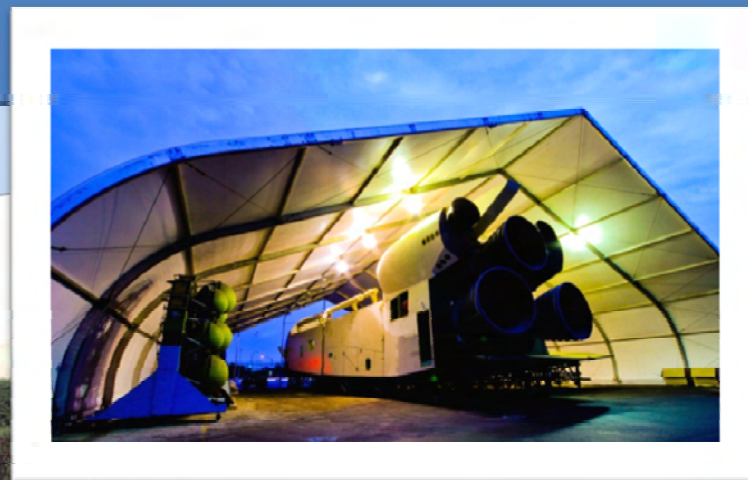




City of Downey, California

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2012



CITY OF DOWNEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prepared by:

Department of Finance

CITY OF DOWNEY

TABLE OF CONTENTS

For the Fiscal Year Ended June 30, 2012

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i - vii
Principal Officials	viii
Organization Chart	ix
GFOA Certificate of Achievement for Excellence in Financial Reporting	x
FINANCIAL SECTION:	
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18 - 19
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	20 - 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24 - 25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Proprietary Funds:	
Statement of Net Assets	28 - 31
Statement of Revenues, Expenses and Changes in Fund Net Assets	32 - 33
Statement of Cash Flows	34 - 37
Fiduciary Funds:	
Statement of Fiduciary Net Assets	38
Statement of Changes in Fiduciary Net Assets	39
Notes to Basic Financial Statements	41 - 83

CITY OF DOWNEY

TABLE OF CONTENTS
(CONTINUED)

For the Fiscal Year Ended June 30, 2012

	<u>Page Number</u>
Required Supplementary Information:	85
Schedules of Funding Progress:	
City Employee Retirement Plans:	
Miscellaneous	86
Safety	86
Postemployment Benefits Other Than Pensions	86
Budgetary Comparison Schedules:	
General Fund	87
HOME Special Revenue Fund	88
Note to Required Supplementary Information	89
Supplementary Schedules:	
Other Governmental Funds:	91
Combining Balance Sheet	93
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	94
Other Special Revenue Funds:	95
Combining Balance Sheet	96 - 97
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	98 - 99
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Waste Reduction Fund	100
Street Lighting Fund	101
Gas Tax Fund	102
Sewer and Storm Drain Fund	103
Air Quality Fund	104
Grants Fund	105
CDBG Fund	106
Other Debt Service Funds:	107
Combining Balance Sheet	108
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	109

CITY OF DOWNEY

TABLE OF CONTENTS
(CONTINUED)

For the Fiscal Year Ended June 30, 2012

	<u>Page Number</u>
Supplementary Schedules (Continued):	
Other Capital Projects Funds:	111
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	113
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Firestone Redevelopment Fund	114
Woodruff Redevelopment Fund	115
Housing Fund	116
City Fund	117
Internal Service Funds:	119
Combining Statement of Net Assets	120
Combining Statement of Revenues, Expenses and Changes in Net Assets	121
Combining Statement of Cash Flows	122
Agency Funds:	123
Combining Statement of Fiduciary Assets and Liabilities	124 - 125
Combining Statement of Changes in Fiduciary Assets and Liabilities	126 - 127
STATISTICAL SECTION:	
Description of Statistical Section Contents	129
Financial Trends:	
Net Assets by Component - Last Ten Fiscal Years	130 - 131
Change in Net Assets - Expenses and Program Revenues - Last Ten Fiscal Years	132 - 133
Change in Net Assets - General Revenues - Last Ten Fiscal Years	134 - 135
Fund Balances of Governmental Funds - Last Ten Fiscal Years	136 - 137
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	138 - 139
Revenue Capacity:	
Assessed Valuation - Last Ten Fiscal Years	140
Assessed Value of Taxable Property - Last Ten Fiscal Years	141
Direct and Overlapping Property Tax Rates - Last Ten Fiscal Years	142
Principal Property Taxpayers - Current Year and Nine Years Ago	143
Property Tax Levies and Collections - Last Ten Fiscal Years	144

CITY OF DOWNEY

TABLE OF CONTENTS
(CONTINUED)

For the Fiscal Year Ended June 30, 2012

	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED) (CONTINUED):	
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	145
Ratios of General Bonded Debt to Assessed Value and Net Bonded Debt per Capita - Last Ten Fiscal Years	146
Schedule of Direct and Overlapping Debt	147
Schedule of Legal Debt Margin - Last Ten Fiscal Years	148
Pledged-Revenue Bond Coverage:	
Water Leasehold Mortgage Bond Coverage - Last Ten Fiscal Years	149
Golf Course Revenue Bond Coverage - Last Ten Fiscal Years	150
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Calendar Years	151
Principal Employers - Current Year and Nine Years Ago	152
Operating Information:	
Full-Time and Part-Time City Employees by Function - Last Ten Fiscal Years	153
Operating Indicators by Function - Last Ten Fiscal Years	154
Capital Asset Statistics by Function - Last Ten Fiscal Years	155

INTRODUCTORY SECTION





City of Downey

FUTURE UNLIMITED

January 31, 2013

Honorable Mayor, Members of the City Council
City of Downey
Downey, California

In accordance with the Charter of the City of Downey (City), it is with much pride and gratitude that I submit for your consideration the Comprehensive Annual Financial Report (CAFR) of the City of Downey for the fiscal year ended June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls established for that purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The CAFR is presented in a manner designed to fairly set forth the financial position and results of operations of the City. The CAFR includes disclosures designed to enable the reader to gain an understanding of the City's financial affairs.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) in the financial section and should be read in conjunction with it.

PROFILE OF THE CITY OF DOWNEY

The City of Downey, located twelve miles southeast of the City of Los Angeles in the County of Los Angeles, California, encompasses an area of 12.5 square miles and serves a residential population of 112,201.

The City of Downey was incorporated on December 17, 1956 and on January 14, 1965 became a Chartered City. Downey is operated under a Council-Manager form of government, and is governed by a five-member Council with four elected from designated districts and one elected at large.

The City provides full ranges of services, which includes but is not limited to, police and fire protection, water and wastewater utilities, street maintenance, public transportation, park and recreation, planning and building safety, library and cultural programs. In addition to general government activities, the City exercises oversight of the Downey Community Development Commission, the City of Downey Water Facilities Corporation and the Downey Public Facilities Financing Corporation; therefore, the financial activities of these organizations are included in this reporting entity.

Since the Downey Unified School District, other special districts, the County of Los Angeles and its related agencies have not met the established criteria for inclusion in the reporting entity; they have been excluded from this report.

ECONOMIC CONDITION AND OUTLOOK

In December 2012, the unadjusted unemployment rate for the City was 8.2% which is slightly higher than the national unemployment rate of 7.6% but lower than the State unemployment rate of 9.7%. It is anticipated that unemployment rates should gradually decline in 2013 and 2014. With the concern of State fiscal woes and high unemployment rate, the City continues to be conservative in our forecasting posture. With City Council's commitment to make the most of the City resource for the benefit of the entire community, the staff exercises prudent fiscal management and seeks economic development that builds Downey's revenue base by bringing more jobs and businesses to the City.

MAJOR INITIATIVES

For FY 2011 - 2012

The City continued its efforts to revitalize the former NASA property with the January 2012 approval of a new specific plan and entitlements for the Tierra Luna Marketplace development. With the approval of demolition permits in spring 2012 and with the completion of the demolition phase in early fall 2012, the City continues to work with the developer to attract retail, medical and other commercial occupants for the development project.

In other Community Development efforts, the new WalMart Neighborhood Market began façade and site modifications at the old Alin Party Supply store, and opened in November 2012. Construction of the Downey Gateway project has proceeded and the development is expected to open in spring 2013. In February 2012, Raytheon opened a 27,000 square foot Public Safety Regional Technology Center and will hire 150 people to staff the facility. The La Barca Restaurant, the Marketplace Grill & Café, Walgreens Drug Store and Buffalo Wild Wings Restaurant all celebrated their grand openings this past year. The City also has been moving forward on the construction of the new View Housing Development, a \$20 million housing complex in the Downtown Downey area.

Continuing its art and cultural efforts, the City hosted the annual Taste of Downey event, provided venues for local arts initiatives and community events such as the Holiday Parade, Street Faire, and Summer Concerts in the Park. The management of the Downey Civic Theater was contracted out to attract additional arts and entertainment features. The City's Columbia Memorial Space Center also hosted two traveling exhibits, *Suited for Space* and *Great Balls of Fire*.

Significant infrastructure improvement projects completed this year include furthering the Lakewood Boulevard Beautification and median project from 5th Street to Florence Avenue; a resurfacing of Truck-Impacted Intersections near the I-5 freeway; slurry-sealed nearly 15.5 miles of residential streets; completed security gate project at Fire Station 1; completed HVAC upgrades to the Downey Civic Theater and Downey City Library; and enhanced safety near schools by installing 20 vehicle speed feedback signs. Also this year, the City renamed six intersections for the six Character Counts *Pillars of Character* and posted new street signs throughout the City.

Future Initiatives:

In January 2012, the City Council set specific priorities to be refined as the FY 2012-13 budget was proposed. These priorities included a significant reorganization of City Departments, and will make services much more easily accessible to the general public and to businesses. The Parks and Recreation department will move out of City Hall and into the Barbara J. Riley Community and Senior Center. To create a “one stop shop” for local businesses, Code Enforcement and Operational Engineering will move to the first floor of City Hall, where the Business Licenses, Planning, Fire and Building & Safety are located. Other substantial realignment of City Departments is expected, including a reorganization of the Housing Division, relocation of Human Resources, and a larger emphasis on public engagement and information.

Another priority of the City Council, the Tierra Luna Marketplace project, will begin new construction and it is anticipated that the first “big box” tenant this fiscal year; the City is working with the developer to attract a higher-end hotelier for the development. The Downey Gateway is expected to open in spring of 2013 with several new dining options, and the Champion Fiat Dealership will open its new building in early 2013 as well.

The grant-funded Treasure Island Park Improvements project will be substantially completed this coming fiscal year, as well as the new Columbia Memorial Space Center shade structure and fence project. The City will host a Veteran’s Day commemoration at its new Veteran’s Memorial in the Civic Center in fall 2012. Water improvements project on Brookshire and Columbia Way and the completion of slurry seal project for a total of 6.4 miles of residential and arterial streets in the southwestern portion of the City are also anticipated to be complete this upcoming year.

FINANCIAL INFORMATION

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The City also has a budget committee in place.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits 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.

As part of our internal control evaluation, the City contracts with an outside independent public accounting firm to complete a special audit, which is called a single audit, to comply with certain federal government regulations. During this audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2011 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The single audit for the current fiscal year is in progress; however, the City fully anticipates that there will also be no instances of material weaknesses in the internal controls.

Budgeting Controls. The City's annual budget is a financial planning tool outlining the estimated revenues and appropriation for the City. Prior to July 1 of each year, the City prepares and submits its budget to the City Council for the ensuing fiscal year. The objective of the budget is to ensure funds are expended in accordance with the vision of the City Council. Activities of the General Fund, Special Revenue Funds, and the Capital Project Funds are included in the budget. The City conducts periodic reviews to ensure compliance with the provision of the annual operating budget. The level of budgetary control is the department level within the fund. The City Council may amend the initial budget by motion during the fiscal year. The City uses the encumbrance system as a management control technique to assist in controlling expenditures. At year-end, all appropriations and encumbrances are canceled (allowed to lapse) and thus are not included in reported expenditures.

Debt Administration. The City's 2002 Certificate of Participation (COPs) were rated "A" by Standards & Poor and the 2005 Pension Obligation Bonds (POBs) were rated "A2" by Moody's Investors Service. The City of Downey has no general obligation debt. However, the City does have two revenue bond issues and one tax allocation bond issue. The City uses various trustees as its paying agents for all bonds and coupons. The City deposits with the trustee, according to agreement, principal and interest requirements as appropriate.

A list of the City's debt issues is summarized below:

<u>Principal Issue</u>	<u>Trustee</u>	<u>Outstanding</u>
Downey Public Facilities Financing Corporation: 2002 Certificates of Participation	U.S. Bank	\$ 7,399,930

<u>Principal Issue</u>	<u>Trustee</u>	<u>Outstanding</u>
Downey Community Development Commission: 1997 Refunding Tax Allocation Bonds	U.S. Bank	7,165,000
California Statewide Communities Development Authority: 2005 Pension Obligation Bonds	Wells Fargo Trust Services	19,535,500

Note 10 Long-Term Liabilities, of the Notes to Basic Financial Statements, presents more detailed information about these debt issues.

Cash Management Policies and Practices. The City invests all idle funds in a pooled account pursuant to an investment program governed by a City Council investment policy adopted annually. This policy maintains flexibility in cash management and also places certain restrictions on the City's investment program beyond those already established by State law. The major restrictions are as follows:

- (1) All banks and/or savings and loans that the City shall place money in must be located within the State of California.
- (2) All government securities, repurchase agreements, and banker's acceptances, shall be purchased through the City's primary bank or other major bank only.
- (3) Specific instruments may not be purchased without prior Council approval. Some of the instruments are inverse floaters, interest only strips, equity-linked securities, options, futures, swaps, or reverse repurchase agreements to name a few.

The Director of Finance, City Manager and Treasurer routinely monitor the content of the investment portfolio and adjust the portfolio accordingly. Furthermore the Director of Finance is required to render a quarterly investment report to the City Council, City Manager and Treasurer that provides a summary of the status of the current investment portfolio and material transactions entered into during the quarter.

Risk Management. The City carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

The City is self-insured for a substantial part of its operation. Workers' Compensation, employee health benefits, and general liability are managed on a self-insured basis. The City contracts with third-party administrators to process claims and help manage these programs. In addition, the City is a member of the Independent Cities Risk Management Authority (ICRMA) to better manage its risk exposure and predictability of costs. A schedule of self-insured retention and limits of insurance coverage at June 30, 2012 is included in Note 10 of the Notes to Basic Financial Statements.

The City purchases all risk property insurance for its buildings and property that includes earthquake and flood protection with a \$50,000 deductible for buildings and property and 5% of value deductible for earthquake.

Pension and Other Postemployment Benefits (OPEB). The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries.

CalPERS acts as a common investment and administrative agent for participating public entities within the state of California. Benefit provision and all other requirements are established by the State statute. The amount of the City's required annual contribution is determined actuarially. It is the policy of the City to fully fund the annual required contribution to ensure that the plan will be able to fully meet its obligation to retired employees.

Moreover the City provides other postemployment benefits to retirees and has elected to fund 100% of the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with GASB Statement 45.

Additional information regarding the City's pension benefits and other postemployment benefits can be found in Note 14 of the notes to the basic financial statements.

Fund Balance Classifications

The City has implemented Government Accounting Standard Board (GASB) Statement No. 54, titled "Fund Balance Reporting and Governmental Fund Type Definitions" during FY 2010-11. This standard provides the users of the financial statement greater information about the availability of reported fund balance and a better understanding of a government entity's commitment of financial resources – the extent to which the financial resources of governmental fund are constrained and how binding those constraints are.

Note 12, of the Notes to Basic Financial Statements, presents more detailed information about the five new categories of fund balances – non-spendable, restricted, committed, assigned and unassigned fund balances.

OTHER INFORMATION

Independent Audit. The City Charter requires an annual audit of the books of account, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. Accordingly, this year's audit was completed by White Nelson Diehl Evans, LLP. The auditor's report has been included in this report.

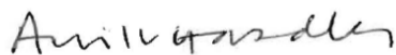
Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Downey for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation and development of this report would not have been possible without the year-round work of the Finance Department staff and their special efforts, working in conjunction with the City's independent auditors, White Nelson Diehl Evans, LLP, to produce this report. I would like to express my appreciation to all members of the Finance Department, especially the Finance Manager, Maurina Lee.

I would like to take this opportunity to compliment and thank the staff members of the City who were associated with the preparation of this report. I would also like to thank the City Council, City Manager, and Assistant City Manager for their leadership and strong support in the implementation of vital fiscal management policies and procedures.

Respectfully submitted,



Anil H. Gandhi
Interim Finance Director

CITY OF DOWNEY
PRINCIPAL OFFICIALS

CITY COUNCIL

Roger C. Brossmer, Mayor

David R. Gafin, Mayor Pro Tem

**Luis H. Marquez
Council Member**

**Mario A. Guerra
Council Member**

**Fernando Vasquez
Council Member**

APPOINTED OFFICIALS

Yvette M. Abich-Garcia – City Attorney

Adria M. Jimenez - City Clerk

MANAGEMENT TEAM

Gilbert A. Livas, City Manager

John Oskoui, Assistant City Manager

**Rick Esteves
Chief of Police**

**Lonald Croom
Fire Chief**

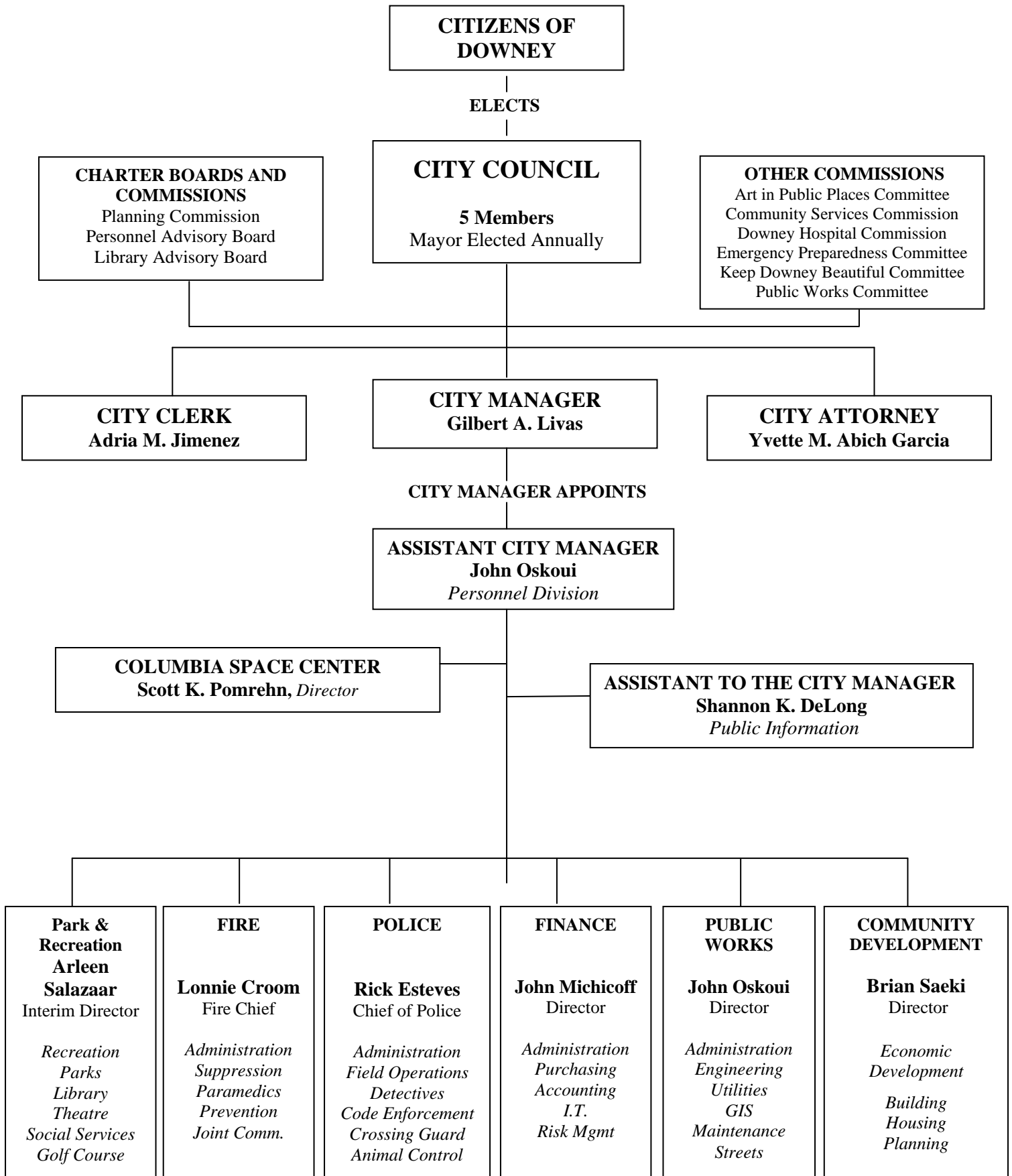
**John Michicoff
Director of Finance**

**John Oskoui
Director of Public Works**

**Brian Saeki
Director of Community Development**

**Arlene Salazaar
Interim Director of Park & Recreation**

CITY OF DOWNEY ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Downey
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

City Council Members
City of Downey
Downey, 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 Downey, California, (the City) as of and for the year ended June 30, 2012, 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 of Downey's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Downey, California, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18 to the basic financial statements, the Community Development Commission of the City of Downey, a blended component unit of the City, was dissolved effective February 1, 2012 as a result of legislation enacted by the State of California.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2013 on our consideration of the City of Downey's internal control over financial reporting and 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.

The management's discussion and analysis, the schedules of funding progress and budgetary comparison schedule, identified as Required Supplementary Information in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. This information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the management's discussion and analysis and the schedules of funding progress in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis and the schedules of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison schedule and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Downey's basic financial statements. The combining statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements of the City. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Downey, California as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

White Nelson Dick Evans LLP

Irvine, California
January 30, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Downey (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide

Below is a summary of the City's government-wide financial information.

Government Wide Financial Summary (amounts expressed in thousands)

	June 30, 2012	June 30, 2011 As Restated	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 369,282	\$ 376,962	\$ (7,680)	-2.04%
Liabilities	77,836	101,184	(23,348)	-23.07%
Total Net Assets	291,446	275,778	15,668	5.68%
Unrestricted Net Assets	32,813	13,767	19,046	138.35%
Long Term Obligations	55,019	78,330	(23,311)	-29.76%
Program Revenues	39,714	40,566	(852)	-2.10%
Taxes	50,931	53,264	(2,333)	-4.38%
Other General Revenues	6,426	4,737	1,689	3566%
Expenses	111,445	114,545	(3,100)	-2.71%

- The assets of the City exceeded its liabilities as of June 30, 2012 by \$291.4 million. Of this amount, \$32.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors; however, expenditure restrictions apply to the grant funds and much of the business-type and capital project funds.
- The City's total net assets increased by \$15.7 million, or 5.68%. Of this, \$18.5 million is attributable to governmental activities and the net expense of \$2.9 million from operations of business-type activities.
- The City's total long-term liabilities, including such items as bonds, notes, and accrued self-insured claims, decreased \$23.3 million or 29.76% during the current fiscal year. This decrease is primarily due to dissolution of Redevelopment Agency.

Fund based

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35.0 million, a decrease of \$2.9 million in comparison with the prior year. Approximately \$12.3 million, or 35%, is available for spending at the government's discretion.

See independent auditors' report

- At the end of the current fiscal year, unassigned fund balance for General Fund was \$6.1 million, which equates to 8.8% of the total General Fund expenditures.
- For the General Fund, actual revenues (inflows) of \$63.8 million are \$1.6 million more than final budgeted revenues of \$62.2 million. This variance is mainly due to an increase in Charges for service (\$1.9 million) and Taxes (\$920 thousand). The increase offsets the decreases in Investment and rental income (\$673 thousand) and Other revenue (\$342 thousand). The balance of the variance is attributed to the decrease in remaining revenue categories.
- General Fund expenditures (outflows) for the current year were \$69.2 million. This was \$330 thousand more than the final budgeted expenditures of \$68.9 million. The increase of \$1.5 million from community development is due to the dissolution of redevelopment agency. Fortunately there were some significant department savings from Police (\$877 thousand) and Public works (\$664 thousand) and Community services (\$462 thousand).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. Functional activities are highlighted in this statement, whereby direct and indirect functional costs are shown net of related program revenue. This statement shows the extent to which the various functions depend on general taxes and non-program revenues for support.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City included general government, public safety, public works, community services, community development, unallocated infrastructure depreciation, and interest on long term debt. The business-type activities of the City include a water utility, golf course and transit services.

The government-wide financial statements include not only the City itself, but also the City of Downey Water Facilities Corporation and the Downey Public Facilities Financing Corporation. Although these entities are legally separate, they function for all practical purposes as part of the City, and therefore have been included as a blended component unit as an integral part of the primary government.

See independent auditors' report

Fund financial statements. The fund financial statements focus on current available resources and are organized and operated on the basis of funds. A fund is a self-balancing group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives in accordance with special regulations, restrictions or limitations. Like other state and local governments, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the government fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds, organized by their type (Special Revenue, Debt Service, and Capital Projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Housing Authority Special Revenue Fund, and HOME Special Revenue Fund, which are considered to be major funds. Data from the Other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds are provided in the form of supplementary combining statements elsewhere in this report.

The City adopts an annual appropriated budget to substantially cover all City expenditures with the exception of debt service on bonds. A budgetary comparison is provided for each of the City's governmental funds to demonstrate compliance with their budgets. However, budgetary comparison statements are not presented for the Debt Service Funds because budgets are not adopted for these funds.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses its enterprise funds to account for its water utility, golf course and transit services. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its employee benefits and insurance, and for its equipment. Because these services predominantly benefit governmental rather than business-type functions, they have been included with governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for all of the enterprise funds, which are considered to be major funds of the City. Conversely, all of the internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the Internal Service funds is provided in the form of combining statements in the Supplementary Schedules section of this report.

See independent auditors' report

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include a private-purpose trust fund and the Special Deposit Agency Fund, Cemetery District Agency Fund, and Other Agency Funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is similar with that used for proprietary funds. The fiduciary fund financial statements can be found in the Basic Financial Statements and Supplementary Schedules sections of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other benefits to its employees. It includes Schedules of Funding Progress for the City Employee Retirement Plan and Postemployment Benefits Other Than Pensions, and Budgetary Comparison Schedules for the General Fund and HOME Special Revenue Fund. The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and agency funds are presented immediately following the required supplementary information on employee benefit.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Downey, assets exceeded liabilities by \$253.6 million for governmental activities and \$37.9 million for business-type activities for a total of \$291.5 million at the close of the most recent fiscal year.

The following summaries of net assets and changes in net assets present current and prior year amounts for comparative purposes.

NET ASSETS (amounts expressed in thousands)

	Governmental Activities			
	June 30, 2012	June 30, 2011 As Restated	Amount Increase (Decrease)	Percent Increase (Decrease)
ASSETS				
Current and other assets	\$ 110,780	\$ 118,410	\$ (7,630)	-6.44%
Capital assets	205,074	206,931	(1,857)	-0.90%
Total assets	315,854	325,341	(9,487)	-2.92%
LIABILITIES				
Other liabilities	14,830	19,875	(5,045)	-25.38%
Long-term liabilities	47,446	70,451	(23,005)	-32.65%
Total liabilities	62,276	90,326	(28,050)	-31.05%
NET ASSETS				
Invested in capital assets, net of related debt	193,698	188,502	5,196	2.76%
Restricted	26,298	35,023	(8,725)	-24.91%
Unrestricted	33,582	11,490	22,092	192.27%
Total net assets	\$ 253,578	\$ 235,015	\$ 18,563	7.90%

See independent auditors' report

NET ASSETS (CONTINUED)

(amounts expressed in thousands)

	Business-type Activities			
	June 30, 2012	June 30, 2011 As Restated	Amount Increase (Decrease)	Percent Increase (Decrease)
ASSETS				
Current and other assets	\$ 11,880	\$ 9,173	\$ 2,707	29.51%
Capital assets	41,548	42,448	(900)	-2.12%
Total assets	53,428	51,621	1,807	3.50%
LIABILITIES				
Other liabilities	7,987	2,979	5,008	168.11%
Long-term liabilities	7,573	7,879	(306)	-3.88%
Total liabilities	15,560	10,858	4,702	43.30%
NET ASSETS				
Invested in capital assets, net of related debt	34,378	34,670	(292)	-0.84%
Restricted	4,259	3,816	443	11.61%
Unrestricted	(769)	2,277	(3,046)	-133.77%
Total net assets	\$ 37,868	\$ 40,763	\$ (2,895)	-7.10%

	Total Governmental and Business-type Activities			
	June 30, 2012	June 30, 2011 As Restated	Amount Increase (Decrease)	Percent Increase (Decrease)
ASSETS				
Current and other assets	\$ 122,660	\$ 127,583	\$ (4,923)	-3.86%
Capital assets	246,622	249,379	(2,757)	-1.11%
Total assets	369,282	376,962	(7,680)	-2.04%
LIABILITIES				
Other liabilities	22,817	22,854	(37)	-0.16%
Long-term liabilities	55,019	78,330	(23,311)	-29.76%
Total liabilities	77,836	101,184	(23,348)	-23.07%
NET ASSETS				
Invested in capital assets, net of related debt	228,076	223,172	4,904	2.20%
Restricted	30,557	38,839	(8,282)	-21.32%
Unrestricted	32,813	13,767	19,046	138.35%
Total net assets	\$ 291,446	\$ 275,778	\$ 15,668	5.68%

By far, the largest portion of the City's total net assets (78.26%) reflects its investment in capital assets (i.e., infrastructure, land, buildings, machinery and equipment), net of related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets invested in capital assets net of related debt from governmental activities increased \$5.2 million, or 2.76%. This increase was primarily due to improvements made to the City's buildings, land acquisition for city facilities, and road infrastructure.

An additional portion of the City's net assets (\$26.3 million for governmental activities and \$4.3 million for business type activities) represents resources that are subject to external restrictions in how they may be used. These amounts represent 10.48% of total net assets. The restricted net assets from governmental activities decreased by \$8.7 million, or 24.91%. The restricted net assets from business activities increased \$443 thousand, or 11.61%.

See independent auditors' report

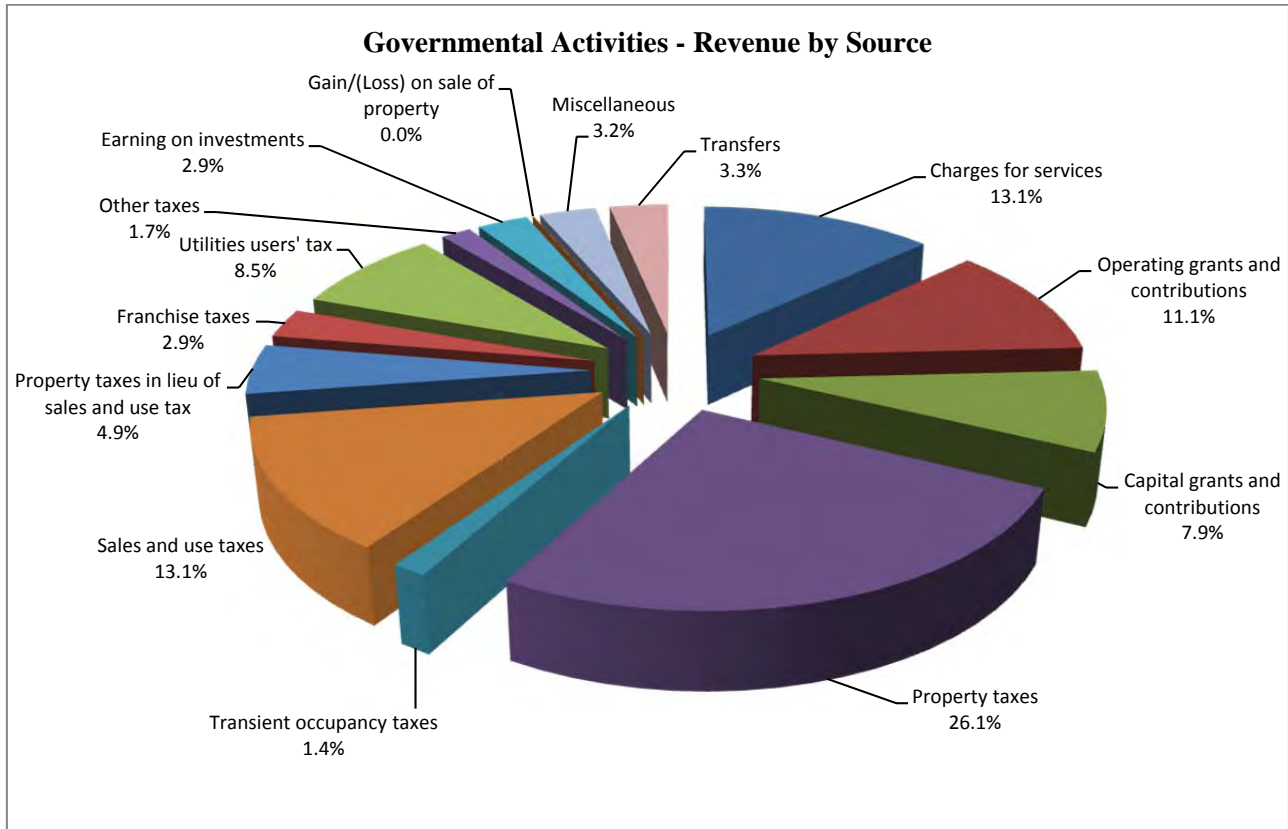
The unrestricted net assets (\$33.6 million for governmental activities and negative \$769 thousand for business type activities) represent 13.24% and negative 2.03% of net assets for governmental activities and business type activities, respectively. The unrestricted net assets for governmental activities increased by \$22.1 million mainly due to overall decrease in general and program expenditures and dissolution of redevelopment agency. Unrestricted net assets for business activities decreased by \$3.0 million, or 133.77%.

CHANGE IN NET ASSETS
(amounts expressed in thousands)

		Governmental Activities		Amount	Percent
		2012	2011	Increase (Decrease)	Increase (Decrease)
		<u>2012</u>	<u>2011</u>	<u>(Decrease)</u>	<u>(Decrease)</u>
REVENUES:					
Program revenues:					
Charges for services	\$	10,443	\$ 12,331	\$ (1,888)	-15.3%
Operating grants and contributions		8,903	8,689	214	2.5%
Capital grants and contributions		6,330	6,500	(170)	-2.6%
General revenues:					
Taxes					
Property taxes		20,847	24,347	(3,500)	-14.4%
Transient occupancy taxes		1,123	991	132	13.3%
Sales and use taxes		10,479	9,845	634	6.4%
Property taxes in lieu of sales and use tax		3,959	3,144	815	25.9%
Franchise taxes		2,324	2,340	(16)	-0.7%
Utilities users' tax		6,778	7,094	(316)	-4.5%
Other taxes		1,351	1,742	(391)	-22.4%
Earning on investments		2,281	1,817	464	25.5%
Gain/(Loss) on sale of property		24	25	(1)	-4.0%
Miscellaneous		2,529	2,171	358	16.5%
Total revenues		<u>77,371</u>	<u>81,036</u>	<u>(3,665)</u>	-4.5%
EXPENSES:					
Program activities:					
General government		7,768	7,594	174	2.3%
Public safety		51,958	50,482	1,476	2.9%
Public works		6,767	5,849	918	15.7%
Community services		9,314	9,041	273	3.0%
Community development		8,481	13,825	(5,344)	-38.7%
Unallocated infrastructure depreciation		5,640	5,481	159	2.9%
Interest on long term debt		1,541	2,130	(589)	-27.7%
Water		-	-	-	
Golf		-	-	-	
Transit		-	-	-	
Total expenses		<u>91,469</u>	<u>94,402</u>	<u>(2,933)</u>	-3.1%
Excess of revenues over expenses		(14,098)	(13,366)	(732)	5.5%
Extraordinary gain		18,563	-	18,563	
Transfers		2,619	5,757	(3,138)	-54.5%
Change in net assets	\$	<u>7,084</u>	<u>(7,609)</u>	<u>\$ 14,693</u>	-193.1%

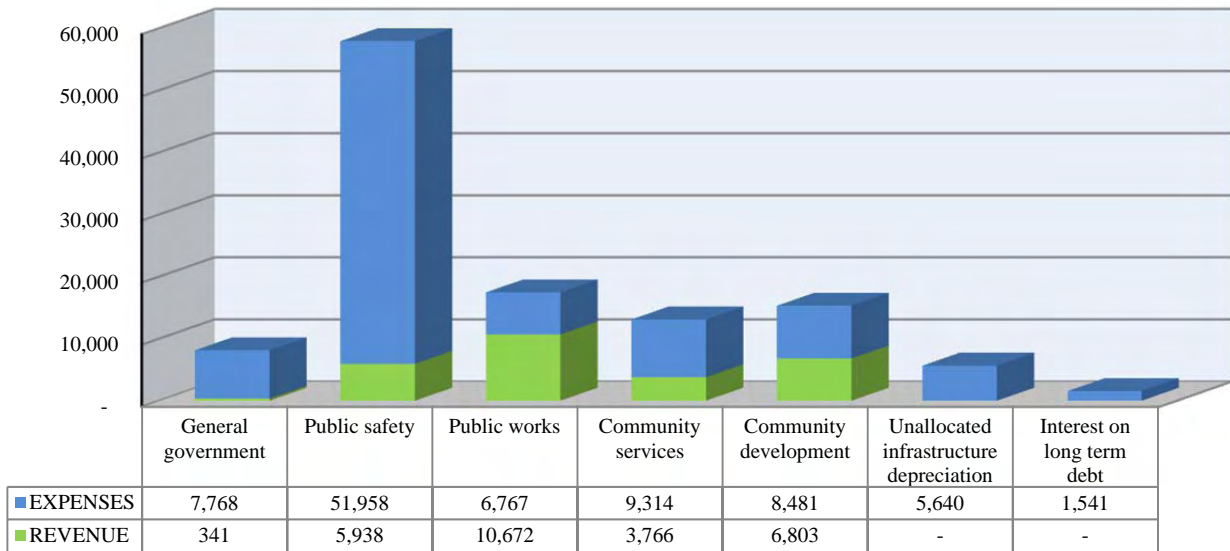
See independent auditors' report

Governmental Activities. The most significant revenues, including transfers, of the governmental activities are taxes (58.6%), which included property taxes (26.1%), sales and use taxes (13.1%), and other taxes (19.4%). Program revenues are 32.1% of the total revenues of the governmental activities, which includes charges for services (13.1%), operating grants and contributions (11.1%) and capital grants and contributions (7.9%). The remaining 9.3% of total revenues is comprised of earnings on investments, miscellaneous, transfers, and gain on sale of property.



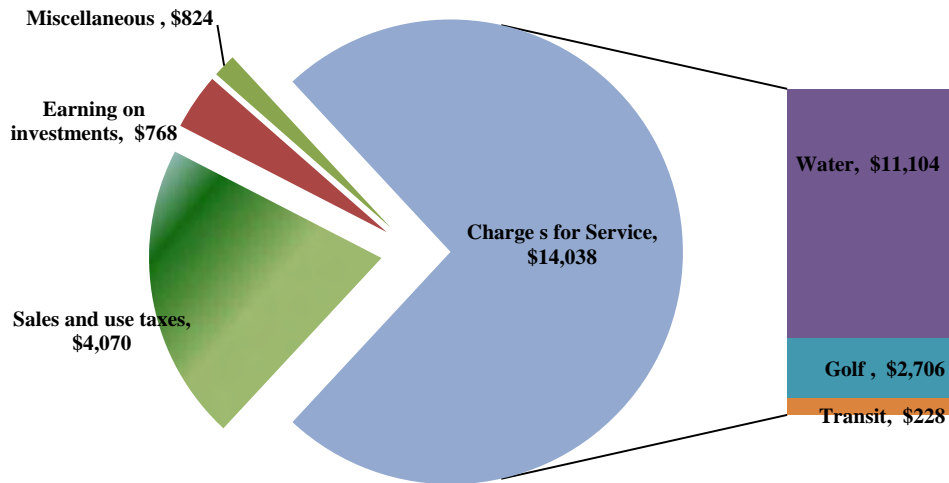
Public safety expenses, which include police and fire service, are the most significant of all governmental expenses at 56.8%. Thereafter, community services (10.2%), community development (9.3%), general government (8.5%), public works (7.4%), unallocated infrastructure depreciation (6.2%), interest on long term debt (1.7%).

Governmental Activities - by Program/Function



Business-type activities. Business-type activities decreased the City's net assets by \$2.9 million. The most significant revenue generated was from charges from services (71.2%). The balance of revenues is from sales tax (20.7%), earning on investments (3.9%) and miscellaneous (4.2%). Of the charges from services revenue, the most significant revenues generated were from the sales of water and related services (\$11.1 million). The second significant revenue is the revenue generated by users of the golf course (\$2.7 million). The balance (\$228 thousand) is attributable to transit pass sales for the city operated transit services.

Business-type Activities - Revenue by Source



Water related expenses were also the most significant at \$12.2 million or 61.1% of total operating expenses. As with revenues, the transit was next with expenses of \$4.9 million (24.7%) followed by the golf course operation with expenses of \$2.8 million (14.2%).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the fiscal year ended June 30, 2012, the City's governmental funds reported combined ending fund balances of \$35.0 million, a net decrease of \$2.96 million, or 7.8% compared to the restated prior year's balance of \$38.0 million. The change is the result of decreases in the fund balances of the General Fund and other governmental funds offset by increases in Housing Authority Special Revenue Fund and HOME Special Revenue Fund.

The fund balances consisted of nonspendable, restricted, assigned and unassigned. Nonspendable fund balance of \$13.5 million is not available for use and are comprised of long term loans and advances receivable. Restricted fund balance of \$9.2 million can only be used for specific purposes pursuant to constraints imposed by applicable law and regulations and external parties such as grantors and creditors. Assigned fund balance of \$6.2 million can be used for capital and economic development projects through the appropriate budget approval process. Unassigned fund balance of \$6.1 million represents the residual balance which is available for appropriation.

Revenues of governmental funds for the fiscal year ended June 30, 2012 were \$77.6 million, a decrease of \$4.4 million, or 5.4% from the prior fiscal year total of \$82.0 million. Expenditures of governmental funds were \$88.0 million, a decrease of \$8.5 million, or 8.8% from the prior fiscal year total of \$96.5 million. Excluding other financing sources and uses and special and extraordinary items, governmental fund expenditures exceeded governmental fund revenues by \$10.5 million. Under extraordinary item, there was a gain of \$4.2 million related to the transfer of assets and liabilities from the dissolution of Downey Redevelopment Agency.

The City has three major governmental funds: General Fund, Housing Authority Special Revenue Fund, and HOME Special Revenue Fund. An analysis of significant balances and transactions of the individual major funds has been provided below.

General Fund is the chief operating fund of the City, which is used to account for all discretionary revenues and expenditures necessary to carryout basic government functions that are not accounted for through other special revenue and grant funds.

At the end of the fiscal year, the fund balance of the General Fund was \$19.9 million, a decrease of \$3.3 million, or 14.4% from the restated preceding year's balance. There was a prior period adjustment of \$2.4 million related to the reversal of sale of land from Community Development Commission of the City of Downey to the City pursuant to AB 1484. The unassigned fund balance was \$6.1 million. Of the remaining fund balance, \$8.9 million was non-spendable fund balance comprised of long-term loans and advances. The restricted fund balance of \$4.9 million is related to restricted cash and investment. As a measure of General Fund's liquidity, it may be useful to compare the unassigned fund balance to the total fund expenditures and operating transfer out. The net unassigned fund balance of \$6.1 million represented 8.6% of the total expenditures and operating transfers out of \$71.1 million.

See independent auditors' report

The General Fund's total revenues increased \$4.8 million, or 6.8%, from the previous fiscal year's total revenue of \$69.5 million. All revenue categories declined except Taxes, Charges for services, Other revenue and Sale of property. Significant changes in individual revenue sources are as follows: \$1.4 million increase in taxes, \$1.6 million increase in charges for services, \$761 thousand decrease in investment and rental, and \$220 thousand increase in other revenue.

The General Fund's actual revenues of \$63.8 million were \$1.6 million more than final budgeted revenues of \$62.2 million due to positive variances in Taxes, Intergovernmental Revenues, Charges for service, and Sale of property of \$920 thousand, \$148 thousand, \$1.9 million and \$124 thousand, respectively offset by negative variances in Licenses and permits \$127 thousand, Fines and forfeitures \$361 thousand, Investment and rentals \$673 thousand and other revenue \$342 thousand.

Revenue and Other Financing Sources (inflow) for the General Fund, including comparative amounts from the preceding year, are shown in the following table:

General Fund Revenues and Other Financing Sources

June 30, 2011 and 2012

(amounts expressed in thousands)

	2012 Actual	Percent of Total	2011 Actual	Percent of Total	Increase (Decrease)
Taxes	\$ 46,225	68.3%	\$ 44,849	64.6%	\$ 1,376
Licenses and permits	1,094	1.6%	1,107	1.6%	(13)
Fines and forfeitures	1,507	2.2%	1,552	2.2%	(45)
Investment and rental	2,511	3.7%	3,272	4.7%	(761)
Intergovernmental revenue	2,347	3.5%	2,538	3.7%	(191)
Charges for services	7,117	10.5%	5,535	8.0%	1,582
Other revenue	2,855	3.9%	2,416	3.5%	469
Sale of property	124	0.2%	-	0.0%	124
Total Revenues	63,810	93.9%	61,269	88.2%	2,541
Other financing sources	3,911	6.1%	8,210	11.8%	(4,299)
Total Revenues & Other Financing Sources	\$ 67,721	100.0%	\$ 69,479	100.0%	\$ (1,758)

The General Fund's total expenditures decreased \$710 thousand or 1.0%, from the previous fiscal year's total expenditures of \$71.8 million. Changes by functions are as follows: \$102 thousand decrease in general government, \$1.5 million increase in public safety, \$129 thousand increase in public works, \$438 thousand increase in community services, \$1.7 million increase in community development and \$2.4 million decrease in capital outlay.

The General Fund's actual expenditures were slightly more than the final budget. The significant negative variance for community development was mainly due to dissolution of redevelopment agency. Certain redevelopment agency expenditures were absorbed by community development in general fund.

Expenditures and Other Financing Uses for the General Fund, including comparative amounts from the preceding year, are shown in the following table:

General Fund Expenditures and Other Financing Uses

June 30, 2011 and 2012

(amounts expressed in thousands)

	2012 Actual	Percent of Total	2011 Actual	Percent of Total	Increase (Decrease)
General government:					
Legislation	\$ 335	0.5%	\$ 292	0.4%	\$ 43
City attorney	172	0.2%	180	0.3%	(8)
City clerk	232	0.3%	370	0.5%	(138)
City management	737	1.0%	1,177	1.6%	(440)
Finance	4,817	6.8%	4,376	6.1%	441
Public safety:					
Police	28,844	40.6%	28,192	39.3%	652
Animal control	318	0.4%	-	0.0%	318
Fire	17,311	24.4%	16,783	23.4%	528
Public works	5,453	7.7%	5,324	7.4%	129
Community service	6,794	9.6%	6,356	8.9%	438
Community development	3,680	5.2%	1,990	2.8%	1,690
Capital outlay	-	0.0%	2,400	3.3%	(2,400)
Debt Service:					
Interest and fiscal charges	539	0.8%	511	0.7%	28
Total Expenditures	<u>69,232</u>	<u>97.4%</u>	<u>67,951</u>	<u>94.7%</u>	<u>1,281</u>
Other financing uses	<u>1,839</u>	<u>2.6%</u>	<u>3,820</u>	<u>5.3%</u>	<u>(1,991)</u>
Total Expenditures & Other Financing Uses	<u>\$ 71,061</u>	<u>100.0%</u>	<u>\$ 71,771</u>	<u>100.0%</u>	<u>\$ (710)</u>

Housing Authority Special Revenue Fund. Pursuant to AB X1 26 and the related California Supreme Court decision, all redevelopment agencies were eliminated as of February 1, 2012, and successor agencies were established to wind down the affairs of the dissolved redevelopment agencies. Certain housing assets were transferred to cities and other entities electing to serve as successor housing agencies. Subsequent legislation, AB 1484, added and modified various provisions of AB X1 26 including a mandate that a fund be created to account for the dissolved redevelopment agencies' housing assets and the activities funded with those assets.

The primary sources of revenue for Housing Authority Special Revenue Fund are monthly rents from tenants from the properties redevelopment agency acquired and the loan repayments from various housing loans. Under AB 1484, a revenue stream may be added in the future as 20% of loan repayments to the General Fund by the Successor Agency must also be allocated and deposited into the Housing Authority Special Revenue Fund, once the loan is restructured and held valid by the Successor Agency's Oversight Board and approved by the State Department of Finance.

At the end of the fiscal year, the fund balance of \$4.6 million, comprised of non-spendable fund balance (\$4.5 million) related to deferred loans, notes and land held for resale and restricted fund balances (\$29 thousand) related to the cash.

The revenues were \$37 thousand, consisting primarily of rents and loan repayments. The expenditures were \$7 thousand classified as community development expenditures. The resulting operating surplus was \$30 thousand. With the creation of the Fund in this fiscal year, there was an extraordinary gain of \$4.5 million from the transfer of assets and liabilities from the dissolved Redevelopment Agency Housing Fund.

See independent auditors' report

HOME Special Revenue Fund has a total fund balance of \$64 thousand which was restricted for the affordable housing projects. The revenue of \$327 thousand exceeded the expenditure of \$263 thousand by \$64 thousand.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Water Fund. The net assets decreased \$1.9 million as a result of an increase of \$2.7 million in water sales from the previous year's water sales of \$8.6 million and offset by an increase in operating expenses of \$0.9 million.

Golf Fund. The net assets decreased \$80 thousand at the end of fiscal year. The operating income increased \$47 thousand from the previous fiscal year's net operating income of \$259 thousand. The decrease in Golf Fund's net asset is mostly attributable to the increase cost in maintenance.

Transit Fund. The net assets decreased \$412 thousand during the current fiscal year. Unlike the two other business-type activities, the Transit Fund receives most of its revenues from voter approved sales and use taxes. For the current year, operating loss of \$3.8 million and transfer out of \$817 thousand was not fully offset by the non-operating revenue, including taxes of \$4.1 million and Investment and rental of \$130 thousand. Sales and use taxes attributed to 78.4% of total transit revenues from all sources.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its government and business-type activities at June 30, 2012 was \$246.6 million, net of accumulated depreciation. This investment in capital assets includes land, projects in progress, buildings, equipment, fixtures and infrastructure. The total changes in the City's investment in capital assets resulted from many various projects, acquisitions and depreciation on assets located throughout the City.

CAPITAL ASSETS (net of accumulated depreciation) (amounts expressed in thousands)

	Governmental activities		Business-activities		Total	
	2011-12	2010-11 As Restated	2011-12	2010-11	2011-12	2010-11
Land and improvements	\$ 20,624	\$ 20,608	\$ 19,603	\$ 19,622	\$ 40,227	\$ 40,230
Projects in progress	17,963	12,899	-	-	17,963	12,899
Buildings	21,566	22,312	8,288	8,644	29,854	30,956
Land improvements	11,698	12,272	-	-	11,698	12,272
Machinery & equipment	5,420	6,701	510	692	5,930	7,393
Furniture & Fixtures	124	165	99	110	223	275
Infrastructure	127,679	129,116	-	-	127,679	129,116
Water sup and dist system	-	-	13,048	13,380	13,048	13,380
Total Capital Assets	\$ 205,074	\$ 204,073	\$ 41,548	\$ 42,448	\$ 246,622	\$ 246,521

Additional information on the City's assets can be found in the notes to basic financial statements in note 9.

See independent auditors' report

Long-term liabilities. The City's outstanding long-term liabilities including certificates of participation, bonds, a capital lease, advances, loans, compensated absences, and self-insurance totaled \$65.3 million. At June 30, 2012, the City had \$57.1 million in outstanding long-term debt for governmental activities, a decrease of \$22.8 million, or 28.5% from the preceding fiscal year. During this fiscal year, \$26.1 million in bonds and advances from county was transferred to the Successor Agency to Downey Redevelopment Agency pursuant to AB X1 26 and \$1.0 million was retired as scheduled principal payments on the outstanding long-term debt. A decrease of \$291 thousand in outstanding long-term liabilities for business-type activities was due to a net reduction in the Golf Course certificates of participation of \$329 thousand and an increase of \$38 thousand in compensated absences.

LONG-TERM LIABILITIES

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Bonds payable	\$ 19,535	\$ 27,186	\$ -	\$ -	\$ 19,535	\$ 27,186
Certificates of participation	-	-	7,401	7,729	7,401	7,729
Capital lease payable	1,032	1,199	-	-	1,032	1,199
Advances from LA County	-	17,338	-	-	-	17,338
Loans from Federal Government	11,904	10,805	-	-	11,904	10,805
Compensated absences	14,187	14,301	736	698	14,923	14,999
Claims payable	10,459	9,100	-	-	10,459	9,100
Total long-term liabilities	\$ 57,117	\$ 79,929	\$ 8,137	\$ 8,427	\$ 65,254	\$ 88,356

Additional information on the City's long-term liabilities can be found in the notes to basic financial statement in note 10.

ECONOMIC OUTLOOK – FISCAL YEAR 2012-13

The City's finances and the ability to pay for core services and capital projects are heavily dependent on the economy, legislative actions of the Federal and State governments, and law governing local finances.

The National Bureau of Economic Research (www.nber.org) declared the current recession started in December, 2007 and had ended in June, 2009. It is a long and slow struggle to a real and full economic recovery.

According to a UCLA forecast on California economic outlook for 2013 released in June 2012, the housing industry will stay sluggish but begin to rebound in 2013 while the unemployment rate is expected to fall with an average 9.7% for 2013 and 8.4% for 2014, which is still higher than the U.S. forecast.

The City's total General Fund revenues are projected to increase by a modest 0.5% from last year's budget. Below is a closer look at two key General Fund revenue resources.

- **Property Tax.** As home value stabilized in the city, the city's property tax revenue anticipates a modest increase of 0.67% in 2012-13 budget.
- **Sales Tax.** Sales tax revenue is the second largest General Fund revenue source and is projected to increase 9.3% from last year's budget amount.

See independent auditors' report

A portion of the City's revenues are intergovernmental grants and pass-through revenues. Even though local government's revenues are protected under Proposition 22 and Proposition 1A of 2004, both the Federal and State governments can reduce funding for local government if they declare fiscal distress. In fiscal year 2012-13, the U.S. Department of Housing and Urban Development will have a 22% cut in Community Development Block Grant (CDBG) funds and a 50% cut to HOME grant funds.

In addition, the Governor signed into law Assembly Bill X1 26 (AB X1 26) to eliminate all redevelopment agencies in June 2011. With the California Supreme Court's affirmation, all redevelopment agencies were eliminated as of February 1, 2012, causing an annual revenue loss of over \$4 million for the City that would have otherwise been available to help eliminate blight and revitalize the community.

As part of the budget adoption process, the City annually reviews all of its fees for services to ensure, when possible, fees collected fully support the cost of providing City services. For fiscal year 2013, the City kept 483 fees unchanged, increased 46 fees, deleted 17 fees and created 68 new fees. The City's fee resolution covers fees that generate \$9.9 million for all city funds (\$6.7 million in the General Fund). The proposed changes are projected to increase total fee revenues by approximately \$247 thousand.

Adopted Budget

In June 2012, the City Council adopted an annual operating budget totaling \$135.3 million, excluding Internal Service Funds. In comparison, the total budget amount for 2012-13 is down \$8.8 million from last year's \$144.2 million total budget due to management's continuing efforts to reduce costs as the economy struggles to recover.

In response to the significant revenue losses from the recession and State revenue shifts, the Council promptly took action to make broad budget cuts which included various community events, programs, services and capital projects, and implementation of an early retirement plan referred to as the SERP (Supplemental Early Retirement Plan), layoffs, furlough, reductions to employee benefit packages, deferring non-essential equipment replacements, and elimination of specific frozen positions.

Based on these important actions of the Council and the support of each employee labor bargaining unit, the City was able to close the budget gap and ensure the continued financial stability and solvency of the City.

REQUESTS FOR INFORMATION

This financial report is designated to provide a general overview of the City's finances for our citizens, taxpayers, investors, creditors, and other interested parties and to demonstrate the City's accountability for the public funds it receives and manages. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Downey, 11111 Brookshire Avenue, Downey, California 90241-0607. Additional financial information is also available at the City's official website at www.downeyca.org.

CITY OF DOWNEY

STATEMENT OF NET ASSETS

June 30, 2012

(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 43,744	\$ 9,379	\$ 53,123
Receivables, net of allowance:			
Taxes	6,466	194	6,660
Accounts	2,857	1,872	4,729
Interest	200	28	228
Loans	8,870	-	8,870
Notes	938	-	938
Internal balances	4,291	(4,291)	-
Prepaid expenses	16,940	8	16,948
Due from other governments and entities	554	40	594
Due from Successor Agency	11,547	-	11,547
Restricted assets:			
Cash and investments	10,453	3,549	14,002
Cash and investments with fiscal agents	-	710	710
Land held for resale	3,598	-	3,598
Inventories	169	161	330
Deferred bond issuance costs	153	230	383
Capital assets, not depreciated	38,587	10,436	49,023
Capital assets, net of accumulated depreciation	166,487	31,112	197,599
TOTAL ASSETS	315,854	53,428	369,282
LIABILITIES:			
Accounts payable and accrued liabilities	4,767	7,013	11,780
Deposits payable	3	137	140
Interest payable	117	141	258
Retentions payable	-	132	132
Unearned revenue	272	-	272
Noncurrent liabilities:			
Due within one year	9,671	564	10,235
Due in more than one year	47,446	7,573	55,019
TOTAL LIABILITIES	62,276	15,560	77,836
NET ASSETS:			
Invested in capital assets, net of related debt	193,698	34,378	228,076
Restricted for:			
Community development	12,682	-	12,682
Public works	3,219	-	3,219
Debt service	10,397	4,259	14,656
Unrestricted	33,582	(769)	32,813
TOTAL NET ASSETS	\$ 253,578	\$ 37,868	\$ 291,446

See independent auditors' report and notes to basic financial statements.

CITY OF DOWNEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012
(amounts expressed in thousands)

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,768	\$ 179	\$ 137	\$ -
Public safety	51,958	5,234	2,028	-
Public works	6,767	1,173	2,345	6,330
Community services	9,314	2,414	1,635	-
Community development	8,481	1,443	2,758	-
Unallocated infrastructure depreciation	5,640	-	-	-
Interest on long term debt	1,541	-	-	-
Total governmental activities	<u>91,469</u>	<u>10,443</u>	<u>8,903</u>	<u>6,330</u>
Business-type activities:				
Water	12,207	11,104	-	-
Golf	2,842	2,706	-	-
Transit	4,927	228	-	-
Total business-type activities	<u>19,976</u>	<u>14,038</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 111,445</u>	<u>\$ 24,481</u>	<u>\$ 8,903</u>	<u>\$ 6,330</u>

General revenues:

Taxes:

Property taxes, levied for general purposes
 Transient occupancy taxes
 Sales and use taxes
 Property taxes in lieu of sales and use tax
 Franchise taxes
 Utility users tax
 Other taxes

Earning on investments
 Gain on sale of property
 Miscellaneous

Transfers

Total general revenues and transfers

Extraordinary gain

Change in net assets

NET ASSETS - BEGINNING OF YEAR, AS RESTATED

NET ASSETS - END OF YEAR

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (7,452)	\$ -	\$ (7,452)
(44,696)	-	(44,696)
3,081	-	3,081
(5,265)	-	(5,265)
(4,280)	-	(4,280)
(5,640)	-	(5,640)
(1,541)	-	(1,541)
<u>(65,793)</u>	<u>-</u>	<u>(65,793)</u>
-	(1,103)	(1,103)
-	(136)	(136)
<u>-</u>	<u>(4,699)</u>	<u>(4,699)</u>
<u>-</u>	<u>(5,938)</u>	<u>(5,938)</u>
<u>(65,793)</u>	<u>(5,938)</u>	<u>(71,731)</u>
20,847	-	20,847
1,123	-	1,123
10,479	4,070	14,549
3,959	-	3,959
2,324	-	2,324
6,778	-	6,778
1,351	-	1,351
2,281	768	3,049
24	-	24
2,529	824	3,353
2,619	(2,619)	-
<u>54,314</u>	<u>3,043</u>	<u>57,357</u>
<u>30,042</u>	<u>-</u>	<u>30,042</u>
18,563	(2,895)	15,668
<u>235,015</u>	<u>40,763</u>	<u>275,778</u>
<u>\$ 253,578</u>	<u>\$ 37,868</u>	<u>\$ 291,446</u>

CITY OF DOWNEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

(amounts expressed in thousands)

	<u>General Fund</u>	<u>Housing Authority Special Revenue Fund</u>
ASSETS		
ASSETS:		
Cash and investments	\$ 3,526	\$ 29
Receivables:		
Taxes	5,752	-
Accounts	1,882	-
Interest	187	-
Loans	-	2,530
Notes	-	938
Inventory	-	-
Due from other governments and entities	511	-
Due from other funds	221	-
Restricted assets:		
Cash and investments	4,867	-
Advances to Successor Agency	8,897	-
Land held for resale	-	3,598
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 25,843</u>	<u>\$ 7,095</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 4,148	\$ -
Deposits	-	-
Due to other funds	32	-
Deferred revenue	1,776	2,530
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>5,956</u>	<u>2,530</u>
FUND BALANCES:		
Nonspendable	8,897	4,536
Restricted	4,867	29
Assigned	-	-
Unassigned	6,123	-
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>19,887</u>	<u>4,565</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,843</u>	<u>\$ 7,095</u>

See independent auditors' report and notes to basic financial statements.

HOME Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 67	\$ 9,679	\$ 13,301
-	714	6,466
-	949	2,831
-	13	200
5,644	696	8,870
-	-	938
-	34	34
-	43	554
-	32	253
-	-	-
-	56	4,923
-	-	8,897
-	-	3,598
<u>\$ 5,711</u>	<u>\$ 12,216</u>	<u>\$ 50,865</u>
\$ -	\$ 798	\$ 4,946
3	-	3
-	221	253
5,644	696	10,646
<u>5,647</u>	<u>1,715</u>	<u>15,848</u>
-	34	13,467
64	4,286	9,246
-	6,226	6,226
-	(45)	6,078
<u>64</u>	<u>10,501</u>	<u>35,017</u>
<u>\$ 5,711</u>	<u>\$ 12,216</u>	<u>\$ 50,865</u>

This page intentionally left blank

CITY OF DOWNEY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

June 30, 2012

(amounts expressed in thousands)

Fund balances - total governmental funds		\$	35,017
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.			199,653
Long-term receivables are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds.			10,374
Internal Service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal Service funds net assets are:			22,660
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets:			
Loans payable	\$	(11,904)	
Claims payable		<u>(2,198)</u>	
			(14,102)
Accrued liabilities in the Statement of Net Assets differ from amounts reported in governmental funds due to accrued interest on long-term debt.			<u>(24)</u>
Net assets of governmental activities		\$	<u><u>253,578</u></u>

See independent auditors' report and notes to basic financial statements.

CITY OF DOWNEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	General Fund	Housing Authority Special Revenue Fund
REVENUES:		
Taxes	\$ 46,225	\$ -
License and permits	1,094	-
Fines and forfeitures	1,507	-
Investment and rental	2,511	-
Intergovernmental revenue	2,347	-
Charges for services	7,117	-
Other revenue	2,885	37
Sale of property	124	-
TOTAL REVENUES	63,810	37
EXPENDITURES:		
Current:		
General government	6,293	-
Public safety	46,473	-
Public works	5,453	-
Community services	6,794	-
Community development	3,680	7
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	539	-
TOTAL EXPENDITURES	69,232	7
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,422)	30
OTHER FINANCING SOURCES (USES):		
Transfers in	3,372	-
Transfers out	(1,829)	-
Issuance of debt	539	-
TOTAL OTHER FINANCING SOURCES (USES)	2,082	-
EXTRAORDINARY GAIN (LOSS)	-	4,535
NET CHANGE IN FUND BALANCES	(3,340)	4,565
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	23,227	-
FUND BALANCES - END OF YEAR	\$ 19,887	\$ 4,565

See independent auditors' report and notes to basic financial statements.

HOME Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,560	\$ 47,785
-	-	1,094
-	-	1,507
-	128	2,639
327	8,730	11,404
-	2,678	9,795
-	289	3,211
-	-	124
<u>327</u>	<u>13,385</u>	<u>77,559</u>
-	-	6,293
-	112	46,585
-	2,029	7,482
-	1,271	8,065
263	5,354	9,304
-	8,200	8,200
-	510	510
-	1,042	1,581
<u>263</u>	<u>18,518</u>	<u>88,020</u>
<u>64</u>	<u>(5,133)</u>	<u>(10,461)</u>
-	2,722	6,094
-	(2,346)	(4,175)
-	810	1,349
-	1,186	3,268
-	(302)	4,233
64	(4,249)	(2,960)
-	14,750	37,977
<u>\$ 64</u>	<u>\$ 10,501</u>	<u>\$ 35,017</u>

This page intentionally left blank

CITY OF DOWNEY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2012
(amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (2,960)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation expense in the current period:

Capital expenditures	\$ 9,284	
Depreciation expense	<u>(7,002)</u>	2,282

Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

616

Internal service funds are used by management to charge the costs of certain activities, such as employee benefits and equipment management to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.

(4,909)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and changes in other long-term liabilities effects the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. Debt transactions involved:

Principal payments	\$ 510	
Proceeds from loans from County of Los Angeles	(812)	
Proceeds from Section 108 loan	(810)	
Accrued interest expense added to loan from County of Los Angeles	(736)	
Accretion on loan from Federal Government	(539)	
Claims payable	<u>(667)</u>	(3,054)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Net change in accrued interest payable on long-term liabilities		155
---	--	-----

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds:

Net change in accrued interest receivable	\$ 11	
Net change in accrued sales and use tax	<u>613</u>	624

The Downey Community Development Commisison was dissolved as of February 1, 2012 pursuant to Assembly Bill 1x26 and 1484. Assets and liabilities of the dissolved Agency as of February 1, 2012 were transferred to the Successor Agency:

Transfer of accrued interest receivable to the Successor Agency	\$ (241)	
Transfer of long-term debt to the Successor Agency	<u>26,050</u>	<u>25,809</u>

Change in net assets of governmental activities \$ 18,563

See independent auditors' report and notes to basic financial statements.

CITY OF DOWNEY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2012
 (amounts expressed in thousands)

		Business-type Activities Enterprise Funds	
		Water Fund	Golf Fund
ASSETS		<u> </u>	<u> </u>
CURRENT ASSETS:			
Cash and investments		\$ 2,988	\$ 1,387
Accounts receivable		1,872	-
Interest receivable		-	6
Taxes receivable		-	-
Due from other governments and entities		5	35
Prepaid costs		-	-
Advances to Successor Agency		-	-
Inventories		128	33
Restricted assets:			
Cash and investments		1,475	2,074
Cash and investments with fiscal agent		-	710
		<u> </u>	<u> </u>
TOTAL CURRENT ASSETS		<u>6,468</u>	<u>4,245</u>
NONCURRENT ASSETS:			
Prepaid pension expense		-	-
Bond issuance costs		-	230
Capital Assets (Net of Accumulated Depreciation):			
Land		8,272	-
Land improvements		-	9,153
Buildings and improvements		8	5,937
Furniture and fixtures		99	-
Machinery and equipment		28	233
Water supply and distribution plant		13,048	-
		<u> </u>	<u> </u>
TOTAL NONCURRENT ASSETS		<u>21,455</u>	<u>15,553</u>
TOTAL ASSETS		<u>27,923</u>	<u>19,798</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ 5,004	\$ 9,379	\$ 30,443
-	1,872	26
22	28	-
194	194	-
-	40	-
8	8	-
-	-	2,650
-	161	135
-	3,549	5,530
-	710	-
<u>5,228</u>	<u>15,941</u>	<u>38,784</u>
-	-	16,940
-	230	153
2,164	10,436	-
14	9,167	-
2,343	8,288	-
-	99	-
249	510	5,421
-	13,048	-
<u>4,770</u>	<u>41,778</u>	<u>22,514</u>
<u>9,998</u>	<u>57,719</u>	<u>61,298</u>

CITY OF DOWNEY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (CONTINUED)

June 30, 2012

(amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS:		
Accounts payable and accrued liabilities	\$ 6,413	\$ 199
Deposits payable	87	50
Retentions payable	-	-
Interest payable	-	141
Compensated absences	189	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
Certificates of participation	-	350
	6,689	740
NONCURRENT LIABILITIES:		
Compensated absences	477	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
Certificates of participation	-	7,050
	477	7,050
TOTAL LIABILITIES		
	7,166	7,790
NET ASSETS:		
Invested in capital assets, net of related debt	21,455	8,153
Restricted for debt service	1,475	2,784
Unrestricted	(2,173)	1,071
	\$ 20,757	\$ 12,008

Adjustment to reflect the consolidation of internal fund activities related to enterprise funds

Net assets of business-type activities

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ 401	\$ 7,013	\$ 1,055
-	137	-
132	132	-
-	141	93
25	214	4,234
-	-	3,499
-	-	174
-	-	280
-	350	-
<u>558</u>	<u>7,987</u>	<u>9,335</u>
46	523	9,953
-	-	3,528
-	-	858
-	-	19,255
-	7,050	-
<u>46</u>	<u>7,573</u>	<u>33,594</u>
<u>604</u>	<u>15,560</u>	<u>42,929</u>
4,770	34,378	4,389
-	4,259	5,530
<u>4,624</u>	<u>3,522</u>	<u>8,450</u>
<u>\$ 9,394</u>	42,159	<u>\$ 18,369</u>
	<u>(4,291)</u>	
	<u>\$ 37,868</u>	

CITY OF DOWNEY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS

For the year ended June 30, 2012
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
OPERATING REVENUES:		
Charges for services:		
Water sales	\$ 11,104	\$ -
Golf fees	-	2,705
Bus fares	-	-
Other services	-	1
Miscellaneous	60	-
TOTAL OPERATING REVENUES	11,164	2,706
OPERATING EXPENSES:		
Purchased water	6,633	-
Maintenance and operations	1,628	1,977
General and administrative	2,986	-
Employee benefits	-	-
Amortization	-	17
Depreciation	584	406
TOTAL OPERATING EXPENSES	11,831	2,400
OPERATING INCOME (LOSS)	(667)	306
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	-
Investment and rental	239	399
Interest expense	-	(362)
Gain/(loss) on sale of capital assets	-	(75)
TOTAL NONOPERATING REVENUES (EXPENSES)	239	(38)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(428)	268
TRANSFERS IN	-	-
TRANSFERS OUT	(1,454)	(348)
CAPITAL CONTRIBUTIONS	-	-
CHANGES IN NET ASSETS	(1,882)	(80)
TOTAL NET ASSETS - BEGINNING OF YEAR, AS RESTATED	22,639	12,088
TOTAL NET ASSETS - END OF YEAR	\$ 20,757	\$ 12,008
Adjustment to reflect the consolidation of internal fund activities related to enterprise funds		
Change in net assets of business-type activities		

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities -
Transit Fund	Totals Enterprise Funds	Internal Service Funds
\$ -	\$ 11,104	\$ -
-	2,705	-
228	228	-
-	1	26,818
764	824	1,128
<u>992</u>	<u>14,862</u>	<u>27,946</u>
-	6,633	-
4,574	8,179	889
-	2,986	532
-	-	31,004
-	17	7
213	1,203	1,728
<u>4,787</u>	<u>19,018</u>	<u>34,160</u>
<u>(3,795)</u>	<u>(4,156)</u>	<u>(6,214)</u>
4,070	4,070	-
130	768	1,349
-	(362)	(1,289)
-	(75)	-
<u>4,200</u>	<u>4,401</u>	<u>60</u>
405	245	(6,154)
-	-	700
(817)	(2,619)	-
-	-	24
(412)	(2,374)	(5,430)
<u>9,806</u>		<u>23,799</u>
<u>\$ 9,394</u>		<u>\$ 18,369</u>
	<u>(521)</u>	
	<u>\$ (2,895)</u>	

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 10,660	\$ 2,692
Receipts from user departments	-	-
Payment to suppliers	(4,095)	(1,916)
Payment to employees	(2,341)	(45)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>4,224</u>	<u>731</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	-
Cash paid to other funds	(1,454)	(348)
Principal paid	-	-
Interest paid	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,454)</u>	<u>(348)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(216)	(103)
Proceeds from sale of capital assets	-	21
Capital contributions	-	(78)
Taxes received	-	-
Principal paid on debt	-	(340)
Interest paid on debt	-	(357)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(216)</u>	<u>(857)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>238</u>	<u>401</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,792	(73)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,671</u>	<u>4,244</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,463</u>	<u>\$ 4,171</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ 985	\$ 14,337	\$ -
-	-	27,918
(3,724)	(9,735)	(24,380)
<u>(709)</u>	<u>(3,095)</u>	<u>(7,689)</u>
<u>(3,448)</u>	<u>1,507</u>	<u>(4,151)</u>
-	-	700
(817)	(2,619)	-
-	-	(235)
<u>-</u>	<u>-</u>	<u>(1,237)</u>
<u>(817)</u>	<u>(2,619)</u>	<u>(772)</u>
(6)	(325)	(447)
-	21	-
-	(78)	24
4,426	4,426	-
-	(340)	(167)
<u>-</u>	<u>(357)</u>	<u>(52)</u>
<u>4,420</u>	<u>3,347</u>	<u>(642)</u>
<u>140</u>	<u>779</u>	<u>1,349</u>
295	3,014	(4,216)
<u>4,709</u>	<u>10,624</u>	<u>40,189</u>
<u>\$ 5,004</u>	<u>\$ 13,638</u>	<u>\$ 35,973</u>

(Continued)

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2012
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (667)	\$ 306
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	584	423
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(527)	-
(Increase) decrease in due from other governments and entities	20	(15)
(Increase) decrease in inventories	(66)	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable and accrued liabilities	4,833	17
Increase (decrease) in deposits payable	3	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	44	-
	<u>\$ 4,224</u>	<u>\$ 731</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 4,224</u>	<u>\$ 731</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Current assets	\$ 2,988	\$ 1,387
Restricted assets	1,475	2,784
	<u>1,475</u>	<u>2,784</u>
TOTAL CASH AND CASH EQUIVALENTS FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 4,463</u>	<u>\$ 4,171</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ (3,795)	\$ (4,156)	\$ (6,214)
213	1,220	1,735
(8)	(535)	(24)
-	5	-
-	(66)	112
-	-	644
146	4,996	(768)
-	3	-
-	-	479
<u>(4)</u>	<u>40</u>	<u>(115)</u>
<u>\$ (3,448)</u>	<u>\$ 1,507</u>	<u>\$ (4,151)</u>
\$ 5,004	\$ 9,379	\$ 30,443
<u>-</u>	<u>4,259</u>	<u>5,530</u>
<u>\$ 5,004</u>	<u>\$ 13,638</u>	<u>\$ 35,973</u>

CITY OF DOWNEY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2012

(amounts expressed in thousands)

	Private-Purpose Trust Fund	Total Agency Funds
ASSETS:		
Cash and investments	\$ 4,936	\$ 8,007
Cash and investments with fiscal agents	663	-
Interest receivable	266	136
Land held for development	2,858	-
	<u>8,723</u>	<u>-</u>
TOTAL ASSETS	<u>8,723</u>	<u>\$ 8,143</u>
LIABILITIES:		
Accounts payable	320	\$ 518
Interest payable	153	-
Deposits payable	3	7,625
Due to City of Downey	11,547	-
Long-term liabilities:		
Due within one year	275	
Due in more than one year	26,301	-
	<u>38,599</u>	<u>-</u>
TOTAL LIABILITIES	<u>38,599</u>	<u>\$ 8,143</u>
NET ASSETS (DEFICIT):		
Restricted for private purpose	<u>(29,876)</u>	
TOTAL NET ASSETS (DEFICIT)	<u>\$ (29,876)</u>	

See independent auditors' report and notes to basic financial statements.

CITY OF DOWNEY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

For period from February 1, 2012 to June 30, 2012
(amounts expressed in thousands)

	<u>Private-Purpose Trust Fund</u>
ADDITIONS:	
Taxes	\$ 1,135
Investment and rental	<u>65</u>
TOTAL ADDITIONS	<u>1,200</u>
DEDUCTIONS:	
Current:	
Community development	355
Interest expense	<u>679</u>
TOTAL DEDUCTIONS	<u>1,034</u>
CHANGE IN NET ASSETS, BEFORE EXTRAORDINARY ITEM	166
EXTRAORDINARY LOSS	<u>(30,042)</u>
CHANGE IN NET ASSETS	(29,876)
NET ASSETS - BEGINNING OF PERIOD, FEBRUARY 1, 2012	<u>-</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ (29,876)</u></u>

See independent auditors' report and notes to basic financial statements.

This page intentionally left blank

NOTES TO BASIC FINANCIAL STATEMENTS



CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The basic financial statements of the City of Downey (the City) include the activities of the City, the Community Development Commission of the City of Downey (the Commission), the City of Downey Public Facilities Financing Corporation (the Corporation) and the City of Downey Housing Authority (the Housing Authority).

The *City of Downey* was incorporated in 1956 under the General Laws of the State of California and became a charter City in 1964. The City operates under a Council-Manager form of government governed by a five-member council and provides the following services: public safety (police, fire, paramedic and ambulance), highways and streets, parks and recreation, public improvements, planning and zoning, and general administrative services.

The criteria used in determining the scope of the reporting entity are based on the provisions of the Governmental Accounting Standards Board (GASB). The City of Downey is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's board, or because the component unit will provide a financial benefit or impose a financial burden on the City. The City has accounted for the Commission, Corporation and Housing Authority as "blended" component units. Despite being legally separate, these entities are so intertwined with the City that they are, in substance, part of the City's operations. Accordingly, these basic financial statements present the City and its component units, the Community Development Commission of the City of Downey, the City of Downey Public Facilities Financing Corporation and the City of Downey Housing Authority. Each blended component unit has a June 30 year end, except for the Community Development Commission of the City of Downey which was dissolved as of January 31, 2012.

The *Community Development Commission of the City of Downey* was established in January 1976 pursuant to the California Community Redevelopment Laws. The Commission's initial project area consisted of four sub-areas. Two are located in the central downtown area, one in the eastern portion of the City, and one in the southern portion of the City. The objectives of the redevelopment project are the elimination and prevention of blight, the improvement and/or construction of public facilities, roads and other public improvements, and the attraction and facilitation of new developments within the project area for purposes of increasing the City's residential, commercial and industrial resources. The activity of the Commission is reported in the Debt Service and Capital Project Funds for the period July 1, 2011 through January 31, 2012 at which date the Commission was dissolved (see Notes 18 and 19). The Commission does not prepare separate Basic Financial Statements.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (Continued)

The City of Downey Public Facilities Financing Corporation, formerly known as City of Downey Civic Center Corporation, is a non-profit corporation organized June 1, 1981 for the purpose of assisting, through the issuance of revenue bonds, the financing necessary to construct public buildings and facilities for the City. The activities of the Corporation are reported in the proprietary fund financial statements as part of the golf enterprise fund. The Corporation prepares separate Basic Financial Statements and a copy can be obtained from the City's Finance Department.

The City of Downey Water Facilities Corporation is a non-profit corporation, organized for the purpose of assisting, through the issuance of leasehold mortgage bonds, the financing necessary to acquire and/or construct a water supply and distribution system for the City. The Corporation has no assets and liabilities and during the fiscal year had no activity.

The City of Downey Housing Authority was established by the City Council on October 22, 1974, and is responsible for the administration of providing affordable housing in the City. The Housing Authority is governed by a five-member Board of Director which consists of members of the City Council. Certain assets of the former redevelopment agency's Low and Moderate Income Housing Fund were transferred to the Housing Authority at February 1, 2012. The Housing Authority's financial transactions are reported in the Special Revenue Funds. The Housing Authority does not prepare separate Basic Financial Statements.

The City is a participant in two joint ventures (see Note 15), which are not considered part of the reporting entity and the City does not exercise primary oversight responsibilities for their operations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The City has no discretely presented component units.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued):

Certain eliminations have been made as prescribed by the GASB in regard 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 activity, 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 statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with 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 purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the City's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements, include financial information that represent the private purpose trust fund and agency funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary and private purpose trust fund financial statements. Under the economic resources measurement focus, all assets and liabilities (whether current or noncurrent) associated with their activity are included on their Statements of Net Assets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City's Fiduciary Funds consists of the private purpose trust fund which is reported using the economic resources measurement focus and the agency funds which have no measurement focus, but utilizes the accrual basis for reporting its assets and liabilities.

All governmental and business-type activities and enterprise funds of the City follow Governmental Accounting Standards Board.

D. Fund Classifications

The funds designated as major funds are determined by a mathematical calculation. The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City. It is used to account for all revenues and expenditures that are not required to be accounted for in another fund.

The Housing Authority Special Revenue Fund is used to account for revenues and associated expenditures to be used for increasing or improving low and moderate income housing.

The HOME Special Revenue Fund is used to account for the operations of the HOME Investment Partnership Program.

The City reports the following major enterprise funds:

The Water Enterprise Fund is used to account for the provision of water services to residential, commercial and industrial customers.

The Golf Enterprise Fund is used to account for all revenues and expenses related to the City - operated golf course, driving range and clubhouse.

The Transit Enterprise Fund is used to account for the City - operated senior citizen and handicapped bus service and the fixed route Downey link bus system.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Classifications (Continued)

The City's fund structure also includes the following fund types:

The Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted or otherwise designated for specific purposes.

The Debt Service Funds are used to account for the collection, and payment of, resources used to repay long-term debt and related interest.

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

The Internal Service Funds are used to account for the financing of special activities that provide services within the City. These activities include compensation and other employee benefits, and equipment purchase and maintenance.

The Private-Purpose Trust Fund is used to account for the activities of the Successor Agency to the Community Development Commission of the City of Downey.

The Agency Funds are used to account for money and property held by the City as trustee, agent or custodian. Agency funds are custodial in nature and do not involve measurement of results of operations.

The City's fund structure also includes the following departmental classifications:

Operating expenditures of the City are classified by department. Departmental classifications are defined as follows:

General Government Department includes the legislative, city clerk, city attorney, city manager, personnel, finance, purchasing, and information technology divisions.

Public Safety Department includes police, fire and paramedic, and animal control operations.

Public Works Department includes maintenance and engineering divisions.

Community Services Department includes the recreation, theatre, social services, and the library divisions.

Community Development Department includes planning, redevelopment and building safety divisions.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Investments

The City pools idle cash from all funds for purposes of increasing income through investment activities. Investments are stated at fair value (quoted market price or best available estimate thereof). The City intends to either hold the investments until maturity or until market values equal or exceed cost. Interest income on investments is allocated among funds on the basis of average monthly cash and investment balances (see Note 3).

F. Accounts Receivable

The City extends credit to customers in the normal course of operations. The City accounts for potential losses in accounts receivable utilizing the allowance method. The City has provided an allowance for uncollectible accounts of \$54,508 at June 30, 2012. Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as a bad debt expense.

G. Inventories and Land Held for Resale

Inventories are valued at cost on a first-in first-out basis and are accounted for under the consumption method, whereby inventories are capitalized and recorded as expenditures as used. Water Utility Fund inventories consist primarily of water pipes, valves, and fittings. Inventories of fuel are recorded in the Equipment Fund.

Land held for resale is valued at the lesser of cost, net realizable value or contracted sales price.

H. Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair market value at the date of contribution. Generally, capital asset purchases in excess of \$500 are capitalized if they have an expected useful life of 1 year or more.

Capital assets include additions to public domain (infrastructure), certain improvements including pavement, curb and gutter, sidewalks, traffic control devices, streetlights, sewers, bridges and right-of-way corridors within the City. The City has valued and recorded all infrastructure asset data as of June 30, 2012.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the Government-wide Financial Statements and in the Fund Financial Statements of the Enterprise Funds. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective Statements of Net Assets.

The lives used for depreciation purposes of each capital asset class are:

Buildings	50 years
Improvements other than buildings	20 years
Water distribution lines	50 years
Water tanks, meters, hydrants, and other equipment	15 to 40 years
Vehicles	3 to 15 years
Machinery and equipment	5 to 10 years
Office furniture, computers and equipment	10 years
Infrastructure	20 to 50 years

I. Compensated Absences

The City is obligated to pay all unused vacation to all employees. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. Governmental fund types recognize the vested vacation time as an expenditure in the current year to the extent it is paid during the year.

J. Claims and Judgments

Expenditures for claims and judgments are recognized when it is probable that the liability has been incurred at year-end and the amount of the loss can be reasonably estimated. Claims payable include a provision for Incurred But Not Reported (IBNR) claims. Claims payable, which will be liquidated from current resources, are recorded in the General Fund and Internal Service Funds.

K. Statement of Cash Flows

A substantial portion of the City's investments are in short-term, highly liquid instruments, with original maturities of three months or less (excluding fiscal agent investments). The Enterprise and Internal Service Funds participate in the pooling of City-wide cash and investments. Amounts from the pool are available to these funds on demand. As a result, the cash and investments for the Enterprise and Internal Services Funds are considered to be cash and cash equivalents for the statement of cash flows purposes.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Specifically, the City has made certain estimates and assumptions relating to the collectibility of its accounts and notes receivable, depreciation of capital assets, amounts due from other funds and amounts advanced to other funds, the valuation of property held for resale, and the ultimate outcome of claims and judgments. Actual results could differ from those estimates and assumptions.

M. Subsequent Events

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through January 30, 2013, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY TAXES

Prior to the beginning of the fiscal year, Los Angeles County, which administers property tax collections for the City of Downey, establishes the assessed valuation roll on January 1 and property taxes attach as an enforceable lien on that date. After the fiscal year has started on July 1, taxes are levied prior to September 1 and are payable in two installments on November 1 (delinquent December 10) and February 1 (delinquent April 10). Assessed valuation is computed at 100% of full cash value; however, due to the 2% annual increase limit per Article XIII-A of the State Constitution, the roll does not fully reflect cash value. Property is reassessed to full cash value when it is sold or otherwise transferred.

When property is sold after the normal January 1 lien date, a supplemental property tax is levied representing the difference between the tax levy based on the property value as of January 1 and the tax based on the new value.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 3 - CASH AND INVESTMENTS

A. Cash and Investments

Cash and investments at June 30, 2012 are classified in the accompanying financial statements as follows (in thousands):

	Government Wide Statement of Net Assets	Fiduciary Funds Statement of Net Assets	Total
Unrestricted assets:			
Cash and investments	\$ 53,123	\$ 12,943	\$ 66,066
Restricted assets:			
Cash and investments	14,002	-	14,002
Cash and investments with fiscal agents	<u>710</u>	<u>663</u>	<u>1,373</u>
Total Cash and Investments	<u>\$ 67,835</u>	<u>\$ 13,606</u>	<u>\$ 81,441</u>

Cash and investments at June 30, 2012 consisted of the following (in thousands):

Demand accounts	\$ 8,487
Petty cash	6
Investments	<u>72,948</u>
Total Cash and Investments	<u>\$ 81,441</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

B. Investments Authorized by the California Government Code and the City's Investment Policy

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 trustees 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Bills, Bonds and Notes	5 years	None	None
United States Government Sponsored Agency Securities	5 years	None	None
Small Business Administration Loans	5 years	None	None
California Local Agency Obligations	5 years	None	None
Certificates of Deposits (or Time Deposits)	5 years	None	None
Negotiable Certificates of Deposits	5 years	30%	None
Medium-Term Corporate Notes	5 years	30%	None
Bankers' Acceptances	180 days	20%	10%
Commercial Paper	270 days	15%	10%
Repurchase Agreements	30 days	None	None
Municipal Bonds	5 years	None	None
Local Agency Investment Funds (LAIF)	N/A	None	None
Money Market Mutual Funds	N/A	None	None

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, United States Treasury Obligations, United States Government Sponsored Agency Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Bankers' Acceptances, Money Market Mutual Funds, Investment Agreements and any other investments permitted by bond insurer. There were no limitations on the maximum amount that can be invested in one issuer, maximum percentage allowed or the maximum maturity of an investment, except for the maturity of Bankers' Acceptance and Certificates of Deposits which are limited to one year and 270 days, respectively.

D. Disclosures Relating to 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 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 (in thousands):

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	Over 60 Months	
United States Treasury Notes	\$ -	\$ -	\$ -	\$ 13,946	\$ 13,946
United States Government Sponsored Agency Securities:					
FHLMC	-	-	6,259	-	6,259
FHLB	2,049	-	1,993	-	4,042
FNMA	-	5,140	21,926	-	27,066
FFCB	-	-	3,005	-	3,005
Medium-Term Corporate Notes	6,123	1,019	-	-	7,142
Local Agency Investment Fund	10,115	-	-	-	10,115
Held by Bond Trustee:					
Money Market Mutual Funds	730	-	-	-	730
Investment Agreements	-	-	-	643	643
	<u>\$ 19,017</u>	<u>\$ 6,159</u>	<u>\$ 33,183</u>	<u>\$ 14,589</u>	<u>\$ 72,948</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

E. Disclosures Relating to 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. Presented below is the minimum rating required, at the time of purchase, by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year end for each investment type (in thousands):

Investment Type	Total as of June 30, 2012	Minimum Legal Rating (1)	Not Required to be				
			Rated	AAA	AA+	Other	Unrated
United States Treasury Notes	\$ 13,946	N/A	\$ 13,946	\$ -	\$ -	\$ -	\$ -
United States Government Sponsored							
Agency Securities:							
FHLMC	6,259	N/A	-	-	6,259	-	-
FHLB	4,042	N/A	-	-	4,042	-	-
FNMA	27,066	N/A	-	-	27,066	-	-
FFCB	3,005	N/A	-	-	3,005	-	-
Medium-Term Corporate Notes	7,142	A	-	-	-	7,142	-
Local Agency Investment Fund	10,115	N/A	-	-	-	-	10,115
Held by Bond Trustee:							
Money Market Mutual Funds	730	A	-	730	-	-	-
Investment Agreements	643	N/A	-	-	-	-	643
TOTAL	\$ 72,948		\$ 13,946	\$ 730	\$ 40,372	\$ 7,142	\$ 10,758

N/A - Not Applicable

The actual ratings for the Medium-Term Corporate Notes are as follows:

Other:

A	\$ 4,095
AA-	1,019
A-	<u>2,028</u>
	<u>\$ 7,142</u>

(1) Requirement is applicable at the time of investment purchase. All investments at June 30, 2012 were in compliance with the minimum legal rating requirement at time of purchase.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

F. Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of total City's investments (excluding held by trustees) are as follows (in thousands):

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Investment</u>
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 6,259	8.59 %
Federal Home Loan Bank	United States Government Sponsored Agency Securities	4,042	5.54 %
Federal National Mortgage Association	United States Government Sponsored Agency Securities	27,066	37.10 %

G. Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

At June 30, 2012, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

H. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

As of June 30, 2012, amounts due from/to other funds were as follows (in thousands):

Due to General Fund from:		
Other Governmental Funds	\$	221
Due to Other Governmental Funds from:		
General Fund		<u>32</u>
	\$	<u>253</u>

The amounts loaned by the General Fund to the Other Governmental Funds were to provide short-term loans to fund operations of the various funds.

Interfund transfers at June 30, 2012 consisted of the following (in thousands):

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,129
	Internal Service Funds	700
Other Governmental Funds	General Fund	1,739
	Other Governmental Funds	607

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund Transfers (in thousands) (Continued):

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Water Enterprise Fund	General Fund	\$ 1,285
	Other Governmental Funds	169
Golf Enterprise Fund	General Fund	348
Transit Enterprise Fund	Other Governmental Funds	<u>817</u>
		<u>\$ 6,794</u>

The General Fund transferred \$1,129,000 to Other Governmental Funds to provide for capital expenditures to subsidize the Learning Center's operations and \$700,000 to the Equipment Internal Service Fund to provide for new equipment purchases.

The Water and Golf Enterprise Funds transferred \$1,285,000 and \$348,000 to the General Fund, respectively, to reimburse the General Fund for certain program, administrative and overhead expenditures. The Water Enterprise Fund and the Transit Enterprise Fund transferred \$169,000 and \$817,000, respectively, to Other Governmental Funds to provide funding for capital expenditures.

Other Governmental Funds transferred \$607,000 to the Other Governmental Funds for various street related programs expenditures and \$1,739,000 to the General Fund to provide for infrastructure and street maintenance reimbursement.

NOTE 5 - ADVANCES RECEIVABLE FROM SUCCESSOR AGENCY

As of June 30, 2012, amounts advanced to the Successor Agency were as follows (in thousands):

Advances from General Fund	\$ 8,897
Advances from Employee Benefits	
Internal Service Fund	<u>2,650</u>
	<u>\$ 11,547</u>

The advances from the General Fund and Employee Benefit Internal Service Fund to the Successor Agency are to provide for operations of the Successor Agency. The collectability of the balance is subject to the approval of the Department of Finance. See Note 18 for additional information.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 6 - LAND HELD FOR RESALE

As of June 30, 2012, the Housing Authority has properties for redevelopment purposes for resale to developers at a capitalized cost of \$3,598,000.

NOTE 7 - LOANS RECEIVABLE

The City has provided deferred-payment rehabilitation loans to qualifying low-income households in connection with the CDBG, Home Investment Partnership housing rehabilitation programs. Due to the long-term nature of the loans, the City has recorded deferred revenue as an offset to loans receivable which totaled \$8,870,000 at June 30, 2012.

NOTE 8 - DEFERRED COMPENSATION PLAN

The City has adopted a deferred compensation plan in accordance with Internal Revenue Code 457 for its eligible employees wherein they may execute an individual agreement with the City for amounts earned by them to be paid at a future date when certain circumstances are met. These circumstances are termination by reason of death, disability, resignation or retirement, or unforeseeable emergency.

The plan permits all city employees to defer a portion of their salaries until future years. Amounts accumulated under the plan have been invested by third party operators at the direction of the employee.

Pursuant to changes in August 1996 of IRC Section 457, the City formally established a trust in which it placed the 457 Plan assets and income. The assets, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of all participants and their beneficiaries. These assets are not the property of the City, and as such are not subject to the claims of the City's general creditors. As a result, these 457 plan assets are not reported in the City's comprehensive annual financial report.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 9 - CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2012 is as follows (in thousands):

	Balances at June 30, 2011 (as Restated Note 20)	Additions	Deletions	Balances at June 30, 2012
Capital assets, not being depreciated:				
Land and improvements	\$ 20,608	\$ 16	\$ -	\$ 20,624
Projects in progress	<u>12,899</u>	<u>9,268</u>	<u>(4,204)</u>	<u>17,963</u>
Total capital assets, not being depreciated	<u>33,507</u>	<u>9,284</u>	<u>(4,204)</u>	<u>38,587</u>
Capital assets, being depreciated:				
Buildings	37,304	-	-	37,304
Land improvements	18,855	-	-	18,855
Equipment	23,870	536	(89)	24,317
Furniture and fixtures	299	-	-	299
Infrastructure	<u>270,553</u>	<u>4,204</u>	<u>-</u>	<u>274,757</u>
Total capital assets, being depreciated	<u>350,881</u>	<u>4,740</u>	<u>(89)</u>	<u>355,532</u>
Less accumulated depreciation for:				
Buildings	(14,992)	(746)	-	(15,738)
Land improvements	(6,583)	(574)	-	(7,157)
Equipment	(17,169)	(1,728)	-	(18,897)
Furniture and fixtures	(134)	(41)	-	(175)
Infrastructure	<u>(141,437)</u>	<u>(5,641)</u>	<u>-</u>	<u>(147,078)</u>
Total accumulated depreciation	<u>(180,315)</u>	<u>(8,730)</u>	<u>-</u>	<u>(189,045)</u>
Total capital assets being depreciated, net	<u>170,566</u>	<u>(3,990)</u>	<u>(89)</u>	<u>166,487</u>
Governmental activities capital assets, net	<u>\$ 204,073</u>	<u>\$ 5,294</u>	<u>\$ (4,293)</u>	<u>\$ 205,074</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 9 - CAPITAL ASSETS (CONTINUED)

Governmental Activities depreciation expense, excluding infrastructure, was charged to functions/programs of the primary government as follows (in thousands):

General Government	\$ 435
Public Safety	200
Public Works	41
Community Services	686
Internal Service Funds depreciation charges to program	1,728
Allocated depreciation	<u>3,090</u>
Unallocated infrastructure depreciation	<u>5,640</u>
Total depreciation expense -governmental activities	<u><u>\$ 8,730</u></u>

A summary of changes in the Business-type Activities capital assets at June 30, 2012 is as follows (in thousands):

	WATER FUND			
	<u>Balances at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2012</u>
Capital assets, not being depreciated:				
Land	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,272</u>
Capital assets, being depreciated:				
Buildings and improvements	217	-	-	217
Furniture and fixtures	324	-	-	324
Machinery and equipment	323	-	-	323
Water supply and distribution system	<u>28,953</u>	<u>217</u>	<u>-</u>	<u>29,170</u>
Total capital assets being depreciated	<u>29,817</u>	<u>217</u>	<u>-</u>	<u>30,034</u>
Less accumulated depreciation for:				
Buildings and improvements	(206)	(3)	-	(209)
Furniture and fixtures	(214)	(11)	-	(225)
Machinery and equipment	(274)	(21)	-	(295)
Water supply and distribution system	<u>(15,573)</u>	<u>(549)</u>	<u>-</u>	<u>(16,122)</u>
Total accumulated depreciation	<u>(16,267)</u>	<u>(584)</u>	<u>-</u>	<u>(16,851)</u>
Total capital assets being depreciated, net	<u>13,550</u>	<u>(367)</u>	<u>-</u>	<u>13,183</u>
Water Fund capital assets, net	<u><u>\$ 21,822</u></u>	<u><u>\$ (367)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 21,455</u></u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 9 - CAPITAL ASSETS (CONTINUED)

A summary of changes in the Business-type Activities capital assets at June 30, 2012 is as follows (in thousands) (Continued):

	GOLF FUND			
	<u>Balances at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2012</u>
Capital assets, being depreciated:				
Land improvements	\$ 10,743	\$ -	\$ -	\$ 10,743
Buildings and improvements	8,217	-	-	8,217
Machinery and equipment	<u>565</u>	<u>103</u>	<u>(106)</u>	<u>562</u>
Total capital assets being depreciated	<u>19,525</u>	<u>103</u>	<u>(106)</u>	<u>19,522</u>
Less accumulated depreciation for:				
Land improvements	(1,572)	(18)	-	(1,590)
Buildings and improvements	(1,978)	(302)	-	(2,280)
Machinery and equipment	<u>(329)</u>	<u>(86)</u>	<u>86</u>	<u>(329)</u>
Total accumulated depreciation	<u>(3,879)</u>	<u>(406)</u>	<u>86</u>	<u>(4,199)</u>
 Golf Fund capital assets, net	 <u>\$ 15,646</u>	 <u>\$ (303)</u>	 <u>\$ (20)</u>	 <u>\$ 15,323</u>
	TRANSIT FUND			
	<u>Balances at June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2012</u>
Capital assets, not being depreciated:				
Land	\$ 2,164	\$ -	\$ -	\$ 2,164
Capital assets, being depreciated:				
Land improvements	277	-	-	277
Buildings and improvements	2,973	-	-	2,973
Machinery and equipment	<u>965</u>	<u>3</u>	<u>-</u>	<u>968</u>
Total capital assets being depreciated	<u>4,215</u>	<u>3</u>	<u>-</u>	<u>4,218</u>
Less accumulated depreciation for:				
Land improvements	(262)	(1)	-	(263)
Buildings and improvements	(579)	(51)	-	(630)
Machinery and equipment	<u>(558)</u>	<u>(161)</u>	<u>-</u>	<u>(719)</u>
Total accumulated depreciation	<u>(1,399)</u>	<u>(213)</u>	<u>-</u>	<u>(1,612)</u>
Total capital assets, being depreciated	<u>2,816</u>	<u>(210)</u>	<u>-</u>	<u>2,606</u>
 Transit Fund capital assets, net	 <u>\$ 4,980</u>	 <u>\$ (210)</u>	 <u>\$ -</u>	 <u>\$ 4,770</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES

Noted below is a summary of changes in long-term liabilities for the year ended June 30, 2012 (in thousands):

	Balance June 30, 2011	Additions	Reductions	Transfers (a)	Balance June 30, 2012	Amount Due Within One Year
Governmental Activities:						
Bonds payable	\$ 27,350	\$ -	\$ (495)	\$ (7,165)	\$ 19,690	\$ 280
Less deferred charges:						
Bond discounts	(164)	-	9	-	(155)	-
Total bonds payable	27,186	-	(486)	(7,165)	19,535	280
Capital lease payable	1,199	-	(167)	-	1,032	174
Advances from County	17,338	1,547	-	(18,885)	-	-
Loans from Federal						
Government	10,805	1,349	(250)	-	11,904	250
Compensated absences	14,301	-	(114)	-	14,187	4,234
Claims payable	9,100	1,359	-	-	10,459	4,733
Total governmental activities long-term liabilities	\$ 79,929	\$ 4,255	\$ (1,017)	\$ (26,050)	\$ 57,117	\$ 9,671
Business-type Activities:						
Compensated absences	\$ 698	\$ 38	\$ -	\$ -	\$ 736	\$ 214
Golf Course Certificates of Participation	7,830	-	(340)	-	7,490	350
Add (less) deferred items:						
Bond premium	11	-	(1)	-	10	-
Loss on refunding	(112)	-	13	-	(99)	-
Total business-type activities long-term liabilities	\$ 8,427	\$ 38	\$ (328)	\$ -	\$ 8,137	\$ 564

(a) The transfers relate to the transfer of long-term liabilities to the successor agency from the former the redevelopment agency. See Notes 18 and 19 for additional information.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities

Bonds Payable

2005 Pension Obligation Bonds

In June 2005, the City issued \$20,635,000 taxable pension obligation bonds. Bond proceeds were used to satisfy a portion of the City's requirement to amortize the unfunded actuarial accrued liability with respect to retirement benefits accruing to members of the City. The par amount of the bonds comprised of \$1,955,000 serial bonds and \$18,680,000 term bonds. Principal on serial bonds mature in amounts from \$90,000 to \$395,000, the interest at 4.030% to 4.775% through June 1, 2015. Principal on the term bonds mature on June 1, 2020, 2025 and 2034, the interest rate at 4.885% to 5.083%. The term bonds are subject to optional redemption prior to their maturity at the option of the City, in whole or in part on any date, at the redemption price equal to the lesser of (a) 100% of the principal amount on the term bonds to be redeemed; or (b) the sum of the present value of the remaining scheduled payments of the principal and interest to be redeemed.

The future debt service requirements on these bonds are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 280,000	\$ 987,949	\$ 1,267,949
2014	335,000	974,957	1,309,957
2015	395,000	959,045	1,354,045
2016	460,000	940,184	1,400,184
2017	530,000	917,713	1,447,713
2018 - 2022	3,845,000	4,125,103	7,970,103
2023 - 2027	4,645,000	3,009,056	7,654,056
2028 - 2032	5,975,000	1,785,404	7,760,404
2033 - 2034	<u>3,225,000</u>	<u>249,320</u>	<u>3,474,320</u>
	19,690,000	13,948,731	33,638,731
Less deferred charges on refunding	<u>(155,000)</u>	<u>-</u>	<u>(155,000)</u>
Total	<u>\$ 19,535,000</u>	<u>\$ 13,948,731</u>	<u>\$ 33,483,731</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Capital Lease Payable

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 1,956,931
Less: accumulated depreciation	<u>(295,613)</u>
	<u>\$ 1,661,318</u>

The future minimum lease obligations and the net present value of these minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2013	\$ 218,885
2014	218,885
2015	130,561
2016	130,561
2017	130,561
2018 - 2020	<u>391,683</u>
Total minimum lease payments	1,221,136
Less: amounts representing interest	<u>(188,678)</u>
Present value of minimum lease payments	<u>\$ 1,032,458</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Loans from Federal Government

In 2004, the City received a Section 108 Loan from the United States Department of Housing and Urban Development. The payment schedule as of June 30, 2012 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 250,000	\$ 31,875	\$ 281,875
2014	250,000	19,325	269,325
2015	<u>250,000</u>	<u>6,488</u>	<u>256,488</u>
Total	<u>\$ 750,000</u>	<u>\$ 57,688</u>	<u>\$ 807,688</u>

In 2011, the City received a Section 108 Loan from the United States Department of Housing and Urban Development. The payment schedule as of June 30, 2012 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 18,768	\$ 18,768
2014	-	18,768	18,768
2015	-	18,768	18,768
2016	81,000	18,768	99,768
2017	81,000	18,274	99,274
2018-2022	405,000	70,101	475,101
2023-2025	<u>243,000</u>	<u>17,937</u>	<u>260,937</u>
Total	<u>\$ 810,000</u>	<u>\$ 181,384</u>	<u>\$ 991,384</u>

In addition, on April 21, 2000, the City purchased 67 acres of land from the federal government for which the City must pay \$14,897,223 on April 21, 2019. The City has recorded this transaction as a loan valued at \$10,344,000 as of June 30, 2012.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Compensated Absences

For the fiscal year ended June 30, 2012, compensated absences are as follows (in thousands):

	<u>Total</u>
Vacation	\$ 3,645
Sick Leave	9,499
Compensatory Time	<u>1,779</u>
Total	<u>\$ 14,923</u>
Amount reported in governmental activities	\$ 14,187
Amount reported in business-type activities	<u>736</u>
	<u>\$ 14,923</u>

The compensated absences are predominantly associated with the General fund.

Claims Payable (Self-Insurance)

The City has three types of claims it has to manage and account for. The City is a member of Independent Cities Risk Management Authority (ICRMA), an Authority that provides liability insurance for several California Cities, and employs independent claims administrators to accomplish this task. The three types of claims are workers' compensation, employee health benefits and general liability. The self-insured retention and limits of insurance coverage (each occurrence or per employee, per year) for the respective claims are as follows:

	<u>Self-Insured Retention</u>	<u>Limit of Insurance Coverage</u>
Workers' Compensation	\$ 750,000	\$ 50,000,000
Employee Health Benefits	85,000	1,000,000
General Liability	2,000,000	20,000,000

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Claims Payable (Self-Insurance) (Continued)

Changes in the workers' compensation, employee health benefits, and general liability outstanding claims liability for the fiscal years ended June 30, 2011 and 2012 were as follows:

	Claims Payable Balance <u>June 30, 2010</u>	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance <u>June 30, 2011</u>
Workers' Compensation	\$ 4,563,000	\$ 2,198,000	\$ 1,301,000	\$ 5,460,000
Employee Health Benefits	1,029,000	4,410,000	4,351,000	1,088,000
General Liability	2,292,000	528,000	268,000	2,552,000

	Claims Payable Balance <u>June 30, 2011</u>	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance <u>June 30, 2012</u>
Workers' Compensation	\$ 5,460,000	\$ 2,283,000	\$ 1,863,000	\$ 5,880,000
Employee Health Benefits	1,088,000	4,646,000	4,587,000	1,147,000
General Liability	2,552,000	1,027,000	147,000	3,432,000

The amounts payable include Incurred But Not Reported (IBNR) claims. Payments are typically paid from General Fund and Employee Benefits Internal Service Fund. The various amounts are based on information provided by the City's claims administrators.

At June 30, 2012, in the opinion of the City Attorney, the City had no other material claims which would require loss provision in the financial statements.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities

2002 Golf Course Certificates of Participation

The 2002 Certificates of Participation, consisting of \$7,045,000 serial certificates and \$2,865,000 of term certificates, were issued by the City of Downey Public Facilities Financing Corporation. The proceeds were used to refund in advance the 1970 and 1993 bond issues and for improvements to the facilities. The serial certificates are payable in annual installments ranging from \$270,000 to \$495,000 through August 1, 2022. The term certificates are due on August 1, 2027. Serial certificates maturing on or after August 1, 2012 are subject to call for prepayment prior to their respective stated maturities, at the option of the Corporation, at prices ranging from 100% to 102% of the principal amount of the certificates. Interest is payable semiannually on February 1 and August 1, with rates ranging from 3.0% to 5.02%. At June 30, 2012, bonds outstanding were \$7,490,000.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$197,756. This difference, reported in the accompanying financial statements as a reduction from bonds payable, is being charged to interest expense through the year 2020. The City completed the advance refunding to obtain an economic gain (difference between the present value of the old and new debt service payments) of approximately \$176,000. The advance refunding increased the City's debt service by approximately \$1,031,000.

Future debt service requirements on these certificates are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 350,000	\$ 349,035	\$ 699,035
2014	365,000	334,553	699,553
2015	380,000	318,995	698,995
2016	395,000	302,230	697,230
2017	415,000	284,203	699,203
2018-2022	2,225,000	1,114,798	3,339,798
2023-2027	2,730,000	511,750	3,241,750
2028	<u>630,000</u>	<u>15,750</u>	<u>645,750</u>
Subtotal	7,490,000	3,231,314	10,721,314
Add (less) deferred amounts:			
Bond premium	10,307	-	10,307
Loss on refunding	<u>(100,377)</u>	<u>-</u>	<u>(100,377)</u>
Total	<u>\$ 7,399,930</u>	<u>\$ 3,231,314</u>	<u>\$ 10,631,244</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 11 - UNEARNED/DEFERRED REVENUE

Deferred revenue consists of \$8,870,000 in deferred loan payments from participants in the City's housing program (see Note 7) and \$1,776,000 in other long-term receivables.

NOTE 12 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The fund balances reported on the fund statements consist of the following categories:

Nonspendable Fund Balance - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This classification includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned Fund Balance - This classification includes amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned Fund Balance - This classification includes the residual balance for the government's general fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 12 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS (CONTINUED)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the City's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

The City's governmental fund balances at June 30, 2012 are tabulated (in thousands) below.

	General Fund	Housing Authority Special Revenue Fund	HOME Special Revenue Fund	Other Governmental Funds	Totals
Nonspendable:					
Land held for resale	\$ -	\$ 3,598	\$ -	\$ -	\$ 3,598
Long-term receivables	8,897	938	-	-	9,835
Inventory	-	-	-	34	34
Restricted for:					
Debt service	4,867	-	-	-	4,867
Low and moderate income housing	-	29	64	504	597
Special revenue purposes	-	-	-	3,782	3,782
Assigned:					
Special revenue purposes	-	-	-	2,339	2,339
Capital projects	-	-	-	3,887	3,887
Unassigned	<u>6,123</u>	<u>-</u>	<u>-</u>	<u>(45)</u>	<u>6,078</u>
	<u>\$ 19,887</u>	<u>\$ 4,565</u>	<u>\$ 64</u>	<u>\$ 10,501</u>	<u>\$ 35,017</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 13 - CITY EMPLOYEE RETIREMENT PLAN

Plan Description

The City of Downey contributes to the State of California Public Employees Retirement System (PERS), which is 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 agency for most of the public agencies in 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 - 400 P Street Sacramento, CA 95814, or downloaded from the website at www.calpers.ca.gov.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The contribution rates for the year ended June 30, 2012 were 17.368% for non-safety employees and 26.725% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Costs

The City's annual pension cost and net pension asset for the current year were as follows (in thousands):

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 3,197	\$ 6,050	\$ 9,247
Interest on net pension asset	(151)	(508)	(659)
Adjustment to annual required contribution	<u>299</u>	<u>1,004</u>	<u>1,303</u>
Annual pension cost	3,345	6,546	9,891
Contributions made	<u>(3,197)</u>	<u>(6,050)</u>	<u>(9,247)</u>
Decrease in net pension asset	148	496	644
Net pension asset - beginning of year	<u>(4,039)</u>	<u>(13,545)</u>	<u>(17,584)</u>
Net pension asset - end of year	<u>\$ (3,891)</u>	<u>\$ (13,049)</u>	<u>\$ (16,940)</u>

The net pension asset is reported as part of prepaid expenses in the Statement of Net Assets.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 13 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Annual Pension Costs (Continued)

The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of 7.75% a year (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members and 3.55% to 13.15% for safety members, (c) inflation of 3.00%, (d) payroll growth of 3.25% and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%. 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 (smoothed market value). The Plans' initial unfunded liabilities are amortized over a closed period that depends on the Plans' date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the Plans' accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The remaining amortization period was 24 years and 29 years for the Miscellaneous Plan and Safety Plan, respectively.

Three –Year Trend Information for PERS (\$ amounts in thousands) - Miscellaneous

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 2,018	94%	\$ (4,171)
June 30, 2011	2,355	94%	(4,039)
June 30, 2012	3,345	96%	(3,891)

Three –Year Trend Information for PERS (\$ amounts in thousands) - Safety

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$ 4,225	91%	\$ (13,987)
June 30, 2011	4,789	91%	(13,545)
June 30, 2012	6,546	92%	(13,049)

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 13 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the miscellaneous and safety plans were 83.6% and 84.0% funded, respectively. The actuarial accrued liability for benefits were \$144,892,087 and \$281,587,432, respectively and the actuarial value of assets were \$121,080,491 and \$236,609,577, respectively, resulting in unfunded actuarial accrued liabilities (UAAL) of \$23,811,596 and \$44,977,855, respectively. The covered payrolls (annual payroll of active employees covered by the plan) were \$16,285,693 and \$21,430,329, respectively, and the ratios of the UAAL to the covered payrolls were 146.2% and 209.9%, respectively.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In connection with the retirement benefits for employees described in Note 13, the City provides post-retirement medical benefits to retirees. The Plan is a single employer plan. These benefits are available to employees who retire with the City with at least 10 years of service or those who satisfy certain disability requirements. The retiree is entitled to participate in the City sponsored medical plan and the City contributes up to \$98.00 (\$270 for sworn police and fire employees) per month toward the premium for employee only coverage under the City sponsored medical plans. A surviving spouse may continue coverage after the retiree's death, but does so entirely at his or her own expense or receives medical reimbursement payment on a quarterly basis for the cost of alternate medical insurance up to the amount of the retiree medical annuity in effect. The Plan does not issue a publicly available financial report.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2012, the City elected to fund 100% of the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2011-12 was \$1,622,516.

Annual Other Postemployment Benefit (OPEB) Cost

The required contribution for the fiscal year 2012 was determined as part of the July 1, 2010, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increase of 3.25%, and (c) medical plan premium cost will increase at a rate ranging from 5% to 9.5%. The City's unfunded actuarial accrued liability will be amortized as a level percentage of pay over closed period of 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets consistent with the long-term perspective of the calculations.

Three-Year Trend Information

For fiscal year 2012, the City's annual OPEB cost (expense) of \$1,622,516 was equal to the ARC.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/10	\$ 2,117,021	78.00 %	\$ -
6/30/11	1,609,657	100.00 %	-
6/30/12	1,622,516	100.00 %	-

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funded Status and Funding Progress

As of July 1, 2010, the most current actuarial valuation date, the actuarial accrued liability for benefits was \$16.90 million and the actuarial value of assets was \$2.90 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$14.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$29.77 million and the ratio of the UAAL to the covered payroll was 47.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 15 - JOINT VENTURES

The City is a participant in three joint ventures. The joint ventures are not considered part of the reporting entity, as the City does not exercise primary oversight responsibilities for their operations. Each participating agency in these joint ventures has proportionate control over management, budgets, and financial decisions.

Southeast Area Animal Control Authority. This joint venture provides animal control services to nine cities in the southeast Los Angeles County area. The Authority is governed by a nine-member board with one representative from each member city. Each member is obligated to contribute annually. The Authority is not currently experiencing financial stress on accumulating significant resources. The City has no equity interest in the Authority and does not receive a share of operating results. Separate audited financial statements for the Authority may be obtained at 9777 Seaaca Street, Downey, CA 90241.

Joint Fire Dispatching Center. In this joint venture, the City operates as a cooperative program with the cities of Santa Fe Springs and Compton. The City receives all calls for fire emergency services and dispatches fire units for the four-city area. The program is financed with contributions from each city per a Joint Powers Agreement. Pro-rata expenditures and revenues are reported as part of the Fire Department. Separate audited financial statements are not prepared for the joint venture.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 15 - JOINT VENTURES (CONTINUED)

Gateway Authority (Gateway Region IRWM Joint Powers Authority). This joint venture was formed through a directive of COG (Gateway Cities Council of Governments) in 2007 and was designated by the State of California as an Integrated Regional Water Management Group. This coalition is currently comprised of 19 cities and government entities and is responsible for the regional water planning needs in the Gateway Cities Region. The Gateway Authority is governed by the member cities and agencies and financed with contributions from each city per a Joint Powers Agreement. The City through January 31, 2012, was the lead agency. The City of Signal Hill took over as lead agency effective February 1, 2012.

NOTE 16 - MORTGAGE REVENUE BONDS

On October 1, 1983, the City of Downey issued, in conjunction with Kern County, Residential Mortgage Revenue Bonds, 1983, Series A, to provide funds in the amount of \$4,709,125 to purchase mortgage loans to be secured by single-family condominium units in the City. The bonds are special obligations of the County of Kern – City of Downey Housing Finance Agency.

On March 13, 1985, the City of Downey issued, in conjunction with the cities of Covina, Rancho Cucamonga, and Calexico, Residential Mortgage Revenue Bonds, 1985, Series A, to provide funds in the amount of \$1,937,040 to purchase loans to be secured by single-family condominium units in the City. The bonds are special obligations of the Covina-Rancho Cucamonga-Calexico-Downey Housing Finance Agency. Seattle First National Bank serves as trustee.

On May 15, 1985, the City of Downey issued, in conjunction with the cities of El Monte and San Jacinto, Single-Family Residential Mortgage Revenue Bonds, Issue of 1985, to provide funds in the amount of \$1,950,000 to purchase loans to be secured by single-family condominium units in the City. The bonds are special obligations of the El Monte-Downey-San Jacinto Housing Finance Agency. Seattle First National Bank serves as trustee.

On August 8, 2001, the City of Downey issued, in conjunction with the California Statewide Communities Development Authority, Multi-Family Housing Revenue Bonds, Series S and S-T, to provide funds in the amount of \$3,300,000 to purchase loans to be secured by multifamily apartment complex in the City. The bonds are limited obligations of the California Statewide Communities Development Authority payable solely from the revenues from the multifamily apartment complex. U.S. Bank Trust National serves as trustee.

The above debt issues are special obligations of the respective Housing Finance Agencies and are payable solely from payments made on mortgage loans and are secured by a pledge of such mortgage loans. Neither the faith and credit nor the taxing power of the City of Downey have been pledged to the payment of the bonds. Accordingly, these debts are not reported as liabilities in the accompanying financial statements.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 17 - OTHER REQUIRED DISCLOSURES

Expenditures in Excess of Appropriations

The following departments/funds reported expenditures in excess of appropriations (in thousands):

Major Fund:

General Fund:

General Government:

Legislation \$ 38

Finance 170

Public Safety:

Fire 382

Community Development 1,513

Debt Service:

Interest and fiscal charges 539

Other Governmental Funds - Other Special Revenue Funds:

Street Lighting- Community Development 216

Air Quality - Public Works 1

Grants:

Public Safety 44

Community Services 232

Community Development Block Grant (CDBG):

Community Development 146

Deficit Fund Balance

The following fund reported a deficit fund balance at June 30, 2012 (in thousands):

Other Governmental Funds - Other Special Revenue Fund:

Grants \$ 11

The deficit will be eliminated through the receipt of future grant revenues.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

**NOTE 18 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA
REDEVELOPMENT AGENCIES**

On June 29, 2011, Assembly Bills 1x 26 (the “Dissolution Act”) and 1x 27 were enacted as part of the fiscal year 2011-12 state budget package. The Dissolution Act required each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for impending dissolution. Assembly Bill 1x 27 provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn the Dissolution Act and Assembly Bill 1x 27 on the grounds that these bills violate the California Constitution.

On December 29, 2011, the California Supreme Court upheld the Dissolution Act and struck down Assembly Bill 1x 27.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a “Dissolved RDA”) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 10, 2012, the City elected to serve as the Successor Agency of the Community Development Commission of City of Downey.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

See independent auditors’ report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

**NOTE 18 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA
REDEVELOPMENT AGENCIES (CONTINUED)**

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Downey Housing Authority elected on January 10, 2012 to serve as the Housing Successor Agency.

Prior to February 1, 2012, the final seven months of activity of the Dissolved RDA are reported in the governmental funds of the City. After the date of dissolution, the housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The transfer of the assets and liabilities of the Dissolved RDA as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing Fund, which were transferred to the Downey Housing Authority) (effectively the same date as January 31, 2012) from the governmental funds of the City to the fiduciary fund was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was also reported in the fiduciary fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the fiduciary private-purpose trust fund (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

**NOTE 18 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA
REDEVELOPMENT AGENCIES (CONTINUED)**

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows (in thousands):

Total extraordinary gain reported in governmental funds - decrease to net assets of the Successor Agency Trust Fund	\$ (4,233)
Accrued interest receivable reported in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund	241
Long-term debt reported in the government-wide financial statements - decrease to the net assets of the Successor Agency Trust Fund	<u>(26,050)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u>\$ (30,042)</u>

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months. The Successor Agency received \$1,134,989 from the County Auditor-Controller on June 5, 2012 for the ROPS for the period July 1, 2012 to December 31, 2012.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

**NOTE 18 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA
REDEVELOPMENT AGENCIES (CONTINUED)**

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

The low and moderate income housing fund of the former redevelopment agency transferred loans in the amount of \$3,454,101 and real property in the amount of \$3,598,000 to Downey Housing Authority as the Housing Successor Agency on February 1, 2012 as authorized by Health and Safety Code Section 34176(a)(2).

The former redevelopment agency made principal and interest payments totaling \$3,438,662 on advances from the City of Downey for the period January 1, 2011 to June 30, 2012. These payments may have to be paid back by the City if the California Department of Finance determines that the repayments on these advances were on loans not made within the first two years of the formation of the former redevelopment agency.

Advances from City of Downey

AB 1484 specifies the actions to be taken and the method of repayment for advances by the Successor Agency to the various funds of the City. Upon application and approval by the successor agency and approval by the oversight board, loan agreements (advances) entered into by former redevelopment agency and the city shall be deemed to be enforceable obligations provided that the oversight board makes a finding that the advances were for legitimate redevelopment purposes. The accumulated interest on the remaining amount of advances will be recalculated from origination at the interest rate earned by funds deposited into the Local Agency Investment Fund. The advances are to be repaid with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by the funds deposited into the Local Agency Investment Fund. The annual advances repayments are subject to certain limitations. Advance repayments shall not be prior to the 2013-2014 fiscal year, are subject to a formula distribution, and have a lower priority for repayment as described in AB 1484 (Health and Safety Code Section 34191.4(2)(A)). The advances related to the borrowing for the SERAF payment have a priority over repayment of the other advances. 20% of the repayment of the other advances not related to the SERAF advances shall be deducted and transferred to the Low and Moderate Income Housing Fund (Housing Authority). Management of the City has not recorded an allowance for uncollectible advances as all the advances are expected to be repaid.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 18 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED)

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

NOTE 19 - SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former redevelopment agency were transferred to the Successor Agency to the Community Development Commission of the City of Downey on February 1, 2012 as a result of the dissolution of the former redevelopment agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows.

LONG-TERM LIABILITIES

Long-term liability activity for the period from February 1, 2012 through June 30, 2012 (in thousands) was as follows:

	Balance June 30, 2011	Transfers (a) February 1, 2012	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Bond payable	\$ -	\$ 7,165	\$ -	\$ -	\$ 7,165	\$ 275
Advances from County	-	18,885	526	-	19,411	-
Total long-term liabilities	\$ -	\$ 26,050	\$ 526	\$ -	\$ 26,576	\$ 275

(a) The transfers relate to the transfer of long-term liabilities from the former redevelopment agency. The Successor Agency of the Community Development Commission of the City of Downey has assumed these liabilities as a result of the dissolution of the former redevelopment agency. See Note 18 for additional information.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 19 - SUCCESSOR AGENCY DISCLOSURES (CONTINUED)

LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable

1997 Tax Allocation Bonds Payable

In 1997 the Community Development Commission issued \$9,925,000 in Tax Allocation Bonds, partially to advance refund the existing 1990 Tax Allocation bond issue, which had a balance outstanding of \$4,470,000, and to repay the City for advances of \$3,970,508 plus interest. The bonds have an average interest rate of 5.1%. U.S. Bank serves as trustee for payment of principal and interest. The balance outstanding at June 30, 2012 is \$7,165,000.

The future debt service requirements on these bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 275,000	\$ 359,987	\$ 634,987
2014	290,000	345,681	635,681
2015	305,000	330,435	635,435
2016	320,000	314,420	634,420
2017	335,000	297,634	632,634
2018 - 2022	1,950,000	1,205,656	3,155,656
2023 - 2027	2,500,000	638,064	3,138,064
2028 - 2029	<u>1,190,000</u>	<u>61,755</u>	<u>1,251,755</u>
Total	<u>\$ 7,165,000</u>	<u>\$ 3,553,632</u>	<u>\$ 10,718,632</u>

Advances from County

As part of the City's redevelopment program, the City and County of Los Angeles have entered into a tax increment pass-through deferral agreement. This agreement specifies that the City will defer the payment of all current tax increment pass-through due to the County, until some future date, when certain conditions are met. Until that time, the County will charge 7% interest on the outstanding deferral amount. During the year pass-through agreement amounts owed to the County totaling \$812,000 were deferred. Interest of \$1,261,000 was also accrued during the year on the outstanding deferral amount still owing. The amount owed the County, including accrued interest, at June 30, 2012 was \$19,411,000.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2012

NOTE 20 - RESTATEMENT OF BEGINNING NET ASSETS AND FUND BALANCES

The net assets reported in the government-wide financial statements as of July 1, 2011 were restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net assets as previously reported - July 1, 2011	\$ 234,557	\$ 41,827
To reverse sale of land by Redevelopment Agency to the City	458	-
To increase balance of payables	<u>-</u>	<u>(1,064)</u>
Net assets as restated - July 1, 2011	<u>\$ 235,015</u>	<u>\$ 40,763</u>

The fund balances/net assets reported in the fund financial statements as of July 1, 2011 were restated as follows:

	<u>Other Governmental Funds</u>				<u>Proprietary Fund</u>
	General Fund	Firestone Debt Service Fund	Woodruff Industrial Project Redevelopment Debt Service Fund	Firestone Redevelopment Capital Projects Fund	Water Enterprise Fund
Fund balances (deficits)/net assets as previously reported - July 1, 2011	\$ 20,827	\$ (5,554)	\$ (1,519)	\$ 328	\$ 23,703
To reverse sale of land by Redevelopment Agency to the City	2,400	(2,200)	(200)	2,858	-
To increase balance of payables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,064)</u>
Fund balances (deficits)/net assets as restated - July 1, 2011	<u>\$ 23,227</u>	<u>\$ (7,754)</u>	<u>\$ (1,719)</u>	<u>\$ 3,186</u>	<u>\$ 22,639</u>

See independent auditors' report.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOWNEY

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2012

**CITY EMPLOYEE RETIREMENT PLAN
MISCELLANEOUS PLAN**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
06/30/09	\$ 131,017,182	\$ 111,905,234	\$ 19,111,948	85.41%	\$ 17,361,583	110.08%
06/30/10	136,593,097	116,015,449	20,577,648	84.94%	17,140,908	120.05%
06/30/11	144,892,087	121,080,491	23,811,596	83.57%	16,285,693	146.21%

**CITY EMPLOYEE RETIREMENT PLAN
SAFETY PLAN**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
06/30/09	\$ 252,532,361	\$ 219,370,271	\$ 33,162,090	86.87%	\$ 21,348,540	155.34%
06/30/10	266,382,907	226,906,534	39,476,373	85.18%	21,389,693	184.56%
06/30/11	281,587,432	236,609,577	44,977,855	84.03%	21,430,329	209.88%

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Actuarial Valuation Date	Actuarial Asset Value (a)	Entry Age Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll [(b)-(a)]/(c)
07/01/08	\$ -	\$ 12,070,000	\$ 12,070,000	0.00%	\$ 28,419,000	42.47%
07/01/10	2,900,721	16,896,612	13,995,891	17.17%	29,768,632	47.02%

See independent auditors' report.

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 45,305	\$ 45,305	\$ 46,225	\$ 920
Licenses and permits	1,221	1,221	1,094	(127)
Fines and forfeitures	1,868	1,868	1,507	(361)
Investment and rental	3,184	3,184	2,511	(673)
Intergovernmental revenue	2,199	2,199	2,347	148
Charges for services	5,175	5,175	7,117	1,942
Other revenue	3,227	3,227	2,885	(342)
Sale of property	-	-	124	124
TOTAL REVENUES	<u>62,179</u>	<u>62,179</u>	<u>63,810</u>	<u>1,631</u>
EXPENDITURES:				
Current:				
General government:				
Legislation	292	297	335	(38)
City attorney	189	189	172	17
City clerk	363	428	232	196
City management	821	821	737	84
Finance	3,549	4,647	4,817	(170)
Public safety:				
Police	29,721	29,721	28,844	877
Animal control	330	330	318	12
Fire	16,929	16,929	17,311	(382)
Public works	5,007	6,117	5,453	664
Community services	7,247	7,256	6,794	462
Community development	2,167	2,167	3,680	(1,513)
Debt service:				
Interest and fiscal charges	-	-	539	(539)
TOTAL EXPENDITURES	<u>66,615</u>	<u>68,902</u>	<u>69,232</u>	<u>(330)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,436)</u>	<u>(6,723)</u>	<u>(5,422)</u>	<u>1,301</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,580	2,580	3,372	792
Transfers out	(2,441)	(2,441)	(1,829)	612
Issuance of debt	-	-	539	539
TOTAL OTHER FINANCING SOURCES (USES)	<u>139</u>	<u>139</u>	<u>2,082</u>	<u>1,943</u>
NET CHANGE IN FUND BALANCE	<u>(4,297)</u>	<u>(6,584)</u>	<u>(3,340)</u>	<u>3,244</u>
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>23,227</u>	<u>23,227</u>	<u>23,227</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 18,930</u>	<u>\$ 16,643</u>	<u>\$ 19,887</u>	<u>\$ 3,244</u>

See independent auditors' report and note to required supplementary information.

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
HOME SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 327	\$ 327
TOTAL REVENUES	-	-	327	327
EXPENDITURES:				
Current:				
Community development	-	-	263	(263)
TOTAL EXPENDITURES	-	-	263	(263)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	64	64
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 64	\$ 64

See independent auditors' report and note to required supplementary information.

CITY OF DOWNEY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

NOTE 1 - BUDGETARY DATA

The City is required by its charter to adopt an annual budget on or before June 30th for the ensuing fiscal year. From the effective date of the budget, the proposed expenditures become appropriations to the various City departments. This “appropriated budget” covers substantially all City expenditures, with the exception of debt service on bonds, which expenditures constitute legally authorized “non-appropriated budget.” There are no significant non-budgeted activities, except for the Housing Authority Special Revenue Fund which did not exist at the time that the budget was adopted. The City Council passes various amendments to the budget during the year. Supplementary appropriations for the year ended June 30, 2012 increased budgeted expenditures from \$135,347,232 as adopted in the original budget, to \$136,048,896.

The City prepares its budgets on the basis of actual expenditures and, accordingly, the budget amounts included in the accompanying financial statements are presented on a basis substantially consistent with generally accepted accounting principles. The level of budgetary control is the department level, classified in accordance with Note 1D, within the fund. However, the City Manager is authorized to transfer amounts between divisions within a department without seeking City Council approval.

Encumbrance accounting is utilized during the fiscal year, whereby purchase orders, contracts and other commitments are recorded in order to control appropriations. At year end, all appropriations and encumbrances are canceled (allowed to lapse) and thus they are not included in reported expenditures. However, encumbrances at year end are reported as reservations of fund balance.

See independent auditors’ report.

This page intentionally left blank

OTHER GOVERNMENTAL FUNDS

The combining statements for Other Governmental Funds represent a consolidation of the information for specific funds contained in the Supplementary Financial Statements. These statements summarize the financial information contained in Other Special Revenue Funds, Other Debt Service Funds, Other Capital Projects Funds, Internal Service Funds and Agency Funds.

This page intentionally left blank

CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2012
(amounts expressed in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and investments	\$ 5,760	\$ -	\$ 3,919	\$ 9,679
Receivables:				
Taxes	708	-	6	714
Accounts	949	-	-	949
Interest	13	-	-	13
Loans	696	-	-	696
Inventory	34	-	-	34
Due from other governments and entities	38	-	5	43
Due from other funds	32	-	-	32
Restricted assets:				
Cash and investments	56	-	-	56
TOTAL ASSETS	<u>\$ 8,286</u>	<u>\$ -</u>	<u>\$ 3,930</u>	<u>\$ 12,216</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 755	\$ -	\$ 43	\$ 798
Due to other funds	221	-	-	221
Deferred revenue	696	-	-	696
TOTAL LIABILITIES	<u>1,672</u>	<u>-</u>	<u>43</u>	<u>1,715</u>
FUND BALANCES:				
Nonspendable	34	-	-	34
Restricted	4,286	-	-	4,286
Assigned	2,339	-	3,887	6,226
Unassigned	(45)	-	-	(45)
TOTAL FUND BALANCES	<u>6,614</u>	<u>-</u>	<u>3,887</u>	<u>10,501</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,286</u>	<u>\$ -</u>	<u>\$ 3,930</u>	<u>\$ 12,216</u>

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 12	\$ 1,548	\$ -	\$ 1,560
Investment and rental	79	(14)	63	128
Intergovernmental revenue	7,366	-	1,364	8,730
Charges for services	2,678	-	-	2,678
Other revenue	208	39	42	289
	<u>10,343</u>	<u>1,573</u>	<u>1,469</u>	<u>13,385</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Public safety	112	-	-	112
Public works	2,029	-	-	2,029
Community services	1,271	-	-	1,271
Community development	2,579	508	2,267	5,354
Capital outlay	6,665	-	1,535	8,200
Debt service:				
Principal retirement	250	260	-	510
Interest and fiscal charges	48	994	-	1,042
	<u>12,954</u>	<u>1,762</u>	<u>3,802</u>	<u>18,518</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(2,611)</u>	<u>(189)</u>	<u>(2,333)</u>	<u>(5,133)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,218	-	504	2,722
Transfers out	(2,346)	-	-	(2,346)
Issuance of debt	810	-	-	810
	<u>682</u>	<u>-</u>	<u>504</u>	<u>1,186</u>
TOTAL OTHER FINANCING SOURCES (USES)				
EXTRAORDINARY GAIN (LOSS)				
	<u>-</u>	<u>9,662</u>	<u>(9,964)</u>	<u>(302)</u>
NET CHANGE IN FUND BALANCES				
	(1,929)	9,473	(11,793)	(4,249)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED				
	<u>8,543</u>	<u>(9,473)</u>	<u>15,680</u>	<u>14,750</u>
FUND BALANCES - END OF YEAR				
	<u>\$ 6,614</u>	<u>\$ -</u>	<u>\$ 3,887</u>	<u>\$ 10,501</u>

See independent auditors' report.

OTHER SPECIAL REVENUE FUNDS

Special Revenue Funds account for taxes and other revenues set aside in accordance with law or administrative regulations for a specified purpose.

Waste Reduction Fund is used to account for funds collected pursuant to AB 939 and used to pay for recycling and other waste reduction programs.

Street Lighting Fund is used to account for the property taxes and assessments levied on real property located within the City's Street Lighting District. The revenues in this fund are used to pay for the electric and other costs associated with the street lights, traffic signals and street trees.

Gas Tax Fund is required by state law to account for gas taxes allocated by the State. The State levies various taxes on gasoline and other motor fuels, which are allocated among the State, cities and counties by formula.

Sewer and Storm Drain Fund is used to account for charges collected for the upkeep of sanitary sewers and federally required drainage upkeep programs.

CATV Public Access Fund is used to account for revenues received from the City's cable TV franchise company pursuant to the franchise agreements.

Air Quality Fund is used to account for all charges related to air quality, such as car pooling, etc.

Grants Fund is used to account for revenues received from various grants for park and other non-street capital improvements.

CDBG Fund is required by federal regulations to account for the use of grant funds received from the federal government. Other revenues in this fund are reimbursements of loans to beneficiaries of a particular housing program or the sale of real property in the furtherance of block grant programs. All such other revenue are "program income" and are considered to be federal revenues.

CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2012
(amounts expressed in thousands)

	Waste Reduction	Street Lighting	Gas Tax
ASSETS			
Cash and investments	\$ 489	\$ 775	\$ 1,562
Receivables:			
Taxes	-	44	597
Accounts	26	20	-
Interest	2	3	6
Loans	-	-	-
Inventory	-	-	-
Due from other governments and entities	-	-	-
Due from other funds	-	-	-
Restricted assets:			
Cash and investments	-	-	56
	-	-	56
TOTAL ASSETS	\$ 517	\$ 842	\$ 2,221
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 11	\$ 116	\$ 392
Due to other funds	-	-	-
Deferred revenue	-	-	-
	-	-	-
TOTAL LIABILITIES	11	116	392
FUND BALANCES (DEFICIT):			
Nonspendable	-	-	-
Restricted	506	726	1,829
Assigned	-	-	-
Unassigned	-	-	-
	-	-	-
TOTAL FUND BALANCES (DEFICIT)	506	726	1,829
TOTAL LIABILITIES AND FUND BALANCES	\$ 517	\$ 842	\$ 2,221

See independent auditors' report.

<u>Sewer and Storm Drain</u>	<u>CATV Public Access</u>	<u>Air Quality</u>	<u>Grants</u>	<u>CDBG</u>	<u>Totals</u>
\$ 2,280	\$ 57	\$ 597	\$ -	\$ -	\$ 5,760
-	-	-	67	-	708
103	-	-	-	800	949
-	-	2	-	-	13
-	-	-	-	696	696
-	-	-	34	-	34
-	-	35	3	-	38
-	-	32	-	-	32
-	-	-	-	-	56
<u>\$ 2,383</u>	<u>\$ 57</u>	<u>\$ 666</u>	<u>\$ 104</u>	<u>\$ 1,496</u>	<u>\$ 8,286</u>
\$ 44	\$ -	\$ 2	\$ 38	\$ 152	\$ 755
-	-	-	77	144	221
-	-	-	-	696	696
<u>44</u>	<u>-</u>	<u>2</u>	<u>115</u>	<u>992</u>	<u>1,672</u>
-	-	-	34	-	34
-	57	664	-	504	4,286
2,339	-	-	-	-	2,339
-	-	-	(45)	-	(45)
<u>2,339</u>	<u>57</u>	<u>664</u>	<u>(11)</u>	<u>504</u>	<u>6,614</u>
<u>\$ 2,383</u>	<u>\$ 57</u>	<u>\$ 666</u>	<u>\$ 104</u>	<u>\$ 1,496</u>	<u>\$ 8,286</u>

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER SPECIAL REVENUE FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Waste Reduction	Street Lighting	Gas Tax
REVENUES:			
Taxes	\$ -	\$ 12	\$ -
Investment and rental	10	6	12
Intergovernmental revenue	63	-	5,023
Charges for services	415	568	-
Other revenue	1	-	17
	<u>489</u>	<u>586</u>	<u>5,052</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Public safety	-	-	-
Public works	258	-	-
Community services	243	-	-
Community development	-	1,622	-
Capital outlay	-	-	6,174
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<u>501</u>	<u>1,622</u>	<u>6,174</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12)</u>	<u>(1,036)</u>	<u>(1,122)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	161	-	641
Transfers out	-	-	(1,537)
Issuance of debt	-	-	-
	<u>161</u>	<u>-</u>	<u>(896)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	149	(1,036)	(2,018)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>357</u>	<u>1,762</u>	<u>3,847</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 506</u>	<u>\$ 726</u>	<u>\$ 1,829</u>

See independent auditors' report.

Sewer and Storm Drain	CATV Public Access	Air Quality	Grants	CDBG	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12
42	-	9	-	-	79
-	-	141	314	1,825	7,366
1,515	-	-	180	-	2,678
8	-	-	79	103	208
<u>1,565</u>	<u>-</u>	<u>150</u>	<u>573</u>	<u>1,928</u>	<u>10,343</u>
-	-	-	112	-	112
1,487	-	171	113	-	2,029
-	-	-	1,025	3	1,271
-	-	-	-	957	2,579
17	-	-	-	474	6,665
-	-	-	-	250	250
-	-	-	-	48	48
<u>1,504</u>	<u>-</u>	<u>171</u>	<u>1,250</u>	<u>1,732</u>	<u>12,954</u>
<u>61</u>	<u>-</u>	<u>(21)</u>	<u>(677)</u>	<u>196</u>	<u>(2,611)</u>
719	-	-	697	-	2,218
-	-	-	-	(809)	(2,346)
-	-	-	-	810	810
<u>719</u>	<u>-</u>	<u>-</u>	<u>697</u>	<u>1</u>	<u>682</u>
780	-	(21)	20	197	(1,929)
<u>1,559</u>	<u>57</u>	<u>685</u>	<u>(31)</u>	<u>307</u>	<u>8,543</u>
<u>\$ 2,339</u>	<u>\$ 57</u>	<u>\$ 664</u>	<u>\$ (11)</u>	<u>\$ 504</u>	<u>\$ 6,614</u>

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

WASTE REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 1	\$ 1	\$ 10	\$ 9
Intergovernmental revenue	74	74	63	(11)
Charges for services	710	410	415	5
Other revenue	2	2	1	(1)
	<u>787</u>	<u>487</u>	<u>489</u>	<u>2</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Public works	325	325	258	67
Community services	269	269	243	26
	<u>594</u>	<u>594</u>	<u>501</u>	<u>93</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	193	(107)	(12)	95
OTHER FINANCING SOURCES:				
Transfers in	161	161	161	-
	<u>354</u>	<u>54</u>	<u>149</u>	<u>95</u>
NET CHANGE IN FUND BALANCE				
FUND BALANCE - BEGINNING OF YEAR	357	357	357	-
	<u>\$ 711</u>	<u>\$ 411</u>	<u>\$ 506</u>	<u>\$ 95</u>
FUND BALANCE - END OF YEAR				

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

STREET LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 344	\$ 344	\$ 12	\$ (332)
Investment and rental	25	25	6	(19)
Charges for services	1,181	1,181	568	(613)
TOTAL REVENUES	1,550	1,550	586	(964)
EXPENDITURES:				
Current:				
Community development	1,406	1,406	1,622	(216)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	144	144	(1,036)	(1,180)
FUND BALANCE - BEGINNING OF YEAR	1,762	1,762	1,762	-
FUND BALANCE - END OF YEAR	\$ 1,906	\$ 1,906	\$ 726	\$ (1,180)

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 40	\$ 40	\$ 12	\$ (28)
Intergovernmental revenue	12,900	12,900	5,023	(7,877)
Other revenue	-	-	17	17
TOTAL REVENUES	12,940	12,940	5,052	(7,888)
EXPENDITURES:				
Capital outlay	14,739	18,900	6,174	12,726
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,799)	(5,960)	(1,122)	4,838
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	641	641
Transfers out	(1,570)	(1,570)	(1,537)	33
TOTAL OTHER FINANCING SOURCES (USES)	(1,570)	(1,570)	(896)	674
NET CHANGE IN FUND BALANCE	(3,369)	(7,530)	(2,018)	5,512
FUND BALANCE - BEGINNING OF YEAR	3,847	3,847	3,847	-
FUND BALANCE - END OF YEAR	\$ 478	\$ (3,683)	\$ 1,829	\$ 5,512

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

SEWER AND STORM DRAIN SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 10	\$ 10	\$ 42	\$ 32
Charges for services	1,780	1,790	1,515	(275)
Other revenue	-	-	8	8
TOTAL REVENUES	<u>1,790</u>	<u>1,800</u>	<u>1,565</u>	<u>(235)</u>
EXPENDITURES:				
Current:				
Public works	1,616	2,226	1,487	739
Capital outlay	-	1,355	17	1,338
TOTAL EXPENDITURES	<u>1,616</u>	<u>3,581</u>	<u>1,504</u>	<u>2,077</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	174	(1,781)	61	1,842
OTHER FINANCING SOURCES:				
Transfers in	<u>753</u>	<u>753</u>	<u>719</u>	<u>(34)</u>
NET CHANGE IN FUND BALANCE	927	(1,028)	780	1,808
FUND BALANCE - BEGINNING OF YEAR	<u>1,559</u>	<u>1,559</u>	<u>1,559</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,486</u>	<u>\$ 531</u>	<u>\$ 2,339</u>	<u>\$ 1,808</u>

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 5	\$ 5	\$ 9	\$ 4
Intergovernmental revenue	183	183	141	(42)
TOTAL REVENUES	188	188	150	(38)
EXPENDITURES:				
Current:				
Public works	170	170	171	(1)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18	18	(21)	(39)
FUND BALANCE - BEGINNING OF YEAR	685	685	685	-
FUND BALANCE - END OF YEAR	\$ 703	\$ 703	\$ 664	\$ (39)

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 68	\$ 68	\$ 314	\$ 246
Charges for services	75	75	180	105
Other revenue	20	20	79	59
TOTAL REVENUES	163	163	573	410
EXPENDITURES:				
Current:				
Public safety	-	68	112	(44)
Public works	166	166	113	53
Community services	793	793	1,025	(232)
TOTAL EXPENDITURES	959	1,027	1,250	(223)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(796)	(864)	(677)	187
OTHER FINANCING SOURCES:				
Transfers in	863	863	697	(166)
NET CHANGE IN FUND BALANCE	67	(1)	20	21
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(31)	(31)	(31)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 36	\$ (32)	\$ (11)	\$ 21

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CDBG SPECIAL REVENUE FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 5,452	\$ 2,522	\$ 1,825	\$ (697)
Other revenue	45	3,145	103	(3,042)
TOTAL REVENUES	5,497	5,667	1,928	(3,739)
EXPENDITURES:				
Current:				
Community services	446	800	3	797
Community development	810	811	957	(146)
Capital outlay	-	3,315	474	2,841
Debt service:				
Principal retirement	250	250	250	-
Interest and fiscal charges	196	196	48	148
TOTAL EXPENDITURES	1,702	5,372	1,732	3,640
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,795	295	196	(99)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(224)	(809)	(585)
Issuance of debt	-	-	810	810
TOTAL OTHER FINANCING SOURCES (USES)	-	(224)	1	225
NET CHANGE IN FUND BALANCE	3,795	71	197	126
FUND BALANCE - BEGINNING OF YEAR	307	307	307	-
FUND BALANCE - END OF YEAR	\$ 4,102	\$ 378	\$ 504	\$ 126

See independent auditors' report.

OTHER DEBT SERVICE FUNDS

Woodruff Industrial Project Redevelopment Fund is used to account for tax increment revenue from the Woodruff Industrial Project redevelopment project area. This revenue is used for the repayment of debt. The Community Development Commission of the City of Downey, which was dissolved effective February 1, 2012.

Firestone Fund is used to account for tax increment revenues, bond proceeds required to be set aside for future debt service and interest related to Firestone Development Project area. The Community Development Commission of the City of Downey, which was dissolved effective February 1, 2012.

CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER DEBT SERVICE FUNDS

June 30, 2012
(amounts expressed in thousands)

		Woodruff Industrial Project <u>Redevelopment</u>	<u>Firestone</u>	<u>Totals</u>
ASSETS				
Receivables:				
Taxes		\$ -	\$ -	\$ -
Interest		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable		\$ -	\$ -	\$ -
Due to other funds		-	-	-
Advances from other funds		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		-	-	-
FUND BALANCES:				
Unassigned		<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER DEBT SERVICE FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Woodruff Industrial Project Redevelopment	Firestone	Totals
REVENUES:			
Taxes	\$ 192	\$ 1,356	\$ 1,548
Investment and rental	(7)	(7)	(14)
Other revenue	-	39	39
 TOTAL REVENUES	 <u>185</u>	 <u>1,388</u>	 <u>1,573</u>
EXPENDITURES:			
Current:			
Community development	123	385	508
Debt service:			
Principal retirement	-	260	260
Interest and fiscal charges	105	889	994
 TOTAL EXPENDITURES	 <u>228</u>	 <u>1,534</u>	 <u>1,762</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (43)	 (146)	 (189)
 EXTRAORDINARY GAIN	 <u>1,762</u>	 <u>7,900</u>	 <u>9,662</u>
 NET CHANGE IN FUND BALANCES	 1,719	 7,754	 9,473
 FUND BALANCES (DEFICITS) - BEGINNING OF YEAR, AS RESTATED	 <u>(1,719)</u>	 <u>(7,754)</u>	 <u>(9,473)</u>
 FUND BALANCES - END OF YEAR	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

See independent auditors' report.

This page intentionally left blank

OTHER CAPITAL PROJECTS FUNDS

Firestone Redevelopment Fund is used to account for the administration, capital projects and land transactions of the City's Firestone Boulevard Redevelopment Project Area. The Community Development Commission of the City of Downey, which was dissolved effective February 1, 2012.

Woodruff Redevelopment Fund is used to account for the administration, capital projects and land transactions of the City's Woodruff Industrial Redevelopment Project Area. The Community Development Commission of the City of Downey, which was dissolved effective February 1, 2012.

Housing Fund is used to account for restricted financial resources to be used to increase the supply of available low-and moderate-income housing. The Community Development Commission of the City of Downey, which was dissolved effective February 1, 2012.

City Fund is used to account for City projects funded by various sources.

CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER CAPITAL PROJECTS FUNDS

June 30, 2012

(amounts expressed in thousands)

	Firestone Redevelopment	Woodruff Redevelopment	Housing	City	Totals
ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ 3,919	\$ 3,919
Taxes receivable	-	-	-	6	6
Due from other governments and entities	-	-	-	5	5
TOTAL ASSETS	\$ -	\$ -	\$ -	\$ 3,930	\$ 3,930
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ 43	\$ 43
FUND BALANCES:					
Assigned	-	-	-	3,887	3,887
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ -	\$ 3,930	\$ 3,930

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER CAPITAL PROJECTS FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Firestone Redevelopment	Woodruff Redevelopment	Housing	City	Totals
REVENUES:					
Investment and rental	\$ (1)	\$ -	\$ 35	\$ 29	\$ 63
Intergovernmental revenue	-	-	479	885	1,364
Other revenue	18	-	24	-	42
TOTAL REVENUES	17	-	538	914	1,469
EXPENDITURES:					
Current:					
Community development	1,085	-	1,182	-	2,267
Capital outlay	-	-	-	1,535	1,535
TOTAL EXPENDITURES	1,085	-	1,182	1,535	3,802
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,068)	-	(644)	(621)	(2,333)
OTHER FINANCING SOURCES:					
Transfers in	-	-	-	504	504
EXTRAORDINARY LOSS	(2,118)	(44)	(7,802)	-	(9,964)
NET CHANGE IN FUND BALANCES	(3,186)	(44)	(8,446)	(117)	(11,793)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	3,186	44	8,446	4,004	15,680
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -	\$ 3,887	\$ 3,887

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FIRESTONE REDEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ (1)	\$ (1)
Intergovernmental revenue	1,500	1,500	-	(1,500)
Other revenue	-	15	18	3
	<u>1,500</u>	<u>1,515</u>	<u>17</u>	<u>(1,498)</u>
TOTAL REVENUES	1,500	1,515	17	(1,498)
EXPENDITURES:				
Current:				
Community development	<u>1,841</u>	<u>1,841</u>	<u>1,085</u>	<u>756</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(341)	(326)	(1,068)	(742)
EXTRAORDINARY LOSS	<u>-</u>	<u>-</u>	<u>(2,118)</u>	<u>(2,118)</u>
NET CHANGE IN FUND BALANCE	(341)	(326)	(3,186)	(2,860)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>3,186</u>	<u>3,186</u>	<u>3,186</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,845</u>	<u>\$ 2,860</u>	<u>\$ -</u>	<u>\$ (2,860)</u>

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

WOODRUFF REDEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXTRAORDINARY LOSS	\$ -	\$ -	\$ (44)	\$ (44)
FUND BALANCE - BEGINNING OF YEAR	<u>44</u>	<u>44</u>	<u>44</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 44</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ (44)</u>

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

HOUSING CAPITAL PROJECTS FUND

For the year ended June 30, 2012
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 900	\$ 900	\$ -	\$ (900)
Investment and rental	60	60	35	(25)
Intergovernmental revenue	798	798	479	(319)
Other revenue	100	100	24	(76)
TOTAL REVENUES	1,858	1,858	538	(1,320)
EXPENDITURES:				
Current:				
Community development	5,339	5,399	1,182	4,217
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,481)	(3,541)	(644)	2,897
EXTRAORDINARY LOSS	-	-	(7,802)	(7,802)
NET CHANGE IN FUND BALANCE	(3,481)	(3,541)	(8,446)	(4,905)
FUND BALANCE - BEGINNING OF YEAR	8,446	8,446	8,446	-
FUND BALANCE - END OF YEAR	\$ 4,965	\$ 4,905	\$ -	\$ (4,905)

See independent auditors' report.

CITY OF DOWNEY

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

CITY CAPITAL PROJECTS FUND

For the year ended June 30, 2012
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 9	\$ 9	\$ 29	\$ 20
Intergovernmental revenue	1,510	1,510	885	(625)
TOTAL REVENUES	1,519	1,519	914	(605)
EXPENDITURES:				
Capital outlay	2,347	5,757	1,535	4,222
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(828)	(4,238)	(621)	3,617
OTHER FINANCING SOURCES:				
Transfers in	774	774	504	(270)
NET CHANGE IN FUND BALANCE	(54)	(3,464)	(117)	3,347
FUND BALANCE - BEGINNING OF YEAR	4,004	4,004	4,004	-
FUND BALANCE - END OF YEAR	\$ 3,950	\$ 540	\$ 3,887	\$ 3,347

See independent auditors' report.

This page intentionally left blank

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one City department to other City departments on a cost reimbursement basis. The Internal Service Funds used by the City are as follows:

Employee Benefits Fund is used to charge various departments for leave time, medical benefits, retirement benefits and other employee fringe benefits on a cost reimbursement basis.

Equipment Fund is used to charge various departments of the City for the use of fleet, office and communications equipment on a cost reimbursement basis.

CITY OF DOWNEY

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2012

(amounts expressed in thousands)

ASSETS	Employee Benefits	Equipment	Totals
CURRENT ASSETS:			
Cash and investments	\$ 29,067	\$ 1,376	\$ 30,443
Accounts receivable	11	15	26
Advances to Successor Agency	2,650	-	2,650
Inventories	-	135	135
Restricted assets:			
Cash and investments	2,765	2,765	5,530
TOTAL CURRENT ASSETS	34,493	4,291	38,784
NONCURRENT ASSETS:			
Prepaid pension expense	16,940	-	16,940
Bond issuance costs	153	-	153
Capital Assets (Net of Accumulated Depreciation):			
Machinery and equipment	-	5,421	5,421
TOTAL NONCURRENT ASSETS	17,093	5,421	22,514
TOTAL ASSETS	51,586	9,712	61,298
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	824	231	1,055
Interest payable	86	7	93
Compensated absences	4,234	-	4,234
Claims payable	3,499	-	3,499
Capital lease payable	-	174	174
Pension obligation bonds	280	-	280
TOTAL CURRENT LIABILITIES	8,923	412	9,335
NONCURRENT LIABILITIES:			
Compensated absences	9,953	-	9,953
Claims payable	3,528	-	3,528
Capital lease payable	-	858	858
Pension obligation bonds	19,255	-	19,255
TOTAL NONCURRENT LIABILITIES	32,736	858	33,594
TOTAL LIABILITIES	41,659	1,270	42,929
NET ASSETS:			
Invested in capital assets, net of related debt	-	4,389	4,389
Restricted for debt service	2,765	2,765	5,530
Unrestricted	7,162	1,288	8,450
TOTAL NET ASSETS	\$ 9,927	\$ 8,442	\$ 18,369

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
OPERATING REVENUES:			
Charges for services	\$ 24,901	\$ 1,917	\$ 26,818
Miscellaneous	1,125	3	1,128
TOTAL OPERATING REVENUES	26,026	1,920	27,946
OPERATING EXPENSES:			
Maintenance and operations	-	889	889
General and administration	-	532	532
Employee benefits	31,004	-	31,004
Amortization	7	-	7
Depreciation	-	1,728	1,728
TOTAL OPERATING EXPENSES	31,011	3,149	34,160
OPERATING LOSS	(4,985)	(1,229)	(6,214)
NONOPERATING REVENUES (EXPENSES):			
Investment and rental	1,004	345	1,349
Interest expense	(1,244)	(45)	(1,289)
TOTAL NONOPERATING REVENUES (EXPENSES)	(240)	300	60
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(5,225)	(929)	(6,154)
TRANSFERS IN	-	700	700
CAPITAL CONTRIBUTIONS	-	24	24
CHANGE IN NET ASSETS	(5,225)	(205)	(5,430)
TOTAL NET ASSETS - BEGINNING OF YEAR	15,152	8,647	23,799
TOTAL NET ASSETS - END OF YEAR	\$ 9,927	\$ 8,442	\$ 18,369

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2012
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from user departments	\$ 26,012	\$ 1,906	\$ 27,918
Payment to suppliers	(23,575)	(805)	(24,380)
Payment to employees	(7,124)	(565)	(7,689)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(4,687)</u>	<u>536</u>	<u>(4,151)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	700	700
Principal paid	(235)	-	(235)
Interest paid	(1,237)	-	(1,237)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,472)</u>	<u>700</u>	<u>(772)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(447)	(447)
Capital contributions	-	24	24
Principal paid on debt	-	(167)	(167)
Interest paid on debt	-	(52)	(52)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(642)</u>	<u>(642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>1,004</u>	<u>345</u>	<u>1,349</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,155)	939	(4,216)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>36,987</u>	<u>3,202</u>	<u>40,189</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 31,832</u>	<u>\$ 4,141</u>	<u>\$ 35,973</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (4,985)	\$ (1,229)	\$ (6,214)
Depreciation and amortization	7	1,728	1,735
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(9)	(15)	(24)
(Increase) decrease in inventories	-	112	112
(Increase) decrease in prepaid pension expense	644	-	644
Increase (decrease) in accounts payable and accrued liabilities	(708)	(60)	(768)
Increase (decrease) in claims payable	479	-	479
Increase (decrease) in compensated absences payable	(115)	-	(115)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (4,687)</u>	<u>\$ 536</u>	<u>\$ (4,151)</u>

See independent auditors' report.

AGENCY FUNDS

Special Deposits Fund is used to account for refundable and performance bond deposits and other deposit funds.

Cemetery District Fund is used to account for the financial operations of an independent governmental entity which the City provides accounting services to.

1913 Act Bond Fund is used to account for the revenues associated with the City's 1913 Act projects.

Elm Vista Fund is used to account for funds provided by private property owners to construct certain public right-of-way improvements in their neighborhood.

Columbia Memorial Space Learning Center Foundation Fund is used to account for the construction and implementation of educational programs for the Columbia Memorial Space Learning Center.

Southeast Area Animal Control Authority (SEAACA) Fund is used to account for the financial operations of an independent governmental entity which the City provides accounting services to.

CITY OF DOWNEY

COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES

June 30, 2012

(amounts expressed in thousands)

	Special Deposits	Cemetery District	1913 Act Bond
ASSETS			
Cash and investments	\$ 6,384	\$ 168	\$ 120
Receivables	<u>39</u>	<u>2</u>	<u>1</u>
TOTAL ASSETS	<u><u>\$ 6,423</u></u>	<u><u>\$ 170</u></u>	<u><u>\$ 121</u></u>
LIABILITIES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 95	\$ 8	\$ -
Deposits payable	<u>6,328</u>	<u>162</u>	<u>121</u>
TOTAL LIABILITIES	<u><u>\$ 6,423</u></u>	<u><u>\$ 170</u></u>	<u><u>\$ 121</u></u>

See independent auditors' report.

Elm Vista	Columbia Memorial Space Learning Center Foundation	SEAACA	Totals
\$ 2	\$ 6	\$ 1,327	\$ 8,007
3	-	91	136
<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 1,418</u>	<u>\$ 8,143</u>
\$ 5	\$ -	\$ 410	\$ 518
-	6	1,008	7,625
<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 1,418</u>	<u>\$ 8,143</u>

CITY OF DOWNEY

COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES

For the year ended June 30, 2012
(amounts expressed in thousands)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
SPECIAL DEPOSITS				
ASSETS:				
Cash and investments	\$ 6,442	\$ 1,844	\$ 1,902	\$ 6,384
Receivables	24	40	25	39
TOTAL ASSETS	<u>\$ 6,466</u>	<u>\$ 1,884</u>	<u>\$ 1,927</u>	<u>\$ 6,423</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 76	\$ 1,729	\$ 1,710	\$ 95
Deposits payable	6,390	3,176	3,238	6,328
TOTAL LIABILITIES	<u>\$ 6,466</u>	<u>\$ 4,905</u>	<u>\$ 4,948</u>	<u>\$ 6,423</u>
CEMETERY DISTRICT				
ASSETS:				
Cash and investments	\$ 150	\$ 119	\$ 101	\$ 168
Receivables	9	1	8	2
TOTAL ASSETS	<u>\$ 159</u>	<u>\$ 120</u>	<u>\$ 109</u>	<u>\$ 170</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2	\$ 50	\$ 44	\$ 8
Deposits payable	157	94	89	162
TOTAL LIABILITIES	<u>\$ 159</u>	<u>\$ 144</u>	<u>\$ 133</u>	<u>\$ 170</u>
1913 ACT BOND				
ASSETS:				
Cash and investments	\$ 117	\$ 3	\$ -	\$ 120
Receivables	1	1	1	1
TOTAL ASSETS	<u>\$ 118</u>	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 121</u>
LIABILITIES:				
Deposits payable	<u>\$ 118</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 121</u>
ELM VISTA				
ASSETS:				
Cash and investments	\$ 2	\$ -	\$ -	\$ 2
Receivables	3	-	-	3
TOTAL ASSETS	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>
LIABILITIES:				
Accounts payable and accrued liabilities	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5</u>

See independent auditors' report.

(Continued)

CITY OF DOWNEY

COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES
(CONTINUED)

For the year ended June 30, 2012
(amounts expressed in thousands)

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
COLUMBIA MEMORIAL SPACE LEARNING CENTER FOUNDATION				
ASSETS:				
Cash and investments	\$ 6	\$ -	\$ -	\$ 6
LIABILITIES:				
Deposits payable	\$ 6	\$ -	\$ -	\$ 6
SEAACA				
ASSETS:				
Cash and investments	\$ 1,869	\$ 6,210	\$ 6,752	\$ 1,327
Receivables	93	1,483	1,485	91
TOTAL ASSETS	<u>\$ 1,962</u>	<u>\$ 7,693</u>	<u>\$ 8,237</u>	<u>\$ 1,418</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 515	\$ -	\$ 105	\$ 410
Deposits payable	1,447	-	439	1,008
TOTAL LIABILITIES	<u>\$ 1,962</u>	<u>\$ -</u>	<u>\$ 544</u>	<u>\$ 1,418</u>
TOTALS - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 8,586	\$ 8,176	\$ 8,755	\$ 8,007
Receivables	130	1,525	1,519	136
TOTAL ASSETS	<u>\$ 8,716</u>	<u>\$ 9,701</u>	<u>\$ 10,274</u>	<u>\$ 8,143</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 598	\$ 1,779	\$ 1,859	\$ 518
Deposits payable	8,118	3,273	3,766	7,625
TOTAL LIABILITIES	<u>\$ 8,716</u>	<u>\$ 5,052</u>	<u>\$ 5,625</u>	<u>\$ 8,143</u>

See independent auditors' report.

This page intentionally left blank

STATISTICAL SECTION



DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2012

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	130 - 139
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	140 - 144
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	145 - 150
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	151 - 152
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	153 - 155

CITY OF DOWNEY

NET ASSETS BY COMPONENT
(amounts expressed in thousands)

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Governmental Activities:				
Invested in capital assets, net of related debt	\$ 144,453	\$ 140,035	\$ 158,433	\$ 150,882
Restricted	8,853	16,888	24,225	28,039
Unrestricted	52,050	45,558	30,035	44,867
Total governmental activities net assets	<u>205,356</u>	<u>202,481</u>	<u>212,693</u>	<u>223,788</u>
Business-type Activities:				
Invested in capital assets, net of related debt	31,329	32,802	33,550	35,976
Restricted	-	-	-	-
Unrestricted	21,890	23,333	24,438	21,345
Total business-type activities net assets	<u>53,219</u>	<u>56,135</u>	<u>57,988</u>	<u>57,321</u>
Primary Government:				
Invested in capital assets, net of related debt	175,782	172,837	191,983	186,858
Restricted	8,853	16,888	24,225	28,039
Unrestricted	73,940	68,891	54,473	66,212
Total primary government net assets	<u>\$ 258,575</u>	<u>\$ 258,616</u>	<u>\$ 270,681</u>	<u>\$ 281,109</u>

Fiscal Year						
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
\$ 154,423	\$ 172,185	\$ 176,041	\$ 177,580	\$ 188,044	\$ 193,698	
31,468	28,201	32,221	39,029	35,023	26,298	
46,856	38,679	34,848	25,557	11,490	33,582	
<u>232,747</u>	<u>239,065</u>	<u>243,110</u>	<u>242,166</u>	<u>234,557</u>	<u>253,578</u>	
35,662	35,586	35,423	35,211	35,675	34,378	
-	-	-	3,706	3,816	4,259	
22,903	21,693	20,494	10,215	2,336	(769)	
<u>58,565</u>	<u>57,279</u>	<u>55,917</u>	<u>49,132</u>	<u>41,827</u>	<u>37,868</u>	
190,085	207,771	211,464	212,791	223,719	228,076	
31,468	28,201	32,221	42,735	38,839	30,557	
69,759	60,372	55,342	35,772	13,826	32,813	
<u>\$ 291,312</u>	<u>\$ 296,344</u>	<u>\$ 299,027</u>	<u>\$ 291,298</u>	<u>\$ 276,384</u>	<u>\$ 291,446</u>	

CITY OF DOWNEY

CHANGES IN NET ASSETS - EXPENSES AND PROGRAM REVENUES
(amounts expressed in thousands)

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
Expenses:				
Governmental Activities:				
General government	\$ 1,839	\$ 2,784	\$ 5,633	\$ 4,510
Public safety	32,314	34,990	37,122	40,767
Public works	11,456	5,424	7,642	8,079
Community services	5,694	6,298	6,179	8,927
Community development	7,430	7,028	6,673	6,269
Unallocated infrastructure depreciation	3,846	4,569	4,614	4,614
Interest on long term debt	1,461	2,109	1,745	1,767
Total governmental activities net expenses	<u>64,040</u>	<u>63,202</u>	<u>69,608</u>	<u>74,933</u>
Business-type Activities:				
Water	7,147	7,255	7,238	7,977
Golf	2,287	2,232	2,501	2,516
Transit	2,149	1,980	2,170	2,577
Total business-type activities net assets	<u>11,583</u>	<u>11,467</u>	<u>11,909</u>	<u>13,070</u>
Total primary government expenses	<u>\$ 75,623</u>	<u>\$ 74,669</u>	<u>\$ 81,517</u>	<u>\$ 88,003</u>
Program Revenues:				
Governmental Activities:				
Charges for services:				
General government	\$ 146	\$ 150	\$ 146	\$ 153
Public safety	3,724	4,176	4,584	3,996
Public works	2,237	5,037	1,860	2,092
Community services	1,448	1,718	2,100	2,648
Community development	1,883	2,577	2,972	3,030
Operating grants and contributions	8,513	7,784	10,901	9,826
Capital grants and contributions	112	3,829	6,342	4,548
Total governmental activities program revenues	<u>18,063</u>	<u>25,271</u>	<u>28,905</u>	<u>26,293</u>
Business-type Activities:				
Charges for services:				
Water	8,888	9,526	8,819	9,095
Golf	3,110	3,207	2,649	2,864
Transit	8	9	10	9
Operating grants and contributions	160	18	-	-
Total business-type activities program revenues	<u>12,166</u>	<u>12,760</u>	<u>11,478</u>	<u>11,968</u>
Primary government program revenues	<u>\$ 30,229</u>	<u>\$ 38,031</u>	<u>\$ 40,383</u>	<u>\$ 38,261</u>
Net (Expense)/Revenue:				
Governmental activities	\$ (45,977)	\$ (37,931)	\$ (40,703)	\$ (48,640)
Business-type activities	<u>583</u>	<u>1,293</u>	<u>(431)</u>	<u>(1,102)</u>
Total primary government net expense	<u>\$ (45,394)</u>	<u>\$ (36,638)</u>	<u>\$ (41,134)</u>	<u>\$ (49,742)</u>

Source: Finance Department, City of Downey

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 6,100	\$ 5,891	\$ 4,881	\$ 7,588	\$ 7,594	\$ 7,768
42,379	43,510	45,314	46,420	50,482	51,958
8,466	7,460	7,450	8,013	5,849	6,767
7,903	9,390	9,220	8,420	9,041	9,314
6,556	8,898	8,732	10,543	13,825	8,481
4,772	4,806	4,965	5,064	5,481	5,640
1,801	1,823	1,859	1,933	2,130	1,541
<u>77,977</u>	<u>81,778</u>	<u>82,421</u>	<u>87,981</u>	<u>94,402</u>	<u>91,469</u>
8,852	10,121	9,739	11,829	10,432	12,207
2,745	2,765	2,699	2,847	2,693	2,842
2,634	2,939	3,486	3,469	5,954	4,927
<u>14,231</u>	<u>15,825</u>	<u>15,924</u>	<u>18,145</u>	<u>19,079</u>	<u>19,976</u>
<u>\$ 92,208</u>	<u>\$ 97,603</u>	<u>\$ 98,345</u>	<u>\$ 106,126</u>	<u>\$ 113,481</u>	<u>\$ 111,445</u>
\$ 150	\$ 134	\$ 154	\$ 162	\$ 190	\$ 179
4,156	4,202	4,161	4,951	4,014	5,234
2,236	2,247	2,273	2,410	2,134	1,173
2,904	2,516	2,536	2,078	2,187	2,414
2,701	3,795	2,277	1,580	3,806	1,443
7,409	7,965	7,499	7,060	8,689	8,903
3,676	3,623	7,634	7,528	6,500	6,330
<u>23,232</u>	<u>24,482</u>	<u>26,534</u>	<u>25,769</u>	<u>27,520</u>	<u>25,676</u>
9,543	9,078	8,782	8,408	8,366	11,104
2,944	2,938	2,780	2,625	2,547	2,706
7	121	130	130	129	228
-	-	762	-	2,004	-
<u>12,494</u>	<u>12,137</u>	<u>12,454</u>	<u>11,163</u>	<u>13,046</u>	<u>14,038</u>
<u>\$ 35,726</u>	<u>\$ 36,619</u>	<u>\$ 38,988</u>	<u>\$ 36,932</u>	<u>\$ 40,566</u>	<u>\$ 39,714</u>
\$ (54,745)	\$ (57,296)	\$ (55,887)	\$ (62,212)	\$ (66,882)	\$ (65,793)
(1,737)	(3,688)	(3,470)	(6,982)	(6,033)	(5,938)
<u>\$ (56,482)</u>	<u>\$ (60,984)</u>	<u>\$ (59,357)</u>	<u>\$ (69,194)</u>	<u>\$ (72,915)</u>	<u>\$ (71,731)</u>

CITY OF DOWNEY

CHANGES IN NET ASSETS - GENERAL REVENUES
(amounts expressed in thousands)

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 10,247	\$ 11,059	\$ 16,668	\$ 19,813
Transient occupancy taxes	781	814	863	1,022
Sales taxes and use taxes	13,271	12,922	10,475	11,372
Property taxes in lieu of sales and use tax	-	-	3,511	3,819
Franchise taxes	1,887	1,952	1,985	2,076
Utility users tax	5,965	-	-	-
Other taxes	-	13,957	8,873	8,574
Business operation tax	988	-	-	-
Motor vehicle taxes	6,282	-	-	-
Earning on investments	5,281	81	3,265	2,070
Gain (loss) on sale of capital assets	(149)	8,396	1,549	-
Miscellaneous	2,052	1,482	1,616	7,459
Transfers	1,201	1,474	1,341	3,530
Extraordinary gain	-	-	-	-
Total governmental activities	<u>47,806</u>	<u>52,137</u>	<u>50,146</u>	<u>59,735</u>
Business-type Activities:				
Sales taxes	2,664	2,806	2,978	3,383
Earning on investments	1,749	291	1,166	562
Gain (loss) on sale of capital assets	-	-	4	20
Miscellaneous	1	-	-	-
Transfers	(1,201)	(1,474)	(1,341)	(3,530)
Total business-type activities	<u>3,213</u>	<u>1,623</u>	<u>2,807</u>	<u>435</u>
Total primary government	<u>\$ 51,019</u>	<u>\$ 53,760</u>	<u>\$ 52,953</u>	<u>\$ 60,170</u>
Change in Net Assets:				
Governmental activities	\$ 1,829	\$ 14,206	\$ 9,443	\$ 11,095
Business-type activities	<u>3,796</u>	<u>2,916</u>	<u>2,376</u>	<u>(667)</u>
Total primary government	<u>\$ 5,625</u>	<u>\$ 17,122</u>	<u>\$ 11,819</u>	<u>\$ 10,428</u>

Source: Finance Department, City of Downey

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 22,726	\$ 23,974	\$ 25,561	\$ 25,938	\$ 24,347	\$ 20,847
1,085	1,050	934	936	991	1,123
12,996	11,706	9,675	8,942	9,845	10,479
3,989	3,856	3,444	3,180	3,144	3,959
2,168	2,142	2,276	2,201	2,340	2,324
-	8,002	7,677	7,471	7,094	6,778
9,489	1,819	1,632	1,536	1,742	1,351
-	-	-	-	-	-
-	-	-	-	-	-
5,405	5,973	4,889	3,671	1,817	2,281
-	24	49	38	25	24
4,126	1,443	1,491	1,938	2,171	2,529
1,720	4,761	2,304	4,961	5,757	2,619
-	-	-	-	-	30,042
<u>63,704</u>	<u>64,750</u>	<u>59,932</u>	<u>60,812</u>	<u>59,273</u>	<u>84,356</u>
3,330	3,310	3,004	4,074	3,761	4,070
1,371	1,580	1,436	1,022	451	768
-	28	(28)	2	2	-
-	2,012	-	60	271	824
<u>(1,720)</u>	<u>(4,761)</u>	<u>(2,304)</u>	<u>(4,961)</u>	<u>(5,757)</u>	<u>(2,619)</u>
<u>2,981</u>	<u>2,169</u>	<u>2,108</u>	<u>197</u>	<u>(1,272)</u>	<u>3,043</u>
<u>\$ 66,685</u>	<u>\$ 66,919</u>	<u>\$ 62,040</u>	<u>\$ 61,009</u>	<u>\$ 58,001</u>	<u>\$ 87,399</u>
\$ 8,959	\$ 7,454	\$ 4,045	\$ (1,400)	\$ (7,609)	\$ 18,563
<u>1,244</u>	<u>(1,519)</u>	<u>(1,362)</u>	<u>(6,785)</u>	<u>(7,305)</u>	<u>(2,895)</u>
<u>\$ 10,203</u>	<u>\$ 5,935</u>	<u>\$ 2,683</u>	<u>\$ (8,185)</u>	<u>\$ (14,914)</u>	<u>\$ 15,668</u>

CITY OF DOWNEY

FUND BALANCES OF GOVERNMENTAL FUNDS
(amounts expressed in thousands)

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Fund:				
Reserved	\$ 883	\$ 1,239	\$ 7,756	\$ 7,850
Unreserved	22,795	20,905	14,377	15,194
Total general fund	<u>\$ 23,678</u>	<u>\$ 22,144</u>	<u>\$ 22,133</u>	<u>\$ 23,044</u>
All Other Governmental Funds:				
Reserved	\$ 12,020	\$ 12,884	\$ 20,723	\$ 16,986
Unreserved, reported in:				
Special revenue funds	304	4,012	10,699	12,535
Debt service funds	(923)	(7,195)	(1,140)	(7,059)
Capital projects funds	7,197	14,274	(3,089)	4,169
Total all other governmental funds	<u>\$ 18,598</u>	<u>\$ 23,975</u>	<u>\$ 27,193</u>	<u>\$ 26,631</u>
General fund:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All other governmental funds:				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note: GASB Statement #54 was implemented in 2011; prior years have no comparable data.

Fiscal Year					
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
\$ 8,014	\$ 8,832	\$ 11,350	\$ 10,764	\$ -	\$ -
15,448	15,188	13,390	12,355	-	-
<u>\$ 23,462</u>	<u>\$ 24,020</u>	<u>\$ 24,740</u>	<u>\$ 23,119</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 27,267	\$ 22,833	\$ 16,828	\$ 16,270	\$ -	\$ -
3,832	6,288	8,279	8,345	-	-
(6,655)	(7,317)	(7,590)	(9,214)	-	-
4,403	(19)	1,162	2,925	-	-
<u>\$ 28,847</u>	<u>\$ 21,785</u>	<u>\$ 18,679</u>	<u>\$ 18,326</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,497	\$ 8,897
-	-	-	-	4,260	4,867
-	-	-	-	10,070	6,123
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,827</u>	<u>\$ 19,887</u>
\$ -	\$ -	\$ -	\$ -	\$ 3,601	\$ 4,570
-	-	-	-	12,837	4,379
-	-	-	-	5,620	6,226
-	-	-	-	(7,766)	(45)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,292</u>	<u>\$ 15,130</u>

CITY OF DOWNEY

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
(amounts expressed in thousands)

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Years			
	2002-03	2003-04	2004-05	2005-06
Revenues:				
Taxes	\$ 34,076	\$ 34,626	\$ 41,641	\$ 47,113
License and permits	885	1,043	1,768	1,852
Fines and forfeitures	1,809	1,739	1,878	1,751
Investment and rental	5,689	2,957	4,429	3,719
Intergovernmental revenue	13,257	14,758	14,618	10,103
Charges for services	5,859	6,303	7,574	7,788
Other revenue	6,535	9,782	6,171	10,962
Total revenues	<u>68,110</u>	<u>71,208</u>	<u>78,079</u>	<u>83,288</u>
Expenditures:				
Current:				
General government	3,825	4,292	4,658	3,953
Public safety	32,254	34,128	35,979	37,613
Public works	7,585	7,540	6,987	7,343
Community services	5,719	5,848	5,639	7,929
Community development	7,715	8,275	6,821	7,148
ERAF payment	-	395	494	271
Capital outlay	9,021	34,040	13,805	8,935
Debt service:				
Principal	1,300	1,360	1,415	1,730
Interest and fiscal charges	2,173	1,969	2,355	2,383
Total expenditures	<u>69,592</u>	<u>97,847</u>	<u>78,153</u>	<u>77,305</u>
Excess of revenues over (under) expenditures	<u>(1,482)</u>	<u>(26,639)</u>	<u>(74)</u>	<u>5,983</u>
Other Financing Sources (Uses):				
Transfers in	5,907	6,106	12,205	8,446
Transfers out	(8,443)	(9,609)	(15,819)	(15,200)
Proceeds from long-term debt	1,071	3,567	-	-
Sale of property	-	30,418	-	-
Issuance of debt	-	-	1,002	1,120
Sale of capital assets	-	-	5,893	-
Total other financing sources (uses)	<u>(1,465)</u>	<u>30,482</u>	<u>3,281</u>	<u>(5,634)</u>
Extraordinary Gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,947)	3,843	3,207	349
Fund balances - July 1	<u>45,223</u>	<u>42,276</u>	<u>46,119</u>	<u>49,326</u>
Fund balances - June 30	<u>\$ 42,276</u>	<u>\$ 46,119</u>	<u>\$ 49,326</u>	<u>\$ 49,675</u>
Debt service as a percentage of noncapital expenditures	4.99%	3.42%	4.85%	5.34%

Source: Finance Department, City of Downey

Fiscal Year						
2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	
\$ 52,682	\$ 53,432	\$ 52,020	\$ 50,106	\$ 49,804	\$ 47,785	
2,147	2,487	1,372	1,269	1,107	1,094	
1,911	1,900	1,625	1,803	1,552	1,507	
7,002	7,154	6,425	5,011	3,360	2,639	
9,370	7,234	12,266	12,205	11,892	11,404	
7,804	10,161	7,960	7,883	8,740	9,795	
3,416	3,025	2,933	3,200	5,505	3,211	
<u>84,332</u>	<u>85,393</u>	<u>84,601</u>	<u>81,477</u>	<u>81,960</u>	<u>77,435</u>	
4,905	5,457	5,244	6,296	6,565	6,293	
39,555	42,361	45,429	44,786	45,231	46,585	
7,902	7,004	7,634	7,064	7,296	7,482	
6,769	8,775	8,781	7,748	7,793	8,065	
7,589	9,820	10,432	11,471	14,411	9,304	
-	-	-	-	-	-	
9,105	16,186	10,223	9,582	12,476	8,200	
1,800	1,890	1,840	485	500	510	
2,370	2,277	2,252	2,267	2,270	1,581	
<u>79,995</u>	<u>93,770</u>	<u>91,835</u>	<u>89,699</u>	<u>96,542</u>	<u>88,020</u>	
<u>4,337</u>	<u>(8,377)</u>	<u>(7,234)</u>	<u>(8,222)</u>	<u>(14,582)</u>	<u>(10,585)</u>	
10,653	12,049	7,844	12,750	16,487	6,094	
(13,742)	(10,440)	(5,540)	(7,798)	(9,656)	(4,175)	
-	-	-	-	-	-	
-	-	-	-	-	124	
1,386	1,400	1,408	1,296	1,425	1,349	
-	-	-	-	-	-	
<u>(1,703)</u>	<u>3,009</u>	<u>3,712</u>	<u>6,248</u>	<u>8,256</u>	<u>3,392</u>	
-	-	-	-	-	4,233	
2,634	(5,368)	(3,522)	(1,974)	(6,326)	(2,960)	
49,675	51,173	46,941	43,419	41,445	37,977	
<u>\$ 52,309</u>	<u>\$ 45,805</u>	<u>\$ 43,419</u>	<u>\$ 41,445</u>	<u>\$ 35,119</u>	<u>\$ 35,017</u>	
5.21%	4.44%	5.03%	3.39%	3.54%	3.00%	

CITY OF DOWNEY

ASSESSED VALUATION
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Secured	Public Utilities	Less Exemptions	Net Total Secured	Unsecured	Less Exemptions	Net Total Unsecured	Net Total Unsecured and Secured	Percent Increase (Decrease)
2002-03	\$ 5,289,560	\$ 963	\$ 86,492	\$ 5,204,031	\$ 251,512	\$ 37,603	\$ 213,909	\$ 5,417,940	5.1
2003-04	5,718,335	995	73,582	5,645,748	278,562	68,544	210,018	5,855,766	8.1
2004-05	6,162,620	1,057	97,880	6,065,797	267,325	66,568	200,757	6,266,554	7.0
2005-06	6,880,678	1,036	83,406	6,798,308	261,287	57,661	203,626	7,001,934	11.7
2006-07	7,679,717	984	120,776	7,559,925	324,711	110,373	214,338	7,774,263	11.0
2007-08	8,513,613	830	267,374	8,247,069	334,761	103,999	230,762	8,477,831	9.0
2008-09	9,159,784	1,172	459,270	8,701,686	333,002	88,819	244,183	8,945,869	5.5
2009-10	8,841,370	830	490,116	8,352,084	394,365	151,075	243,290	8,595,374	(3.9)
2010-11	8,759,484	830	494,685	8,265,629	330,020	98,691	231,329	8,496,958	(1.1)
2011-12	8,919,763	560	502,197	8,418,126	333,631	104,910	228,721	8,646,847	1.8

Note: Homeowner exemptions are not included in total exemptions.

CITY OF DOWNEY

ASSESSED VALUE OF TAXABLE PROPERTY
(amounts expressed in thousands)

Last Ten Fiscal Years

Category	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Residential	\$ 4,198,381	\$ 4,560,216	\$ 4,957,588	\$ 5,533,446	\$ 6,186,672	\$ 6,816,124	\$ 7,147,505	\$ 6,695,739	\$ 6,603,986	\$ 6,712,488
Commercial	623,835	680,932	704,305	774,652	873,724	919,334	1,004,451	1,048,645	1,048,624	1,062,528
Industrial	248,715	243,328	253,864	288,420	303,635	308,835	336,253	369,515	372,651	376,634
Government owned	-	-	-	-	109	-	-	-	-	-
Institutional	29,854	45,214	36,441	39,116	37,176	41,827	42,987	47,219	46,807	45,773
Miscellaneous	4,431	7,102	12	12	12	12	12	13	13	13
Recreational	22,568	28,986	27,639	23,017	26,408	24,413	25,322	25,189	25,080	25,184
Vacant Land	8,410	12,485	15,672	37,473	31,804	56,814	39,879	22,582	26,544	52,680
SBE Nonunitary	963	995	1,058	1,036	984	830	1,172	830	830	560
Possessory Int.	66,875	66,491	69,220	101,136	99,401	78,879	79,303	117,054	115,856	116,837
Unsecured	213,908	210,018	200,757	203,626	214,338	230,763	244,182	243,290	231,329	228,721
Exempt	-	-	-	-	-	-	-	-	-	-
Unknown	22	-	-	-	-	-	24,802	25,298	25,238	25,428
TOTALS	\$ 5,417,962	\$ 5,855,767	\$ 6,266,556	\$ 7,001,934	\$ 7,774,263	\$ 8,477,831	\$ 8,945,868	\$ 8,595,374	\$ 8,496,958	\$ 8,646,846
Total Direct Rate	0.1727%	0.1723%	0.1728%	0.1772%	0.1786%	0.1779%	0.1805%	0.1952%	0.1812%	0.1810%

Note: Exempt values are not included in Total.

CITY OF DOWNEY

DIRECT AND OVERLAPPING PROPERTY TAX RATES
(Rate per \$100 of Taxable Value)

Last Ten Fiscal Years

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Basic Levy 1										
City of Downey Tax District 1	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.13970	0.13970	0.13970	0.14125
Cerritos Community College District	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02620	0.02625
Childrens Institutional Tuition Fund	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291
County Sanitation District No. 2 Operating	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01394	0.01395
County School Service Fund-Downey	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743
County School Service	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146
Development Ctr For Handicapped Minors	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052
Downey Cemetery District	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089
Downey Unified School District	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21540	0.21536
Educational Augmentation Fund Impound	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16310	0.16308
Educational Revenue Augmentation	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07340	0.07340	0.07340	0.07154
Great L.A. County Vector Control Dist	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039
L. A. County Accum Cap Outlay	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012
L. A. County Fire	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768
L. A. County Flood Ctrl Drain Imp Dist Maint	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183
L. A. County Flood Ctrl Maintenance	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035
L. A. County General	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33450	0.33450	0.33450	0.33481
Water Replenishment District of Southern Calif	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018
Total Basic Levy Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College Dist	0.00000	0.00000	0.01908	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782
Compton Community College Dist	0.00000	0.02714	0.00396	0.02051	0.01975	0.01763	0.01262	0.01296	0.01487	0.01481
County Detention Facilities 1987 Debt	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.03103	0.05130	0.06564	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725
LA Community College District	0.01460	0.01986	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530
LA County Flood Control	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000
Little Lake City School District	0.06882	0.06094	0.05313	0.03994	0.03483	0.07499	0.07360	0.07233	0.07647	0.05286
Los Angeles Unified School District	0.03697	0.07715	0.08884	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819
Metropolitan Water District	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370
Montebello Unified School District	0.03983	0.04076	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001
Norwalk-La Mirada Unified	0.00000	0.05560	0.05316	0.05368	0.05036	0.05226	0.06271	0.06110	0.06197	0.06496
Rio Hondo Community College Dist	0.00000	0.00000	0.02170	0.01802	0.01469	0.01369	0.02320	0.02714	0.03439	0.03418
Whittier Union High School Dist	0.02631	0.03793	0.03085	0.04489	0.08918	0.04359	0.03728	0.04224	0.04239	0.04317
Total Voter Approved Rate	0.22617	0.37823	0.40315	0.45370	0.49520	0.49200	0.50908	0.57533	0.65592	0.60225
TOTAL DIRECT & OVERLAPPING2 TAX RATE	1.22617	1.37823	1.40315	1.45370	1.49520	1.49200	1.50908	1.57533	1.65592	1.60225
Rate producing Revenue for City and Redevelopment Agency (RDA)										
City General Fund Direct Rate 3	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.13973	0.13973	0.13973	0.13973
RDA Incremental Rate 4	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370
Total Direct Rate	0.17266	0.17234	0.17281	0.17722	0.17864	0.17786	0.18053	0.19517	0.18514	0.18102

1 In 1978, California voters passed Proposition 13 which set the property tax rate at a 1% fixed amount. This 1% is shared by all taxing agencies for which the subject property resides within. In addition to the 1% fixed amount, property owners are charged tax as a percentage of assessed property values for the payment of any voter approved bonds.

2 Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

3 City's share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

4 RDA rate is based on the largest RDA tax rate area (RA) and includes only rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rate are applied only to the incremental property values.

5 Total Direct Rate is the weighted average of all individual direct rates applied by the government preparing the statistical section information.

Source: HdL Coren & Cone, L. A. County Assessor 2002/03 - 2011/12 Tax Rate Table

CITY OF DOWNEY

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2011-12		2002-03	
	Taxable Assessed Value	% of Total City Taxable Assessed Value	Taxable Assessed Value	% of Total City Taxable Assessed Value
Gary L. Ball Trust	\$ 100,681,568	1.16%	\$ 73,367,401	1.35%
Coca Cola Bottling Company of Los Angeles	81,431,226	0.94%	83,681,776	1.54%
Downey Landing LLC	68,158,279	0.79%	16,961,223	0.31%
Macerich Stonewood Limited Partnership	53,461,366	0.62%	46,647,055	0.86%
Kaiser Foundation Health Plan	47,447,689	0.55%	26,911,663	0.50%
Fremont Rancho Limited	42,651,218	0.49%	42,060,299	0.78%
PRC Multi-Family LLC	31,032,754	0.36%	-	0.00%
RLJ II-EM Downey	28,619,000	0.33%	-	0.00%
Majestic Enterprises LP	26,759,247	0.31%	-	0.00%
Andrews Rancho Del Norte	25,084,199	0.29%	-	0.00%
Sanwa Jutaku Company Limited	-	0.00%	32,125,785	0.59%
Norbert Gehr Trust	-	0.00%	26,852,201	0.50%
Andrews Rancho Del Norte	-	0.00%	20,550,696	0.38%
Toyota Motor Credit	-	0.00%	12,259,873	0.23%
	<u>\$ 505,326,546</u>	<u>5.84%</u>	<u>\$ 381,417,972</u>	<u>7.04%</u>

The amounts shown above include assessed value data for both the City and the Redevelopment Agency.

CITY OF DOWNEY

PROPERTY TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections</u>
2002-03	\$ 6,942	\$ 6,684	\$ 96	\$ 258	\$ 6,942	100.00
2003-04	7,533	7,459	99.02	74	7,533	100.00
2004-05	8,079	8,079	100.00	-	8,079	100.00
2005-06	8,707	8,707	100.00	-	8,707	100.00
2006-07	9,762	9,762	100.00	-	9,762	100.00
2007-08	11,844	11,394	96.20	450	11,844	100.00
2008-09	12,497	11,501	92.03	996	12,497	100.00
2009-10	12,008	11,842	98.62	166	11,842	98.62
2010-11	11,870	10,934	92.11	95	10,934	92.11
2011-12	12,080	10,823	89.59	(1)	10,823	89.59

(1) Information not available

CITY OF DOWNEY

RATIOS OF OUTSTANDING DEBT BY TYPE
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Bonds	Certificates of Participation	Other	Total Governmental Activities	Certificates of Participation	Other	Total Business-type Activities			
2002-03	\$ 9,135	\$ 7,110	\$ 36,337	\$ 52,582	\$ 9,910	\$ -	\$ 9,910	\$ 62,492	14.60%	\$ 560
2003-04	8,950	6,075	37,653	52,678	9,910	135	10,045	62,723	13.90%	556
2004-05	29,189	4,990	41,526	75,705	9,640	214	9,854	85,559	17.80%	758
2005-06	28,906	3,850	44,676	77,432	9,360	257	9,617	87,049	17.00%	770
2006-07	28,618	2,650	46,213	77,481	9,070	323	9,393	86,874	16.10%	765
2007-08	28,315	1,365	48,486	78,166	8,775	383	9,158	87,324	15.80%	769
2008-09	27,987	-	46,595	74,582	8,470	497	8,967	83,549	15.20%	739
2009-10	27,614	-	48,236	75,850	8,155	531	8,686	84,536	15.00%	743
2010-11	27,186	-	52,743	79,929	7,830	597	8,427	88,356	15.40%	789
2011-12	27,186	-	52,743	79,929	7,830	597	8,427	88,356	Not Available	787

The City of Downey implemented GASB 34 for the fiscal year ended June 30, 2003.

Source: Finance Department, City of Downey

CITY OF DOWNEY

RATIOS OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA

Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value (in thousands)	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Ratio of Net Bonded Debt Per Capita
2002-03	111,687	\$ 5,417,940	\$ -	\$ -	\$ -	0.0%	0.0%
2003-04	112,817	5,855,766	-	-	-	0.0%	0.0%
2004-05	112,938	6,266,554	-	-	-	0.0%	0.0%
2005-06	113,063	7,001,934	-	-	-	0.0%	0.0%
2006-07	113,587	7,774,263	-	-	-	0.0%	0.0%
2007-08	113,607	8,477,831	-	-	-	0.0%	0.0%
2008-09	113,053	8,945,869	-	-	-	0.0%	0.0%
2009-10	113,715	8,595,374	-	-	-	0.0%	0.0%
2010-11	111,985	8,496,958	-	-	-	0.0%	0.0%
2011-12	112,201	8,646,847	-	-	-	0.0%	0.0%

Source: Finance Department, City of Downey

CITY OF DOWNEY

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

June 30, 2012

City Assessed Valuation	\$ 8,646,847,089
Redevelopment Agency Incremental Valuation	481,098,203
Total Assessed Valuation	<u>\$ 8,165,748,886</u>

	Gross Bonded Debt Balance 6/30/2012	Percent Applicable to City of Downey	Net Bonded Debt
Metropolitan Water District*	\$ 94,031,705	0.946	\$ 889,459
Little Lake City SD DS 2000 Series B	230,000	3.551	8,167
Little Lake City SD DS 2005 Ref. Bond	7,110,000	3.551	252,480
Little Lake City SD DS 2000 Series C	6,635,000	3.551	235,612
Little Lake City School 2000 Series D	999,901	3.551	35,507
Little Lake City School 2000 Series D 1QSCBS	8,000,000	3.551	284,084
Whittier Union HSD DS 2005 Refunding Bonds	79,954,999	0.578	462,185
Whittier UN High DS 2008 Ser 2009A	38,001,949	0.580	220,370
Cerritos CC DS 2004 Series 2004A	2,675,000	23.642	632,411
Cerritos CC DS 2005 Refunding Bonds	21,797,904	23.642	5,153,361
Cerritos CCD DS 2004 Series 2006	30,645,000	23.642	7,244,952
Cerritos CC DS 2004 Series 2009C & 2012	134,130,515	23.642	31,710,526
Compton CCD DS 2002 Series A	34,920,000	0.724	252,991
Compton CCD DS 2002 Series 2008A & 2012	28,691,122	0.724	207,864
L.A. CCD DS 2003 Series B	68,950,000	0.003	1,948
L.A. CCD DS 2003 Taxable Series 2004B	15,010,000	0.003	424
L.A. CCD DS 2001 Taxable Series 2004A	74,615,000	0.003	2,108
LACC DS Refunding 2001 Series 2005A	430,410,000	0.003	12,157
LA CCD DS 2001, 2006 Series B	382,575,000	0.003	10,806
LA CCD DS 2003, 2006 Series C	284,050,000	0.003	8,023
LACC DS 2001, 2008 Ser E-1	275,580,000	0.003	7,784
LACC DS 2003, 2008 Series F-1	344,915,000	0.003	9,742
LACC DS 2003, 2008 Taxable Ser F-2	3,805,000	0.003	107
LACC DS 2008, 2009 Taxable Series A	350,000,000	0.003	9,886
LACC DS 2008, 2009 Taxable Ser B	75,000,000	0.003	2,118
LACC Debt 2008, 2010 Tax Series D	175,000,000	0.003	4,943
LACC Debt 2008, 2010 Tax Ser E (BABS)	900,000,000	0.003	25,421
LACC DS 2008, 2010 Series C	125,000,000	0.003	3,531
Rio Hondo CC DS Series 2004A	5,340,000	0.368	19,673
Rio Hondo CCD DS 2005 Refunding Bond	43,206,005	0.368	159,176
Rio Hondo CC DS 2004 Ser 2008	63,651,844	0.368	234,502
Downey Unified SD Refunding 1999 Series A	6,365,256	91.524	5,825,728
Downey USD DS 2002 Series B	665,000	91.524	608,634
Downey Unified DS 2002 Series C & 2005	5,880,000	91.524	5,381,603
Downey USD DS 2006 Refunding Bonds	9,010,000	91.524	8,246,300
Downey Unif DS 2007 Ref Bds	20,440,000	91.524	18,707,477
Downey USD 2011 & 2012 Refunding Bonds	29,550,000	91.524	27,045,301
Montebello Unified DS 1998 Series 98	9,679,140	0.127	12,331
Montebello Unified SD DS 98 Series 99	7,712,854	0.127	9,826
Montebello USD DS 1998 Series 2001	2,632,827	0.127	3,354
Montebello USD DS 1998 Series 2004	8,350,273	0.127	10,638
Montebello Unified DS 1998 Series 2002	10,829,117	0.127	13,796
Montebello Unified DS 2004 Series 2005	25,070,000	0.127	31,939
Montebello Unif DS 2004 Ser 2008	32,605,000	0.127	41,538
Montebello Unified DS 2004 Series 2009	20,000,000	0.127	25,480
Montebello Unified 04 Series 2009A-2 BABS	12,640,000	0.127	16,103
Montebello USD 2010 Refunding Bonds	14,165,000	0.127	18,046
Total Overlapping Debt repaid through voter-approved property tax indebtedness			<u>\$ 114,100,412</u>
Total Direct and Overlapping Debt			<u>\$ 142,676,914</u>

* This fund is a portion of a larger agency, and is responsible for debt in areas outside the city. This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the city. Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2011/12 Lien Date Tax Rolls

CITY OF DOWNEY

SCHEDULE OF LEGAL DEBT MARGIN
(amounts expressed in thousands)

Last Ten Fiscal Years

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Assessed Valuation	\$ 5,417,940	\$ 5,855,766	\$ 6,266,555	\$ 7,002,394	\$ 7,774,263	\$ 8,477,831	\$ 8,945,869	\$ 8,595,374	\$ 8,496,958	\$ 8,646,847
Charter Debt Limited (15% of Assessed Valuation)	812,691	878,365	939,983	1,050,359	1,166,139	1,271,675	1,341,880	1,289,306	1,274,544	1,297,027
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 812,691</u>	<u>\$ 878,365</u>	<u>\$ 939,983</u>	<u>\$ 1,050,359</u>	<u>\$ 1,166,139</u>	<u>\$ 1,271,675</u>	<u>\$ 1,341,880</u>	<u>\$ 1,289,306</u>	<u>\$ 1,274,544</u>	<u>\$ 1,297,027</u>
Total Debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation.

CITY OF DOWNEY

WATER LEASEHOLD MORTGAGE BOND COVERAGE
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2002-03	\$ 9,727	\$ 7,647	\$ 2,080	\$ 560	\$ 16	\$ 576	3.61
2003-04	9,653	7,221	2,432	-	-	-	-
2004-05	9,329	7,177	2,152	-	-	-	-
2005-06	9,340	7,754	1,586	-	-	-	-
2006-07	10,167	8,676	1,491	-	-	-	-
2007-08	11,786	10,054	1,732	-	-	-	-
2008-09	9,318	9,731	(413)	-	-	-	-
2009-10	8,798	10,344	(1,546)	-	-	-	-
2010-11	8,745	9,853	(1,108)	-	-	-	-
2011-12	9,395	7,495	1,900	-	-	-	-

Source: Finance Department, City of Downey

CITY OF DOWNEY

GOLF COURSE REVENUE BOND COVERAGE
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2002-03	\$ 3,880	\$ 2,547	\$ 1,333	\$ 395	\$ 379	\$ 774	1.72
2003-04	3,218	1,795	1,423	-	436	436	3.26
2004-05	3,091	2,044	1,047	270	482	752	1.39
2005-06	2,993	2,085	908	280	429	709	1.28
2006-07	3,361	2,319	1,042	290	422	712	1.46
2007-08	3,459	2,350	1,109	295	406	701	1.58
2008-09	3,977	2,296	1,681	305	397	702	2.39
2009-10	2,654	2,432	222	315	386	701	0.32
2010-11	2,547	2,288	259	325	375	700	0.37
2011-12	3,509	2,283	1,226	370	312	682	1.80

Source: Finance Department, City of Downey

CITY OF DOWNEY

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population ¹	Calif. Metropolitan Personal Income (in thousands) ²	Calif. Metropolitan Per Capita Personal Income ²	Unemployment Rate ³
2003	111,687	\$ 444,695,102	\$ 34,967	5.9%
2004	112,817	468,524,444	36,705	5.5%
2005	112,938	496,595,325	38,915	4.3%
2006	113,063	536,322,566	42,185	3.8%
2007	113,587	553,812,984	43,633	4.0%
2008	113,607	567,707,034	44,462	5.8%
2009	113,053	550,831,747	42,784	9.1%
2010	113,715	565,365,000	44,070	9.9%
2011	111,985	575,044,998	44,423	9.9%
2012	112,201	Not Available	Not Available	8.2%

Sources:

¹ State Department of Finance, City population as of January 1

² Bureau of Economic Analysis (data shown is for the metropolitan area of L.A.-Long Beach-Santa Ana)

³ State of California Employment Development Department (data shown is for the City of Downey in June)

<http://www.labormarketinfo.edd.ca.gov/cgi/dataanalysis/labForceReport.asp?menuchoice=LABFORCE>

CITY OF DOWNEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2011-12		2002-03		
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment	
Kaiser Permanente	4,500	8.5	-		
Downey Unified School District	1,851	3.5	900		
Stonewood Shopping Center	2,100	4.0	1,177		
Rancho Los Amigos Medical Center	1,410	2.7	1,600		N
Coca-Cola Bottling Company	920	1.7	795		O
Downey Regional Medical Center	955	1.8	1,300		T
Office of Education, County of Los Angeles	900	1.7	800		A
Lakewood Park Health Center	325	0.6	-		V
All American Home Center	180	0.3	-		A
Porto's Bakery	190	0.4	-		I
Internal Service Dept., County of Los Angeles	-	-	-		L
Kirk Paper Company	250	0.5	-		A
					B
					L
					E

Source: City of Downey, Community Development Department

CITY OF DOWNEY

FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
General government	33	32	32	33	33	37	38	36	36	33
Police	167	167	166	169	169	179	201 (1)	193	190	166
Fire	87	87	86	85	85	86	92	91	90	86
Parks and recreation	335	339	338	338	338	368 (2)	383 (2)	370	383	337
Public works	83	83	81	81	81	82	87	82	83	83
Community development	30	31	32	34	34	32	30	33	28	30
Total	<u>735</u>	<u>739</u>	<u>735</u>	<u>740</u>	<u>740</u>	<u>784</u>	<u>831</u>	<u>805</u>	<u>810</u>	<u>735</u>

(1) The City implemented new part-time cadet program in fiscal year 2009.

(2) The increase in number of part-time employees in Community Services in fiscal year 2008 and 2009 was due to the expanded ASPIRE program funded by the State.

CITY OF DOWNEY
OPERATING INDICATORS
Last Ten Fiscal Years

	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Police:										
Number of arrests	4,785	3,351	4,228	4,402	4,984	4,519	4,437	4,663	4,194	4,667
Number of collision reports issued	861	1,272	1,596	1,601	1,473	1,402	1,311	1,143	1,080	901
Number of traffic citations issued	47,981	45,611	42,479	41,499	47,508	43,188	42,078	40,871	36,595	40,741
Number of reported crimes & incidents	12,297	13,933	14,129	14,139	15,016	13,543	13,294	13,230	12,814	13,891
Fire:										
Number of emergency incidents	5,057	5,700	5,413	5,474	5,451	5,983	6,021	6,126	6,554	5,086
Number of fire & other incidents	2,710	2,683	2,344	2,530	2,567	1,881	1,136	1,384	1,160	2,892
Number of special services and other incidents	n/a	n/a	n/a	n/a	n/a	n/a	535	297	422	n/a
Number of traffic accidents	265	350	350	540	752	735	715	747	784	312
Parks and recreation:										
Number of general park attendance	506,374	499,576	445,984	513,059	676,731	520,340	929,974	935,457	982,229	436,000
Number of participants in theatre	40,000	40,000	41,000	41,000	40,738	54,114	38,891	42,882	40,385	40,000
Number of library attendance	423,177	428,561	400,700	371,445	359,502	397,002	413,510	416,605	446,970	387,656
Public works:										
Engineering (CIP related improvement):										
Street striping (no. of lineal ft)	n/a	n/a	n/a	29,866	39,005	45,148	27,600	27,000	108,187	n/a
Asphalt replacement (no. of tons)	n/a	n/a	n/a	15,947	21,506	3,944	7,981	34,000	47,017	n/a
Trees planted (each)	n/a	n/a	n/a	108	444	434	372	127	291	n/a
Trees removed (each)	n/a	n/a	n/a	10	20	5	13	62	75	n/a
Maintenance:										
Pavement markings (square feet)	n/a	n/a	n/a	84,170	59,201	80,365	102,651	42,638	57,844	n/a
Street striping (no. of lineal ft)	n/a	n/a	n/a	368,109	375,471	191,707	501,357	272,266	67,706	n/a
Asphalt repair (no. of tons)	400	500	550	575	587	466	508	428	505	400
Graffiti removed (square feet)	277,658	380,000	516,093	503,704	627,970	755,485	719,661	685,482	728,954	200,000
Trees trimmed (each)	11,349	5,550	9,503	7,697	8,870	9,870	6,288	7,100	8,122	10,208
Trees planted (each)	296	769	718	434	200	239	155	241	177	240
Trees removed (each)	263	159	227	350	234	320	199	494	470	290
Vehicles serviced - Preventative	216	310	265	326	441	469	575	694	830	152
Vehicles serviced - Repairs (each)	655	683	541	397	597	612	498	911	617	545
Water:										
Number of customers	22,910	22,955	22,955	22,734	22,356	22,806	22,421	22,249	22,788	22,339
Annual supply (acre feet)	17,643	18,925	17,571	18,043	19,313	18,402	17,973	16,953	16,402	18,347
Maximum daily capacity (thousands of gallons)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Sewer:										
Sewer main cleaned (no. of miles)	187	187	198	187	18	18	25	12	95	25
Vector coating applied to sewer manholes	n/a	n/a	n/a	1,750	1,818	1,920	2,000	1,000	1,000	n/a
Golf course:										
Golf rounds played	66,744	65,449	64,784	70,071	68,980	67,050	64,105	62,154	60,703	74,159

CITY OF DOWNEY

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Public Safety										
Number of Police stations	1	1	1	1	1	1	1	1	1	1
Number of Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Miles of streets	210	210	210	210	210	210	210	210	210	210
Traffic signals	102	102	115	115	115	115	115	115	115	115
Number of street lights	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Water										
Number of active water wells	20	20	20	20	20	20	20	20	20	20
Number of reservoirs	1	1	1	1	1	1	1	1	1	1
Miles of lines & mains	320	320	320	263	263	263	263	263	263	263
Sewer										
Miles of sanitary sewer	187	187	187	187	187	187	187	187	187	187
Sewer lift stations	2	2	2	2	2	2	2	2	2	2
Culture and Recreation										
Number of parks	11	11	11	11	11	11	12	12	12	12
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of golf courses	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole

Source: Finance Department, City of Downey