

CITY OF POWAY

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2008



SHOP
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City of Poway

Poway, California

Comprehensive Annual Financial Report

For the year ended June 30, 2008

PREPARED BY THE CITY OF POWAY, CALIFORNIA

FINANCE DEPARTMENT

City of Poway
Basic Financial Statements
For the year ended June 30, 2008

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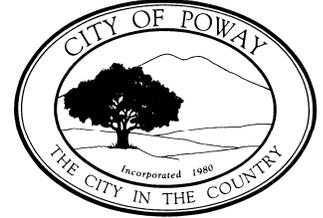
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CITY OF POWAY



MICKEY CAFAGNA, Mayor
BOB EMERY, Deputy Mayor
MERRILEE BOYACK, Councilmember
DON HIGGINSON, Councilmember
BETTY REXFORD, Councilmember

December 1, 2008

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 as of and for the year ended June 30, 2008. 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 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 (police and fire), 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 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.

Economic Condition and Outlook

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 51,103 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. Water, sewage collection, fire, paramedic, parks and recreation, planning and building, street maintenance, and redevelopment services are provided by the City. Law enforcement services are contracted through the San Diego County Sheriff's Department, and wastewater treatment is provided by the City of San Diego.

Poway has 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 third highest median household income in San Diego County, at \$100,262 for 2008. Home lots are often larger than in most other areas, with a median sales price of \$455,000 in June 2008. Like many areas of the country, especially in Southern California, the June 2008 median sales price represents a 31.0% decrease from the June 2007 median sales price of \$659,000. Poway is predominately a single-family community, and the Poway Unified School District--a top performer in the State and nation--is a source of great pride, as is the fact that the City has the lowest crime rate in the County. 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. The expected population at build out is 55,000.

Poway's local economy is based primarily on automobile and transportation related sales, general consumer goods, and business and industry. New retail development in the Poway Business Park in recent years has generated substantial growth in sales tax. 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. In Fiscal Year 2008, Poway's sales tax revenue did decrease because of the loss of sales tax being reported in Poway by Gateway Computers and the continued slowing of consumer spending, especially in the automobile sector. The loss of sales tax from Gateway had been anticipated, and had already been factored into the City's budget. However, because the trend in automobile sales is still on the decline, sales tax in Fiscal Year 2009 is now expected to decrease.

The Poway Business Park remains a strong component of the local and regional economy. The Business Park now represents approximately 8.9 million square feet of developed space, with an average vacancy rate of 5.1%. In addition, the Park is comprised of approximately 577 businesses, a workforce of more than 17,000 people, and is a substantial contributor to the City's sales tax revenue. In Fiscal Year 2009, the Business Park will continue to increase its amount of commercial and industrial space, providing additional corporate headquarters opportunities, distribution centers, and professional offices. A major national defense contractor will begin occupying one million square feet in the Business Park early in 2009, bringing more than 1,700 professional positions to the City. The Poway Business Park will continue to be a major growth center for San Diego County.

While the City of Poway has strived to continually diversify its local economy, because the community is reaching its planned build out, new financial challenges are arising. Since its inception the City experienced tremendous growth, and has been able to maintain a high level of service because of the related growth in revenues, primarily property and sales taxes. With minimal opportunities for revenue growth anticipated in the future, the City will need to concentrate on the expenditure side of its budget and maintain focus on long-term sustainability.

The City adopted its Revised Fiscal Year 2009 budget in June 2008. However, as the local, State, and national economies continued to struggle; the City undertook a first quarter review of the budget and adopted significant reductions in September 2008. The City plans to assess and evaluate its budget at least quarterly and will make additional adjustments as necessary to ensure a sustainable budget.

Major Initiatives

For the Year:

Redevelopment: In August 2006, the City Council directed staff to explore creating a Town Center for Poway in a 53-acre area along the south side of Poway Road that includes Community Park. The Town Center would be pedestrian oriented with retail, dining, housing, and recreation. In October 2007, staff presented the City Council with a plan to solicit a Town Center development partner through the release of a Request for Interest (RFI) to the development community. However, the RFI release has since been postponed due to poor economic conditions. While waiting for the economic climate to improve, the City has continued to pursue the purchase of privately owned land needed for the Town Center project and to explore opportunities to upgrade existing Community Park facilities.

Public Improvements: The two-year Capital Improvement Program approved by the City Council in January 2007 consisted of 71 projects including 48 infrastructure projects. Major projects completed or nearing completion include the Fire Training Tower, Community Road Sound Wall, Old Poway Neighborhood Improvements, Midland Road Improvements, Street Maintenance and Overlays, and the Oak Knoll Trunk Sewer.

Housing: Three new, exciting housing developments reached the final stage of design this year. Oak Knoll Villas is an existing, 56-unit apartment complex that will be rehabilitated for low-income households. A Redevelopment Agency loan of \$7.2 million will match Federal Tax Credits and conventional financing to complete the construction work. A new community building, complete with a computer lab and learning center, will be constructed on-site. The upgraded complex will revitalize the neighborhood and add architectural elements and a modern roofline to the street view.

Conceptual designs for a 72-unit, low-income, townhouse development were completed this year. The development will be constructed on a 4-acre parcel in the heart of Old Poway Park. Extensive community input shaped the Craftsman and Americana design. The complex will be energy efficient and generate electricity through a photovoltaic, roof-tile system.

Poway's first for-sale-affordable-housing development completed grading and building design this year. The 33-home subdivision will be located on Metate Lane just west of Community Road. The homes will include energy efficient appliances, drought tolerant landscaping, and photovoltaic roof systems. The homes are projected to use 95% less energy than similar homes without the energy saving upgrades. The homes are expected to be constructed and ready for occupancy in the fall of 2009.

Finally, the City's Housing Element received certification from the State Department of Housing and Urban Development. The Housing Element is required by State law and focuses on Poway's housing needs, constraints, and opportunities.

Technology: Additional services have been added to the City's Web site enhancing the ability for citizens to attain services and information over the Internet at any time of the day. Online facility rentals provide the ability to reserve and pay for park areas and City facilities; water and sewer bill payments can now be paid on-line either as a one-time payment or recurring payment; and the e-Zoning Geographic Information System (GIS) application was deployed providing the ability to create parcel property reports containing zoning and land use designation information.

An Information Technology hardware infrastructure project was implemented with the replacement and standardization of all City computers. The standardization to the same hardware, operating systems, and office suite has reduced the support required and provided for better hardware/software performance for staff.

Another technology focus of Fiscal Year 2007 was further development of the City's Geographic Information System (GIS). Departments reviewed current GIS data and future needs and a new data structure has been developed that will provide City staff quick and easy access to information that previously was not readily available. Staff can now use the GIS to quickly obtain property information, utility information, and planning information to create maps and reports using this data.

Public Safety: During the last year, the City completed several projects focused on improving response capabilities and firefighter safety. With regard to improved response capabilities, new radio communications equipment was introduced providing all responding firefighters with two portable radios. One radio

communicates with all County resources including City departments, law enforcement agencies, and neighboring fire departments. The second portable radio enables firefighters to communicate with firefighting aircraft and mutual aid resources that may respond from anywhere in California. Firefighter safety improvements included the introduction of new apparel designed for use during wildland firefighting. Wildland radio vests provide firefighters with a place to carry two portable radios, important documents, and tools, while fighting a wildland fire. New fire helmets used during structural firefighting were issued to every firefighter in the Fire Department equipping them with the latest in personal protective equipment. The use of mobile data computers located in fire apparatus have been upgraded to include GIS-based mapping and pre-fire planning information improving readiness and response capability. The Fire Department replaced several aging vehicles including two aging ambulances and added a second ambulance to its fleet of ready reserve apparatus.

As a result of the 2003 Cedar Fire and the 2007 Witch Creek Fire, amendments were made to the City's fire and building codes to protect the safety of our citizens and their homes in the event of a wildfire. The new Wildland Urban Interface Building Codes and the Wildfire Defensible Space Program have been adopted to give Poway residents additional tools to protect their property in the event of another wildfire. The new fire and building codes require additional fire safety measures be incorporated into building construction. The Wildfire Defensible Space Program complements the new building codes by requiring a band of thinned vegetation between structures and the natural vegetation. The Fire Department and Development Services Department are working together to implement this program which includes reviewing plans, meeting with property owners, and conducting inspections.

Disaster Preparedness: As a result of all of the Emergency Preparedness training and preparation of 2007, City staff were able to respond to one of the State's most devastating wildland fires during Fiscal Year 2008. The new City Emergency Plan and the Emergency Operations Center were expertly utilized to deploy resources throughout the community during the October 2007 Witch Creek Fire. Newly drafted Evacuation Plans were utilized to evacuate over 75% of our community's population, including Pomerado Hospital. As a result of relationships that were established with the Poway Unified School District and Pomerado Hospital, the evacuation was conducted flawlessly. City staff continues to train and participated in the Statewide earthquake exercise (Golden Guardian) in November 2008. The City remains committed to continuing its record of training employees, implementing mitigation measures to minimize our risk and impacts to disasters, and providing educational opportunities for members of our community to become better prepared. Lastly, the City's response has been recognized in a number of publications including *Western City* magazine, and the Red Cross recognized the City of Poway's effort in emergency preparedness and response during the 2008 Real Heroes Award Ceremony.

There were two separate Community Emergency Response Team (CERT) Academies held during 2008. A total of 73 students attended these two academies. These academies produced an additional 40 CERT certified Poway residents to the Poway CERT program. The program now has approximately 100 members and continues to deliver quarterly training to CERT members through meetings and manipulative drills.

For the Future:

Redevelopment and Economic Development: Construction of a 108-room Hampton Inn & Suites is under way and expected to be complete in November 2008. Once open for business, the hotel is anticipated to generate nearly \$300,000 in transient occupancy tax for the City of Poway's General Fund. The hotel will

also support Poway's strong and diverse economy by serving local businesses that frequently require corporate travel for their ongoing success.

Redevelopment Services is in the process of preparing a Request for Interest (RFI) to solicit development teams and restaurant operators that are qualified and interested in developing a quality, full-service restaurant on the 1.23 acre Agency-owned site adjacent to the hotel. Through the RFI, developers interested in the project will submit design ideas and information on their experience and financial readiness for this type of project. The goal of the RFI process, which is expected to begin in the fall of 2008, is for the City to select a development partner for this project.

Partnering with the Chamber of Commerce, the City has continued the "Poway: Your First Choice" campaign to promote the importance of shopping locally. The creation of new lightpole banners and special event kiosks are underway as part of this campaign. In addition, 28 new directional "way finding" signs will be strategically located throughout the community in fall 2008. These signs will assist residents and visitors in locating Poway amenities and shopping districts.

Public Improvements: Major projects that have been designed and are in construction or ready for bid include the Espola Road Pipeline, Reservoir Upgrades, the High Valley Pump Station replacement, and water system upgrades in various locations. In addition, the Oak Knoll Road Improvement project, which will add sidewalks and streetlights, remove utility poles, and increase parking, will start construction in early 2009.

Staff is working on the Community Park Master Plan that will recommend improvements to the Park that was originally constructed by San Diego County prior to Poway's incorporation. The Master Plan will be completed during 2009.

Technology: Additional online services will be added to the City's Web site including the ability to submit and renew business registration and regulatory licenses online. This new business registration system will also streamline the tracking and review process within the City departments. Other projects include the scanning of all engineering drawings so they can be accessible across all City sites, and the data conversion of all water and wastewater facilities into the GIS system.

Accounting System and Budgetary Control

The City's accounting records for governmental fund types and the agency funds are maintained on the modified accrual basis of accounting. The modifications to the accrual basis of accounting are described in the Notes to Financial Statements. The accounting records for proprietary funds (water and sewer) and the internal service funds are maintained on the full accrual basis of accounting. Accordingly, revenues are recognized in the accounting period earned, and expenses are recognized in the period incurred.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of this cost/benefit relationship requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Financial transactions are continuously updated in the City's computerized financial reporting system, and all managers have instant access to the current budget information for which they are responsible. These financial reports compare the budgeted figures to the recorded transactions and compute the resulting variance. These reports form the basis of the budgetary control system that allows for the timely review and continuous assessment of the financial position and results of operations.

Additionally, an encumbrance system is employed as an extension of the formal budget integration. The estimated purchase order amounts are encumbered prior to releasing the order to a vendor. Purchase orders, which would result in an overrun of balances at the functional level, are normally not released until budget transfers are approved by the City Manager or additional appropriations are authorized by the City Council. Open encumbrances are reported as annual reservations of fund balances at year-end. The level of budgetary control (the level on which expenditures may not legally exceed appropriations) is the individual fund level.

Other financial reports available for management and legislative review include quarterly reports of investments and capital improvement projects. At the end of six months, a midyear report is distributed, which assesses the City's financial position and results of operations and projects activity for the remainder of the fiscal year. The interim report forms the basis for the budget projections for the upcoming fiscal year's budget. A budget review committee consisting of five Council-designated citizens annually reviews the City's financial operations and budget controls. During Fiscal Year 2006-07, the City, for the sixth time, adopted a two-year budget covering Fiscal Years 2007-08 and 2008-09.

The City's investment policy is reviewed annually for changes in State regulations and is approved by the City Council. Since Fiscal Year 1996-97, the City has utilized a professional investment management company to assist in the investment of its funds. The investment management company actively monitors the portfolio and advises the City of various investment strategies that assist the City in meeting its stated investment goals of (1) safety of principal, (2) liquidity, and (3) return on investment.

Risk Management

The City of Poway is a member of the California Joint Powers Insurance Authority (Authority), a consortium of approximately 120 public entities. The Authority's governing board consists of one member from each participating entity and is responsible for the selection of management as well as budgeting and finance. Insurance activities are financed by charges to members, and no long-term debt has been incurred. Actual annual premiums are determined using a retrospective method.

At June 30, 2008, for general liability, the City is self-insured for each loss to the extent of \$30,000. Losses between \$30,001 and \$10,000,000 are shared by the participating entities. Costs of covered claims between \$10,000,001 and \$50,000,000 are paid by excess insurance. As for workers compensation, the City is responsible for the first \$50,000 of each claim. Costs between \$50,001 and \$2,000,000 are shared by the participating entities. Costs between \$2,000,001 and \$200,000,000 are paid by excess insurance purchased by the Authority. The Authority does maintain reserves, which are regularly reviewed by an independent third party. Because of the low deductible amounts of the self-insurance program, the City does not maintain reserves or a sinking fund for its unpaid claims and judgments. They are expended as they occur, and the City intends to pay all of its unpaid claims and judgments from available resources.

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, 2007. 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 GFOA to determine its eligibility for the certificate.

**CSMFO Certificate of Award for
Outstanding Financial Reporting**

The California Society of Municipal Finance Officers (CSMFO) has modified its submission requirements and is no longer reviewing comprehensive annual financial reports that have also been submitted to the GFOA. Therefore, the City of Poway's Fiscal Year 2006-07 comprehensive annual financial report was not submitted to the CSMFO.

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; Al Kohn, Senior Accountant; Maria Weston, Accountant; Kelli Sherman, 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,


Rod Gould
City Manager


Tina M. White
Director of Administrative Services

City Council

Mayor
Deputy Mayor
Council:

Mickey Cafagna
Bob Emery
Merrilee Boyack
Don Higginson
Betty Rexford

Appointed Officials

City Manager
Assistant City Manager
City Attorney
City Clerk

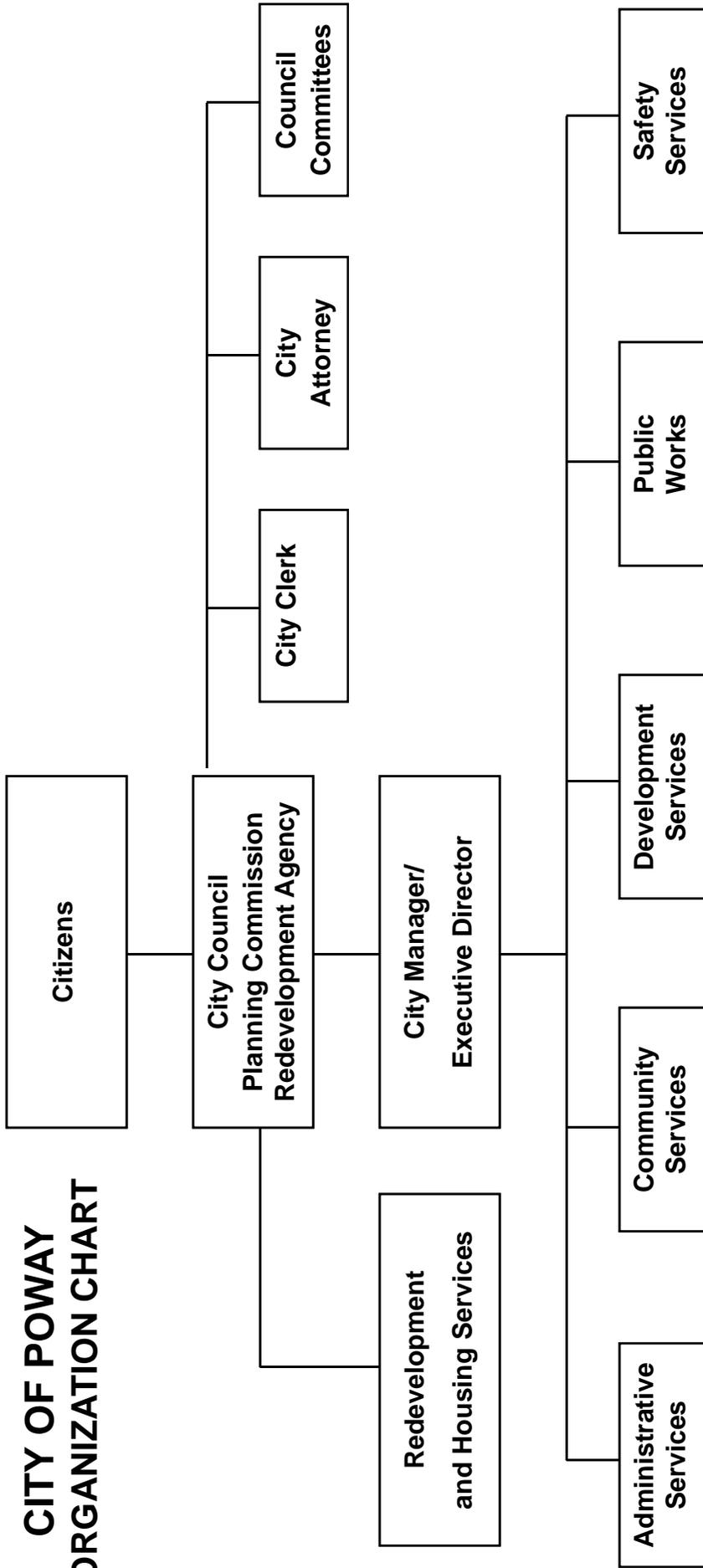
Rod Gould
Penny Riley
Lisa Foster
Salam Hasenin

Administrative Personnel

Director of Administrative Services/Treasurer
Director of Community Services
Director of Development Services
Director of Public Works
Director of Redevelopment Services
Director of Safety Services

Tina M. White
Robert A. Clark
Robert J. Manis
Kevin L. Haupt
Dena L. Fuentes
Mark A. Sanchez

CITY OF POWAY ORGANIZATION CHART



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

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

1. Planning
2. Building Inspection
3. Capital Projects
4. Land Development
5. Engineering Inspection
6. Traffic Engineering

1. Fleet Maintenance
2. Water Supply
3. Sewer Pumping & Disposal
4. Water Distribution
5. Wastewater Collection
6. Maintenance Control
7. Street Maintenance
8. Drainage Maintenance
9. Facilities Maintenance
10. Trails & Open Space
11. Park & Landscape Maintenance
12. Storm Water Mgmt
13. Reclaimed Water
14. Special District Administration

1. Fire Suppression
2. Fire Prevention
3. Paramedics
4. Law Enforcement

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, 2007

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.



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Poway, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Subsequent to the basic financial statements date of June 30, 2008 and the year then ended, the United States has entered into a Financial Credit Crisis. Although the United States Federal Government has taken actions that are intended to relieve and correct this Financial Credit Crisis, investments are subject to significant impairment and losses. To date, the City, has not been informed and is not aware of any investment losses. Accordingly, investment losses, if any, have not been reflected in the accompanying basic financial statements.

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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2008, 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.

As described in Note 1 to the basic financial statements, the City implemented the Statements of the Governmental Accounting Standards Board No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and No. 50, *Pension Disclosures*.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary information, budgetary comparison schedules and Schedule of Funding Progress of Defined Benefit Pension Plans as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken 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.


San Diego, California
October 17, 2008

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, 2008. 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 12% to \$129,167 as a result of this year's operations.
- During the year, the City's taxes, other governmental revenues and business activity revenues exceeded expenses by \$13,384.
- Governmental net assets were \$61,716.
- The total revenues from all sources were \$127,660.
- The total cost of all City programs was \$114,276.
- The General Fund reported excess revenues over expenditures and other financing uses of \$1,726.
- Actual resources received in the General Fund exceeded final budget by \$2,751 while actual expenditures were \$9,144 less than final budget before other financing sources and uses.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$31,161 or 83% 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 unit - The City's governmental activities include the blending of one separate legal entity: the Poway Redevelopment Agency. Although legally separate, this "component unit" is important because the City is financially accountable for it.

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 a 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 Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets:						
Current and other assets	\$ 178,718	\$ 174,183	\$ 35,927	\$ 32,324	\$ 214,645	\$ 206,507
Capital assets	198,615	196,246	36,420	36,986	235,035	233,232
Total assets	377,333	370,429	72,347	69,310	449,680	439,739
Liabilities:						
Long-term debt outstanding	301,601	308,351	2,043	2,173	303,644	310,524
Other liabilities	14,016	11,746	2,853	1,685	16,869	13,431
Total liabilities	315,617	320,097	4,896	3,858	320,513	323,955
Net assets:						
Invested in capital assets, net of debt	28,805	21,676	34,658	35,055	63,463	56,731
Restricted	101,384	99,518	282	284	101,666	99,802
Unrestricted	(68,473)	(70,862)	32,511	30,113	(35,962)	(40,749)
Total net assets	<u>\$ 61,716</u>	<u>\$ 50,332</u>	<u>\$ 67,451</u>	<u>\$ 65,452</u>	<u>\$ 129,167</u>	<u>\$ 115,784</u>

The City's combined net assets for the fiscal year ended June 30, 2008, were \$129,167. 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 23% from \$50,332 to \$61,716. The following is an explanation of the governmental activity changes between fiscal years as shown in Table 1:

- Current and other assets increased \$4,535 or 2.6% principally due to increased cash and investments.
- Capital assets increased \$2,369 (net of depreciation and disposition) as detailed in Table 4. During fiscal year 2007-08 there were no significant individual additions, with the balance primarily being made up of a land purchase, construction in progress and the purchase of two ambulances.
- Governmental long-term debt decreased \$6,750. The decrease is primarily due to the scheduled principal payments. (See Table 5 for additional detail.)
- Other liabilities increased by a net \$2.3 million. Approximately \$1.4 million of the increase was for the fiscal year 2008-09 insurance prepayment and approximately \$1.2 million was for the City's annual street slurry seal program, which had been finished early in the previous year. There were no unusual items.

- Invested in capital assets net of debt increased \$7.1 to the amortization of debt and additions not funded by debt.
- Restricted net assets remained relatively unchanged, increasing by \$1,866, or 1.9%.
- 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 \$2,389, or 3.37%, primarily due to current year operations.

Governmental Activities

The cost of all Governmental activities this year was \$88,998 as shown on Table 2 and 2.1. Of this cost, \$10,988 was paid for by those who directly benefited from the programs, \$11,608 was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$77,787 was financed through general City revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were \$22,596. Items of significance within Table 2 are:

Revenues:

- Charges for services increased by 2.5% primarily due to rate adjustments as a result of the City's fee study.
- Grants and contributions increased by 28.4% primarily because of reimbursements related to the Witch Creek Fire disaster.
- The General Revenue category increased .3%. There were no significant events that caused unusual variances.

Expenses:

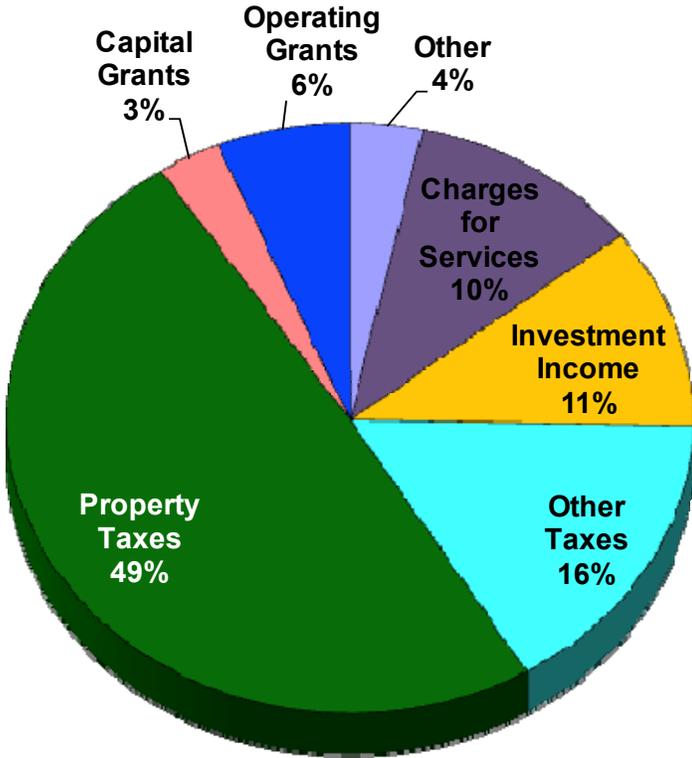
- General Government Expenses increased \$4,057 or 27.9%. The increase was related to additional spending on the Witch Creek Fire disaster as well as an increase of spending on projects for which financial assistance was provided, but that were not capitalized.
- The Public Safety line increased by 5.1%. This was the result of increases for law enforcement services, and for salaries and benefits as the City approached full firefighter staffing.
- Public Works had a 16.5% increase in expenses. This increase was primarily due to additional funds being spent on street maintenance.
- The Development Services department increased by \$389, or 7.8%. The increase was caused by an overall decrease in position vacancies and slightly greater development activity.
- Community Services increased 8.0% primarily because of an increase in tax shift and tax increment payments.
- Interest and fiscal charges decreased by 13.5%, primarily related to the inclusion of \$1,839 of expenses related to the partial refunding of the 2000 Tax Allocation Bonds in the prior fiscal year.

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

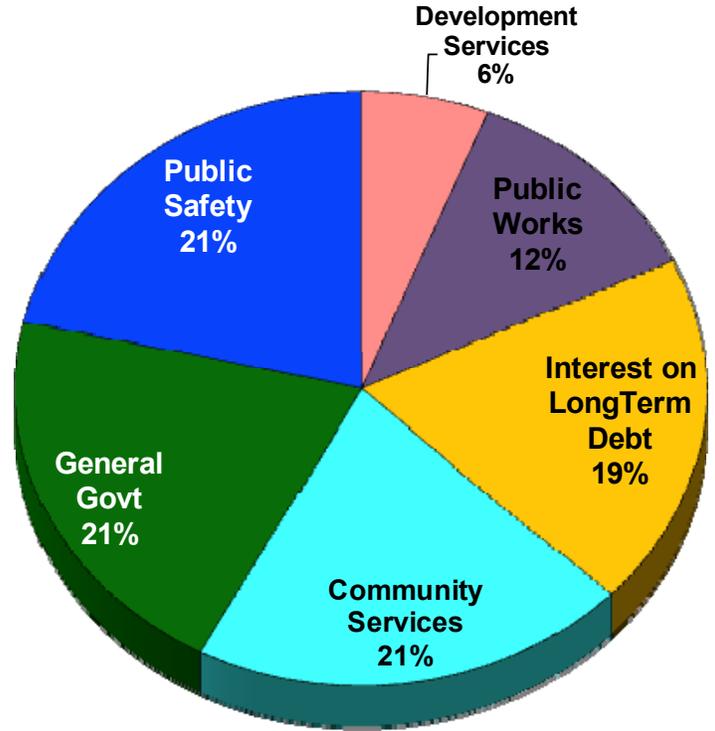
	Governmental Activities		Business Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 10,988	\$ 10,716	\$ 25,247	\$ 24,582	\$ 36,235	\$ 35,298
Operating grants and contributions	6,479	6,103			6,479	6,103
Capital grants and contributions	5,129	2,940	-	64	5,129	3,004
General revenues:						
Property taxes	50,669	48,048	-	-	50,669	48,048
Other taxes	15,432	15,695	-	-	15,432	15,695
Other	11,354	13,919	2,362	3,793	13,716	17,712
Total revenues	100,051	97,421	27,609	28,439	127,660	125,860
Expenses:						
General government	18,616	14,559			18,616	14,559
Public safety	19,039	18,121			19,039	18,121
Public works	10,607	9,101			10,607	9,101
Development Svcs	5,367	4,978			5,367	4,978
Community Svcs	18,330	16,965			18,330	16,965
Interest and charges	17,038	19,697			17,038	19,697
Water			17,535	17,372	17,535	17,372
Sewer			7,744	7,971	7,744	7,971
Total expenses	88,997	83,421	25,279	25,343	114,276	108,764
Change in net assets before transfers	11,054	14,000	2,330	3,096	13,384	17,096
Transfers	331	(13)	(331)	13	-	-
Change in net assets after transfers	11,385	13,987	1,999	3,109	13,384	17,096
Net assets - 7/1	50,331	36,344	65,452	62,343	115,783	98,687
Net assets - 6/30	\$ 61,716	\$ 50,331	\$ 67,451	\$ 65,452	\$ 129,167	\$ 115,783

**Fiscal Year 2008
Governmental Activities**
(Graphic representation of Table 2 in percentages)

Sources of Revenue



Program Expenses

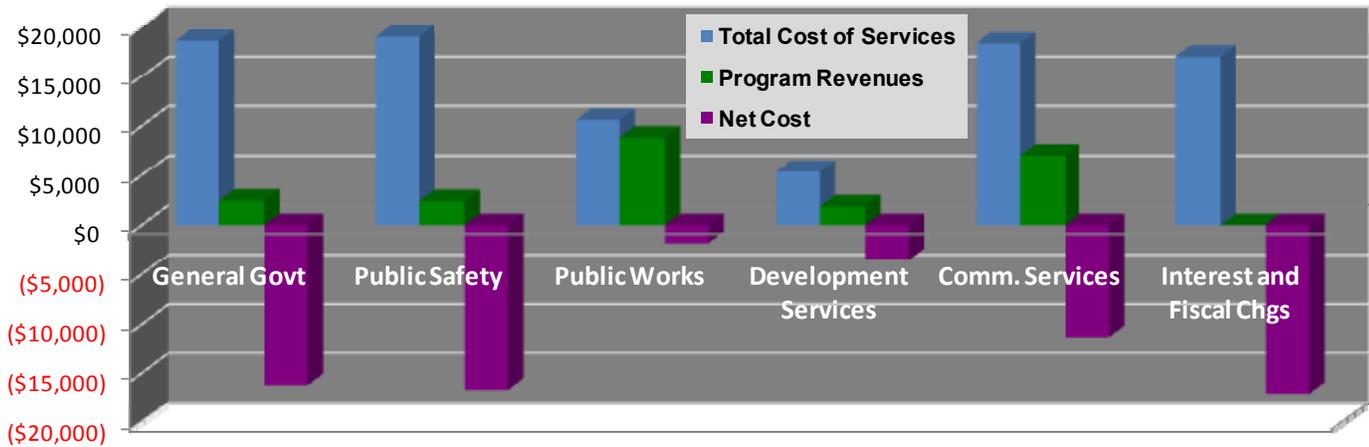


Net Cost of Governmental Activities

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

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

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2008	2007	2008	2007	2008	2007
General government	\$ 18,616	\$ 14,559	\$ 2,429	\$ 782	\$ (16,187)	\$ (13,777)
Public safety	19,039	18,121	2,385	2,517	(16,654)	(15,604)
Public works	10,607	9,101	8,842	7,754	(1,765)	(1,347)
Development services	5,367	4,978	1,871	2,702	(3,496)	(2,276)
Community services	18,330	16,965	7,069	6,004	(11,261)	(10,961)
Interest and fiscal chgs	17,038	19,697	-	-	(17,038)	(19,697)
Totals	\$ 88,997	\$ 83,421	\$ 22,596	\$ 19,759	\$ (66,401)	\$ (63,662)



Total resources available during the year to finance governmental operations were \$150,714 consisting of Net Assets at July 1, 2007, of \$50,331, Program Revenues of \$22,596, General Revenues of \$77,456 and \$331 of Transfers. Total Governmental Activities during the year were \$88,997; thus Net Assets increased by \$11,385 to \$61,716. There were no unusual items that contributed to this increase. As discussed previously, property taxes, investment earnings and franchise taxes had increases that did contribute to the growth in Net Assets.

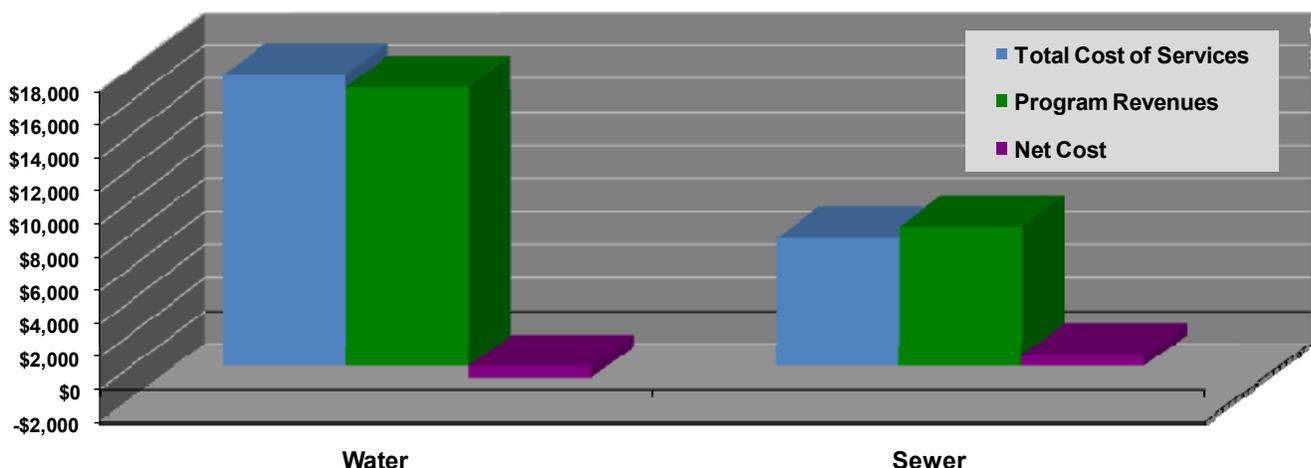
Business-Type Activities

Net assets of the Proprietary Funds (Business-Type activities) at June 30, 2008, as reflected in Table 1 were \$67,451. As shown in Table 2, program revenues were \$25,247, while the cost of providing all Proprietary (Business-Type) Activities this year was \$25,279 resulting in a loss \$32. The additional \$2,030 of other revenues and transfers resulted in a Net Assets increase of \$1,999 or 3%.

Table 2.2
Net Cost of Business Activities
(in Thousands)

	Total Cost of Services		Program Revenue		Net Cost of Services	
	2008	2007	2008	2007	2008	2007
Water	\$ 17,535	\$ 17,372	\$ 16,806	\$ 16,702	\$ (729)	\$ (670)
Sewer	7,744	7,971	8,441	7,944	697	(27)
Totals	\$ 25,279	\$ 25,343	\$ 25,247	\$ 24,646	\$ (32)	\$ (697)

Fiscal Year 2008
Total Cost of Services, Program Revenues & Net Cost – Business Activities (in thousands)



General Fund Budgetary Highlights

The final appropriations for the City's General Fund at year-end were \$11,895 more than actual expenditures prior to other financing uses. The budget to actual variance in appropriations was principally in the Capital Expenditure category where several projects were budgeted but were still in the design phase. Several factors account for the remaining variance, including in the General Government activity the delay in purchasing replacement equipment, unfilled positions, fewer consultants being needed in Human Resources and Information Technology, lower gas and electric costs, and lower repair and maintenance costs. No unusual items contributed to the savings in the other categories, though in light of the current economy all departments were encouraged to take a hard look at all year end expenditure activity. Actual revenues compared favorably to the final budget resulting in a \$2,751 excess (excluding other financing sources). The major variances were in Intergovernmental and Taxes. The Intergovernmental category was higher because of reimbursements received related to the Witch Creek Fire. Taxes were higher primarily because of supplemental property tax activity. Development services again had slightly higher than expected activity. The Other revenue category was again driven by one-time higher than expected revenues such as insurance settlements and mutual aid reimbursements. Budget amendments and supplemental appropriations were made during the normal course of business to increase appropriations for unanticipated expenditures after adoption of the original budget. Significant supplemental appropriations were \$581 for Public Safety overtime, \$138 for the increased amount due under an economic development incentive agreement, a decrease in Public Works of \$1,081 for moving a division from the General Fund to its own fund, Storm Water Management, and various other increases for contracts and other items. As for revenue adjustments, the budget for taxes was increased by \$278 for the sales taxes and \$260 for increased building inspection revenue.

Other funds with significant changes in fund balance include the Proposition A fund, the Traffic Congestion fund, and the Prop 1B Transportation Bond Act fund. These funds are all related to street maintenance. The balances of the Proposition A fund and the Traffic Congestion fund were spent on street maintenance projects during the fiscal year, while the Prop 1B Transportation Bond Act fund was created during the fiscal year and will be expended during fiscal year 2008-09.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities, and roads. The Governmental Construction in Progress increased by \$1.9, primarily related to a net increase in infrastructure projects in progress. Business Construction in Progress included additions for 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	
	2008	2007	2008	2007	2008	2007
Land	\$ 72,086	\$ 71,840	\$ 77	\$ 77	\$ 72,163	\$ 71,917
Buildings	42,162	42,790	6,886	7,376	49,048	50,166
Improvements	5,646	5,561	27,054	28,020	32,700	33,581
Infrastructure	62,283	61,966			62,283	61,966
Equip & Vehicles	6,854	6,391	833	895	7,687	7,286
Construction in Prog	9,584	7,698	1,570	618	11,154	8,316
	<u>\$ 198,615</u>	<u>\$ 196,246</u>	<u>\$ 36,420</u>	<u>\$ 36,986</u>	<u>\$ 235,035</u>	<u>\$ 233,232</u>

Debt

At year-end, the City had \$301,601 in governmental-type debt and \$2,043 in Proprietary debt. During the year no bonds were refunded so, therefore, the decrease 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 balance increased as employees accrued more time off for compensated absences than was used, but again there were no unusual activity related to the increase. 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	
	2008	2007	2008	2007	2008	2007
Tax Allocation Bonds	\$ 246,403	\$ 251,784			\$ 246,403	\$ 251,784
Certificates of Participation	51,603	53,069			51,603	53,069
General Obligation Bonds					-	-
Revenue Bonds			\$ 1,746	\$ 1,914	1,746	1,914
Loans Payable	2,215	2,165	-	-	2,215	2,165
Lease Payable	-	-	-	-	-	-
Contract Payable	35	36			35	36
Comp Absences	1,345	1,297	297	259	1,642	1,556
Total	<u>\$ 301,601</u>	<u>\$ 308,351</u>	<u>\$ 2,043</u>	<u>\$ 2,173</u>	<u>\$ 303,644</u>	<u>\$ 310,524</u>

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City Budget for fiscal year 2008-2009, the City Council and management continued to be cautious because of the continued slow housing market, lower sales tax receipts primarily related to automobile sales and a continued concern over the State's long-term budget situation. General Fund revenue growth is estimated at approximately 1.6%. This increase mainly occurred because of a small increase in sales tax and small increases in various fees. The City is evaluating its revenues on a continuous basis, and does expect to reduce its budget for sales tax revenue during its midyear review process. General Fund expenditures are budgeted to increase 2.3%. Higher retirement costs contributed to increases in all departments. Additionally, based on the fiscal year 2007-08 budget adjustment for Public safety overtime, that department's budget was increased. The City initially anticipated using approximately \$1.4 million from its Reserve for Street Maintenance in the 2008-2009 budget. In recognition of the continued economic uncertainty the City undertook a financial review in September 2008 and adopted approximately \$1.1 million in budget reductions, with approximately \$700,000 being recognized in the General Fund. The City continues to monitor the local, state and national economic situation and anticipates making further budget reductions soon after the first of the calendar year 2009.

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.ci.poway.ca.us>

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Poway
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 117,783,377	\$ 19,469,996	\$ 137,253,373
Cash and investments with fiscal agents	23,099,489	281,531	23,381,020
Receivables:			
Taxes	3,467,313	-	3,467,313
Accounts	2,295,842	4,392,268	6,688,110
Interest	837,533	353	837,886
Due from other governments and agencies	1,068,878	18,502	1,087,380
Prepaid items	1,445,071	-	1,445,071
Inventories	95,346	1,342,953	1,438,299
Total current assets	150,092,849	25,505,603	175,598,452
Noncurrent assets:			
Lease receivable	28,235,000	-	28,235,000
Notes receivable	8,033,357	-	8,033,357
Internal balances	(9,268,034)	9,268,034	-
Loans to Business Park Fiduciary Fund	-	1,106,268	1,106,268
Deferred charges, net	594,851	47,202	642,053
Land held for resale	1,029,392	-	1,029,392
Capital assets:			
Nondepreciable assets	81,669,644	1,646,446	83,316,090
Depreciable assets, net	116,945,608	34,773,410	151,719,018
Total capital assets	198,615,252	36,419,856	235,035,108
Total noncurrent assets	227,239,818	46,841,360	274,081,178
Total assets	377,332,667	72,346,963	449,679,630

City of Poway
Statement of Net Assets, Continued
June 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 11,462,962	\$ 2,785,059	\$ 14,248,021
Accrued liabilities	836,706	-	836,706
Accrued interest payable	1,715,914	15,899	1,731,813
Deposits	-	52,110	52,110
Due to other governments and agencies	200	-	200
Compensated absences - due within one year	223,223	32,595	255,818
Long-term debt - due within one year	7,137,904	177,780	7,315,684
Total current liabilities	21,376,909	3,063,443	24,440,352
Noncurrent liabilities:			
Compensated absences	1,121,823	264,146	1,385,969
Long-term debt - due in more than one year	293,117,998	1,568,547	294,686,545
Total noncurrent liabilities	294,239,821	1,832,693	296,072,514
Total liabilities	315,616,730	4,896,136	320,512,866
NET ASSETS			
Investments in capital assets, net of related debt	28,805,157	34,657,630	63,462,787
Restricted for:			
General Fund	8,478,531	-	8,478,531
Affordable housing	12,544,249	-	12,544,249
Debt service	20,812,770	281,531	21,094,301
Capital improvement projects	39,805,127	-	39,805,127
Special revenue funds	18,742,690	-	18,742,690
Permanent funds	1,000,815	-	1,000,815
Total restricted	101,384,182	281,531	101,665,713
Unrestricted (deficit)	(68,473,402)	32,511,666	(35,961,736)
Total net assets	\$ 61,715,937	\$ 67,450,827	\$ 129,166,764

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 18,616,222	\$ 133,893	\$ 1,027,669	\$ 1,267,477	\$ 2,429,039
Public safety	19,039,199	2,068,632	316,037	-	2,384,669
Public works	10,607,352	4,327,217	4,505,014	9,150	8,841,381
Development services	5,367,148	1,522,060	348,918	-	1,870,978
Community services	18,329,674	2,935,862	281,359	3,852,030	7,069,251
Interest and fiscal charges	17,038,330	-	-	-	-
Total governmental activities	88,997,925	10,987,664	6,478,997	5,128,657	22,595,318
Business-Type activities:					
Water	17,534,682	16,806,379	-	-	16,806,379
Sewer	7,743,880	8,440,646	-	-	8,440,646
Total business-type activities	25,278,562	25,247,025	-	-	25,247,025
Total primary government	\$ 114,276,487	\$ 36,234,689	\$ 6,478,997	\$ 5,128,657	\$ 47,842,343

City of Poway
Statement of Activities and Changes in Net Assets, Continued
For the year ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (16,187,183)	\$ -	\$ (16,187,183)
Public safety	(16,654,530)	-	(16,654,530)
Public works	(1,765,971)	-	(1,765,971)
Development services	(3,496,170)	-	(3,496,170)
Community services	(11,260,423)	-	(11,260,423)
Interest and fiscal charges	(17,038,330)	-	(17,038,330)
Total governmental activities	(66,402,607)	-	(66,402,607)
Business-Type activities:			
Water	-	(728,303)	(728,303)
Sewer	-	696,766	696,766
Total business-type activities	-	(31,537)	(31,537)
Total primary government	(66,402,607)	(31,537)	(66,434,144)
General revenues:			
Taxes:			
Property taxes	50,669,452	-	50,669,452
Sales taxes	12,904,265	-	12,904,265
Motor vehicle license taxes	225,353	-	225,353
Transit occupancy taxes	206,323	-	206,323
Franchise taxes	1,497,724	-	1,497,724
Other taxes	598,965	-	598,965
Total taxes	66,102,082	-	66,102,082
Investment earnings	10,639,352	2,283,493	12,922,845
Miscellaneous	714,405	78,030	792,435
Transfers	331,088	(331,088)	-
Total general revenues and transfers	77,786,927	2,030,435	79,817,362
Change in net assets	11,384,320	1,998,898	13,383,218
Net assets - beginning of year	50,331,617	65,451,929	115,783,546
Net assets - end of year	\$ 61,715,937	\$ 67,450,827	\$ 129,166,764

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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, 2008

	Major Funds			
	General	Low and Moderate Income Housing Special Revenue Fund	City of Poway Redevelopment Agency Debt Service Fund	Redevelopment Area Capital Project Fund
ASSETS				
Cash and investments	\$ 31,010,473	\$ 12,575,352	\$ 15,700,985	\$ 31,654,878
Receivables:				
Taxes	2,517,470	-	936,585	-
Notes	517,181	-	-	7,516,176
Accounts	1,660,689	16,318	-	-
Interest	622,098	-	43,111	172,032
Lease	-	-	28,235,000	-
Due from other funds	736,332	-	-	-
Due from other governments	270,075	-	-	-
Prepaid items	1,445,071	-	-	-
Inventories, at cost	95,346	-	-	-
Land held for resale	-	-	-	1,029,392
Advances to other funds	5,099,757	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	21,579,234	-
Total assets	\$ 43,974,492	\$ 12,591,670	\$ 66,494,915	\$ 40,372,478
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 3,458,055	\$ 47,421	\$ 5,037,767	\$ 1,234,961
Accrued liabilities	836,706	-	-	-
Due to other funds	-	-	-	-
Deposits	200	-	-	-
Deferred revenue	40,089	-	28,235,000	-
Advances from other funds	-	-	17,075,092	-
Total liabilities	4,335,050	47,421	50,347,859	1,234,961
Fund Balances:				
Reserved	8,478,531	12,544,249	16,147,056	14,222,989
Unreserved:				
Designated for:				
General fund	31,160,911	-	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	24,914,528
Undesignated				
Special revenue funds	-	-	-	-
Total fund balances	39,639,442	12,544,249	16,147,056	39,137,517
Total liabilities and fund balances	\$ 43,974,492	\$ 12,591,670	\$ 66,494,915	\$ 40,372,478

See accompanying Notes to Basic Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ 21,733,703	\$ 112,675,391
13,258	3,467,313
-	8,033,357
617,283	2,294,290
292	837,533
-	28,235,000
-	736,332
798,803	1,068,878
-	1,445,071
-	95,346
-	1,029,392
3,737,676	8,837,433
<u>1,520,255</u>	<u>23,099,489</u>
<u>\$ 28,421,270</u>	<u>\$ 191,854,825</u>

\$ 1,577,015	\$ 11,355,219
-	836,706
736,332	736,332
-	200
719	28,275,808
<u>1,030,375</u>	<u>18,105,467</u>
<u>3,344,441</u>	<u>59,309,732</u>
12,736,141	64,128,966
-	31,160,911
-	-
7,664,126	32,578,654
<u>4,676,562</u>	<u>4,676,562</u>
<u>25,076,829</u>	<u>132,545,093</u>
<u>\$ 28,421,270</u>	<u>\$ 191,854,825</u>

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City of Poway
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008

Total Fund Balances - Total Governmental Funds \$ 132,545,093

Amounts reported for governmental activities in the Statement of Net Assets are differently because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Nondepreciable	81,669,644
Depreciable, net of accumulated depreciation	<u>116,945,608</u>
Total capital assets	<u>198,615,252</u>

Deferred charges, such as issuance costs from issuing debt, were expenditures in the fund financial statements but are deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.

Originated during the year	618,685
Accumulated amortization of costs	<u>(23,834)</u>
Total issuance costs	<u>594,851</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Compensated absences - due within one year	(223,223)
Compensated absences - due in more than one year (net of \$34,093 reported in Internal Service Funds)	(1,087,730)
Long-term liabilities - due within one year	(7,137,904)
Long-term liabilities - due in more than one year	<u>(293,117,998)</u>
Total long-term liabilities	<u>(301,566,855)</u>

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in Governmental Funds Balance Sheet.

(1,715,914)

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are recognized as revenues in the Government-Wide Financial Statements.

28,275,808

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.

4,967,702

Net Assets of Governmental Activities \$ 61,715,937

City of Poway
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	Major Funds			
	General	Low and Moderate Income Housing Special Revenue Funds	City of Poway Redevelopment Agency Debt Service Funds	Redevelopment Area Capital Project Funds
REVENUES:				
Taxes	\$ 27,020,872	\$ -	\$ 38,256,892	\$ -
Licenses and permits	328,159	-	-	-
Intergovernmental	2,083,309	-	-	-
Charges for services	1,029,329	-	-	-
Fines and forfeitures	803,552	-	-	-
Use of money and property	2,677,606	575,229	4,145,558	1,876,078
Developer fees	3,498,792	-	-	-
Assessment levied	-	-	-	-
Other revenues	654,234	759,023	-	992,946
Total revenues	38,095,853	1,334,252	42,402,450	2,869,024
EXPENDITURES:				
Current:				
General government	2,740,093	625,568	-	3,886,659
Public safety	18,380,532	-	-	-
Public works	2,823,859	-	-	-
Development Services	5,420,200	-	-	-
Community services	5,437,367	-	-	-
Capital outlay	2,875,729	5,540,206	-	7,768,700
Debt service:				
Principal	-	-	5,810,000	-
Interest and fiscal charges	-	-	15,977,229	-
Tax increment reimbursement	-	-	5,515,447	-
Total expenditures	37,677,780	6,165,774	27,302,676	11,655,359
REVENUES OVER (UNDER) EXPENDITURES	418,073	(4,831,522)	15,099,774	(8,786,335)
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	-	151,285	-
Transfers in	5,634,386	7,672,673	6,017,594	6,907,823
Transfers out	(4,326,832)	(1,673,979)	(15,024,111)	(3,907,080)
Total other financing sources (uses)	1,307,554	5,998,694	(8,855,232)	3,000,743
NET CHANGE IN FUND BALANCE	1,725,627	1,167,172	6,244,542	(5,785,592)
FUND BALANCES:				
Beginning of year	37,913,815	11,377,077	9,902,514	44,923,109
End of year	\$ 39,639,442	\$ 12,544,249	\$ 16,147,056	\$ 39,137,517

See accompanying Notes to Basic Financial Statements.

Other Governmental Funds	Total Governmental Funds
\$ 3,539,698	\$ 68,817,462
-	328,159
1,888,411	3,971,720
1,647,000	2,676,329
-	803,552
6,241,880	15,516,351
281,336	3,780,128
1,892,326	1,892,326
162,490	2,568,693
<u>15,653,141</u>	<u>100,354,720</u>
-	7,252,320
148,169	18,528,701
5,185,763	8,009,622
-	5,420,200
7,155,769	12,593,136
2,169,741	18,354,376
750,000	6,560,000
1,100,188	17,077,417
-	5,515,447
<u>16,509,630</u>	<u>99,311,219</u>
<u>(856,489)</u>	<u>1,043,501</u>
-	151,285
1,364,473	27,596,949
<u>(1,208,472)</u>	<u>(26,140,474)</u>
<u>156,001</u>	<u>1,607,760</u>
(700,488)	2,651,261
<u>25,777,317</u>	<u>129,893,832</u>
<u>\$ 25,076,829</u>	<u>\$ 132,545,093</u>

City of Poway

Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 2,651,261
Amounts reported for governmental activities in the Statement of Activities are 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 is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	8,942,967
Depreciation is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation and amortization expense is not reported as expenditures in governmental funds.	(6,079,024)
Loss on disposal of Agency'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 Loss on sale of Agency's property	(494,389)
Long-term compensated absences are 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, long-term compensated absences are not reported as expenditures in governmental funds. This amount represent the change in compensated absences from prior year.	(49,587)
Issuance costs from issuing debt are expenditures at the fund level but are 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 is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Government-Wide Statement of Net Assets. Proceeds from loans Repayment of contract and notes payable Principal payment	(151,285) 102,606 6,560,000
Amortization on bond premium was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization was not reported as expenditures in governmental funds. 2003 Tax Allocation Bonds 2007 Tax Allocation Bonds 2003 Certificates of Participation 2005 Certificates of Participation	202,746 63,680 9,770 10,813
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. This amount represents the change in accrued interest from prior year.	39,087
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(833,467)
Internal service funds are 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 is reported with governmental activities.	432,976
Change in Net Assets of Governmental Activities	\$ 11,384,320

See accompanying Notes to Basic Financial Statements.

**PROPRIETARY FUND
FINANCIAL STATEMENTS**

City of Poway
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Fund
ASSETS				
Current assets:				
Cash and investments	\$ 8,616,408	\$ 10,853,588	\$ 19,469,996	\$ 5,107,986
Cash and investments with fiscal agents	281,531	-	281,531	-
Receivables:				
Accounts	2,855,575	1,536,693	4,392,268	1,552
Interest	353	-	353	-
Due from other governments	6,227	12,275	18,502	-
Inventories	1,332,403	10,550	1,342,953	-
Total current assets	13,092,497	12,413,106	25,505,603	5,109,538
Noncurrent assets:				
Advances to other funds	3,804,911	5,463,123	9,268,034	-
Advances to Fiduciary Fund - Business Park	-	1,106,268	1,106,268	-
Deferred charges	47,202	-	47,202	-
Capital assets:				
Nondepreciable	983,615	662,831	1,646,446	-
Depreciable	47,303,454	29,453,180	76,756,634	-
Less accumulated depreciation	(27,960,818)	(14,022,406)	(41,983,224)	-
Total net capital assets	20,326,251	16,093,605	36,419,856	-
Total noncurrent assets	24,178,364	22,662,996	46,841,360	-
Total assets	37,270,861	35,076,102	72,346,963	5,109,538
LIABILITIES				
Current liabilities:				
Accounts payable	2,366,770	418,289	2,785,059	107,743
Deposits	52,110	-	52,110	-
Accrued interest payable	15,899	-	15,899	-
Compensated absences due within one year	26,767	5,828	32,595	-
Long-term debt due within one year	177,780	-	177,780	-
Total current liabilities	2,639,326	424,117	3,063,443	107,743
Noncurrent liabilities:				
Compensated absences	215,810	48,336	264,146	34,093
Long-term debt due in more than one year	1,568,547	-	1,568,547	-
Total noncurrent liabilities	1,784,357	48,336	1,832,693	34,093
Total liabilities	4,423,683	472,453	4,896,136	141,836
NET ASSETS				
Invested in capital assets, net of related debt	18,564,025	16,093,605	34,657,630	-
Restricted for debt service	281,531	-	281,531	-
Unrestricted	14,001,622	18,510,044	32,511,666	4,967,702
Total net assets	\$ 32,847,178	\$ 34,603,649	\$ 67,450,827	\$ 4,967,702

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, 2008

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Fund
OPERATING REVENUES:				
Charges for services	\$ 16,634,543	\$ 8,011,178	\$ 24,645,721	\$ 2,321,369
Connection fees	171,836	429,468	601,304	-
Other	54,524	23,506	78,030	2,163
Total operating revenues	16,860,903	8,464,152	25,325,055	2,323,532
OPERATING EXPENSES:				
Personnel services	3,297,682	703,101	4,000,783	354,676
Maintenance and operations	4,245,353	6,213,580	10,458,933	662,161
Cost of purchased water	8,749,975	-	8,749,975	-
Depreciation	1,241,672	827,199	2,068,871	-
Total operating expenses	17,534,682	7,743,880	25,278,562	1,016,837
OPERATING INCOME (LOSS)	(673,779)	720,272	46,493	1,306,695
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	1,398,426	996,198	2,394,624	251,668
Interest expense and fiscal charges	(111,131)	-	(111,131)	-
Total nonoperating revenues (expenses)	1,287,295	996,198	2,283,493	251,668
INCOME (LOSS) BEFORE	613,516	1,716,470	2,329,986	1,558,363
TRANSFERS:				
Transfers out	(192,299)	(138,789)	(331,088)	(1,125,387)
Total transfers	(192,299)	(138,789)	(331,088)	(1,125,387)
Change in net assets	421,217	1,577,681	1,998,898	432,976
NET ASSETS:				
Beginning of year	32,425,961	33,025,968	65,451,929	4,534,726
End of year	\$ 32,847,178	\$ 34,603,649	\$ 67,450,827	\$ 4,967,702

See accompanying Notes to Basic Financial Statements.

City of Poway
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Major Funds			Governmental
	Water	Sewer	Total	Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from customers	\$ 16,644,170	\$ 8,258,714	\$ 24,902,884	\$ 2,321,980
Cash paid to employees for services	(3,263,172)	(700,297)	(3,963,469)	(355,984)
Cash paid to suppliers for goods or services	(11,726,742)	(6,295,843)	(18,022,585)	(579,634)
Others	67,144	3,381,302	3,448,446	-
Net cash provided (used) by operating activities	1,721,400	4,643,876	6,365,276	1,386,362
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Taxes	498	-	498	-
Transfers in	-	-	-	-
Transfers out	(192,299)	(138,789)	(331,088)	(1,125,387)
Net cash provided (used) by noncapital financing activities	(191,801)	(138,789)	(330,590)	(1,125,387)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net changes in capital assets	(900,288)	(602,142)	(1,502,430)	-
Principal paid on long-term debt	(167,588)	-	(167,588)	-
Payment of interest and fees	(112,562)	-	(112,562)	251,668
Net cash provided (used) by capital and related financing activities	(1,180,438)	(602,142)	(1,782,580)	251,668
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	1,399,124	996,198	2,395,322	-
Net cash provided (used) by investing activities	1,399,124	996,198	2,395,322	-
Net increase (decrease) in cash and cash equivalents	1,748,285	4,899,143	6,647,428	512,643
CASH AND CASH INVESTMENTS:				
Beginning of year	7,149,654	5,954,445	13,104,099	4,595,343
End of year	\$ 8,897,939	\$ 10,853,588	\$ 19,751,527	\$ 5,107,986
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (673,779)	\$ 720,272	\$ 46,493	\$ 1,306,695
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,241,672	827,199	2,068,871	-
Changes in operating assets and liabilities:				
Accounts receivable	(172,026)	(181,853)	(353,879)	(1,552)
Inventories	26,633	(6,498)	20,135	-
Deferred charges	6,436	-	6,436	-
Due from other governments	12,620	657,796	670,416	-
Advances to other funds	-	2,700,000	2,700,000	-
Accounts payable	1,235,517	(75,765)	1,159,752	82,527
Deposits	9,817	(79)	9,738	-
Compensated absences	34,510	2,804	37,314	(1,308)
Total adjustments	2,395,179	3,923,604	6,318,783	79,667
Net cash provided (used) by operating activities	\$ 1,721,400	\$ 4,643,876	\$ 6,365,276	\$ 1,386,362

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, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 8,749,430
Receivables:	
Taxes	7,914
Accounts	1,106,268
Interest	110,076
Cash and investments with fiscal agent	<u>5,231,057</u>
Total assets	<u><u>\$ 15,204,745</u></u>
LIABILITIES	
Accounts payable	\$ 100,852
Deposits	3,774,016
Due to bondholders	10,223,609
Advances from City of Poway	<u>1,106,268</u>
Total liabilities	<u><u>\$ 15,204,745</u></u>

NOTES TO BASIC FINANCIAL STATEMENTS

City of Poway
Notes to Basic Financial Statements
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Poway, California, (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 (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 (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. Separate financial statements are not prepared.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements

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

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 Services 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 Projects Fund is used to account for the financial resources to be used for the acquisitioned construction of major capital facilities (other than those financed by proprietary funds).

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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.

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 nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating 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 do not involve measurement of results of operations.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute GAAP basis expenditures or liabilities because the commitments will be honored during the subsequent year. The commitments will be re-appropriated and honored in the subsequent year.

D. Cash, Cash Equivalents and Investments

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

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.

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 (Amendment of GASB Statement No. 3)*, 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

E. Interfund Transactions

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Inventories

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

G. Land Held for Resale

Land held for resale is carried at lower of cost or market, but not greater than the net realizable value. An amount equal to the carrying value of land is reserved in fund balance because such assets are not available to finance current operation.

H. Capital Assets

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

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Government, which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included the value of all infrastructure in its Basic Financial Statements.

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.

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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

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.

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.

I. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

J. Long-Term Debt

Government-Wide Financial Statements

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

Bond premiums and discounts, 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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Assets

Government-Wide Financial Statements

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."

Fund Financial Statements

Reservations represent those portions of fund equity which are not appropriable for expenditure or which are legally segregated for specific future use. Designated fund balances represent tentative plans for future use of financial resources. Undesignated fund balance indicates that portion of the fund balance which is available for appropriation in future periods.

L. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

M. Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles in the United States (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.

N. Implementation of New GASB Pronouncements

The Agency adopted a new accounting standard in order to conform to the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers Assets and Future Revenues*
- GASB Statement No. 50, *Pension Disclosures*

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of New GASB Pronouncements, Continued

GASB Statement No. 48 improves financial reporting by establishing consistent measurement, recognition, and disclosure requirements that apply to both governmental and business-type activities. This statement also improves the usefulness of financial reporting by requiring that specific relevant disclosures be made to inform financial statement users about the unavailability of future revenues that have been pledged or sold.

GASB Statement No. 50 is intended to improve the transparency and usefulness of financial reporting by pension plans and employers by amending GASB Statements No. 25 and No. 27 to conform with the applicable note disclosure and RSI modifications adopted in the GASB Statements No. 43 and 45.

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, 2008:

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities			
	Cash and investments	\$ 117,783,377	\$ 19,469,996		
Cash and investments with fiscal agents	23,099,489	281,531	5,231,057	28,612,077	
Total	\$ 140,882,866	\$ 19,751,527	\$ 13,980,487	\$ 174,614,880	

Cash, cash equivalents, and investments consisted of the following at June 30, 2008:

Cash on hand	\$ 8,600
Demand deposits	981,843
Investments	173,624,437
Total cash and investments	\$ 174,614,880

A. Cash Deposits

The carrying amounts of the City's demand deposits were \$981,843 at June 30, 2008. Bank balances at June 30, 2008, were \$2,727,174 which were fully insured or collateralized with securities held by the pledging financial institutions in the City's name as discussed below.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

A. Cash Deposits, Continued

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 up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

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

B. Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligation	5 years	None	None
U.S. Agency Securities	5 years	75%	25%
Bankers' Acceptances	180 days	40%	5%
Medium-Term and Corporate Notes	5 years	30%	5%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Backed Securities	5 years	20%	None
Asset Back Securities	5 years	20%	None
Commercial Paper	270 days	25%	3%
Certificates of Deposit	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

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

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

C. Investment Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
Repurchase Agreements	1 year	None	30%
Money Market Mutual Funds	N/A	15%	None
U.S. Agency Securities	5 years	75%	25%
Investment Contracts	30 years	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

D. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value 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 Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
U.S. Treasuries	\$ 3,046,307	\$ -	\$ -	\$ 3,046,406	\$ -
U.S. Agencies	8,534,790	2,559,791	-	5,974,999	-
Other Government	30,388,299	30,388,299	-	-	-
Asset Backed Securities	12,508,606	7,012,601	2,018,932	3,477,073	-
Mortgage Backed Securities	5,193,649	-	2,141,827	3,051,822	-
Medium-Term and Corporate Notes	9,820,779	5,068,137	3,715,162	1,037,480	-
Local Agency Investment Fund (LAIF)	75,169,662	75,169,662	-	-	-
San Diego County Investment Pool	48,043	48,043	-	-	-
LOI Bond AD #2001-1	202,225	17,781	18,803	111,534	54,107
Certificates of Deposit	100,000	100,000	-	-	-
Held by bond trustee:					
Money Market Funds	4,776,623	4,776,623	-	-	-
Uninvested Cash	31,812	31,812	-	-	-
Investment Contracts	21,016,158	-	-	6,397,726	14,618,432
Federal National Mortgage Association	1,572,153	1,572,153	-	-	-
Federal Home Loan Mortgage Corporation	1,215,331	-	-	1,215,331	-
	\$ 173,624,437	\$ 126,744,902	\$ 7,894,724	\$ 24,312,371	\$ 14,672,539

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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 year end for each investment type:

Investment Type	Amounts	Minimum Rating	Exempt	AAA/Aaa	A+/Aa3	A/A2	AA-/Aa3	AA/NR
U.S. Treasuries	\$ 3,046,307	Aaa	\$ -	\$ 3,046,307	\$ -	\$ -	\$ -	\$ -
U.S. Agencies	8,534,790	Aaa	-	8,534,790	-	-	-	-
Other government	30,388,299	Aaa	-	-	-	-	-	30,388,299
Asset Backed Securities	12,508,606	Aaa	-	10,605,932	-	-	1,902,674	-
Mortgage Backed Securities	5,193,649	Aaa	-	5,193,649	-	-	-	-
Medium-Term and Corporate Notes	9,820,779	A1	-	2,082,937	1,666,379	4,069,451	2,002,012	-
Local Agency Investment Fund (LAIF)	75,169,662	N/A	75,169,662	-	-	-	-	-
San Diego County Investment Pool	48,043		48,043	-	-	-	-	-
LOI Bond AD #2001-1	202,225		202,225	-	-	-	-	-
Certificates of Deposit	100,000		-	100,000	-	-	-	-
Held by bond trustee:								
Money Market Funds	4,776,623		4,776,623	-	-	-	-	-
Uninvested Cash	31,812		31,812	-	-	-	-	-
Investment Contracts	21,016,158		21,016,158	-	-	-	-	-
Federal National Mortgage Association	1,572,153		1,572,153	-	-	-	-	-
Federal Home Loan Banks	1,215,331		1,215,331	-	-	-	-	-
	<u>\$ 173,624,437</u>		<u>\$ 104,032,007</u>	<u>\$ 29,563,615</u>	<u>\$ 1,666,379</u>	<u>\$ 4,069,451</u>	<u>\$ 3,904,686</u>	<u>\$ 30,388,299</u>

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 District 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:

Trustee/Custodian	Investment Type	Reported Amount
Union Bank/U.S. Bank	U.S. Treasuries	\$ 3,046,307
Union Bank/U.S. Bank	U.S. Agencies	8,534,790
Union Bank/U.S. Bank	Other government	30,388,299
Union Bank	Corporates	9,820,779
State Treasurer Office	LAIF	75,169,662
Societe Generale	Investment Contract	3,544,500
AMBAC Capital Funding	Investment Contract	6,397,726
FSA Capital	Investment Contract	11,073,932

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

2. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

E. Investment in Local Agency Investment Funds

The City invests in the Local Agency Investment Fund (LAIF), a State of California investment pool. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available.

The City valued its investments in LAIF as of June 30, 2008, at fair value. The fair value is calculated by multiplying the account balance with LAIF times a fair value factor of 0.999950219 which is determined by LAIF. This fair value factor was determined by dividing total value by all LAIF participants' total cost.

The City's investments with Local Agency Investment Funds (LAIF) at June 30, 2008, included a portion of the pooled funds invested in 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.

As of June 30, 2008, the City had \$75,169,662 invested in LAIF, which had invested 14.72% of the pooled investment funds in Structured Notes and Asset-Backed Securities.

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, 2008, the City had \$48,043 invested in the San Diego County Investment Pool.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

3. INTERFUND TRANSACTIONS

A. Due To and Due From Other Funds

As of June 30, 2008, balances were as follows:

Due to other funds	Due from other funds	
	General Fund	Total
Governmental Activities:		
Non-major Governmental Funds	\$ 736,332	\$ 736,332
Total	\$ 736,332	\$ 736,332

These balances resulted from loans to cover negative cash balances as of June 30, 2008.

B. Advance To and Advances From Other Funds

Advance to other funds	Advance from other funds			
	City of Poway Redevelopment Agency Debt Service Fund	Non-major Governmental Funds	Fiduciary Agency Funds	Total
Governmental Activities:				
General Fund	\$ 4,301,458	\$ 798,299	\$ -	\$ 5,099,757
Non-major Governmental Funds	3,720,100	17,576	-	3,737,676
Business-Type Activities:				
Water	3,804,911	-	-	3,804,911
Sewer	5,248,623	214,500	1,106,268	6,569,391
Total	\$ 17,075,092	\$ 1,030,375	\$ 1,106,268	\$ 19,211,735

The advances were primarily used for the following:

The City Council authorized various loans to the Redevelopment Agency totaling \$17,075,092 and to other Non-major Governmental funds totaling \$1,030,375 at various interest rates. The terms of the loans are indefinite. Accrued interest on the loans of \$4,697,982 and \$977,097 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. 881- Bond Deposit Fiduciary Agency Fund \$1,106,268. 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, 2008

3. INTERFUND TRANSACTIONS, Continued

C. Transfers To and From Other Funds

Transfers for the year ended June 30, 2008, were as follows:

	Transfers Out									Total
	General	Low and Moderate Income Housing Special Revenue Fund	City of Poway Redevelopment Agency Debt Service Fund	City of Poway Redevelopment Area Capital Projects Funds	Non-major Governmental Funds	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds		
Transfers In										
General Fund	\$ 3,643,240	\$ -	\$ -	\$ 7,080	\$ 738,889	\$ 86,650	\$ 33,140	\$ 1,125,387	\$ 5,634,386	
Low and Moderate Income Housing Special Revenue Fund	-	-	7,672,673	-	-	-	-	-	7,672,673	
City of Poway Redevelopment Agency Debt Service Fund	-	1,673,979	-	3,900,000	443,615	-	-	-	6,017,594	
Redevelopment Area Capital Projects Fund	-	-	6,907,823	-	-	-	-	-	6,907,823	
Non-major Governmental Funds	683,592	-	443,615	-	25,968	105,649	105,649	-	1,364,473	
Total	\$ 4,326,832	\$ 1,673,979	\$ 15,024,111	\$ 3,907,080	\$ 1,208,472	\$ 192,299	\$ 138,789	\$ 1,125,387	\$ 27,596,949	

Transfers are primarily used for the following:

- Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them;
- Move receipt restricted to the debt service from the funds collecting the receipts, to the debt service fund as debt service payments become due.
- More available funds to capital project funds for approved projects.
- More 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, 2008

4. CAPITAL ASSETS

A. Government-Wide Financial Statements

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2007	Additions	Deletions	Reclassification	Balance June 30, 2008
Non-depreciable Assets:					
Land	\$ 71,839,925	\$ 488,929	\$ (243,181)	\$ -	\$ 72,085,673
Construction in progress	7,697,805	7,408,314	(242,541)	(5,279,607)	9,583,971
Total non-depreciable assets	<u>79,537,730</u>	<u>7,897,243</u>	<u>(485,722)</u>	<u>(5,279,607)</u>	<u>81,669,644</u>
Depreciable Assets:					
Buildings	62,828,224	254,465	(34,200)	950,211	63,998,700
Improvements other than buildings	6,002,629	-	-	306,418	6,309,047
Infrastructure	131,817,330	-	-	3,401,399	135,218,729
Machinery and equipment	12,792,581	791,259	(130,378)	621,579	14,075,041
Total depreciable assets, at cost	<u>213,440,764</u>	<u>1,045,724</u>	<u>(164,578)</u>	<u>5,279,607</u>	<u>219,601,517</u>
Less accumulated depreciation:					
Buildings	(20,038,369)	(1,832,983)	34,200	-	(21,837,152)
Improvements other than buildings	(441,567)	(221,251)	-	-	(662,818)
Infrastructure	(69,851,221)	(3,084,023)	-	-	(72,935,244)
Machinery and equipment	(6,401,639)	(940,767)	121,711	-	(7,220,695)
Total accumulated depreciation	<u>(96,732,796)</u>	<u>(6,079,024)</u>	<u>155,911</u>	<u>-</u>	<u>(102,655,909)</u>
Total depreciable assets, net	<u>116,707,968</u>	<u>(5,033,300)</u>	<u>(8,667)</u>	<u>5,279,607</u>	<u>116,945,608</u>
Total governmental activities	<u>\$ 196,245,698</u>	<u>\$ 2,863,943</u>	<u>\$ (494,389)</u>	<u>\$ -</u>	<u>\$ 198,615,252</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2008 are as follows:

General government	\$ 1,430,174
Public safety	890,877
Public works	3,388,411
Community services	<u>369,562</u>
Total depreciation expense	<u>\$ 6,079,024</u>

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

4. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2007	Additions	Deletions	Reclassification	Balance June 30, 2008
Non-depreciable Assets:					
Land	\$ 76,797	\$ -	\$ -	\$ -	\$ 76,797
Construction in progress	618,070	1,371,080	(43,098)	(376,403)	1,569,649
Total non-depreciable assets	<u>694,867</u>	<u>1,371,080</u>	<u>(43,098)</u>	<u>(376,403)</u>	<u>1,646,446</u>
Depreciable Assets:					
Buildings	21,076,441	-	-	-	21,076,441
Improvements other than buildings	52,656,624	79,970	-	376,403	53,112,997
Machinery and equipment	2,472,716	94,477	-	-	2,567,193
Total depreciable assets, at cost	<u>76,205,781</u>	<u>174,447</u>	<u>-</u>	<u>376,403</u>	<u>76,756,631</u>
Less accumulated depreciation:					
Buildings	(13,699,866)	(490,178)	-	-	(14,190,044)
Improvements other than buildings	(24,636,690)	(1,422,097)	-	-	(26,058,787)
Machinery and equipment	(1,577,795)	(156,595)	-	-	(1,734,390)
Total accumulated depreciation	<u>(39,914,351)</u>	<u>(2,068,870)</u>	<u>-</u>	<u>-</u>	<u>(41,983,221)</u>
Total depreciable assets, net	<u>36,291,430</u>	<u>(1,894,423)</u>	<u>-</u>	<u>376,403</u>	<u>34,773,410</u>
Total business-type activities	<u>\$ 36,986,297</u>	<u>\$ (523,343)</u>	<u>\$ (43,098)</u>	<u>\$ -</u>	<u>\$ 36,419,856</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2008 are as follows:

Water	\$ 1,241,672
Sewer	<u>827,198</u>
Total depreciation expense	<u>\$ 2,068,870</u>

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, 2008

5. LONG-TERM DEBT

The following is a summary of long-term debt for the year ended June 30, 2008:

	Balance July 1, 2007	Debt Issued	Debt Retired	Balance June 30, 2008	Classification	
					Due in One Year	Due in more than One Year
Governmental Activities:						
Tax Allocation Bonds	\$ 251,783,878	\$ -	\$ (5,381,426)	\$ 246,402,452	\$ 5,601,815	\$ 240,800,637
Certificates of Participation	53,068,567	-	(1,465,583)	51,602,984	1,534,821	50,068,163
Contract payable	36,557	-	(1,185)	35,372	1,268	34,104
Notes payable	2,165,230	151,285	(101,421)	2,215,093	-	2,215,093
Compensated absences	1,296,767	263,490	(215,211)	1,345,046	223,223	1,121,823
Total governmental activities	\$ 308,350,999	\$ 414,775	\$ (7,164,826)	\$ 301,600,947	\$ 7,361,127	\$ 294,239,821
Business-Type Activities:						
Revenue Bonds	\$ 1,913,915	\$ -	\$ (167,588)	\$ 1,746,327	\$ 177,780	\$ 1,568,547
Compensated absences	259,427	65,810	(28,496)	296,741	32,595	264,146
Total business-type activities	\$ 2,173,342	\$ -	\$ (196,084)	\$ 2,043,068	\$ 210,375	\$ 1,832,693

A. Governmental Activities Long-Term Debt

Tax Allocation Bonds

Tax Allocation Bonds at June 30, 2008, consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amount Due	Amount Due
					Within One Year	More Than One Year
2000 Tax allocation bonds	\$ 11,855,000	\$ -	\$ (1,230,000)	\$ 10,625,000	\$ 1,290,000	\$ 9,335,000
2001 Tax allocation bonds	73,995,000	-	(470,000)	73,525,000	500,000	73,025,000
2003 Tax allocation bonds	136,805,000	-	(3,385,000)	133,420,000	3,520,000	129,900,000
Bond premium	2,930,123	-	(202,746)	2,727,377	198,189	2,529,188
2007 Tax allocation bonds	24,740,000	-	(30,000)	24,710,000	30,000	24,680,000
Bond premium	1,458,755	-	(63,680)	1,395,075	63,626	1,331,449
Total Tax Allocation Bonds	\$ 251,783,878	\$ -	\$ (5,381,426)	\$ 246,402,452	\$ 5,601,815	\$ 240,800,637

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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 \$0 is currently outstanding. In addition to partially refunding the 1990A Tax Allocation Bonds, these bonds were issued to pay amounts owed under three owner participation agreements. 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, 2008 was \$10,625,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2000 Tax Allocation Refunding Bonds. Total principal and interest remaining on the bond is \$18,534,573 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,290,000	\$ 554,881	\$ 1,844,881
2010	1,355,000	492,775	1,847,775
2011	1,425,000	424,987	1,849,987
2012	740,000	352,862	1,092,862
2013	-	334,362	334,362
2014-2018	-	1,671,810	1,671,810
2019-2023	-	1,671,810	1,671,810
2024-2028	1,160,000	1,639,179	2,799,179
2029-2033	4,655,000	766,907	5,421,907
Total	\$ 10,625,000	\$ 7,909,573	\$ 18,534,573

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008 was \$73,525,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2001 Tax Allocation Bonds. Total principal and interest remaining on the bond is \$133,803,112 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 500,000	\$ 3,759,352	\$ 4,259,352
2010	550,000	3,736,790	4,286,790
2011	580,000	3,712,424	4,292,424
2012	1,360,000	3,678,456	5,038,456
2013	2,200,000	3,608,462	5,808,462
2014-2018	11,750,000	16,348,796	28,098,796
2019-2023	12,520,000	13,198,532	25,718,532
2024-2028	21,785,000	9,145,122	30,930,122
2029-2033	22,280,000	3,090,178	25,370,178
Total	\$ 73,525,000	\$ 60,278,112	\$ 133,803,112

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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 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, 2008 was \$133,420,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2003 Tax Allocation Bonds. Total principal and interest remaining on the bond is \$223,231,666 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Premium
2009	\$ 3,520,000	\$ 6,526,288	\$ 10,046,288	\$ 198,189
2010	3,620,000	6,421,100	10,041,100	194,994
2011	3,740,000	6,294,900	10,034,900	191,162
2012	4,050,000	6,155,050	10,205,050	186,915
2013	4,465,000	6,003,300	10,468,300	182,307
2014-2018	26,200,000	26,663,028	52,863,028	809,697
2019-2023	33,825,000	19,088,542	52,913,542	579,676
2024-2028	31,850,000	9,329,828	41,179,828	283,326
2029-2033	22,150,000	3,329,630	25,479,630	101,111
Total	\$ 133,420,000	\$ 89,811,666	\$ 223,231,666	\$ 2,727,377

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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, 2008 was \$24,710,000.

The Agency has pledged a portion of future property tax increment revenue to repay the 2007 Tax Allocation Bonds. Total principal and interest remaining on the bond is \$51,633,858 payable through 2033.

The annual requirements to amortize the bonds outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Premium
2009	\$ 30,000	\$ 1,227,930	\$ 1,257,930	\$ 63,626
2010	30,000	1,226,880	1,256,880	63,572
2011	30,000	1,225,830	1,255,830	63,517
2012	30,000	1,224,780	1,254,780	63,463
2013	30,000	1,223,708	1,253,708	63,408
2014-2018	170,000	6,101,426	6,271,426	316,149
2019-2023	205,000	6,064,516	6,269,516	314,235
2024-2028	5,045,000	5,898,284	10,943,284	305,623
2029-2033	19,140,000	2,730,504	21,870,504	141,482
Total	\$ 24,710,000	\$ 26,923,858	\$ 51,633,858	\$ 1,395,075

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation

Certificates of Participation at June 30, 2008, consisted of the following:

	Balance			Amount Due		
	July 1, 2007	Additions	Deletions	June 30, 2008	Within One Year	More Than One Year
1995 Certificates of Participation	\$ 28,930,000	\$ -	\$ (695,000)	\$ 28,235,000	\$ 735,000	\$ 27,500,000
2003 Certificates of Participation	16,340,000	-	(340,000)	16,000,000	355,000	15,645,000
Bond premium	161,554	-	(9,770)	151,784	9,601	142,183
2005 Certificates of Participation	7,540,000	-	(410,000)	7,130,000	425,000	6,705,000
Bond premium	97,013	-	(10,813)	86,200	10,220	75,980
Total certificates of participation	\$ 53,068,567	\$ -	\$ (1,465,583)	\$ 51,602,984	\$ 1,534,821	\$ 50,068,163

1995 Certificates of Participation

In September 1995, the City issued the 1995 Refunding Certificates of Participation in the amount of \$31,770,000 to defease the City's outstanding 1991 Certificates of Participation - Capital Improvement Project - Poway Royal Mobilehome Park. The original bonds were issued to purchase the Poway Royal Mobilehome Park. The 1995 Refunding Certificates of Participation consisted of \$3,895,000 serial certificates maturing from 1996 to 2008 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 2015, 2020, and 2028, respectively. Interest is payable semi-annually on February 1 and August 1 at rates ranging from 3.65% to 6.15%. 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. At June 30, 2008, the outstanding balance of the 1995 Refunding Certificates of Participation was \$28,235,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificate of Participation, Continued

1995 Certificates of Participation, Continued

The annual debt service requirements for the 1995 Refunding Certificates of Participation outstanding at June 30, 2008, are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 735,000	\$ 1,674,572	\$ 2,409,572
2010	780,000	1,631,388	2,411,388
2011	825,000	1,584,976	2,409,976
2012	870,000	1,535,772	2,405,772
2013	930,000	1,483,778	2,413,778
2014-2018	5,530,000	6,518,460	12,048,460
2019-2023	7,425,000	4,622,250	12,047,250
2024-2028	9,985,000	2,068,650	12,053,650
2029	1,155,000	34,650	1,189,650
Total	\$ 28,235,000	\$ 21,154,496	\$ 49,389,496

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, 2008, the outstanding balance of the 2003 Certificates of Participation was \$16,000,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificate of Participation, Continued

2003 Certificates of Participation, Continued

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Premium
2009	\$ 355,000	\$ 774,016	\$ 1,129,016	\$ 9,601
2010	370,000	759,816	1,129,816	9,425
2011	385,000	745,016	1,130,016	9,241
2012	400,000	731,540	1,131,540	9,074
2013	410,000	716,740	1,126,740	8,890
2014-2018	2,355,000	3,292,000	5,647,000	40,834
2019-2023	3,005,000	2,645,250	5,650,250	32,812
2024-2028	3,830,000	1,815,000	5,645,000	22,513
2029-2033	4,890,000	757,250	5,647,250	9,394
Total	<u>\$ 16,000,000</u>	<u>\$ 12,236,628</u>	<u>\$ 28,236,628</u>	<u>\$ 151,784</u>

2005 Certificates of Participation

In April 2005, the City issued 2005 Refunding Certificates of Participation in the amount of \$8,245,000 to refund and defease the City's outstanding 1995 Certificates of Participation and the 1996 Certificates of Participation. The original 1995 Certificates of Participation were used for several projects such as the City's pool and Performing Arts Center, while the 1996 Certificates of Participation were used to build the City's Sheriff Substation. The 2005 Refunding Certificates of Participation consisted of \$6,830,000 serial certificates maturing from 2005 through 2020 in annual installments of \$305,000 to \$610,000 and term certificates of \$1,415,000 maturing in 2026. Interest is payable semi-annually on February 1 and August 1 at rates ranging from 3.00% to 4.50%. Certificates maturing on or after August 1, 2016 are subject to optional redemption in whole or in part, on any date beginning August 1, 2015. Certificates maturing on August 1, 2026 are subject to mandatory redemption in part of August 1 of each year beginning August 1, 2021. At June 30, 2008, the outstanding balance of the 2005 Certificates of Participation was \$7,130,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

2005 Certificates of Participation, Continued

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Premium
2009	\$ 425,000	\$ 287,962	\$ 712,962	\$ 10,220
2010	445,000	271,675	716,675	9,642
2011	460,000	254,113	714,113	9,019
2012	480,000	233,538	713,538	8,289
2013	505,000	214,532	719,532	7,614
2014-2018	2,815,000	739,453	3,554,453	26,244
2019-2023	1,015,000	336,161	1,351,161	11,931
2024-2027	985,000	91,241	1,076,241	3,241
Total	<u>\$ 7,130,000</u>	<u>\$ 2,428,675</u>	<u>\$ 9,558,675</u>	<u>\$ 86,200</u>

Contract Payable

Contract payable at June 30, 2008, consisted of the following:

	Balance			Amount Due		
	July 1, 2007	Additions	Deletions	Balance June 30, 2008	Within One Year	More Than One Year
Pomerado Cemetery District	\$ 36,557	\$ -	\$ (1,185)	\$ 35,372	\$ 1,268	\$ 34,104
Total contract payable	<u>\$ 36,557</u>	<u>\$ -</u>	<u>\$ (1,185)</u>	<u>\$ 35,372</u>	<u>\$ 1,268</u>	<u>\$ 34,104</u>

Contract Payable – Pomerado Cemetery District

On October 23, 1984, the Agency entered into a settlement agreement with Pomerado Cemetery District. The purpose of the agreement is to alleviate any financial burden or detriment caused to the District by the Redevelopment Plan.

Payments by the Agency to the Pomerado Cemetery District are as follows:

For the first fiscal year in which the Agency receives tax revenues at least equal to two-hundred-fifty dollars (\$250) plus an additional twenty percent (20%) pursuant to Section 33334.2 of the Health and Safety Code, the Agency shall pay to the District the sum of two hundred fifty dollars (\$250).

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Contract Payable, Continued

Contract Payable – Pomerado Cemetery District, Continued

For each fiscal year during which the Redevelopment Plan remains in effect after the fiscal year referred to in the preceding paragraph, the Agency shall pay to the District from tax revenues an amount equal to the amount of tax revenues paid by the Agency to the District during the fiscal year immediately preceding the fiscal year for which the calculation is being made, multiplied by one and seven one-hundredths (1.07).

The Agency has pledged a portion of future property tax increment revenue to repay the contract payable. Total principal remaining on the contract payable is \$35,372 payable through 2024.

The annual requirements to amortize the bonds outstanding at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Total
2009	\$ 1,268	\$ 1,268
2010	1,357	1,357
2011	1,452	1,452
2012	1,553	1,553
2013	1,662	1,662
2014-2018	10,228	10,228
2019-2023	14,345	14,345
2024	3,507	3,507
Total	\$ 35,372	\$ 35,372

Notes Payable

Notes payable at June 30, 2008, consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amount Due Within One Year	Amount Due More Than One Year
Mossy Nissan	\$ 2,165,230	\$ 151,286	\$ (101,421)	\$ 2,215,094	\$ -	\$ 2,215,094
Total contract payable	\$ 2,165,230	\$ 151,286	\$ (101,421)	\$ 2,215,094	\$ -	\$ 2,215,094

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Contract Payable, Continued

Mossy Nissan Notes Payable, Continued

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, 2008 was \$2,215,094.

B. Business-Type Activities Long-Term Debt

Revenue Bonds

Revenue Bonds at June 30, 2008, consisted of the following:

	Balance			Amount Due		
	July 1, 2007	Additions	Deletions	June 30, 2008	Within One Year	More Than One Year
1995 Revenue Bonds	\$ 1,930,000	\$ -	\$ (170,000)	\$ 1,760,000	\$ 180,000	\$ 1,580,000
Bond discounts	(16,085)	-	2,412	(13,673)	(2,220)	(11,453)
Total contract payable	\$ 1,913,915	\$ -	\$ (167,588)	\$ 1,746,327	\$ 177,780	\$ 1,568,547

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, 2008, the outstanding balance of the 1995 Revenue Bonds was \$1,760,000.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

5. LONG-TERM DEBT, Continued

B. Business-Type Activities Long-Term Debt, Continued

Revenue Bonds, Continued

1995 Revenue Bonds, Continued

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 \$2,173,202 payable through 2016.

The annual requirements to amortize the bonds outstanding at June 30, 2008 are as follows:

Year Ending June 30,	Principal	Interest	Total	Amortization of Bond Discount
2009	\$ 180,000	\$ 90,761	\$ 270,761	\$ (2,220)
2010	190,000	81,138	271,138	(2,024)
2011	200,000	70,800	270,800	(1,823)
2012	215,000	59,538	274,538	(1,755)
2013	225,000	47,438	272,438	(1,755)
2014-2016	750,000	63,527	813,527	(4,096)
Total	\$ 1,760,000	\$ 413,202	\$ 2,173,202	\$ (13,673)

C. Defeasance of Long-Term Debt

In February 2007, the City refunded a portion of the 2000 Tax Allocation Refunding Bonds in the amount of \$39,915,000 with the \$24,965,000 2007 Tax Allocation Refunding Bonds. The net proceeds of \$25,999,413 were used to purchase direct obligations for which the full faith and credit of the United States are pledged. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded debt. As a result, a portion of these bonds were considered defeased and removed from the City's long-term debt. At June 30, 2008, the outstanding balance of the non-defeased portion 2000 Tax Allocation Refunding Bonds was \$10,625,000, and the outstanding balance of the defeased portion was \$24,160,000.

These bonds were refunded to reduce total debt service by \$3,597,684 over the next 27 years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,866,640.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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. 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, 2008, the outstanding balances of the November 1998, April 2004 and May 1998 issuances were \$5,255,000, \$1,540,000, and \$22,020,000, 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, 2008, the outstanding balance of the bonds was \$350,000.

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, 2008, the outstanding balance of the bonds was \$202,225.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

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 7% employee contributions for all Miscellaneous employees and 9% for Safety employees (Fire, Fire Management, and the Fire Chief), which amounted to \$1,303,508 for the year ended June 30, 2008. The City's employer required contribution rate was 23.030% for Safety employees and 10.936% for Miscellaneous employees for the fiscal year.

Annual Pension Cost

For 2007-2008, the City's annual pension cost of \$2,423,183 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases range from 3.25% to 14.45% for miscellaneous employees and 3.25% to 14.45% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 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, 2005, was 25 years for miscellaneous employees and 17 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
6/30/2006	\$ 2,204	100%	\$ -
6/30/2007	2,377	100%	-
6/30/2008	2,423	100%	-

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. RETIREMENT BENEFITS, Continued

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

Most Recent Actuarial Study – Schedule of Funding Progress

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actual Asset Value	Entry Age Actuarial Accrued Liability	Overfunded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Unfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employees Group	6/30/2007	\$ 51,942	\$ 58,792	\$ (6,850)	88.3%	\$ 12,901	(53.10)%
Public Safety Employees Group	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.						

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. Sample rates are as follows:

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

Funding Policy

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

- Normal cost
- Amortization of the unfunded actuarial accrued liability

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

7. RETIREMENT BENEFITS, Continued

B. Public Agency Retirement Services (PARS), Continued

Annual Pension Cost

For the year ended June 30, 2008, the City's annual required contribution is \$818,197. The required contribution was based on the July 1, 2007 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 - 2002 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 3.5%. The unfunded actuarial accrued liability is being fresh started and amortization payments are increasing by 3.25% per year over 20 years, with 16 remaining at June 30, 2008.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ 774	100%	\$ -
6/30/2007	805	100%	-
6/30/2008	818	100%	-

Most Recent Actuarial Study - Schedule of Funding Progress

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actual Asset Value	Entry Age Actuarial Accrued Liability	Overfunded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Unfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous Employees Group	6/30/2008	\$ 1,888	\$ 7,799	\$ (5,911)	24.2%	\$ 13,595	(43.48)%

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, 2008, the City's payroll covered by the plan was \$772,310. The City made employer contributions of \$429 (0.0555% of current covered payroll), and employees contributed \$57,494 (7.4444% of current covered payroll).

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

8. REHABILITATION LOAN PROGRAM

The City has made various non-interest bearing loans to property owners for the rehabilitation of property within the City. In accordance with the Affordable Housing Rehabilitation Loan Program, ten percent of each loan is forgiven each year on the loan anniversary. A portion of the loans are repayable only upon the sale of the property within ten years of the loan origination date or upon the death of the current property owner. Due to the contingent repayment schedule of these loans, the Agency records an expenditure when a loan is made and no receivable is included in the accompanying basic financial statements. The balance of the loans outstanding at June 30, 2008 was \$29,729.

9. OTHER REQUIRED DISCLOSURES

Government-Wide Financial Statements

The unrestricted net assets had a deficit balance of \$(68,473,402) for governmental activities at June 30, 2008 because long-term debt is in excess of assets owned by the City. The deficit is caused by such things as pass through payments and other non-capitalizable expenditures from bond proceeds.

10. RISK MANAGEMENT

The City is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 114 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.

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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

10. RISK MANAGEMENT, Continued

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 \$148,950,269. There is a \$5,000 per loss deductible except for earthquake and flood which have a 5% 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, 2008, no liability was recorded in the accompanying basic financial statements.

11. JOINT VENTURE

The City is a member of the Regional Solid Waste Association Joint Powers Authority (JPA). The JPA was formed on September 1, 1997 by the Cities of Del Mar, Encinitas, National City, Poway, Solana Beach and Vista to provide stable, long-term, cost effective options for all aspects of regional solid waste disposal. Each member provides a proportionate percentage of revenue to cover all costs related to the obligations and liabilities of the JPA when they become due and payable. In the event of dissolution of the JPA, any money or assets in possession of the Regional Solid Waste Association after the payment of all liabilities, costs, expenses and charges shall be distributed to the member agencies in proportion to their contributions determined as of the time of termination. The activities of the JPA are supervised by a board consisting of one elected member of the legislative body of each of the member agencies. The City of Escondido joined the JPA as a special contract party for the purpose of working on Regional Household Hazardous Waste issues. Summarized audited information of the JPA for the fiscal year ended June 30, 2008 is as follows:

Total assets	<u>\$ 350,643</u>
Total liabilities	<u>\$ 67,544</u>
Fund equity	<u>\$ 283,099</u>
Total revenues	<u>\$ 269,029</u>
Total expenses	<u>\$ 294,125</u>
Net decrease in fund equity	<u>\$ (25,096)</u>

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.

City of Poway
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2008

12. PROPERTY TAXES

Property taxes are levied on March 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is January 1. The County of San Diego, California (County) bills and collects property taxes and remits them to the District 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 District 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 District and, therefore, are not recorded as revenue until collected.

No allowance for doubtful accounts was considered necessary.

13. CONTINGENT LIABILITIES AND COMMITMENTS

A. *Litigation*

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

14. COMMITMENTS UNDER DEVELOPER AGREEMENTS

On April 1, 1999, the Agency entered into an Owner Participation Agreement with a developer with regard to certain parcels of real estate located in the Project Area within the boundaries of Community Facilities District (CFD) No. 88-1. In order to provide for the funding of certain public improvements associated with the project, the Agency shall 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 shall 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, 2008

15. RELATED PARTY TRANSACTION

During the fiscal year 2005-06, the City issued a Housing Loan to the City Manager in the amount of \$500,000 for the home purchase within the City limit. The loan is secured by a note and deed of trust on the property in the amount of \$500,000. The term of the loan shall be for thirty years. The interest rate on the loan is established at a fixed rate of 2.50% APR, payable bi-weekly through payroll deductions. The loan is interest only for the first year then a level payment over the next 29 years. At June 30, 2008, the outstanding balance of the loan was \$486,088.

16. RESERVATION AND DESIGNATION OF FUND BALANCES

	Major Funds					Total
	General Fund	Low and Moderate Income Housing Special Revenue Fund	City of Poway RDA Debt Service Fund	Redevelopment Area Capital Projects Fund	Other Governmental Fund	
Reserved for:						
Encumbrances	\$ 1,828,414	\$ 172,161	\$ -	\$ 5,677,421	\$ 1,297,875	\$ 8,975,871
Prepaid items	1,445,071	-	-	-	-	1,445,071
Inventories	105,289	-	-	-	-	105,289
Land held for resale	-	-	-	1,029,392	-	1,029,392
Notes receivable	-	-	-	7,516,176	-	7,516,176
Advances to other funds	5,099,757	-	-	-	3,737,676	8,837,433
Debt service	-	-	16,147,056	-	4,665,714	20,812,770
Low and moderate income housing	-	12,372,088	-	-	-	12,372,088
Capital projects	-	-	-	-	3,034,876	3,034,876
Total reserved	8,478,531	12,544,249	16,147,056	14,222,989	12,736,141	64,128,966
Unreserved:						
Designated for:						
City facilities	3,276,993	-	-	-	-	3,276,993
State of California Economic downturn	3,116,954	-	-	-	-	3,116,954
Special projects	1,078,489	-	-	-	-	1,078,489
Street maintenance	3,386,420	-	-	-	-	3,386,420
Capital projects	-	-	-	24,914,528	7,664,126	32,578,654
Miscellaneous	20,302,055	-	-	-	-	20,302,055
Total unreserved, designated	31,160,911	-	-	24,914,528	7,664,126	63,739,565
Undesignated for:						
Special revenue funds	-	-	-	-	4,676,562	4,676,562
Total unreserved, undesignated	-	-	-	-	4,676,562	4,676,562
Total fund balances	\$ 39,639,442	\$ 12,544,249	\$ 16,147,056	\$ 39,137,517	\$ 25,076,829	\$ 132,545,093

17. SUBSEQUENT EVENTS

A. AMBAC

In November 2008, AMBAC Financial's Credit Rating was downgraded from "Aa3" to "Baa1". Because of the credit rating downgrade, AMBAC repaid the City's Guaranteed Investment Contracts (GICs) at par plus accrued interest. The GICs are related to the 2001 Tax Allocation Bonds reserve fund. The trustee, US Bank, received \$6,397,726 in principal and \$19,097 in accrued interest on November 19, 2008. The City did not suffered loss in principal and is currently in the process of reinvesting the funds.

REQUIRED SUPPLEMENTARY INFORMATION

City of Poway
Required Supplementary Information
For the year ended June 30, 2008

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.

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, 2008

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 Amount		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 26,109,540	\$ 26,387,230	\$ 27,020,872	\$ 633,642
Licenses and permits	291,700	291,700	328,159	36,459
Intergovernmental	731,490	731,490	2,083,309	1,351,819
Charges for services	982,790	982,790	1,029,329	46,539
Fines and forfeitures	644,000	644,000	803,552	159,552
Use of money and property	2,736,820	2,736,820	2,677,606	(59,214)
Developer fees	2,955,540	3,216,030	3,498,792	282,762
Other revenue	354,820	354,820	654,234	299,414
Total revenues	34,806,700	35,344,880	38,095,853	2,750,973
EXPENDITURES:				
Current:				
General government	4,041,193	4,383,913	2,740,093	1,643,820
Public safety	18,543,363	19,117,353	18,380,532	736,821
Public works	4,111,339	3,025,057	2,823,859	201,198
Development services	5,601,653	5,841,853	5,420,200	421,653
Community services	5,993,820	6,022,355	5,437,367	584,988
Capital outlay	-	8,430,846	2,875,729	5,555,117
Total expenditures	38,291,368	46,821,377	37,677,780	9,143,597
REVENUES OVER (UNDER) EXPENDITURES	(3,484,668)	(11,476,497)	418,073	11,894,570
OTHER FINANCING SOURCES (USES):				
Transfers in	2,973,165	6,220,610	5,634,386	(586,224)
Transfers out	(1,660,950)	(4,333,130)	(4,326,832)	6,298
Total other financing sources (uses)	1,312,215	1,887,480	1,307,554	(579,926)
Net change in fund balance	\$ (2,172,453)	\$ (9,589,017)	1,725,627	\$ 11,314,644
FUND BALANCES:				
Beginning of year			37,913,815	
End of year			<u>\$ 39,639,442</u>	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2008

1. BUDGETARY INFORMATION, Continued

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

	Budgeted Amount		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rental	\$ 497,990	\$ 497,990	\$ 575,229	\$ 77,239
Other revenue	-	-	759,023	759,023
Total revenues	<u>497,990</u>	<u>497,990</u>	<u>1,334,252</u>	<u>836,262</u>
EXPENDITURES:				
General Government	823,984	822,504	625,568	196,936
Capital outlay	16,759,874	16,759,874	5,540,206	11,219,668
Total expenditures	<u>17,583,858</u>	<u>17,582,378</u>	<u>6,165,774</u>	<u>11,416,604</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(17,085,868)</u>	<u>(17,084,388)</u>	<u>(4,831,522)</u>	<u>12,252,866</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	7,612,940	7,612,940	7,672,673	59,733
Transfers out	(1,672,140)	(1,672,140)	(1,673,979)	(1,839)
Total other financing sources (uses)	<u>5,940,800</u>	<u>5,940,800</u>	<u>5,998,694</u>	<u>57,894</u>
Net change in fund balance	<u>\$ (11,145,068)</u>	<u>\$ (11,143,588)</u>	<u>1,167,172</u>	<u>\$ 12,310,760</u>
FUND BALANCES:				
Beginning of year			<u>11,377,077</u>	
End of year			<u>\$ 12,544,249</u>	

City of Poway
Required Supplementary Information, Continued
For the year ended June 30, 2008

2. DEFINED BENEFIT PENSION PLANS

A. California Public Employees' Retirement Plan (PERS)

A schedule of funding progress for the year ended June 30, 2008 including the past three actuarial valuations is presented below.

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actual Asset Value	Entry Age Actuarial Accrued Liability	Overfunded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Unfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous	6/30/2005	\$ 43,359	\$ 49,222	\$ (5,863)	88.1%	\$ 12,266	(47.80)%
Employees Group	6/30/2006	47,546	54,224	(6,678)	87.7%	12,128	(55.06)%
	6/30/2007	51,942	58,792	(6,850)	88.3%	12,901	(53.10)%

Public Safety
Employees Group 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.

B. Public Agency Retirement Services (PARS)

A schedule of funding progress for the year ended June 30, 2008 including the past two actuarial valuation is presented below.

(\$ Amounts in Thousands)

	Actuarial Valuation Date	Actual Asset Value	Entry Age Actuarial Accrued Liability	Overfunded (Unfunded) Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Overfunded (Unfunded) Actuarial Liability as Percentage of Covered Payroll
Miscellaneous	6/30/2007	\$ 1,336	\$ 7,799	\$ (6,463)	17.1%	\$ 13,167	(49.08)%
Employees Group	6/30/2008	1,888	7,799	(5,911)	24.2%	13,595	(43.48)%

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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 and 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.

Royal Mobilehome Park Administration Fund - Used to account for revenues received and expenditures made in the administration of the Royal Mobilehome Park.

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.

Bette Bendixon Fund - Used to account for money provided by private donors restricted to maintenance of riding and hiking trails.

Poway Road Beautification Fund - Used to account for money provided by donors restricted to beautification efforts along Poway Road.

Performing Arts Center Trust Fund - Used to account for money provided by donors restricted to Performing Arts Center construction.

Poway Valley Senior Center Endowment Fund - Used to account for money provided by the City to the Poway Valley Senior Citizens Corporation restricted for on-going needs of the Senior Center. Interest may be expended at the organization's direction while expenditures from principal require City Council approval.

Old Poway Park Tree Fund - Used to account for money provided by a settlement restricted to adding trees in Old Poway Park.

Poway Public Arts Center Fund - Used to account for funds set aside to further public art in Poway.

Kumeyaay Endowment Fund - Used to account for funds that have been set aside to offer education about the Kumeyaay Indians and eventually build a Kumeyaay Indian Interpretive Center.

Poway Fine Arts Center Fund - Used to account for funds set aside for the creation of a fine arts center.

Senior Volunteer Patrol Fund - Used to account for funds set aside to purchase supplies and equipment.

Prop 1B Transportation Bond Fund - Used to account for revenues received and expenditures made under the State's Prop 1B Transportation Bond Fund. These funds must be used for projects that will assist in reducing local traffic congestion and further deterioration, improving traffic flows, or increasing traffic safety.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS, Continued:

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

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

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

DEBT SERVICE FUNDS:

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

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.

Library Fund - Used to account for a donation to the City which is to be held in perpetual trust. The income from the principal is to be used for library supplies and service.

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 financing and construction of major capital facilities other than those financed by the proprietary funds. Major capital projects include construction of government buildings, including City Hall, fire station and warehouse facilities.

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

	Special Revenue				
	Fire	800 MHz	Gas	Street	Drainage
	Protection	Communication System	Tax	Improvement	
ASSETS					
Cash and investments	\$ -	\$ 47,994	1,226,708	\$ 841,000	\$ 1,142,484
Cash and investments with fiscal agents	-	-	-	-	-
Receivables					
Taxes	1,992	44	-	-	3,206
Accounts	-	-	-	-	-
Interest	-	292	-	-	-
Due from other governments and agencies	-	-	303,406	-	-
Advances to other funds	-	-	-	1,642,944	2,094,732
Total assets	\$ 1,992	\$ 48,330	\$ 1,530,114	\$ 2,483,944	\$ 3,240,422
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 5,035	\$ 1,205,472	\$ -	\$ 39,294
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	723,147	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	5,035	1,205,472	723,147	39,294
Fund Balances:					
Reserved for:					
Encumbrances	-	-	562,281	520,475	131,276
Deposits	-	-	-	-	-
Advances to other funds	-	-	-	1,642,944	2,094,732
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Total reserved	-	-	562,281	2,163,419	2,226,008
Unreserved:					
Designated:					
Capital projects	-	-	-	-	-
Total unreserved, designated	-	-	-	-	-
Undesignated	1,992	43,295	(237,639)	(402,622)	975,120
Total fund balances	1,992	43,295	324,642	1,760,797	3,201,128
Total liabilities and fund balances	\$ 1,992	\$ 48,330	\$ 1,530,114	\$ 2,483,944	\$ 3,240,422

Special Revenue

Maintenance Districts	Miscellaneous Grants	Community Development Block Grant	Transportation Development Act	Proposition A	Royal Mobilehome Park Administration	Traffic Congestion AB 2928	Bette Bendixon	Poway Road Beautification
\$ 5,782,503	\$ 1,800,942	\$ 22,976	\$ 668,938	\$ 208,318	\$ 3,485,746	\$ -	\$ 19,894	\$ 9,785
-	-	-	-	-	-	-	-	-
6,305	-	-	-	-	-	-	-	-
3,789	49,374	-	-	-	222,718	-	-	-
-	-	-	-	-	-	-	-	-
-	389,419	105,978	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 5,792,597</u>	<u>\$ 2,239,735</u>	<u>\$ 128,954</u>	<u>\$ 668,938</u>	<u>\$ 208,318</u>	<u>\$ 3,708,464</u>	<u>\$ -</u>	<u>\$ 19,894</u>	<u>\$ 9,785</u>
\$ 94,900	\$ 72,673	\$ 36,565	\$ 4,959	\$ -	\$ 58,305	\$ -	\$ -	\$ -
-	389,419	92,389	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	719	-	-	-	-	-	-	-
<u>94,900</u>	<u>462,811</u>	<u>128,954</u>	<u>4,959</u>	<u>-</u>	<u>58,305</u>	<u>-</u>	<u>-</u>	<u>-</u>
18,813	-	43,240	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	19,894	9,785
<u>18,813</u>	<u>-</u>	<u>43,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,894</u>	<u>9,785</u>
5,678,884	1,776,924	-	-	208,318	-	-	-	-
5,678,884	1,776,924	-	-	208,318	-	-	-	-
-	-	(43,240)	663,979	-	3,650,159	-	-	-
5,697,697	1,776,924	-	663,979	208,318	3,650,159	-	19,894	9,785
<u>\$ 5,792,597</u>	<u>\$ 2,239,735</u>	<u>\$ 128,954</u>	<u>\$ 668,938</u>	<u>\$ 208,318</u>	<u>\$ 3,708,464</u>	<u>\$ -</u>	<u>\$ 19,894</u>	<u>\$ 9,785</u>

(Continued)

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2008

	Special Revenue				
	Poway Valley Senior Center Endowment	Old Poway Park Tree	Poway Public Arts Center	Kumeyaay Endowment	Poway Fine Arts Centers
ASSETS					
Cash and investments	\$ 417,735	\$ 5,659	\$ 50,560	\$ 19,962	\$ 2,955
Cash and investments with fiscal agents	-	-	-	-	-
Receivables					
Accounts	-	-	-	-	-
Loans	-	-	-	-	-
Notes	-	-	-	-	-
Due from other governments and agencies	-	-	-	-	-
Inventories	-	-	-	-	-
Total assets	\$ 417,735	\$ 5,659	\$ 50,560	\$ 19,962	\$ 2,955
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 5,291	\$ -
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	-	5,291	-
Fund Balances:					
Reserved for:					
Encumbrances	-	-	-	-	-
Deposits	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Debt service	-	-	-	-	-
Capital projects	417,735	5,659	50,560	14,671	2,955
Total reserved	417,735	5,659	50,560	14,671	2,955
Unreserved:					
Designated:					
Capital projects	-	-	-	-	-
Total unreserved, designated	-	-	-	-	-
Undesignated	-	-	-	-	-
Total fund balances	417,735	5,659	50,560	14,671	2,955
Total liabilities and fund balances	\$ 417,735	\$ 5,659	\$ 50,560	\$ 19,962	\$ 2,955

Special Revenue					Permanent Fund		Debt Service Fund	Capital Project Fund
Senior Volunteer Patrol	Prop1B Transportation Bond	Storm Water Management	Fire Equipment Trust	Public Art Trust	Mary Patricia Ross Trust	Library	Debt Service Fund	Park Improvement
\$ 17,589	\$ 827,603	\$ 36	\$ 18,685	\$ 27,201	\$ 83,395	\$ 886,449	\$ 3,143,748	\$ 971,318
-	-	-	-	-	-	-	1,520,255	-
-	-	-	-	-	-	-	1,711	-
-	-	341,402	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 17,589</u>	<u>\$ 827,603</u>	<u>\$ 341,438</u>	<u>\$ 18,685</u>	<u>\$ 27,201</u>	<u>\$ 83,395</u>	<u>\$ 886,449</u>	<u>\$ 4,665,714</u>	<u>\$ 971,318</u>
\$ -	\$ -	\$ 39,606	\$ 14,915	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	254,524	-	-	-	-	-	-
-	-	-	-	-	-	-	-	307,228
-	-	-	-	-	-	-	-	-
-	-	294,130	14,915	-	-	-	-	307,228
-	-	21,790	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	4,665,714	-
17,589	827,603	-	3,770	27,201	83,395	886,449	-	664,090
17,589	827,603	21,790	3,770	27,201	83,395	886,449	4,665,714	664,090
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	25,518	-	-	-	-	-	-
17,589	827,603	47,308	3,770	27,201	83,395	886,449	4,665,714	664,090
<u>\$ 17,589</u>	<u>\$ 827,603</u>	<u>\$ 341,438</u>	<u>\$ 18,685</u>	<u>\$ 27,201</u>	<u>\$ 83,395</u>	<u>\$ 886,449</u>	<u>\$ 4,665,714</u>	<u>\$ 971,318</u>

City of Poway
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2008

	Capital Project Fund	
	Municipal Improvement	Total Other Governmental Funds
ASSETS		
Cash and investments	\$ 3,520	\$ 21,733,703
Cash and investments with fiscal agents	-	1,520,255
Receivables		
Accounts	-	13,258
Loans	-	617,283
Notes	-	292
Due from other governments and agencies	-	798,803
Inventories	-	3,737,676
Total assets	\$ 3,520	\$ 28,421,270
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ -	\$ 1,577,015
Due to other funds	-	736,332
Advances from other funds	-	1,030,375
Deferred revenue	-	719
Total liabilities	-	3,344,441
Fund Balances:		
Reserved for:		
Encumbrances	-	1,297,875
Deposits	-	-
Advances to other funds	-	3,737,676
Debt service	-	4,665,714
Capital projects	3,520	3,034,876
Total reserved	3,520	12,736,141
Unreserved:		
Designated:		
Capital projects	-	7,664,126
Total unreserved, designated	-	7,664,126
Undesignated	-	4,676,562
Total fund balances	3,520	25,076,829
Total liabilities and fund balances	\$ 3,520	\$ 28,421,270

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City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2008

	Special Revenue					
	Fire Protection	800 MHz Communication System		Gas Tax	Street Improvement	Drainage
REVENUES:						
Taxes	\$ -	\$ -	\$ 909,302	\$ -	\$ 677,501	
Intergovernmental	-	-	-	-	-	
Charges for services	598,965	135,447	-	-	19,138	
Development fees	-	-	-	70,167	23,441	
Assessments levied	-	-	-	-	-	
Use of money and property	-	1,887	31,225	36,570	51,392	
Other revenues	-	-	6,465	-	-	
Total revenues	<u>598,965</u>	<u>137,334</u>	<u>946,992</u>	<u>106,737</u>	<u>771,472</u>	
EXPENDITURES:						
Current:						
Public safety	-	148,169	-	-	-	
Public works	-	-	1,154,935	-	639,984	
Community services	-	-	-	-	-	
Capital outlay	-	-	-	-	427,327	
Debt service:						
Principal	-	-	-	-	-	
Interest and fiscal charges	-	-	-	-	-	
Total expenditures	<u>-</u>	<u>148,169</u>	<u>1,154,935</u>	<u>-</u>	<u>1,067,311</u>	
REVENUES OVER (UNDER) EXPENDITURES	<u>598,965</u>	<u>(10,835)</u>	<u>(207,943)</u>	<u>106,737</u>	<u>(295,839)</u>	
OTHER FINANCING SOURCES (USES):						
Transfers in	-	-	-	-	-	
Transfers out	(603,166)	-	-	-	-	
Total other financing sources (uses)	<u>(603,166)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(4,201)</u>	<u>(10,835)</u>	<u>(207,943)</u>	<u>106,737</u>	<u>(295,839)</u>	
FUND BALANCES:						
Beginning of year	6,193	54,130	532,585	1,654,060	3,496,967	
End of year	<u>\$ 1,992</u>	<u>\$ 43,295</u>	<u>\$ 324,642</u>	<u>\$ 1,760,797</u>	<u>\$ 3,201,128</u>	

Special Revenue

Maintenance Districts	Miscellaneous Grants	Community Development Block Grant	Transportation Development Act	Proposition A	Royal Mobilehome Park Administration	Traffic Congestion AB 2928	Bette Bendixon	Poway Road Beautification
\$ 311,895	\$ -	\$ -	\$ -	\$ 1,641,000	\$ -	\$ -	\$ -	\$ -
18,750	870,544	176,551	5,000	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	130,442	-	-	-	-	-	-	-
1,892,326	-	-	-	-	-	-	-	-
244,193	72,296	-	33,514	45,870	4,666,534	12,698	890	437
65,647	38,327	-	-	-	600	-	-	-
<u>2,532,811</u>	<u>1,111,609</u>	<u>176,551</u>	<u>38,514</u>	<u>1,686,870</u>	<u>4,667,134</u>	<u>12,698</u>	<u>890</u>	<u>437</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	2,544,702	-	-	-	-
2,667,881	-	-	-	-	4,462,466	-	-	-
-	870,112	176,551	164,726	-	36,669	403,606	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,667,881</u>	<u>870,112</u>	<u>176,551</u>	<u>164,726</u>	<u>2,544,702</u>	<u>4,499,135</u>	<u>403,606</u>	<u>-</u>	<u>-</u>
(135,070)	241,497	-	(126,212)	(857,832)	167,999	(390,908)	890	437
291,180	-	-	-	-	-	-	-	-
-	(103,447)	-	-	-	-	-	-	-
<u>291,180</u>	<u>(103,447)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
156,110	138,050	-	(126,212)	(857,832)	167,999	(390,908)	890	437
5,541,587	1,638,874	-	790,191	1,066,150	3,482,160	390,908	19,004	9,348
<u>\$ 5,697,697</u>	<u>\$ 1,776,924</u>	<u>\$ -</u>	<u>\$ 663,979</u>	<u>\$ 208,318</u>	<u>\$ 3,650,159</u>	<u>\$ -</u>	<u>\$ 19,894</u>	<u>\$ 9,785</u>

(Continued)

City of Poway

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds, Continued

For the year ended June 30, 2008

	Special Revenue				
	Poway Valley Senior Center Endowment	Old Poway Park Tree	Poway Public Arts Center	Kumeyaay Endowment	Poway Fine Arts Centers
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Developer fees	-	-	-	-	-
Assessments levied	-	-	-	-	-
Use of money and property	19,036	254	3,261	1,182	131
Other	-	-	-	2,743	-
Total revenues	19,036	254	3,261	3,925	131
EXPENDITURES:					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Community services	-	-	-	25,422	-
Capital outlay	20,001	-	13,450	9,329	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Total expenditures	20,001	-	13,450	34,751	-
REVENUES OVER (UNDER) EXPENDITURES	(965)	254	(10,189)	(30,826)	131
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	-	-
Transfers out	-	-	(25,969)	-	-
Total other financing sources (uses)	-	-	(25,969)	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(965)	254	(36,158)	(30,826)	131
FUND BALANCES:					
Beginning of year	418,700	5,405	86,718	45,497	2,824
End of year	\$ 417,735	\$ 5,659	\$ 50,560	\$ 14,671	\$ 2,955

Special Revenue					Permanent Fund		Debt Service Fund	Capital Project Fund
Senior Volunteer Patrol	Prop1B Transportation Bond	Storm Water Management	Fire Equipment Trust	Public Art Trust	Mary Patricia Ross Trust	Library	Debt Service Fund	Park Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	817,566	-	-	-	-	-	-	-
-	-	893,450	-	-	-	-	-	-
-	-	-	-	-	-	-	-	57,286
663	10,037	-	1,079	1,233	3,734	40,963	919,859	42,784
10,200	-	-	38,508	-	-	-	-	-
10,863	827,603	893,450	39,587	1,233	3,734	40,963	919,859	100,070
-	-	-	-	-	-	-	-	-
-	-	846,142	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
838	-	-	35,817	-	-	-	-	11,315
-	-	-	-	-	-	-	750,000	-
-	-	-	-	-	-	-	1,100,188	-
838	-	846,142	35,817	-	-	-	1,850,188	11,315
10,025	827,603	47,308	3,770	1,233	3,734	40,963	(930,329)	88,755
-	-	-	-	25,968	-	-	1,047,325	-
-	-	-	-	-	-	(32,276)	(443,614)	-
-	-	-	-	25,968	-	(32,276)	603,711	-
10,025	827,603	47,308	3,770	27,201	3,734	8,687	(326,618)	88,755
7,564	-	-	-	-	79,661	877,762	4,992,332	575,335
\$ 17,589	\$ 827,603	\$ 47,308	\$ 3,770	\$ 27,201	\$ 83,395	\$ 886,449	\$ 4,665,714	\$ 664,090

City of Poway
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2008

	Capital Project Fund	Total Other Municipal Governmental Improvement Funds
REVENUES:		
Taxes	\$ -	\$ 3,539,698
Intergovernmental	-	1,888,411
Charges for services	-	1,647,000
Developer fees	-	281,336
Assessments levied	-	1,892,326
Use of money and property	158	6,241,880
Other	-	162,490
Total revenues	158	15,653,141
EXPENDITURES:		
Current:		
Public safety	-	148,169
Public works	-	5,185,763
Community services	-	7,155,769
Capital outlay	-	2,169,741
Debt service:		
Principal	-	750,000
Interest and fiscal charges	-	1,100,188
Total expenditures	-	16,509,630
REVENUES OVER (UNDER) EXPENDITURES	158	(856,489)
OTHER FINANCING SOURCES (USES):		
Transfers in	-	1,364,473
Transfers out	-	(1,208,472)
Total other financing sources (uses)	-	156,001
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	158	(700,488)
FUND BALANCES:		
Beginning of year	3,362	25,777,317
End of year	\$ 3,520	\$ 25,076,829

(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, 2008

	Budgeted Amount		Actual	Variance
	Original	Final		Positive (Negative)
Fund balance, July 1, 2007	\$ 9,902,514	\$ 9,902,514	\$ 9,902,514	\$ -
Resources (inflows):				
Tax increment	38,064,710	38,064,710	38,256,892	192,182
Use of money and property	3,841,070	3,841,070	4,145,558	304,488
Proceeds from bonds and loans	150,760	150,760	151,285	(150,760)
Bond proceeds	-	-	-	6,017,594
Transfers in	1,672,140	5,572,140	6,017,594	445,454
Amount available for appropriation	43,728,680	47,628,680	48,571,329	6,808,958
Charges to appropriation (outflows):				
Debt service:				
Principal	5,810,000	5,810,000	5,810,000	-
Interest and fiscal charges	16,054,740	16,054,740	15,977,229	77,511
Tax increment reimbursement	5,355,580	5,369,540	5,515,447	(145,907)
Transfers out	13,443,120	18,257,120	15,024,111	(3,233,009)
Total charges to appropriations	40,663,440	45,491,400	42,326,787	(3,301,405)
Excess of resources over (under) charges to appropriations	3,065,240	2,137,280	6,244,542	3,507,553
Fund balance, June 30, 2008	\$ 12,967,754	\$ 12,039,794	\$ 16,147,056	\$ 3,507,553

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 6,193	\$ 6,193	\$ 6,193	\$ -
Resources (inflows):				
Charges for services	600,000	600,000	598,965	(1,035)
Amount available for appropriation	600,000	600,000	598,965	(1,035)
Charges to appropriations (outflows):				
Transfers out	600,000	600,000	603,166	(3,166)
Total charges to appropriations	600,000	600,000	603,166	(3,166)
Excess of resources over (under) charges to appropriations	-	-	(4,201)	(4,201)
Fund balance, June 30, 2008	\$ 6,193	\$ 6,193	\$ 1,992	\$ (4,201)

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 54,130	\$ 54,130	\$ 54,130	\$ -
Resources (inflows):				
Charges for services	134,000	134,000	135,447	1,447
Use of money and property	1,500	1,500	1,887	387
Amount available for appropriation	135,500	135,500	137,334	1,834
Charges to appropriations (outflows):				
General government	151,340	151,340	148,169	3,171
Total charges to appropriations	151,340	151,340	148,169	3,171
Excess of resources over (under) charges to appropriations	(15,840)	(15,840)	(10,835)	5,005
Fund balance, June 30, 2008	\$ 38,290	\$ 38,290	\$ 43,295	\$ 5,005

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 532,585	\$ 532,585	\$ 532,585	\$ -
Resources (inflows):				
Taxes	972,220	972,220	909,302	(62,918)
Intergovernmental	-	-	-	-
Use of money and property	22,410	22,410	31,225	8,815
Other revenue	-	-	6,465	6,465
Amount available for appropriation	22,410	22,410	946,992	15,280
Charges to appropriations (outflows):				
Public works	1,511,276	1,511,276	1,154,935	356,341
Total charges to appropriations	1,511,276	1,511,276	1,154,935	356,341
Excess of resources over (under) charges to appropriations	(1,488,866)	(1,488,866)	(207,943)	371,621
Fund balance, June 30, 2008	\$ (956,281)	\$ (956,281)	\$ 324,642	\$ 371,621

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 1,654,060	\$ 1,654,060	\$ 1,654,060	\$ -
Resources (inflows):				
Developers fee	34,650	34,650	70,167	35,517
Use of money and property	13,540	13,540	36,570	23,030
Amount available for appropriation	48,190	48,190	106,737	58,547
Charges to appropriations (outflows):				
Capital outlay	-	525,212	-	525,212
Total charges to appropriations	-	525,212	-	525,212
Excess of resources over (under) charges to appropriations	48,190	(477,022)	106,737	583,759
Fund balance, June 30, 2008	\$ 1,702,250	\$ 1,177,038	\$ 1,760,797	\$ 583,759

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 3,496,967	\$ 3,496,967	\$ 3,496,967	\$ -
Resources (inflows):				
Taxes	709,180	709,180	677,501	(31,679)
Charges for services	-	-	19,138	19,138
Developer fees	36,000	36,000	23,441	(12,559)
Use of money and property	46,110	46,110	51,392	5,282
Amount available for appropriation	791,290	791,290	771,472	(19,818)
Charges to appropriations (outflows):				
Public works	735,413	734,023	639,984	94,039
Capital outlay	-	1,312,314	427,327	884,987
Total charges to appropriations	735,413	2,046,337	1,067,311	979,026
Excess of resources over (under) charges to appropriations	55,877	(1,255,047)	(295,839)	959,208
Fund balance, June 30, 2008	\$ 3,552,844	\$ 2,241,920	\$ 3,201,128	\$ 959,208

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 5,541,587	\$ 5,541,587	\$ 5,541,587	\$ -
Resources (inflows):				
Taxes	299,250	299,250	311,895	12,645
Intergovernmental	-	-	18,750	18,750
Assessment levied	1,864,560	1,864,560	1,892,326	27,766
Use of money and property	289,370	289,370	244,193	(45,177)
Other revenue	-	-	65,647	65,647
Transfers in	291,180	291,180	291,180	-
Amount available for appropriation	2,744,360	2,744,360	2,823,991	79,631
Charges to appropriations (outflows):				
Community services	3,214,997	3,309,597	2,667,881	641,716
Capital outlay	-	28,873	-	28,873
Total charges to appropriations	3,214,997	3,338,470	2,667,881	670,589
Excess of resources over (under) charges to appropriations	(470,637)	(594,110)	156,110	750,220
Fund balance, June 30, 2008	\$ 5,070,950	\$ 4,947,477	\$ 5,697,697	\$ 750,220

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 1,638,874	\$ 1,638,874	\$ 1,638,874	\$ -
Resources (inflows):				
Intergovernmental	315,600	549,510	870,544	321,034
Developer fees	85,000	85,000	130,442	45,442
Use of money and property	10,780	10,780	72,296	61,516
Other revenue	46,000	46,000	38,327	(7,673)
Amount available for appropriation	457,380	691,290	1,111,609	420,319
Charges to appropriations (outflows):				
Capital outlay	-	1,963,664	870,112	1,093,552
Transfers out	100,000	100,000	103,447	(3,447)
Total charges to appropriations	100,000	2,063,664	973,559	1,090,105
Excess of resources over (under) charges to appropriations	357,380	(1,372,374)	138,050	1,510,424
Fund balance, June 30, 2008	\$ 1,996,254	\$ 266,500	\$ 1,776,924	\$ 1,510,424

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	193,630	193,630	176,551	(17,079)
Amount available for appropriation	193,630	193,630	176,551	(17,079)
Charges to appropriations (outflows):				
Capital outlay	-	307,569	176,551	131,018
Total charges to appropriations	-	307,569	176,551	131,018
Excess of resources over (under) charges to appropriations	193,630	(113,939)	-	113,939
Fund balance, June 30, 2008	\$ 193,630	\$ (113,939)	\$ -	\$ 113,939

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 790,191	\$ 790,191	\$ 790,191	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	5,000	-
Use of money and property	37,890	37,890	33,514	(4,376)
Amount available for appropriation	42,890	42,890	38,514	(4,376)
Charges to appropriations (outflows):				
Development services	-	-	-	-
Capital outlay	-	682,193	164,726	517,467
Total charges to appropriations	-	682,193	164,726	517,467
Excess of resources over (under) charges to appropriations	42,890	(639,303)	(126,212)	513,091
Fund balance, June 30, 2008	\$ 833,081	\$ 150,888	\$ 663,979	\$ 513,091

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 1,066,150	\$ 1,066,150	\$ 1,066,150	\$ -
Resources (inflows):				
Taxes	1,751,000	1,751,000	1,641,000	(110,000)
Intergovernmental	-	-	-	-
Use of money and property	21,650	21,650	45,870	24,220
Amount available for appropriation	21,650	21,650	1,686,870	1,665,220
Charges to appropriations (outflows):				
Public works	2,568,350	2,568,350	2,544,702	23,648
Total charges to appropriations	2,568,350	2,568,350	2,544,702	23,648
Excess of resources over (under) charges to appropriations	(2,546,700)	(2,546,700)	(857,832)	1,688,868
Fund balance, June 30, 2008	\$ (1,480,550)	\$ (1,480,550)	\$ 208,318	\$ 1,688,868

City of Poway

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

Royal Mobilehome Park Administration Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 3,482,160	\$ 3,482,160	\$ 3,482,160	\$ -
Resources (inflows):				
Use of money and property	4,416,080	4,416,080	4,666,534	250,454
Other revenue	-	-	600	600
Amount available for appropriation	4,416,080	4,416,080	4,667,134	251,054
Charges to appropriations (outflows):				
Community services	4,685,186	4,718,086	4,462,466	255,620
Capital outlay	-	305,251	36,669	268,582
Total charges to appropriations	4,685,186	5,023,337	4,499,135	524,202
Excess of resources over (under) charges to appropriations	(269,106)	(607,257)	167,999	775,256
Fund balance, June 30, 2008	\$ 3,213,054	\$ 2,874,903	\$ 3,650,159	\$ 775,256

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 390,908	\$ 390,908	\$ 390,908	\$ -
Resources (inflows):				
Assessments levied	-	-	-	-
Use of money and property	13,530	13,530	12,698	(832)
Amount available for appropriation	13,530	13,530	12,698	(832)
Charges to appropriations (outflows):				
Capital outlay	-	403,000	403,606	(606)
Total charges to appropriations	-	403,000	403,606	(606)
Excess of resources over (under) charges to appropriations	13,530	(389,470)	(390,908)	(1,438)
Fund balance, June 30, 2008	\$ 404,438	\$ 1,438	\$ -	\$ (1,438)

City of Poway

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

Bette Bendixen Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 19,004	\$ 19,004	\$ 19,004	\$ -
Resources (inflows):				
Use of money and property	1,000	1,000	890	(110)
Amount available for appropriation	1,000	1,000	890	(110)
Excess of resources over (under) charges to appropriations	1,000	1,000	890	(110)
Fund balance, June 30, 2008	\$ 20,004	\$ 20,004	\$ 19,894	\$ (110)

City of Poway

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

Poway Road Beautification Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 9,348	\$ 9,348	\$ 9,348	\$ -
Resources (inflows):				
Use of money and property	490	490	437	(53)
Amount available for appropriation	490	490	437	(53)
Excess of resources over (under) charges to appropriations	490	490	437	(53)
Fund balance, June 30, 2008	\$ 9,838	\$ 9,838	\$ 9,785	\$ (53)

City of Poway

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

Poway Valley Senior Center Endowment Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 418,700	\$ 418,700	\$ 418,700	\$ -
Resources (inflows):				
Use of money and property	21,950	21,950	19,036	(2,914)
Amount available for appropriation	21,950	21,950	19,036	(2,914)
Charges to appropriations (outflows):				
Capital outlay	-	323,822	20,001	303,821
Total charges to appropriations	-	323,822	20,001	303,821
Excess of resources over (under) charges to appropriations	21,950	(301,872)	(965)	300,907
Fund balance, June 30, 2008	\$ 440,650	\$ 116,828	\$ 417,735	\$ 300,907

City of Poway

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

Old Poway Park Tree Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 5,405	\$ 5,405	\$ 5,405	\$ -
Resources (inflows):				
Use of money and property	-	-	254	254
Amount available for appropriation	-	-	254	254
Excess of resources over (under) charges to appropriations	-	-	254	254
Fund balance, June 30, 2008	\$ 5,405	\$ 5,405	\$ 5,659	\$ 254

City of Poway

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

Poway Public Arts Center Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 86,718	\$ -	\$ 86,718	\$ (86,718)
Resources (inflows):				
Use of money and property	6,220	6,220	3,261	(2,959)
Amount available for appropriation	6,220	6,220	3,261	(2,959)
Charges to appropriations (outflows):				
Capital outlay	-	-	13,450	(13,450)
Transfers out	-	25,969	25,969	-
Total charges to appropriations	-	-	39,419	(39,419)
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	6,220	6,220	(36,158)	(42,378)
Fund balance, June 30, 2008	\$ 92,938	\$ 6,220	\$ 50,560	\$ (129,096)

City of Poway

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

Kumeyaay Endowment Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 45,497	\$ 45,497	\$ 45,497	\$ -
Resources (inflows):				
Use of money and property	-	-	1,182	1,182
Other	-	-	2,743	2,743
Amount available for appropriation	-	-	3,925	3,925
Charges to appropriations (outflows):				
Community services	-	35,000	25,422	9,578
Capital outlay	-	16,291	9,329	6,962
Total charges to appropriations	-	16,291	34,751	(18,460)
Excess of resources over (under) charges to appropriations	-	(16,291)	(30,826)	(14,535)
Fund balance, June 30, 2008	\$ 45,497	\$ 29,206	\$ 14,671	\$ (14,535)

City of Poway

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

Poway Fine Arts Center Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 2,824	\$ 2,824	\$ 2,824	\$ -
Resources (inflows):				
Use of money and property	150	150	131	(19)
Amount available for appropriation	150	150	131	(19)
Excess of resources over (under) charges to appropriations	150	150	131	(19)
Fund balance, June 30, 2008	\$ 2,974	\$ 2,974	\$ 2,955	\$ (19)

City of Poway

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

Senior Volunteer Patrol Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 7,564	\$ 7,564	\$ 7,564	\$ -
Resources (inflows):				
Use of money and property	-	-	663	663
Other revenue	-	-	10,200	10,200
Amount available for appropriation	-	-	10,863	10,863
Charges to appropriations (outflows):				
Capital outlay	-	17,566	838	16,728
Total charges to appropriations	-	17,566	838	16,728
Excess of resources over (under) charges to appropriations	-	-	10,025	(5,865)
Fund balance, June 30, 2008	\$ 7,564	\$ 7,564	\$ 17,589	\$ (5,865)

City of Poway

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

Prop 1B Transportation Bond Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	-	817,566	817,566	-
Use of money and property	-	-	10,037	10,037
Amount available for appropriation	-	-	827,603	10,037
Excess of resources over (under) charges to appropriations	-	-	827,603	10,037
Fund balance, June 30, 2008	\$ -	\$ -	\$ 827,603	\$ 10,037

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Charges for services	-	996,450	893,450	(103,000)
Amount available for appropriation	-	996,450	893,450	(103,000)
Charges to appropriations (outflows):				
Public works	-	996,450	846,142	(150,308)
Total charges to appropriations	-	-	846,142	(150,308)
Excess of resources over (under) charges to appropriations	-	996,450	47,308	(253,308)
Fund balance, June 30, 2008	\$ -	\$ 996,450	\$ 47,308	\$ (253,308)

City of Poway

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

Fire Equipment Trust Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	-	1,079	1,079
Other revenues	-	20,902	38,508	17,606
Amount available for appropriation	-	20,902	39,587	18,685
Charges to appropriations (outflows):				
Capital outlay	-	38,312	35,817	(2,495)
Total charges to appropriations	-	-	35,817	(2,495)
Excess of resources over (under) charges to appropriations	-	20,902	3,770	16,190
Fund balance, June 30, 2008	\$ -	\$ 20,902	\$ 3,770	\$ 16,190

City of Poway

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

Public Art Trust Special Revenue Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	-	1,233	1,233
Transfers in	-	25,969	25,968	(1)
Amount available for appropriation	-	25,969	27,201	1,232
Excess of resources over (under) charges to appropriations	-	25,969	27,201	1,232
Fund balance, June 30, 2008	\$ -	\$ 25,969	\$ 27,201	\$ 1,232

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 79,661	\$ 79,661	\$ 79,661	\$ -
Resources (inflows):				
Use of money and property	4,180	4,180	3,734	(446)
Amount available for appropriation	4,180	4,180	3,734	(446)
Excess of resources over (under) charges to appropriations	4,180	4,180	3,734	(446)
Fund balance, June 30, 2008	\$ 83,841	\$ 83,841	\$ 83,395	\$ (446)

City of Poway

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

Library Permanent Fund

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 877,762	\$ 877,762	\$ 877,762	\$ -
Resources (inflows):				
Use of money and property	47,610	47,610	40,963	(6,647)
Amount available for appropriation	47,610	47,610	40,963	(6,647)
Charges to appropriations (outflows):				
Transfers out	42,850	42,850	32,276	10,574
Total charges to appropriations	42,850	42,850	32,276	10,574
Excess of resources over (under) charges to appropriations	4,760	4,760	8,687	3,927
Fund balance, June 30, 2008	\$ 882,522	\$ 882,522	\$ 886,449	\$ 3,927

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 4,992,332	\$ 4,992,332	\$ 4,992,332	\$ -
Resources (inflows):				
Use of money and property	1,094,910	1,094,910	919,859	(175,051)
Transfers in	613,390	613,390	1,047,325	433,935
Amount available for appropriation	1,708,300	1,708,300	1,967,184	258,884
Charges to appropriations (outflows):				
Debt service:	750,000	750,000		
Principal	1,108,280	1,108,280	750,000	358,280
Interest and fiscal charges	-	-	1,100,188	(1,100,188)
Transfers out	-	-	443,614	(443,614)
Total charges to appropriations	1,108,280	1,108,280	2,293,802	(1,185,522)
Excess of resources over (under) charges to appropriations	600,020	600,020	(326,618)	(926,638)
Fund balance, June 30, 2008	\$ 5,592,352	\$ 5,592,352	\$ 4,665,714	\$ (926,638)

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 575,335	\$ 575,335	\$ 575,335	\$ -
Resources (inflows):				
Development fees	68,000	68,000	57,286	(10,714)
Use of money and property	-	-	42,784	42,784
Amount available for appropriation	-	-	100,070	42,784
Charges to appropriations (outflows):				
Capital outlay	-	23,670	11,315	12,355
Total charges to appropriations	-	-	11,315	-
Excess of resources over (under) charges to appropriations	-	-	88,755	42,784
Fund balance, June 30, 2008	\$ 575,335	\$ 575,335	\$ 664,090	\$ 42,784

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2007	\$ 3,362	\$ 3,362	\$ 3,362	\$ -
Resources (inflows):				
Development fees	-	-	-	-
Use of money and property	180	180	158	(22)
Amount available for appropriation	180	180	158	(22)
Excess of resources over (under) charges to appropriations	180	180	158	(22)
Fund balance, June 30, 2008	\$ 3,542	\$ 3,542	\$ 3,520	\$ (22)

INTERNAL SERVICE FUNDS

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 Funds - Vehicle Maintenance Fund
June 30, 2008

ASSETS

Current assets:

Cash and investments	\$ 5,107,986
Accounts receivable	1,552
	<hr/>
Total current assets	5,109,538
	<hr/>
Total assets	5,109,538
	<hr/>

LIABILITIES

Current liabilities:

Accounts payable	107,743
Compensated absences	34,093
	<hr/>
Total current liabilities	141,836
	<hr/>
Total liabilities	141,836
	<hr/>

NET ASSETS

Unrestricted	4,967,702
	<hr/>
Total net assets	\$ 4,967,702
	<hr/>

City of Poway
Statement of Activities and Changes in Net Assets
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2008

OPERATING REVENUES:	
Charges for services	\$ 2,321,369
Other	<u>2,163</u>
Total operating revenues	<u>2,323,532</u>
OPERATING EXPENSES:	
Personnel services	354,676
Maintenance and operations	<u>662,161</u>
Total operating expenses	<u>1,016,837</u>
OPERATING INCOME (LOSS)	<u>1,306,695</u>
NONOPERATING REVENUES:	
Interest revenue	<u>251,668</u>
Total nonoperating revenues	<u>251,668</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,558,363</u>
TRANSFERS:	
Transfers out	<u>(1,125,387)</u>
Total transfers	<u>(1,125,387)</u>
Changes in net assets	432,976
NET ASSETS:	
Beginning of year	<u>4,534,726</u>
End of year	<u>\$ 4,967,702</u>

City of Poway
Statement of Cash Flows
Internal Service Fund - Vehicle Maintenance Fund
For the year ended June 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash receipts from users	\$ 2,321,980
Cash payments to employees for services	(355,984)
Cash payments to suppliers of goods or services	(579,634)
	<hr/>
Net cash provided (used) by operating activities	1,386,362
	<hr/>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Transfers out	(1,125,387)
	<hr/>
Net cash provided (used) by noncapital financing activities	(1,125,387)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	251,668
	<hr/>
Net cash provided (used) by capital and related financing activities	251,668
	<hr/>
Net increase in cash and cash equivalents	512,643

CASH AND CASH EQUIVALENTS:

Beginning of year	4,595,343
	<hr/>
End of year	\$ 5,107,986
	<hr/> <hr/>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Operating income	\$ 1,306,695
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	(1,552)
Accounts payable	82,527
Compensated absences	(1,308)
	<hr/>
Total adjustments	79,667
	<hr/>
Net cash provided (used) by operating activities	\$ 1,386,362
	<hr/> <hr/>

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, 2008

	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	\$ 3,870,633	\$ 1,506,886	\$ 3,264,714	\$ 50,530	\$ 56,667	\$ 8,749,430
Receivables:						
Taxes	-	-	4,635	1,365	1,914	7,914
Accounts	-	-	1,106,268	-	-	1,106,268
Interest	-	26,798	83,210	68	-	110,076
Cash and investments with fiscal agents	-	1,500,043	3,676,839	54,175	-	5,231,057
Total assets	\$ 3,870,633	\$ 3,033,727	\$ 8,135,666	\$ 106,138	\$ 58,581	\$ 15,204,745
LIABILITIES						
Accounts payable	\$ 96,617	\$ -	\$ -	\$ 4,235	\$ -	\$ 100,852
Deposits	3,774,016	-	-	-	-	3,774,016
Due to bondholders	-	3,033,727	7,029,398	101,903	58,581	10,223,609
Advances from City of Poway	-	-	1,106,268	-	-	1,106,268
Total liabilities	\$ 3,870,633	\$ 3,033,727	\$ 8,135,666	\$ 106,138	\$ 58,581	\$ 15,204,745

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the year ended June 30, 2008

	Balance July 1, 2007	Net Changes in Assets and Liabilities	Balance June 30, 2008
<u>Developer Deposits Fund</u>			
Assets:			
Cash and investments	\$ 3,734,151	\$ 136,482	\$ 3,870,633
Total assets	\$ 3,734,151	\$ 136,482	\$ 3,870,633
Liabilities:			
Accounts payable	\$ 78,407	\$ 18,210	\$ 96,617
Deposits	3,655,744	118,272	3,774,016
Total liabilities	\$ 3,734,151	\$ 136,482	\$ 3,870,633
<u>South Poway CFD No. 1</u>			
<u>Bond Deposits Fund</u>			
Assets:			
Cash and investments	\$ 1,377,530	\$ 129,356	\$ 1,506,886
Taxes receivable	21,757	(21,757)	-
Interest receivable	57,296	(30,498)	26,798
Cash and investments with fiscal agent	1,594,772	(94,729)	1,500,043
Total assets	\$ 3,051,355	\$ (17,628)	\$ 3,033,727
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Due to bondholders	3,051,355	(17,628)	3,033,727
Total liabilities	\$ 3,051,355	\$ (17,628)	\$ 3,033,727
<u>Parkway Business Center</u>			
<u>CFD No. 88-1 Bond Deposits Fund</u>			
Assets:			
Cash and investments	\$ 3,138,496	\$ 126,218	\$ 3,264,714
Taxes receivable	970	3,665	4,635
Accounts receivable	1,106,268	-	1,106,268
Interest receivable	84,163	(953)	83,210
Cash and investments with fiscal agent	3,678,244	(1,405)	3,676,839
Total assets	\$ 8,008,141	\$ 127,525	\$ 8,135,666
Liabilities:			
Accounts payable	\$ 31,932	\$ (31,932)	\$ -
Due to bondholders	6,869,941	159,457	7,029,398
Advances from City of Poway	1,106,268	-	1,106,268
Total liabilities	\$ 8,008,141	\$ 127,525	\$ 8,135,666

(Continued)

City of Poway
Combining Statement of Changes in Assets and Liabilities
All Agency Funds, Continued
For the year ended June 30, 2008

	Balance July 1, 2007	Net Changes in Assets and Liabilities	Balance June 30, 2008
<u>High Valley Roads</u>			
<u>AD No. 96-1 Bond Deposits Fund</u>			
Assets:			
Cash and investments	\$ 53,409	\$ (2,879)	\$ 50,530
Taxes receivable	1,140	225	1,365
Interest receivable	203	(135)	68
Cash and investments with fiscal agents	54,827	(652)	54,175
Total assets	\$ 109,579	\$ (3,441)	\$ 106,138
Liabilities:			
Accounts payable	\$ 4,235	\$ -	\$ 4,235
Due to bondholders	105,344	(3,441)	101,903
Total liabilities	\$ 109,579	\$ (3,441)	\$ 106,138
<u>Old Coach Waterline</u>			
<u>AD No. 2001-1 Bond Deposits Fund</u>			
Assets:			
Cash and investments	\$ 55,591	\$ 1,076	\$ 56,667
Taxes receivable	8	1,906	1,914
Total assets	\$ 55,599	\$ 2,982	\$ 58,581
Liabilities:			
Due to bondholders	\$ 55,599	\$ 2,982	\$ 58,581
Total liabilities	\$ 55,599	\$ 2,982	\$ 58,581
<u>All Agency Funds</u>			
Assets:			
Cash and investments	\$ 8,359,177	\$ 390,253	\$ 8,749,430
Taxes receivable	23,875	(15,961)	7,914
Accounts receivable	1,106,268	-	1,106,268
Interest receivable	141,662	(31,586)	110,076
Cash and investments with fiscal agents	5,327,843	(96,786)	5,231,057
Total assets	\$ 14,958,825	\$ 245,920	\$ 15,204,745
Liabilities:			
Accounts payable	\$ 114,574	\$ (13,722)	\$ 100,852
Deposits	3,655,744	118,272	3,774,016
Due to bondholders	10,082,239	141,370	10,223,609
Advances from City of Poway	1,106,268	-	1,106,268
Total liabilities	\$ 14,958,825	\$ 245,920	\$ 15,204,745

(Concluded)

STATISTICAL SECTION

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	<u>Year Ended June 30,</u> <u>2008</u>	<u>Year Ended June 30,</u> <u>2007</u>	<u>Year Ended June 30,</u> <u>2006</u>
Governmental activities			
Invested in capital assets, net of related debt	\$ 28,805,157	\$ 21,675,540	\$ 16,728,005
Restricted	101,384,182	99,518,581	98,416,094
Unrestricted - as restated	<u>(68,473,402)</u>	<u>(70,862,504)</u>	<u>(78,799,982)</u>
Total governmental activities net assets	<u><u>61,715,937</u></u>	<u><u>50,331,617</u></u>	<u><u>36,344,117</u></u>
Business-type activities			
Invested in capital assets, net of related debt	34,657,630	35,055,052	36,472,213
Restricted	281,531	283,938	283,534
Unrestricted	<u>32,511,666</u>	<u>30,112,939</u>	<u>25,587,312</u>
Total business-type activities net assets	<u><u>67,450,827</u></u>	<u><u>65,451,929</u></u>	<u><u>62,343,059</u></u>
Primary government			
Invested in capital assets, net of related debt	63,462,787	56,730,592	53,200,218
Restricted	101,665,713	99,802,519	98,699,628
Unrestricted	<u>(35,961,736)</u>	<u>(40,749,565)</u>	<u>(53,212,670)</u>
Total primary government net assets	<u><u>129,166,764</u></u>	<u><u>115,783,546</u></u>	<u><u>98,687,176</u></u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. The City will implement 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 for Governmental Activities
Current and Prior Year
(accrual basis of accounting)

	Year Ended June 30, <u>2008</u>	Year Ended June 30, <u>2007</u>	Year Ended June 30, <u>2006</u>
Functional expenses:			
General Government	\$ 18,616,222	\$ 14,559,177	\$ 15,689,334
Public Safety	19,039,199	18,121,264	17,313,198
Public Works	10,607,352	9,100,534	13,023,698
Development Services	5,367,148	4,978,301	
Community Services	18,329,674	16,964,745	19,510,067
Interest and fiscal charges	17,038,330	19,697,044	16,986,839
Total functional expenses	<u>88,997,925</u>	<u>83,421,065</u>	<u>82,523,136</u>
Program revenues:			
Charges for services:			
General Government	133,893	176,938	173,484
Public Safety	2,068,632	2,181,971	2,104,975
Public Works	4,327,217	4,011,644	3,512,623
Development Services	1,522,060	1,451,489	
Community Services	2,935,862	2,894,396	3,908,179
Interest and fiscal charges	-	-	-
Operating grants and contributions	6,478,997	6,103,045	6,198,885
Capital grants and contributions	5,128,657	2,940,273	3,088,436
Total program revenues	<u>22,595,318</u>	<u>19,759,756</u>	<u>18,986,582</u>
Total governmental activities	<u>(66,402,607)</u>	<u>(63,661,309)</u>	<u>(63,536,554)</u>
General revenues:			
Taxes:			
Property taxes	50,669,452	48,048,249	45,725,853
Sales taxes	12,904,265	13,032,518	13,918,879
Motor vehicle license tax	225,353	273,727	392,240
Transient occupancy tax	206,323	202,767	190,097
Franchise taxes	1,497,724	1,588,677	1,399,524
Other Taxes	598,965	596,868	609,982
Total taxes	<u>66,102,082</u>	<u>63,742,806</u>	<u>62,236,575</u>
Investment earnings	10,639,352	10,569,205	8,508,647
Miscellaneous	714,405	3,349,606	2,894,418
Sale of capital assets	-	-	(11,262)
Transfers	331,088	(12,808)	460,810
Total general revenues and transfers	<u>77,786,927</u>	<u>77,648,809</u>	<u>74,089,188</u>
Change in Net Assets	<u>\$ 11,384,320</u>	<u>\$ 13,987,500</u>	<u>\$ 10,552,634</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003. The City will implement 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.

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City of Poway
Changes in Net Assets for Business-Type Activities
Current and Prior Year
(accrual basis of accounting)

	<u>YearEnded June 30,</u> <u>2008</u>	<u>YearEnded June 30,</u> <u>2007</u>	<u>YearEnded June 30,</u> <u>2006</u>
Functional expenses:			
Water	\$ 17,534,682	\$ 17,371,707	\$ 16,009,205
Sewer	7,743,880	7,970,848	8,730,098
Total functional expenses	<u>25,278,562</u>	<u>25,342,555</u>	<u>24,739,303</u>
Program revenues:			
Charges for services:			
Water	16,806,379	16,637,705	15,181,771
Sewer	8,440,646	7,943,890	7,479,071
Capital grants and contributions	-	63,604	66,840
Total program revenues	<u>25,247,025</u>	<u>24,645,199</u>	<u>22,727,682</u>
Total business-type activities	<u>(31,537)</u>	<u>(697,356)</u>	<u>(2,011,621)</u>
General revenues:			
Property taxes	-	-	309,296
Investment earnings	2,283,493	3,038,852	1,157,563
Miscellaneous	78,030	754,566	738,337
Sale of capital assets	-	-	-
Transfers	<u>(331,088)</u>	<u>12,808</u>	<u>(460,810)</u>
Total general revenues and transfers	<u>2,030,435</u>	<u>3,806,226</u>	<u>1,744,386</u>
Change in Net Assets	<u>\$ 1,998,898</u>	<u>\$ 3,108,870</u>	<u>\$ (267,235)</u>

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

June 30,				
<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
6,907,055	16,683,177	17,681,990	16,968,010	17,772,142
12,325,729	21,258,117	20,173,503	16,633,194	11,888,788
8,556,645	-	-	-	-
27,789,429	37,941,294	37,855,493	33,601,204	29,660,930
51,282,639	49,060,668	38,197,024	43,568,860	35,436,059
8,613,436	8,133,105	7,370,213	6,093,702	6,922,837
-	-	-	-	-
-	-	-	198	301
6,898,403	5,207,265	4,571,924	4,735,846	3,496,380
-	-	-	-	-
44,896,736	60,711,652	13,366,748	14,054,971	11,325,831
111,691,214	123,112,690	63,505,909	68,453,577	57,181,408
139,480,643	161,053,984	101,361,402	102,054,781	86,842,338

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

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

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

Year Ended June 30,					
<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ 47,368,683	\$ 43,439,827	\$ 39,575,352	\$ 35,840,942	\$ 31,118,687	\$ 26,047,002
296,984	295,471	305,685	309,652	306,688	262,482
5,445,572	8,313,394	6,183,143	6,026,700	5,139,707	4,678,887
7,449,929	8,452,248	8,192,172	7,851,665	7,854,457	8,635,292
251,834	176,291	202,598	239,369	253,586	210,762
8,152,189	11,924,593	12,584,448	10,735,796	8,372,411	7,738,120
1,243,389	1,208,015	591,230	855,799	2,589,766	2,152,267
1,816,524	1,825,528	1,754,096	1,750,613	1,597,188	1,572,354
1,473,492	2,007,778	3,000,545	957,898	1,724,643	967,149
73,498,596	77,643,145	72,389,269	64,568,434	58,957,133	52,264,315
10,668,972	10,178,866	8,918,157	8,407,234	7,486,657	7,704,342
15,588,991	13,866,595	12,905,831	11,324,004	10,900,368	9,958,312
3,966,484	4,246,773	3,817,814	3,702,963	3,552,863	3,343,102
7,569,324	7,373,691	6,579,853	6,666,018	5,805,605	5,266,558
31,743,517	32,096,700	22,972,729	17,733,164	9,524,359	8,213,245
7,875,000	14,192,769	9,288,293	6,821,853	22,714,960	6,072,045
15,477,533	18,455,993	15,095,386	11,805,570	12,174,817	13,082,746
2,765,590	-	1,708,370	7,790	1,119,531	185,166
1,357,911	780,349	-	-	-	-
29,865,057	5,678,795	4,928,042	6,176,365	5,495,266	234,601
126,878,379	106,870,531	86,214,475	72,644,961	78,774,426	54,060,117
(53,379,783)	(29,227,386)	(13,825,206)	(8,076,527)	(19,817,293)	(1,795,802)
156,029,702	17,856,218	80,781,467	5,975,575	43,763,276	12,441,792
(99,094,350)	-	(8,005,801)	-	(9,681,371)	-
1,110,603	14,600,000	-	-	-	-
1,346,544	658,650	640,108	1,388,450	963,286	431,005
59,392,499	33,114,868	73,415,774	7,364,025	35,045,191	12,872,797
\$ 6,012,716	\$ 3,887,482	\$ 59,590,568	\$ (712,502)	\$ 15,227,898	\$ 11,076,995
19.9%	38.9%	38.6%	33.9%	50.4%	41.8%

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	
1999	\$ 1,369,297,157	\$ 2,065,957,264	\$ 90,395,009	\$ 3,525,649,430	\$ (124,791,527)	\$ 3,400,857,903
2000	1,519,814,478	2,346,163,842	106,169,614	3,972,147,934	(131,138,106)	3,841,009,828
2001	1,717,864,538	2,606,932,440	139,125,104	4,463,922,082	(132,332,496)	4,331,589,586
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

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
8.25%	\$ 4,477,690	0.211%
12.94%	4,831,463	0.211%
12.77%	5,155,309	0.211%
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%

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	
1999	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2000	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
2001	0.211%	0.389%	0.167%	0.118%	0.067%	0.047%	1.000%
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%

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
1999	1.000%	0.018%	0.000%	0.010%	1.028%
2000	1.000%	0.016%	0.000%	0.010%	1.026%
2001	1.000%	0.013%	0.000%	0.009%	1.022%
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%

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

	2008			1999		
	Taxable Assessed	Rank	% of Total City Assessed Secured Value	Taxable Assessed	Rank	% of Total City Assessed Secured Value
	Secured Value			Secured Value		
Slough Poway	\$63,754,852	1	0.81%	\$ -	-	-
Sorento West Properties	57,937,593	2	0.74%	-	-	-
Prudential Insurance Co.	38,935,899	3	0.50%	-	-	-
PDP Pomerado LLC	35,435,000	4	0.45%	-	-	-
Sysco Food Services	35,432,640	5	0.45%	-	-	-
Government Employees Insurance Company	35,235,542	6	0.45%	-	-	-
Costco Wholesale Corporation	33,236,477	7	0.42%	-	-	-
Azure Creek Corporation	29,952,300	8	0.38%	-	-	-
Resmed Corporation	28,271,731	9	0.36%	-	-	-
Poway City SLCP	25,029,616	10	0.32%	-	-	-
Burnham Pacific Properties Inc.	-	-	-	20,039,000	1	0.59%
Parkway Development LLC	-	-	-	14,602,830	2	0.43%
Pacific Retail Trust	-	-	-	13,962,157	3	0.41%
Health Care Property Investors	-	-	-	13,780,000	4	0.41%
Braemar Properties LP	-	-	-	13,604,900	5	0.40%
Beecroft, Joseph N. & Lois M.	-	-	-	12,715,376	6	0.37%
Stoneridge Country Club Corp.	-	-	-	11,657,557	7	0.34%
Spectrum Investments LLC	-	-	-	8,738,136	8	0.26%
Retail Trust III	-	-	-	8,501,401	9	0.25%
VAT Partners	-	-	-	8,192,487	10	0.24%
	<u>\$ 383,221,650</u>		<u>4.89%</u>	<u>\$ 125,793,844</u>		<u>3.70%</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		
1999	\$ 554,270,977	\$ 874,560,286	\$ 70,429,252	\$ 1,499,260,515	\$ (14,903,002)	\$ (203,238,909)	
2000	643,337,814	1,052,147,828	63,156,922	1,758,642,564	(18,560,142)	(186,287,869)	
2001	756,883,325	1,224,291,373	96,599,318	2,077,774,016	(18,937,627)	(186,287,869)	
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)	

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

<u>Net Taxable Value</u>	<u>Change From Prior Year</u>	<u>Estimated Tax Revenues</u>	<u>Total Direct Tax Rate</u>
\$ 1,281,118,604	13.13%	\$ 13,227,036	1.032%
1,553,794,553	21.28%	15,887,358	1.022%
1,872,548,520	20.51%	19,213,050	1.026%
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%

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		
1999	\$ 13,159,421	\$ 13,011,923	98.88%	\$ 336,587	\$ 13,348,510
2000	15,942,224	15,616,458	97.96%	298,192	15,914,649
2001	19,154,296	18,918,099	98.77%	347,741	19,265,840
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

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			Percent of Levy Collected	Collections From Prior Years' Levies	Total Collections
	Current Secured Tax Levy	Current Secured Collected				
1998	\$ 13,052,091	\$ 12,874,241	98.64%	\$ 225,298	\$ 13,099,539	
1999	13,302,138	13,088,362	98.39%	261,592	13,349,954	
2000	13,317,472	13,122,841	98.54%	269,313	13,392,154	
2001	13,683,327	13,541,508	98.96%	208,718	13,750,226	
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	

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
1999	\$ 113,670,000	\$ 55,000,000	\$ 330,213	\$ 43,634	\$ 3,210,000
2000	150,715,000	54,095,000	289,249	42,944	2,810,000
2001	148,375,000	53,075,000	245,775	42,206	2,390,000
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	-

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			
\$ 3,050,000	\$ 138,052	\$ 5,407	\$ 175,447,306	12.02%	\$ 3,634
2,930,000	120,926	5,407	211,008,526	13.05%	4,281
2,805,000	102,751	5,407	207,041,139	12.45%	4,218
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	14.77%	6,136
1,930,000	-	-	304,336,788	13.80%	5,987
1,760,000	-	-	297,655,467	12.87%	5,825

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
1999	\$ 113,670,000	3.22%	\$ 2,355
2000	150,715,000	3.79%	3,058
2001	148,375,000	3.32%	3,023
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

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, 2008

2007-08 Assessed Valuation:	\$ 8,058,751,044
Redevelopment Incremental Valuation:	3,748,162,434
Adjusted Assessed valuation:	<u>\$ 4,310,588,610</u>

	Debt Outstanding	% Applicable (a)	Estimated Share of Overlapping Debt
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>			
Metropolitan Water District	\$ 327,215,000	0.242%	\$ 791,860
Poway Unified School District Facilities Improvement Dist No. 2002-1	176,685,766	26.801%	47,353,552
Palomar Community College District	158,000,000	5.449%	8,609,420
Escondido Union High School District	35,052,978	0.107%	37,507
San Pasqual Union High School District	1,121,351	2.739%	30,714
Palomar Pomerado Hospital District	309,443,319	8.273%	25,600,246
South Poway Community Facilities District No. 1	6,795,000	100.000%	6,795,000
City of Poway Community Facilities District No. 88-1	22,020,000	100.000%	22,020,000
Poway Unified School District Community Improvement Dist No. 1	55,335,000	0.391%	216,360
City of Poway 1915 Act Bonds	552,225	100.000%	552,225
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	<u>\$ 1,092,220,639</u>		<u>\$ 112,006,884</u>
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
San Diego County General Fund Obligations	\$ 357,645,000	1.257%	\$ 4,495,598
San Diego County Pension Obligations	1,153,187,916	1.257%	14,495,572
San Diego County Superintendent of Schools General Fund Obligations	17,267,500	1.257%	217,052
Palomar Community College District Certificates of Participation	7,690,000	5.449%	419,028
Escondido Union High School District Certificates of Participation	10,000,000	0.107%	10,700
Poway Unified School District Certificates of Participation	127,465,490	15.501%	19,758,426
City of Poway Certificates of Participation	51,365,000	100.000%	51,365,000
TOTAL OVERLAPPING GENERAL FUND DEBT	<u>\$ 1,724,620,906</u>		<u>\$ 90,761,376</u>
TOTAL OVERLAPPING DEBT	<u>\$ 2,816,841,545</u>		<u>\$ 202,768,260 (b)</u>

Ratio to 2007-08 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.39%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$51,365,000) 1.19%

Combined Total Debt 4.70%

State School Building Aid Repayable as of 6/30/08: \$ -

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

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

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

Source:

City of Poway Finance Department
San Diego County Assessors Office

FISCAL YEAR

2004	2003	2002	2001	2000	1999
\$ 3,106,118,400	\$ 2,894,214,986	\$ 2,734,305,211	\$ 2,514,417,338	\$ 2,360,664,203	\$ 2,173,069,644
25%	25%	25%	25%	25%	25%
776,529,600	723,553,747	683,576,303	628,604,335	590,166,051	543,267,411
15%	15%	15%	15%	15%	15%
116,479,440	108,533,062	102,536,445	94,290,650	88,524,908	81,490,112
491,401	466,036	790,018	1,095,502	1,426,255	1,788,223
0.42%	0.43%	0.77%	1.16%	1.61%	2.19%

City of Poway
Pledged Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Allocation Bonds					Coverage
	Tax Increment	Debt Service			Total	
		Principal	Interest			
1999	\$ 14,199,118	\$ 2,015,000	\$ 6,641,386	\$ 8,656,386	1.64	
2000	17,276,653	1,535,000	7,061,325	8,596,325	2.01	
2001	20,881,799	2,340,000	8,334,392	10,674,392	1.96	
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	

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
1999	48,277	1,459,703,372	30,236	not available	2.1%
2000	49,287	1,616,761,461	32,803	25,000	2.4%
2001	49,082	1,663,192,652	33,886	25,600	2.4%
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	2,099,739,722	41,544	27,400	2.4%
2007	50,830	2,205,041,864	43,381	28,000	2.7%
2008	51,103	2,311,989,158	45,242	28,600	3.5%

Source:

Population - State of California Department of Finance

Personal Income - State of California Department of Finance

Employment Information - State of California Employment Development Department

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

Employer	2008			2006		
	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
Geico Direct	1,779	1	6.22%	1,800	1	6.57%
Poway Unified School District	1,602	2	5.60%	758	5	2.77%
Pomerado Hospital	733	3	2.56%	750	6	2.74%
Cohu Inc.	684	4	2.39%			
Sysco Food Services of SD	495	5	1.73%	500	8	1.82%
First American Credco	465	6	1.63%	935	4	3.41%
Pentair Electronic Packaging	356	7	1.24%			
Walmart	348	8	1.22%			
City of Poway	317	9	1.11%			
Neal Electric Corporation	315	10	1.10%			
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	7,094		24.80%	8,318		30.36%
Total City Labor Force	28,600			27,400		

Source:

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

Note:

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

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

Function	2008	2007	2006	2005	2004
General government	37.00	38.00	38.00	40.00	40.00
Public Safety (a)	57.00	57.00	57.00	58.00	56.00
Public works	92.00	90.00	90.00	84.00	80.00
Redevelopment Services	9.00	10.00	10.00	11.00	11.00
Community Services	28.00	29.00	28.00	28.00	27.00
Development Services	36.00	37.00	37.00	36.00	35.00
	259.00	261.00	260.00	257.00	249.00

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 Fiscal Year

Function	2008	2007	2006
General government:			
Business registrations issued	1,240	1,071	792
Vendor payments processed	10,230	10,562	10,782
Public Safety:			
Arrests made	1,052	981	1,898
Fire emergency responses	3,907	3,460	3,602
Safety Inspections	4,827	4,024	3,196
Development Services:			
Building permits issued	(1) 1,441	2,740	3,048
Building inspections	9,280	11,264	11,163
Culture and recreation:			
Performing arts center attendance	74,420	64,728	67,004
Library-number of volumes in collection	124,977	124,977	120,628
Library-number of volumes borrowed	545,279	492,501	390,974
Athletic field permits issued	140	124	214
Highways and streets:			
Roads resurfaced in square feet	600,000	200,000	16,000
Roads slurry sealed in square feet	5,000,000	5,000,000	5,000,000
Pot holes work orders	46	36	35
Water:			
Residential water customers	12,588	12,556	12,530
Commercial water customers	510	514	511
Average daily consumption (million/gallons)	12.82	13.83	13.37
Sewer:			
Residential sewer customers	11,175	11,180	11,322
Commercial sewer customers	771	755	532
Average daily treatment (million/gallons)	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.

City of Poway
Capital Assets Statistics
Current Fiscal Year

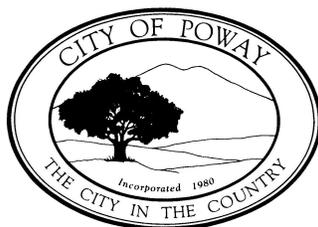
<u>Function</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Safety:			
Number of fire stations	3	3	3
Number of sheriff stations	1	1	1
Public works:			
Total number of streetlights	3,026	2,889	2,874
Signal controlled intersections	55	55	53
Health and welfare			
Senior center facilities	1	1	1
Culture and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