cash provided (used) by noncapital financing activities	(480,926)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal paid on long-term debt	(3,203)
Net cash provided (used) by capital and related financing activities	(3,203)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	61,756
Net cash provided (used) by capital and related financing activities	61,756
Net increase in cash and cash equivalents	722,133

CASH AND CASH EQUIVALENTS:

Beginning of year	5,536,532
End of year	\$ 6,258,665

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income	\$ 1,341,994
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(1,547)
Accounts payable	(195,941)
Total adjustments	(197,488)
Net cash provided (used) by operating activities	\$ 1,144,506

FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

Parkway Business Center 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 Roads 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. 01-1 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, 2011

	Developer Deposits Fund	South Poway CFD No. 1 Bond Deposits Fund	Parkway Business Center CFD No. 88-1 Bond Deposits Fund	High Valley Road AD No. 96-1 Bond Deposits Fund	Old Coach Water Line AD No. 01-1 Bond Deposits Fund	Total Agency Funds
ASSETS						
Cash and investments	\$ 3,448,335	\$ 63,720	\$ 3,724,400	\$ 54,154	\$ 61,770	\$ 7,352,379
Receivables:						
Taxes	-	-	7,195	-	976	8,171
Accounts	-	-	850,000	-	-	850,000
Interest	-	-	21,363	-	-	21,363
Cash and investments with fiscal agents	-	-	1,658,264	53,750	-	1,712,014
Total assets	\$ 3,448,335	\$ 63,720	\$ 6,261,222	\$ 107,904	\$ 62,746	\$ 9,943,927
LIABILITIES						
Accounts payable	\$ 41,672	\$ 63,720	\$ -	\$ 4,235	\$ -	\$ 109,627
Deposits	3,406,663	-	-	-	-	3,406,663
Due to bondholders	-	-	5,411,222	103,669	62,746	5,577,637
Advances from City of Poway	-	-	850,000	-	-	850,000
Total liabilities	\$ 3,448,335	\$ 63,720	\$ 6,261,222	\$ 107,904	\$ 62,746	\$ 9,943,927

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>Developer Deposits Fund</u>				
Assets:				
Cash and investments	\$ 4,302,179	\$ 1,166,732	\$ (2,020,576)	\$ 3,448,335
Total assets	\$ 4,302,179	\$ 1,166,732	\$ (2,020,576)	\$ 3,448,335
Liabilities:				
Accounts payable	\$ 223,366	\$ -	\$ (181,694)	\$ 41,672
Deposits	4,078,813	1,166,732	(1,838,882)	3,406,663
Total liabilities	\$ 4,302,179	\$ 1,166,732	\$ (2,020,576)	\$ 3,448,335
<u>South Poway CFD No. 1</u>				
<u>Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 1,021,023	\$ 2,239	\$ (959,542)	\$ 63,720
Interest receivable	26,669	-	(26,669)	-
Cash and investments with fiscal agent	1,484,731	981,232	(2,465,963)	-
Total assets	\$ 2,532,423	\$ 983,471	\$ (3,452,174)	\$ 63,720
Liabilities:				
Accounts payable	\$ -	\$ 983,471	\$ (919,751)	\$ 63,720
Due to bondholders	2,532,423	-	(2,532,423)	-
Total liabilities	\$ 2,532,423	\$ 983,471	\$ (3,452,174)	\$ 63,720
<u>Parkway Business Center</u>				
<u>CFD No. 88-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 3,995,283	\$ 3,273,503	\$ (3,544,386)	\$ 3,724,400
Taxes receivable	-	7,195	-	7,195
Accounts receivable	1,000,000	-	(150,000)	850,000
Interest receivable	21,363	21,363	(21,363)	21,363
Cash and investments with fiscal agent	1,664,616	3,514,591	(3,520,943)	1,658,264
Total assets	\$ 6,681,262	\$ 6,816,652	\$ (7,236,692)	\$ 6,261,222
Liabilities:				
Accounts payable	\$ -	\$ 3,571,391	\$ (3,571,391)	\$ -
Due to bondholders	5,681,262	3,245,261	(3,515,301)	5,411,222
Advances from City of Poway	1,000,000	-	(150,000)	850,000
Total liabilities	\$ 6,681,262	\$ 6,816,652	\$ (7,236,692)	\$ 6,261,222

(Continued)

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds, Continued
For the year ended June 30, 2011

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<u>High Valley Roads</u>				
<u>AD No. 96-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 55,580	\$ 54,651	\$ (56,077)	\$ 54,154
Taxes receivable	345	-	(345)	-
Cash and investments with fiscal agents	53,750	52,571	(52,571)	53,750
Total assets	\$ 109,675	\$ 107,222	\$ (108,993)	\$ 107,904
Liabilities:				
Accounts payable	\$ 4,235	\$ 60,501	\$ (60,501)	\$ 4,235
Due to bondholders	105,440	46,721	(48,492)	103,669
Total liabilities	\$ 109,675	\$ 107,222	\$ (108,993)	\$ 107,904
<u>Old Coach Waterline</u>				
<u>AD No. 2001-1 Bond Deposits Fund</u>				
Assets:				
Cash and investments	\$ 59,235	\$ 32,353	\$ (29,818)	\$ 61,770
Taxes receivable	2,724	976	(2,724)	976
Total assets	\$ 61,959	\$ 33,329	\$ (32,542)	\$ 62,746
Liabilities:				
Due to bondholders	\$ 61,959	\$ 33,329	\$ (32,542)	\$ 62,746
Total liabilities	\$ 61,959	\$ 33,329	\$ (32,542)	\$ 62,746
<u>All Agency Funds</u>				
Assets:				
Cash and investments	\$ 9,433,300	\$ 4,529,478	\$ (6,610,399)	\$ 7,352,379
Taxes receivable	3,069	8,171	(3,069)	8,171
Accounts receivable	1,000,000	-	(150,000)	850,000
Interest receivable	48,032	21,363	(48,032)	21,363
Cash and investments with fiscal agents	3,203,097	4,548,394	(6,039,477)	1,712,014
Total assets	\$ 13,687,498	\$ 9,107,406	\$ (12,850,977)	\$ 9,943,927
Liabilities:				
Accounts payable	\$ 227,601	\$ 4,615,363	\$ (4,733,337)	\$ 109,627
Deposits	4,078,813	1,166,732	(1,838,882)	3,406,663
Due to bondholders	8,381,084	3,325,311	(6,128,758)	5,577,637
Advances from City of Poway	1,000,000	-	(150,000)	850,000
Total liabilities	\$ 13,687,498	\$ 9,107,406	\$ (12,850,977)	\$ 9,943,927

(Concluded)



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

**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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 13, 2012. 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

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 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 provision 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 that are required to be reported under *Government Auditing Standards*.

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

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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Diego, California
January 13, 2012

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	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	\$ 50,255,141	\$ 46,412,443	\$ 36,713,773	\$ 28,805,157	\$ 21,675,540	\$ 16,728,005
Restricted	70,931,373	78,369,565	99,252,462	101,384,182	99,518,581	98,416,094
Unrestricted - as restated	<u>(71,148,492)</u>	<u>(93,996,026)</u>	<u>(98,283,120)</u>	<u>(95,193,402)</u>	<u>(97,582,504)</u>	<u>(105,519,982)</u>
Total governmental activities net assets	<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	43,976,262	43,508,027	39,127,764	34,657,630	35,055,052	36,472,213
Restricted	280,450	280,450	280,469	281,531	283,938	283,534
Unrestricted	<u>36,469,136</u>	<u>35,320,341</u>	<u>34,194,395</u>	<u>32,511,666</u>	<u>30,112,939</u>	<u>25,587,312</u>
Total business-type activities net assets	<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	94,231,403	89,920,470	75,841,537	63,462,787	56,730,592	53,200,218
Restricted	71,211,823	78,650,015	99,532,931	101,665,713	99,802,519	98,699,628
Unrestricted	<u>(34,679,356)</u>	<u>(58,675,685)</u>	<u>(64,088,725)</u>	<u>(62,681,736)</u>	<u>(67,469,565)</u>	<u>(79,932,670)</u>
Total primary government net assets	<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 Five Years
(accrual basis of accounting)

	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	\$ 17,144,376	\$ 23,947,500	\$ 23,261,446	\$ 18,616,222	\$ 14,559,177	\$ 15,689,334
Public Safety	18,899,606	19,475,481	19,227,914	19,039,199	18,121,264	17,313,198
Public Works	12,622,204	12,595,756	11,213,841	10,607,352	9,100,534	13,023,698
Development Services	2,348,622	4,423,865	5,226,071	5,367,148	4,978,301	
Community Services	14,398,426	25,213,955	16,195,999	18,329,674	16,964,745	19,510,067
Interest and fiscal charges	17,232,642	14,969,311	16,692,399	17,038,330	19,697,044	16,986,839
Total governmental expenses	82,645,876	100,625,868	91,817,670	88,997,925	83,421,065	82,523,136
Business-type activities:						
Water	18,143,829	18,226,463	18,697,576	17,534,682	17,371,707	16,009,205
Sewer	7,651,228	7,522,634	8,011,470	7,743,880	7,970,848	8,730,098
Total business-type expenses	25,795,057	25,749,097	26,709,046	25,278,562	25,342,555	24,739,303
Total primary government expenses	\$ 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	\$ 96,397	\$ 91,745	\$ 105,084	\$ 133,893	\$ 176,938	\$ 173,484
Public Safety	2,121,984	2,131,729	2,413,197	2,068,632	2,181,971	2,104,975
Public Works	4,422,522	4,479,896	4,868,530	4,327,217	4,011,644	3,512,623
Development Services	1,584,838	1,332,714	1,388,448	1,522,060	1,451,489	
Community Services	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	5,857,360	7,615,477	5,826,044	6,478,997	6,103,045	6,198,885
Capital grants and contributions	1,155,384	1,246,555	2,110,463	5,128,657	2,940,273	3,088,436
Total program revenues	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	18,694,318	17,881,695	16,714,571	16,806,379	16,637,705	15,181,771
Sewer	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	27,453,319	26,533,376	25,366,539	25,247,025	24,645,199	22,727,682
Total primary government program revenue	\$ 44,803,280	\$ 46,253,210	\$ 45,111,771	\$ 47,842,343	\$ 44,404,955	\$ 41,714,264
Net (expense)/revenue	(65,295,915)	(80,906,034)	(72,072,438)	(66,402,607)	(63,661,309)	(63,536,554)
Governmental activities	1,658,262	784,279	(1,342,507)	(31,537)	(697,356)	(2,011,621)
Business-type activities	(63,637,653)	(80,121,755)	(73,414,945)	(66,434,144)	(64,358,665)	(65,548,175)
Total primary government net (expense)						

	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	\$ 50,960,736	\$ 51,526,758	\$ 51,190,712	\$ 50,669,452	\$ 48,048,249	\$ 45,725,853
Sales taxes	10,418,322	9,833,390	10,325,455	12,904,265	13,032,518	13,918,879
Motor vehicle license tax	262,412	150,641	173,673	225,353	273,727	392,240
Transient occupancy tax	433,934	367,434	247,787	206,323	202,767	190,097
Franchise taxes	1,465,926	1,491,231	1,590,066	1,497,724	1,588,677	1,399,524
Other Taxes	616,466	629,589	597,880	598,965	596,868	609,982
Total taxes	64,157,796	63,999,043	64,125,573	66,102,082	63,742,806	62,236,575
Investment earnings	5,964,802	8,287,516	9,879,153	10,639,352	10,569,205	8,508,647
Miscellaneous	512,858	1,251,844	607,387	714,405	3,349,606	2,894,418
Sale of capital assets	13,561,625	-	-	-	-	(11,262)
Transfers	350,874	470,498	147,503	331,088	(12,808)	460,810
Total governmental activities	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	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	55,363	503,595	933,994	78,030	754,566	738,337
Transfers	(350,874)	(470,498)	(147,503)	(331,088)	12,808	(460,810)
Total business-type activities	(41,232)	4,721,911	7,494,308	2,030,435	3,806,226	1,744,386
Total primary government	\$ 84,506,723	\$ 78,730,812	\$ 82,253,924	\$ 79,817,362	\$ 81,455,035	\$ 75,833,574
Change in Net Assets						
Governmental activities	\$ 19,252,040	\$ (6,897,133)	\$ 2,687,178	\$ 11,384,320	\$ 13,987,500	\$ 10,552,634
Business-type activities	1,617,030	5,506,190	6,151,801	1,998,898	3,108,870	(267,235)
Total primary government	\$ 20,869,070	\$ (1,390,943)	\$ 8,838,979	\$ 13,383,218	\$ 17,096,370	\$ 10,285,399

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

	June 30,				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund					
Non-spendable	\$ 10,151,108				
Restricted	-				
Committed	10,037,638				
Assigned	6,466,719				
Unassigned	23,955,240				
Reserved	\$	4,647,709	\$ 5,561,391	\$ 8,478,531	\$ 7,538,564
Unreserved:					
Designated		31,724,737	32,152,754	31,160,911	30,375,251
Undesignated		-	-	-	-
Total General Fund	\$ 50,610,705	\$ 36,372,446	\$ 37,714,145	\$ 39,639,442	\$ 37,913,815
All Other Governmental Funds					
Non-spendable	\$ -				
Restricted	62,440,327				
Committed	-				
Assigned	8,564,840				
Unassigned	(88,658)				
Reserved	\$	51,660,768	\$ 62,868,328	\$ 55,650,435	\$ 43,663,739
Unreserved:					
Designated:					
Special revenue funds		-	-	-	-
Debt service funds		-	-	-	-
Capital projects funds		20,795,704	24,840,402	32,578,654	43,037,658
Undesignated:					
Special revenue funds		5,913,093	5,982,341	4,676,562	5,278,620
Debt service funds		-	-	-	-
Capital projects funds		-	-	-	-
Total all Other Governmental Funds	\$ 70,916,509	\$ 78,369,565	\$ 93,691,071	\$ 92,905,651	\$ 91,980,017
Total Fund Balance	\$ 121,527,214	\$ 114,742,011	\$ 131,405,216	\$ 132,545,093	\$ 129,893,832

June 30,				
<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 7,389,245	7,885,013	7,581,391	6,907,055	16,683,177
27,539,942	25,115,075	21,827,076	12,325,729	21,258,117
-	-	-	8,556,645	-
\$ 34,929,187	33,000,088	29,408,467	27,789,429	37,941,294
\$ 39,477,985	35,478,892	44,761,898	51,282,639	49,060,668
7,760,635	8,816,961	8,175,996	8,613,436	8,133,105
-	-	-	-	-
-	-	-	-	-
6,014,938	7,795,241	7,804,756	6,898,403	5,207,265
-	-	-	-	-
37,769,191	42,511,597	55,342,242	44,896,736	60,711,652
\$ 91,022,749	94,602,691	116,084,892	111,691,214	123,112,690
\$ 125,951,936	127,602,779	145,493,359	139,480,643	161,053,984

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

	Year Ended June 30,			
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues				
Taxes	\$ 66,623,806	\$ 67,411,848	\$ 66,062,646	\$ 68,817,462
Licenses and permits	457,905	433,517	422,948	328,159
Intergovernmental	1,800,145	2,994,005	2,889,804	3,971,720
Charges for services	3,232,221	3,140,274	2,954,967	2,676,329
Fines and forfeitures	678,468	750,551	852,535	803,552
Use of money and property	7,821,732	12,180,028	14,862,137	15,516,351
Developer Fees	4,516,243	3,711,578	3,897,877	3,780,128
Assessment levied	1,902,409	1,886,300	1,873,179	1,892,326
Other revenues	729,933	2,228,662	1,013,135	2,568,693
Total revenues	<u>87,762,862</u>	<u>94,736,763</u>	<u>94,829,228</u>	<u>100,354,720</u>
Expenditures				
Current:				
General government	2,680,162	6,056,348	6,733,135	7,252,320
Public safety	18,328,287	18,966,380	18,673,036	18,528,701
Public works	9,990,368	9,943,681	8,566,157	8,009,622
Development services	2,388,077	4,475,943	5,279,297	5,420,200
Community services	9,894,345	9,048,983	9,741,990	12,593,136
Capital outlay	16,818,821	27,639,839	17,981,861	18,354,376
Debt service:				
Principal	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	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	5,948,554	2,380,740	6,205,709	5,515,447
Total expenditures	<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>(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	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	831,800	2,745,545	644,351	1,456,475
Total other financing sources	<u>39,301,730</u>	<u>2,906,594</u>	<u>799,085</u>	<u>1,607,760</u>
Net change in fund balance	<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	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.

Year Ended June 30,						
<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	
\$ 63,810,241	\$ 62,042,614	\$ 55,406,112	\$ 47,368,683	\$ 43,439,827	\$ 39,575,352	
330,755	296,935	288,716	296,984	295,471	305,685	
4,336,767	5,796,558	4,637,517	5,445,572	8,313,394	6,183,143	
4,419,664	7,557,159	7,607,467	7,449,929	8,452,248	8,192,172	
720,949	732,633	273,322	251,834	176,291	202,598	
16,120,443	13,459,180	13,535,451	8,152,189	11,924,593	12,584,448	
4,509,741	489,210	536,404	1,243,389	1,208,015	591,230	
1,868,567	1,845,859	1,835,519	1,816,524	1,825,528	1,754,096	
1,389,762	1,157,139	2,525,614	1,473,492	2,007,778	3,000,545	
97,506,889	93,377,287	86,646,122	73,498,596	77,643,145	72,389,269	
9,614,109	9,552,247	11,114,009	10,668,972	10,178,866	8,918,157	
17,897,811	16,563,059	17,304,746	15,588,991	13,866,595	12,905,831	
6,556,796	11,338,373	4,865,184	3,966,484	4,246,773	3,817,814	
5,028,405						
11,877,425	11,884,718	10,671,636	7,569,324	7,373,691	6,579,853	
14,205,962	18,802,010	31,981,651	31,743,517	32,096,700	22,972,729	
6,470,000	5,875,000	6,706,720	7,875,000	14,192,769	9,288,293	
17,896,630	17,101,983	16,482,351	15,477,533	18,455,993	15,095,386	
-	-	255,302	2,765,590	-	1,708,370	
-	1,674,851	2,549,564	1,357,911	780,349	-	
4,889,025	3,831,350	2,380,488	29,865,057	5,678,795	4,928,042	
94,436,163	96,623,591	104,311,651	126,878,379	106,870,531	86,214,475	
3,070,726	(3,246,304)	(17,665,529)	(53,379,783)	(29,227,386)	(13,825,206)	
148,273	149,563	8,499,883	156,029,702	17,856,218	80,781,467	
(184,586)	-	(9,301,120)	(99,094,350)	-	(8,005,801)	
-	-	232,168	1,110,603	14,600,000	-	
907,483	1,445,898	506,234	1,346,544	658,650	640,108	
871,170	1,595,461	(62,835)	59,392,499	33,114,868	73,415,774	
\$ 3,941,896	\$ (1,650,843)	\$ (17,728,364)	\$ 6,012,716	\$ 3,887,482	\$ 59,590,568	
29.1%	26.4%	27.3%	19.9%	38.9%	38.6%	

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

Fiscal Year Ended June 30,	Assessed Value					Net Taxable Value
	Land	Improvements	Personal Property	Total	Exemptions	
2002	1,921,113,526	2,857,873,316	162,481,953	4,941,468,795	(118,250,152)	4,823,218,643
2003	2,128,867,560	3,119,821,315	200,414,378	5,449,103,253	(145,945,106)	5,303,158,147
2004	2,338,197,043	3,315,524,886	190,767,595	5,844,489,524	(171,519,517)	5,672,970,007
2005	2,611,610,220	3,535,334,922	187,042,681	6,333,987,823	(214,007,737)	6,119,980,086
2006	2,991,468,898	3,840,250,821	245,308,882	7,077,028,601	(217,368,560)	6,859,660,041
2007	3,230,084,121	4,191,380,246	278,291,264	7,699,755,631	(229,216,072)	7,470,539,559
2008	3,525,237,590	4,412,172,141	272,804,881	8,210,214,612	(229,932,712)	7,980,281,900
2009	3,647,796,486	4,472,160,193	254,000,489	8,373,957,168	(244,967,192)	8,128,989,976
2010	3,640,861,781	4,548,446,929	288,729,686	8,478,038,396	(261,984,967)	8,216,053,429
2011	3,606,251,228	4,540,602,915	276,448,124	8,423,302,267	(255,814,376)	8,167,487,891

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

Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
11.35%	5,616,359	0.211%
9.95%	5,954,586	0.211%
6.97%	6,399,317	0.211%
7.88%	6,895,981	0.211%
12.09%	7,615,898	0.211%
8.91%	8,358,741	0.211%
6.82%	8,939,836	0.211%
1.86%	9,117,319	0.211%
1.07%	9,024,247	0.211%
-0.59%	9,005,230	0.211%

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

Fiscal Year Ended June 30,	City Direct Rate	Overlapping Rates					Total 1% Property Tax Rate
		Poway Unified School District	San Diego County	Educational Revenue Augmentation Fund	Palomar Community College District	All Other	
2002	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
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%

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
2002	1.000%	0.010%	0.000%	0.009%	1.019%
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%

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 Ago

	2011			2002		
	Taxable Assessed	Rank	% of Total City Assessed Secured Value	Taxable Assessed	Rank	% of Total City Assessed Secured Value
	Secured Value			Secured Value		
Slough Poway I LLC	\$ 118,935,921	1	1.40%	-		0.00%
Sorento West Properties	114,062,370	2	1.35%	-		0.00%
PDP Pomerado LLC	70,893,303	3	0.84%	-		0.00%
Sysco Food Services	36,230,582	4	0.43%	\$ 18,618,533	7	0.38%
Government Employees Insurance Company	34,489,899	5	0.41%	26,278,145	2	0.53%
Toray Membrane USA Inc	33,944,223	6	0.40%	-		0.00%
Costco Wholesale Corporation	29,850,000	7	0.35%	-		0.00%
Poway Crossings Investors LLC	29,622,691	8	0.35%	-		0.00%
Fairfield Township LLC	27,201,360	9	0.32%	-		0.00%
PR Stowe LLC	26,754,803	10	0.32%	-		0.00%
Applied Micro Circuits Corporation	-		-	34,082,268	1	0.69%
Resmed Corporation	-		-	22,888,699	3	0.46%
Cohu Inc.	-		-	22,449,721	4	0.45%
First American Title Insurance Co.	-		-	20,130,925	5	0.41%
Regency Centers LP	-		-	20,090,910	6	0.41%
Pacific Star-Poway LLC	-		-	17,133,000	8	0.35%
Prudential Insurance	-		-	16,772,798	9	0.34%
Western Silver Oaks Partners LP	-		-	14,447,200	10	0.29%
	<u>\$ 521,985,152</u>		<u>6.16%</u>	<u>\$ 212,892,199</u>		<u>4.31%</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					Base Year Values
	Land	Improvements	Personal Property	Total	Exemptions	
2002	874,897,982	1,373,748,814	116,806,955	2,365,453,751	(14,732,381)	(186,287,869)
2003	984,697,076	1,545,545,528	167,042,477	2,697,285,081	(26,741,073)	(186,287,869)
2004	1,069,060,617	1,644,074,499	157,368,510	2,870,503,626	(40,683,262)	(186,287,869)
2005	1,190,799,171	1,756,732,835	145,512,135	3,093,044,141	(51,334,639)	(186,287,869)
2006	1,366,315,823	1,923,849,526	205,148,011	3,495,313,360	(54,732,751)	(186,287,869)
2007	1,455,401,981	2,087,221,327	219,066,696	3,761,690,004	(61,891,980)	(186,287,869)
2008	1,590,220,327	2,198,461,319	212,387,349	4,001,068,995	(66,618,692)	(186,287,869)
2009	1,666,217,121	2,208,050,046	191,508,808	4,065,775,975	(66,638,280)	(186,287,869)
2010	1,698,144,577	2,286,610,454	213,648,005	4,198,403,036	(68,141,344)	(186,287,869)
2011	1,669,652,573	2,277,541,902	210,644,139	4,157,838,614	(67,140,049)	(186,287,869)

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

Net Taxable Value	Change From Prior Year	Estimated Tax Revenues	Total Direct Tax Rate
2,164,433,501	15.59%	22,171,626	1.024%
2,484,256,139	14.78%	25,377,236	1.022%
2,643,532,495	6.41%	26,732,816	1.011%
2,855,421,633	8.02%	29,031,365	1.017%
3,254,292,740	13.97%	33,064,572	1.016%
3,513,510,155	7.97%	35,445,525	1.009%
3,748,162,434	6.68%	37,854,271	1.010%
3,812,849,826	1.73%	38,500,704	1.010%
3,943,973,823	3.44%	39,822,711	1.010%
3,904,410,696	-1.00%	39,482,933	1.011%

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		
2002	22,075,411	21,850,407	98.98%	370,732	22,221,139
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

Source: San Diego County Assessors Office

City of Poway
General 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		
2002	14,105,425	13,958,405	98.96%	173,832	14,132,237
2003	14,461,370	14,250,473	98.54%	213,119	14,463,592
2004	14,539,338	14,432,902	99.27%	250,896	14,683,798
2005	15,074,377	14,925,461	99.01%	124,804	15,050,265
2006	15,924,752	15,669,141	98.39%	153,982	15,823,123
2007	16,494,681	16,171,714	98.04%	269,763	16,441,477
2008	17,034,013	16,641,698	97.70%	329,517	16,971,215
2009	17,295,459	16,805,480	97.17%	378,562	17,184,041
2010	16,665,674	16,276,757	97.67%	490,668	16,767,426
2011	14,772,947	14,515,679	98.26%	411,305	14,926,983

Source: San Diego County Assessors Office

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
2002	214,455,000	51,915,000	199,638	41,416	1,955,000
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	-

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

Source: City of Poway Finance Department

Business-type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
Revenue Bonds	Capital Leases	Contract Payable			
2,675,000	83,462	5,407	271,329,923	15.74%	5,464
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

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

Fiscal Year Ended June 30,	Outstanding General Bonded Debt Tax Allocation Bonds	Percent of Assessed Value (a)	Per Capita
2002	214,455,000	4.34%	4,319
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

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 Finance Department

City of Poway
Direct and Overlapping Debt
As of June 30, 2011

2010-11 Assessed Valuation:	\$ 8,245,166,266
Redevelopment Incremental Valuation:	3,904,410,696
Adjusted Assessed valuation:	<u>\$ 4,340,755,570</u>

	Debt Outstanding	% Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 227,670,000	0.241%	\$ 548,685
Poway Unified School District Facilities Improvement Dist No. 2002-1	175,999,320	26.098%	45,932,303
Poway Unified School District Facilities Improvement Dist No. 2007-1	98,996,943	26.827%	26,557,910
Palomar Community College District	322,528,901	5.638%	18,184,179
Escondido Union High School District	85,751,275	0.113%	96,899
San Pasqual Union High School District	781,351	2.794%	21,831
Palomar Pomerado Hospital District	481,514,998	8.543%	41,135,826
City of Poway Community Facilities District No. 88-1	13,530,000	100.000%	13,530,000
Poway Unified School District Community Improvement Dist No. 1	40,075,000	0.391%	156,693
City of Poway 1915 Act Bonds	400,756	100.000%	400,756
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,447,248,544</u>		<u>\$ 146,565,082</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 385,650,000	1.266%	\$ 4,882,329
San Diego County Pension Obligations	820,288,160	1.266%	10,384,848
San Diego County Superintendent of Schools General Fund Obligations	19,992,500	1.266%	253,105
Palomar Community College District Certificates of Participation	6,275,000	5.638%	353,785
Escondido Union High School District Certificates of Participation	60,955,000	0.113%	68,879
Poway Unified School District Certificates of Participation	127,465,490	15.249%	19,437,213
TOTAL OVERLAPPING GENERAL FUND DEBT	<u>\$ 1,420,626,150</u>		<u>\$ 35,380,159</u>
TOTAL OVERLAPPING DEBT	<u>\$ 2,867,874,694</u>		<u>\$ 181,945,241 (b)</u>
<u>DIRECT GENERAL FUND DEBT:</u>			
City of Poway Certificates of Participation	20,690,000	100.000%	20,690,000
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 2,888,564,694</u>		<u>\$ 202,635,241</u>

Ratios to Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.78%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$20,690,000) 0.48%

Combined Total Debt 4.67%

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			
	2011	2010	2009	2008
Assessed valuation	\$ 4,340,755,570	\$ 4,350,898,397	\$ 4,394,570,216	\$ 4,310,588,610
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	1,085,188,893	1,087,724,599	1,098,642,554	1,077,647,153
Debt limit percentage	15%	15%	15%	15%
Debt limit	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%

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 Finance Department
San Diego County Assessors Office

FISCAL YEAR

2007	2006	2005	2004	2003	2002
\$ 4,035,420,029	\$ 3,683,578,609	\$ 3,341,441,046	\$ 3,106,118,400	\$ 2,894,214,986	\$ 2,734,305,211
25%	25%	25%	25%	25%	25%
1,008,855,007	920,894,652	835,360,262	776,529,600	723,553,747	683,576,303
15%	15%	15%	15%	15%	15%
151,328,251	138,134,198	125,304,039	116,479,440	108,533,062	102,536,445
-	-	243,728	491,401	466,036	790,018
0.00%	0.00%	0.19%	0.42%	0.43%	0.77%

City of Poway
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Allocation Bonds				Coverage
	Tax Increment	Debt Service			
		Principal	Interest	Total	
2002	23,503,772	2,370,000	11,418,952	13,788,952	1.70
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

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

Source: City of Poway Finance 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
2002	49,658	1,724,076,102	34,719	26,200	3.0%
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%

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 Five Years Prior**

Employer	2011			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
General Atomics Aeronautical Systems	2,561	1	9.18%			
Geico Direct	1,720	2	6.16%	1,800	1	6.57%
Poway Unified School District	1,267	3	4.54%	758	5	2.77%
Cohu Inc.	964	4	3.46%			
Pomerado Hospital	738	5	2.65%	750	6	2.74%
Core Logic Credco	498	6	1.78%	935	4	3.41%
Sysco Food Services of SD	475	7	1.70%	500	8	1.82%
Walmart	300	8	1.08%			
Mitchell Repair Information Co.	268	9	0.96%			0.00%
Costco	266	10	0.95%			
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%
Digirad Corporation				375	10	1.37%
Total	9,057		32.46%	6,518		23.79%
Total City Labor Force	27,900			27,400		

Source:

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

Note:

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

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

<u>Function</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General government	33.00	40.00	35.00	37.00	38.00	38.00	40.00	40.00
Public Safety (a)	54.00	54.00	57.00	57.00	57.00	57.00	58.00	56.00
Public works	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	27.00	28.00	29.00	28.00	28.00	27.00
Development Services	29.00	29.00	37.00	36.00	37.00	37.00	36.00	35.00
	<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 Five Years

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

Source:

City of Poway Operating Departments

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.

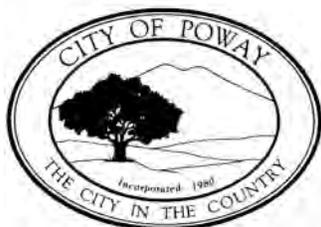
City of Poway
Capital Assets Statistics
Current and Prior Five Years

Function	2011	2010	2009	2008	2007	2006
Public Safety:						
Number of fire stations	3	3	3	3	3	3
Number of sheriff stations	1	1	1	1	1	1
Public works:						
Total number of streetlights	3,073	3,045	3,045	3,026	2,889	2,874
Signal controlled intersections	55	55	55	55	55	53
Health and welfare						
Senior center facilities	1	1	1	1	1	1
Culture and recreation						
Number of Libraries	1	1	1	1	1	1
Number of Performing Arts Centers	1	1	1	1	1	1
Number of Parks	19	18	18	18	18	18
Acres of developed parks	568	568	568	568	568	568
Number of reserves/preserves	2	2	2	2	2	2
Acres of reserves/preserves	2,400	2,400	2,400	2,400	2,400	2,400
Miles of trails	82	82	82	82	82	82
Highways and streets						
Miles of roadway		152	152	152	152	152
Water						
Miles of water lines	289	253	253	253	253	253
Water storage capacity (billon/gallons)	1.11	1.11	1.11	1.11	1.11	1.11
Sewer						
Miles of sewer lines	186	175	175	175	175	175
Miles of storm sewers	64	64	64	64	64	64

Source:

City of Poway Operating Departments

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



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