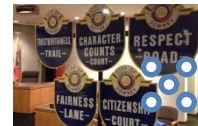




*City of* **DOWNEY**  
*California*



# Comprehensive Annual Financial Report



For Fiscal Year Ended June 30, 2013



**CITY OF DOWNEY, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**WITH REPORT ON AUDIT**  
**BY INDEPENDENT**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Prepared by:**  
**Department of Finance**



CITY OF DOWNEY

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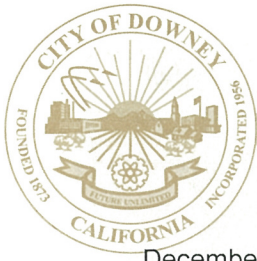
For the Fiscal Year Ended June 30, 2013

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## **INTRODUCTORY SECTION**

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# City of Downey

FUTURE UNLIMITED



December 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, 2013.

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.

**CIVIC CENTER**  
11111 BROOKSHIRE AVE  
PO BOX 7016  
DOWNEY, CALIFORNIA  
90241-7016  
562.869.7331  
[www.downeyca.org](http://www.downeyca.org)

**LIBRARY**  
11121 BROOKSHIRE AVE  
DOWNEY, CALIFORNIA  
90241-7016  
562.904.7360  
[www.downeylibrary.org](http://www.downeylibrary.org)

**POLICE DEPARTMENT**  
10911 BROOKSHIRE AVE  
PO BOX 7016  
DOWNEY, CALIFORNIA  
90241-7016  
562.861.0771

**PARKS & RECREATION**  
7850 QUILL DR  
DOWNEY, CALIFORNIA  
90242  
562.904.7238

**UTILITIES DIVISION**  
9252 STEWART & GRAY RD  
DOWNEY, CALIFORNIA  
90241-7016  
562.904.7202

**MAINTENANCE SERVICES**  
12324 BELLFLOWER BLVD  
DOWNEY, CALIFORNIA  
90242  
562.904.7194

## **ECONOMIC CONDITION AND OUTLOOK**

The City Of Downey's economic condition has weathered the impacts of the ' Great Recession ' and is slowly showing strength in economic recovery. Due to prudent fiscal management, the City has preserved a reserve base to help maintain essential services in this challenging economy. Council's continuing direction to not draw from available reserves has required changes to the way the City does business. After closing an \$11.5 million in structural deficit the City has closed the Fiscal Year 2012-13 with a modest operating surplus.

In December 2013, 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 8.8%. It is anticipated that unemployment rates should gradually decline in 2014 and 2015.

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 2012 - 2013**

The City continued its efforts to revitalize the former NASA property with the approval of a new specific plan and entitlements for The Promenade at Downey development. With the approval of demolition permits in spring 2012, the demolition phase was completed in early fall 2012. The Promenade at Downey is a contemporary dining, retail, shopping, hotel and entertainment destination. The \$170 million, 1.5 million square foot, mixed use development is expected to generate more than 3,300 permanent jobs and \$4.2 million annually in sales, property and transient occupancy taxes.

In other Community Development efforts, the new WalMart Neighborhood Market began facade and site modifications at the old Alin Party Supply store, and opened in November 2012. The Downey Gateway project was opened in March of 2013. The 27,000 square foot project is located at the southwest corner of Downey Avenue and Firestone Boulevard, a key intersection and gateway to Downey. The project is a cluster of restaurants and outdoor dining that will provide a great place for Downey residents to gather and dine.

The City of Downey was awarded the prestigious All-America City award at the 64<sup>th</sup> Annual All America City conference held in Denver, Colorado on June 14-16. This prestigious award is given each year to communities across the country for addressing local challenges with innovative, grass-roots strategies that promote civic engagement and collaboration between the public, private, and non-profit sectors.

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 a traveling exhibit, *Great Balls of Fire*.

## **FUTURE INITIATIVES**

After two and a half years of work to obtain all financing and project approvals, construction began on The View housing development project. This is a \$20 million, 50 unit housing complex located in the Downtown Downey area and scheduled to open in the spring of 2015.

In ongoing efforts to help the City recover from the economic downturn, much focus has been on the former automobile dealership property at Lakewood Boulevard and Gallatin Road. The City Council approved a General Plan amendment allowing for the construction of 46 town homes on the 2.6 acre site.

The new businesses coming to the City of Downey are The Habit, La Barca restaurant, renovation of the Rives Mansion, Pieology, Sprouts and Chick-fil-A.

## **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, 2012 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 "An 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:

<b>Principal Issue</b>	<b>Trustee</b>	<b>Outstanding</b>
Downey Public Facilities Financing Corporation: 2002 Certificates of Participation	U.S. Bank	\$ 7,149,381
California Statewide Communities Development Authority: 2005 Pension Obligation Bonds	Wells Fargo Trust Services	19,260,000

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

## 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 11, 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, 2012. 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,

A handwritten signature in blue ink that reads "Anil H. Gandhi". The signature is written in a cursive, flowing style.

Anil H. Gandhi, CPA  
Interim Director of Finance



# **CITY OF DOWNEY**

## **PRINCIPAL OFFICIALS**

### **CITY COUNCIL**

**Mario A. Guerra, Mayor**

**Fernando Vasquez, Mayor Pro Tem**

**Luis H. Marquez  
Council Member**

**Roger C. Brossmer  
Council Member**

**Alex Saab  
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**

**Anil Gandhi  
Interim Director of Finance**

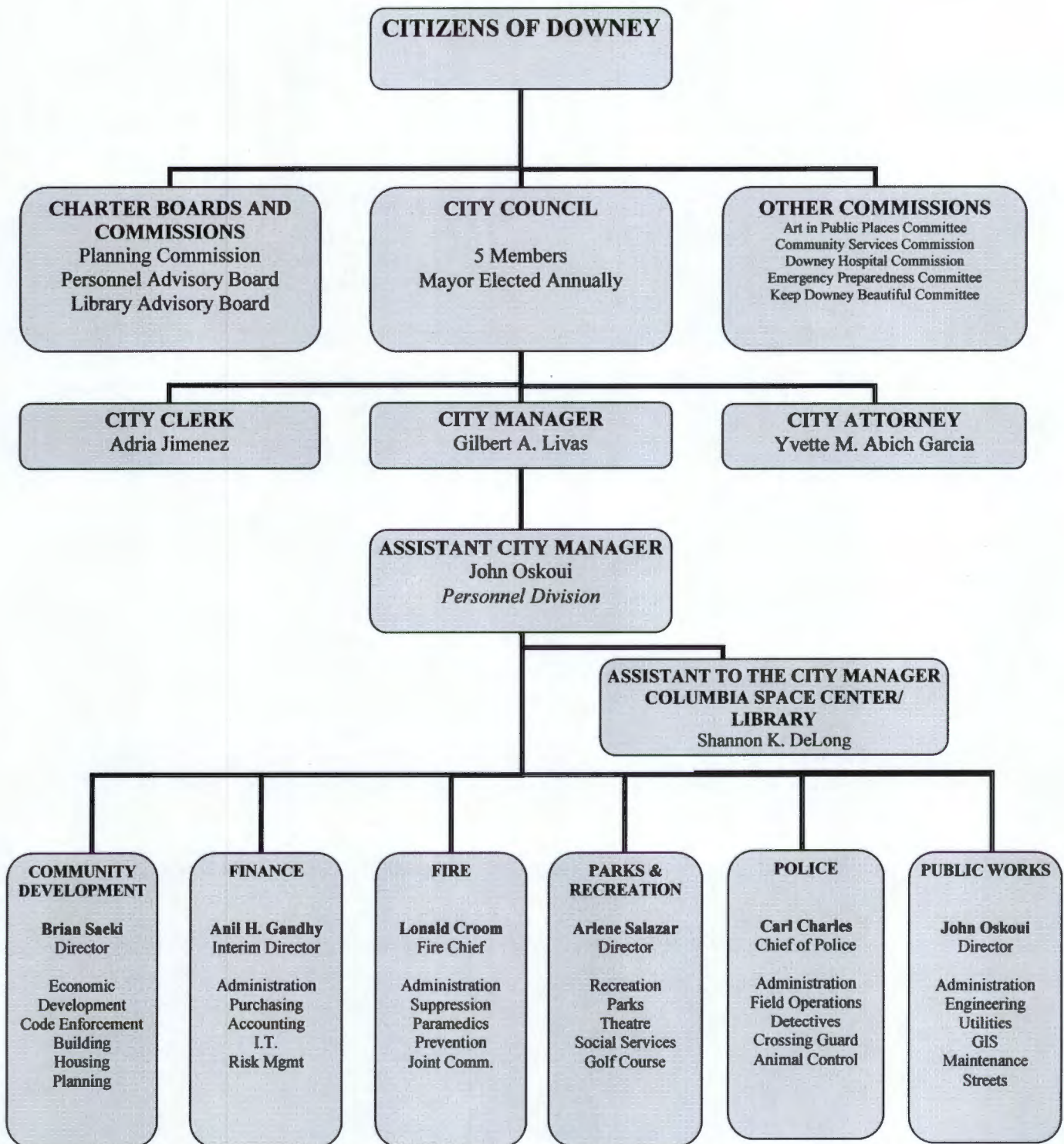
**John Oskoui  
Director of Public Works**

**Brian Saeki  
Director of Community Development**

**Arlene Salazaar  
Director of Park & Recreation**

# CITY OF DOWNEY

## ORGANIZATIONAL CHART





Government Finance Officers Association

**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, 2012**

Executive Director/CEO



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

City Council Members  
City of Downey  
Downey, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Downey (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **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, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Note 1E to the basic financial statements, the City incorporated deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure of net position due to the adoption of Governmental Accounting Standards Board's Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". The adoption of this standard also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Our opinion is not modified with respect to this matter.

As discussed in Notes 1E and 19 to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard required retrospective application resulting in \$152,679 and \$229,520 reductions of previously reported net position of the governmental activities and business-type activities, respectively. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 on them. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements of the City 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 budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



## **Other Matters (Continued)**

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Diehl Evans LLP*

Irvine, California  
December 30, 2013

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## 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, 2013. 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, 2013	June 30, 2012 as restated	Amount Increase (Decrease)	Percent Increase (Decrease)
Assets	\$ 368,669	\$ 368,899	\$ (230)	-0.1%
Deferred Outflows of Resources	88	100	(12)	-12.0%
Liabilities	76,028	77,936	(1,908)	-2.4%
Total Net Position	292,729	291,063	1,666	0.6%
Unrestricted Net Position	35,567	32,813	2,754	8.4%
Long Term Obligations	48,472	55,119	(6,647)	-12.1%
Program Revenues	43,544	39,714	3,830	9.6%
Taxes	53,201	50,931	2,270	4.5%
Other General Revenues	2,917	6,426	(3,509)	-54.6%
Expenses	98,429	111,445	(13,016)	-11.7%

- The assets of the City exceeded its liabilities as of June 30, 2013 by \$292.7 million. Of this amount, \$35.6 million (unrestricted net position) 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 position increased by \$1.7 million, or 0.6%. Of this, \$4.0 million is attributable to business-type activities and the net expense of \$2.6 million from operations of governmental activities.
- The City's total long-term liabilities, including such items as bonds, notes, and accrued self-insured claims, decreased \$1.9 million or 2.5% during the current fiscal year.

#### Fund based

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$36.8 million, an increase of \$1.8 million in comparison with the prior year. Approximately \$6.3 million, or 17.1%, 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 \$6.4 million, which equates to 9.3% of the total General Fund expenditures.
- For the General Fund, actual revenues (inflows) of \$66.1 million are \$3.1 million more than final budgeted revenues of \$63.0 million. This variance is mainly due to an increase in Taxes (\$3.2 million) and Charges for services (\$954 thousand). The increase offsets the decreases in Investment and rental income (\$1.2 million), Fines and forfeitures (\$167 thousand) and Licenses and permits (\$168 thousand). The balance of the variance is attributed to the increases in remaining revenue categories.
- General Fund expenditures (outflows) for the current year were \$64.7 million. This was \$1.5 million less than the final budgeted expenditures of \$66.3 million. The increase of \$3.2 million from General government is due to the early retirement incentive program. Fortunately there were some significant department savings from Police (\$3.2 million), Public works (\$978 thousand), and Community services (\$510 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 position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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.

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**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 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.

***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 Schedule section of this report.

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**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds include Special Deposit Fund, Cemetery District Fund, Successor Agency Fund, and other 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 section 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. 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 position 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 \$250.8 million for governmental activities and \$41.9 million for business-type activities for a total of \$292.7 million at the close of the most recent fiscal year.

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

#### STATEMENT OF NET POSITION

(amounts expressed in thousands)

	<b>Governmental Activities</b>			
	June 30, 2013	June 30, 2012	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>ASSETS</b>				
Current and other assets	\$ 107,120	\$ 110,627	\$ (3,507)	-3.2%
Capital assets	201,533	205,074	(3,541)	-1.7%
<b>TOTAL ASSETS</b>	<b>308,653</b>	<b>315,701</b>	<b>(7,048)</b>	<b>-2.2%</b>
<b>LIABILITIES</b>				
Other liabilities	16,682	14,830	1,852	12.5%
Long-term liabilities	41,184	47,446	(6,262)	-13.2%
<b>TOTAL LIABILITIES</b>	<b>57,866</b>	<b>62,276</b>	<b>(4,410)</b>	<b>-7.1%</b>
<b>NET POSITION</b>				
Net investment in capital assets	189,490	193,545	(4,055)	-2.1%
Restricted	29,332	26,298	3,034	11.5%
Unrestricted	31,965	33,582	(1,617)	-4.8%
<b>TOTAL NET POSITION</b>	<b>\$ 250,787</b>	<b>\$ 253,425</b>	<b>\$ (2,638)</b>	<b>-1.0%</b>

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### Business-type Activities

	June 30, 2013	June 30, 2012	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>ASSETS</b>				
Current and other assets	\$ 18,839	\$ 11,650	\$ 7,189	61.7%
Capital assets	<u>41,177</u>	<u>41,548</u>	<u>(371)</u>	<u>-0.9%</u>
<b>TOTAL ASSETS</b>	<b><u>60,016</u></b>	<b><u>53,198</u></b>	<b><u>6,818</u></b>	<b><u>12.8%</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding	<u>88</u>	<u>100</u>	<u>(12)</u>	<u>-12.0%</u>
<b>LIABILITIES</b>				
Other liabilities	10,874	7,987	2,887	36.1%
Long-term liabilities	<u>7,288</u>	<u>7,673</u>	<u>(385)</u>	<u>-5.0%</u>
<b>TOTAL LIABILITIES</b>	<b><u>18,162</u></b>	<b><u>15,660</u></b>	<b><u>2,502</u></b>	<b><u>16.0%</u></b>
<b>NET POSITION</b>				
Net investment in capital assets	34,116	34,148	(32)	-0.1%
Restricted	4,224	4,259	(35)	-0.8%
Unrestricted	<u>3,602</u>	<u>(769)</u>	<u>4,371</u>	<u>-568.4%</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 41,942</u></b>	<b><u>\$ 37,638</u></b>	<b><u>\$ 4,304</u></b>	<b><u>11.4%</u></b>

### Total Governmental and Business-type Activities

	June 30, 2013	June 30, 2012	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>ASSETS</b>				
Current and other assets	\$ 125,959	\$ 122,277	\$ 3,682	3.0%
Capital assets	<u>242,710</u>	<u>246,622</u>	<u>(3,912)</u>	<u>-1.6%</u>
<b>TOTAL ASSETS</b>	<b><u>368,669</u></b>	<b><u>368,899</u></b>	<b><u>(230)</u></b>	<b><u>-0.1%</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred loss on refunding	<u>88</u>	<u>100</u>	<u>(12)</u>	<u>-12.0%</u>
<b>LIABILITIES</b>				
Other liabilities	27,556	22,817	4,739	20.8%
Long-term liabilities	<u>48,472</u>	<u>55,119</u>	<u>(6,647)</u>	<u>-12.1%</u>
<b>TOTAL LIABILITIES</b>	<b><u>76,028</u></b>	<b><u>77,936</u></b>	<b><u>(1,908)</u></b>	<b><u>-2.4%</u></b>
<b>NET POSITION</b>				
Net investment in capital assets	223,606	227,693	(4,087)	-1.8%
Restricted	33,556	30,557	2,999	9.8%
Unrestricted	<u>35,567</u>	<u>32,813</u>	<u>2,754</u>	<u>8.4%</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 292,729</u></b>	<b><u>\$ 291,063</u></b>	<b><u>\$ 1,666</u></b>	<b><u>0.6%</u></b>

By far, the largest portion of the City's total net position (76.4%) 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 investment in capital assets from governmental activities decreased \$4.1 million, or 2.1%.

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An additional portion of the City's net position (\$29.3 million for governmental activities and \$4.2 million for business type activities) represents resources that are subject to external restrictions in how they may be used. These amounts represent 11.6% of total net position. The restricted net position from governmental activities increased by \$3.3 million, or 12.6%. The restricted net position from business activities decreased \$35 thousand, or 0.8%.

The unrestricted net position (\$31.8 million for governmental activities and \$3.6 million for business type activities) represent 12.8% and 8.6% of net position for governmental activities and business type activities, respectively. The unrestricted net position for governmental activities decreased by \$1.6 million mainly due to overall decrease in general and program expenditures and dissolution of redevelopment agency. Unrestricted net position for business activities increased by \$4.4 million, or 568.4%.

### CHANGES IN NET POSITION

(amounts expressed in thousands)

	<b>Governmental Activities</b>			
	2012-13	2011-12	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>REVENUES:</b>				
Program revenues:				
Charges for services	\$ 12,964	\$ 10,443	\$ 2,521	24.1%
Operating grants and contributions	8,098	8,903	(805)	-9.0%
Capital grants and contributions	4,279	6,330	(2,051)	-32.4%
General revenues:				
Taxes				
Property taxes	21,116	20,847	269	1.3%
Transient occupancy taxes	1,219	1,123	96	8.5%
Sales and use taxes	11,925	10,479	1,446	13.8%
Property taxes in lieu of sales and use tax	3,732	3,959	(227)	-5.7%
Franchise taxes	2,303	2,324	(21)	-0.9%
Utilities users' tax	7,170	6,778	392	5.8%
Other taxes	1,426	1,351	75	5.6%
Earning on investments	267	2,281	(2,014)	-88.3%
Gain/(Loss) on sale of property	-	24	(24)	-100.0%
Miscellaneous	2,782	2,529	253	10.0%
<b>Total revenues</b>	<b>77,281</b>	<b>77,371</b>	<b>(90)</b>	<b>-0.1%</b>
<b>EXPENSES:</b>				
Program activities:				
General government	7,242	7,768	(526)	-6.8%
Public safety	46,414	51,958	(5,544)	-10.7%
Public works	7,349	6,767	582	8.6%
Community services	8,959	9,314	(355)	-3.8%
Community development	5,821	8,481	(2,660)	-31.4%
Unallocated infrastructure depreciation	5,717	5,640	77	1.4%
Interest on long term debt	46	1,541	(1,495)	-97.0%
<b>Total expenses</b>	<b>81,548</b>	<b>91,469</b>	<b>(9,921)</b>	<b>-10.8%</b>
<b>Excess of revenues over expenses</b>	<b>(4,267)</b>	<b>(14,098)</b>	<b>9,831</b>	<b>-69.7%</b>
Extraordinary gain	-	18,563	(18,563)	-100.0%
Transfers	1,629	2,619	(990)	-37.8%
<b>Change in net position</b>	<b>\$ (2,638)</b>	<b>\$ 7,084</b>	<b>\$ (9,722)</b>	<b>-137.2%</b>

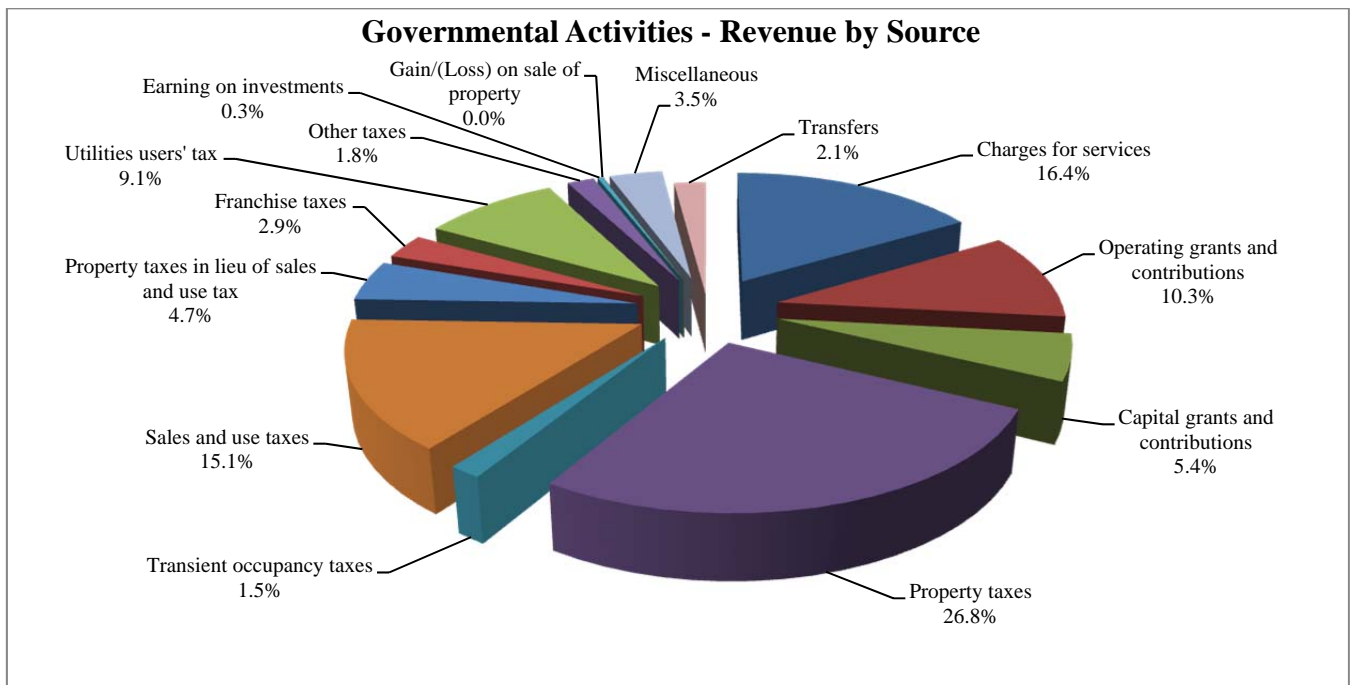
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## Business-type Activities

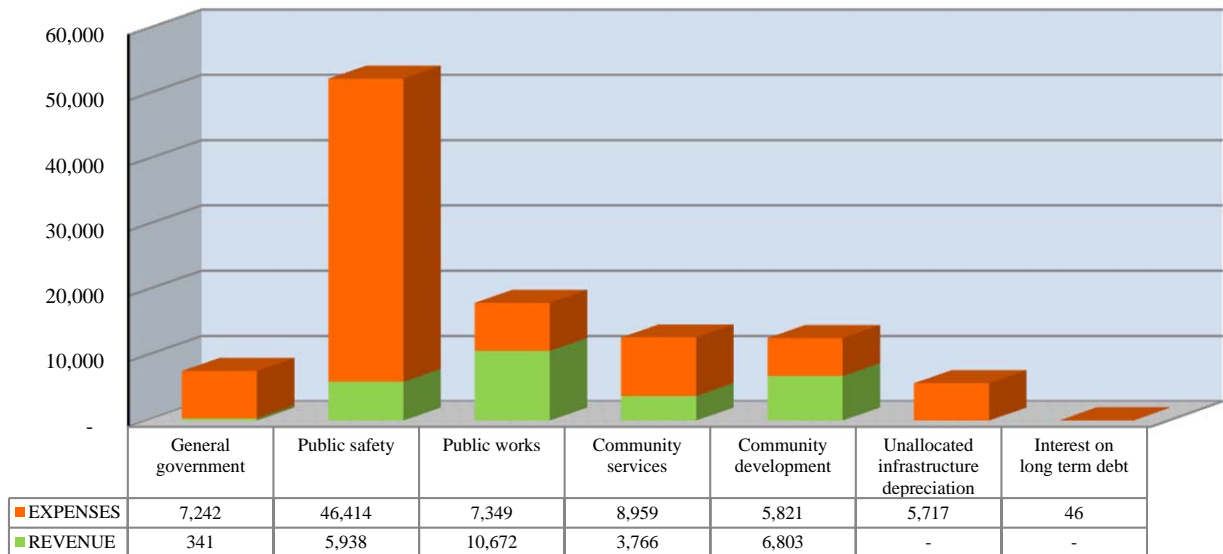
	2012-13	2011-12	Amount Increase (Decrease)	Percent Increase (Decrease)
<b>REVENUES:</b>				
Program revenues:				
Charges for services	\$ 18,203	\$ 14,038	\$ 4,165	29.7%
General revenues:				
Taxes				
Sales and use taxes	4,310	4,070	240	5.9%
Earning on investments	164	768	(604)	-78.6%
Gain/(Loss) on sale of property	2	-	2	N/A
Miscellaneous	135	824	(689)	-83.6%
<b>Total revenues</b>	<b>22,814</b>	<b>19,700</b>	<b>3,114</b>	<b>15.8%</b>
<b>EXPENSES:</b>				
Program activities:				
Water	10,117	12,207	(2,090)	-17.1%
Golf	2,772	2,842	(70)	-2.5%
Transit	3,992	4,927	(935)	-19.0%
<b>Total expenses</b>	<b>16,881</b>	<b>19,976</b>	<b>(3,095)</b>	
<b>Excess of revenues over expenses</b>	<b>5,933</b>	<b>(276)</b>	<b>6,209</b>	<b>-2249.6%</b>
Transfers	(1,629)	(2,619)	990	-37.8%
<b>Change in net position</b>	<b>\$ 4,304</b>	<b>\$ (2,895)</b>	<b>\$ 7,199</b>	<b>-248.7%</b>

**Governmental Activities.** The most significant revenues, including transfers, of the governmental activities are taxes (61.9%), which included property taxes (26.8%), sales and use taxes (15.1%), and other taxes (20.0%). Program revenues are 32.1% of the total revenues of the governmental activities, which includes charges for services (16.4%), operating grants and contributions (10.3%) and capital grants and contributions (5.4%). The remaining 5.9% of total revenues is comprised of earnings on investments, miscellaneous, transfers, and gain on sale of property.



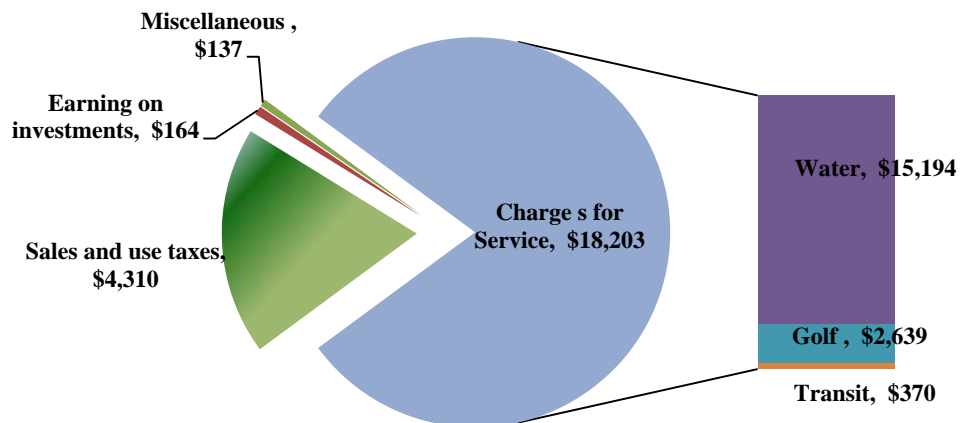
Public safety expenses, which include police and fire service, are the most significant of all governmental expenses at 56.9%. Thereafter, community services (11.0%), community development (7.1%), general government (8.9%), public works (9.0%), unallocated infrastructure depreciation (7.0%), interest on long term debt (0.1%).

### Governmental Activities - by Program/Function

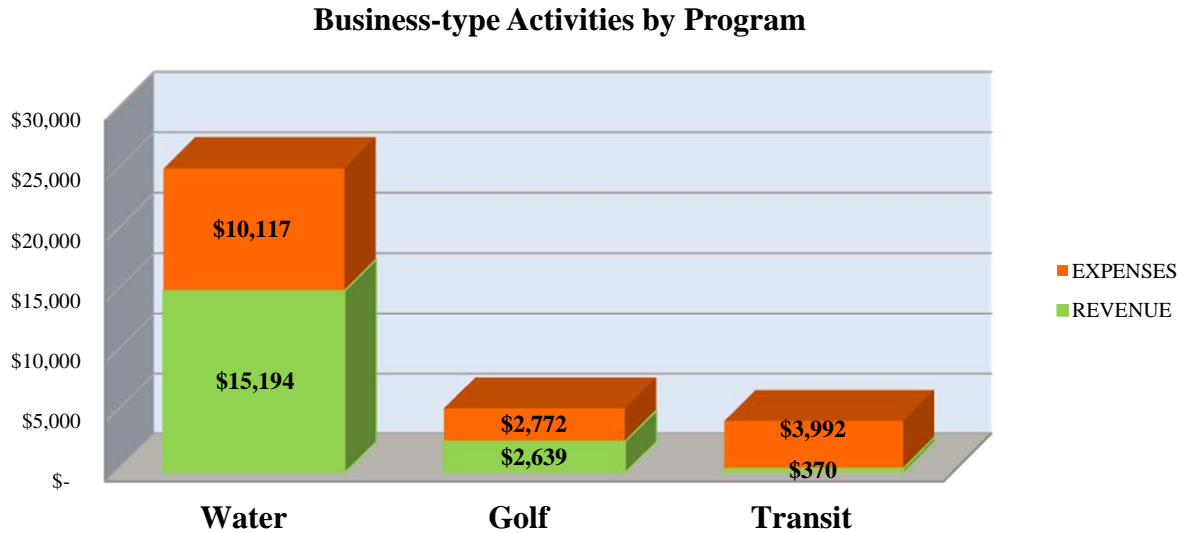


**Business-type activities.** Business-type activities increased the City's net position by \$4.3 million. The most significant revenue generated was from charges from services (79.8%). The balance of revenues is from sales tax (18.9%), earning on investments (0.7%) and miscellaneous (0.6%). Of the charges from services revenue, the most significant revenues generated were from the sales of water and related services (\$15.2 million). The second significant revenue is the revenue generated by users of the golf course (\$2.6 million). The balance (\$370 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 \$10.1 million or 59.9% of total operating expenses. As with revenues, the transit was next with expenses of \$4.0 million (23.6%) followed by the golf course operation with expenses of \$2.8 million (16.4%).



## 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, 2013, the City's governmental funds reported combined ending fund balances of \$36.8 million, a net increase of \$1.8 million, or 5.1% compared to the prior year's balance of \$35.0 million. The change is the result of decrease in the fund balances of the General Fund offsets by increases in Housing Authority Special Revenue Fund, HOME Special Revenue Fund, and other Governmental Funds.

The fund balances consisted of non-spendable, restricted, assigned and unassigned. Non-spendable fund balance of \$13.9 million is not available for use and are comprised of long term loans and advances receivable. Restricted fund balance of \$9.9 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 6.7 million can be used for capital and economic development projects through the appropriate budget approval process. Unassigned fund balance of \$6.3 million represents the residual balance which is available for appropriation.

Revenues of governmental funds for the fiscal year ended June 30, 2013 were \$77.3 million, a decrease of \$286 thousand, or 0.4% from the prior fiscal year total of \$77.6 million. Expenditures of governmental funds were \$75.5 million, a decrease of \$12.5 million, or 14.2% from the prior fiscal year total of \$88.0 million. Excluding other financing sources and uses and special and extraordinary items, governmental fund revenues exceeded governmental fund expenditures by \$1.3 million. Under extraordinary item, there was a gain of \$530 thousand related to the transfer of advance to the Housing Authority Special Revenue Fund.

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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 \$18.3 million, a decreased of \$1.5 million, or 7.7% from the preceding year's balance. The unassigned fund balance was \$6.4 million. Of the remaining fund balance, \$7.1 million was non-spendable fund balance comprised of long-term loans and advances. The restricted fund balance of \$4.8 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 \$6.4 million represented 9.3% of the total expenditures and operating transfers out of \$69.6 million.

The General Fund's total revenues increased \$2.7 million, or 4.0%, from the previous fiscal year's total revenue of \$67.7 million. All revenue categories increased except Fines and forfeiture and Investment and rental. Significant changes in individual revenue sources are as follows: \$3.2 million increase in taxes, \$667 thousand increase in other revenue and \$1.9 million decrease in Investment and rental.

The General Fund's actual revenues of \$66.1 million were \$3.1 million more than final budgeted revenues of \$63.0 million due to positive variances in Taxes (\$3.2 million) and Charges for services (\$954 thousand) offset by negative variances in Investment and rental (\$1.2 million), Fine and forfeitures (\$167 thousand), and License, and permits (\$168 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, 2012 and 2013

(amounts expressed in thousand)

	2012-13	Percent of	2011-12	Percent of	Increase (Decrease)
	Actual	Total	Actual	Total	
Taxes	\$ 49,438	72.7%	\$ 46,255	68.3%	\$ 3,183
Licenses and permits	1,171	1.7%	1,094	1.6%	77
Fines and forfeitures	1,362	2.0%	1,507	2.2%	(145)
Investment and rental	637	0.9%	2,511	3.7%	(1,874)
Intergovernmental revenue	2,455	3.6%	2,347	3.5%	108
Charges for services	7,224	10.6%	7,117	10.5%	107
Other revenue	3,522	5.2%	2,855	4.2%	667
Sale of property	248	0.4%	124	0.2%	124
Total Revenues	66,057	97.1%	63,810	94.2%	2,247
Other financing sources	1,986	2.9%	3,911	5.8%	486
Total Revenues & Other Finance Sources	\$ 68,043	100.0%	\$ 67,721	100.0%	\$ 2,733

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The General Fund's total expenditures decreased \$1.5 million or 2.1%, from the previous fiscal year's total expenditures of \$71.1 million. Changes by functions are as follows: \$241 thousand increase in general government, \$3.3 million decrease in public safety, \$571 thousand decrease in public works, \$525 thousand decrease in community services, and \$179 million increase in community development. In addition, there was an extraordinary loss of \$1.8 million on transfer of advance to Housing Authority Special Revenue Fund. The General Fund's actual expenditures were \$1.5 million less than the final budget.

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, 2012 and 2013

(amounts expressed in thousand)

	2012-13 Actual	Percent of Total	2011-12 Actual	Percent of Total	Increase (Decrease)
General government:					
Legislation	\$ 290	0.4%	\$ 335	0.5%	\$ (45)
City attorney	185	0.3%	172	0.2%	13
City clerk	273	0.4%	232	0.3%	41
Elections	112	0.2%	-	0.0%	112
City management	753	1.1%	737	1.0%	16
Finance	4,921	7.1%	4,817	6.8%	104
Public safety:					
Police	25,823	37.1%	28,844	40.6%	(3,021)
Animal control	253	0.4%	318	0.4%	(65)
Fire	17,104	24.6%	17,311	24.4%	(207)
Public works	4,882	7.0%	5,453	7.7%	(571)
Community service	6,269	9.0%	6,794	9.6%	(525)
Community development	3,859	5.5%	3,680	5.2%	179
Debt Service:					
Interest and fiscal charges	-	0.0%	539	0.8%	(539)
Total Expenditures	64,724	93.0%	69,232	97.4%	(4,508)
Other financing uses	3,078	4.4%	1,829	2.6%	1,249
Extraordinary Item	1,779	2.6%			1,779
Total Expenditures & Other Financing Uses	\$ 69,581	100.0%	\$ 71,061	100.0%	\$ (1,480)

Housing Authority Special Revenue Fund. 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.

At the end of the fiscal year, the fund balance of \$7.0 million, comprised of non-spendable fund balance (\$6.9 million) related to deferred loans, notes and land held for resale and restricted fund balances (\$138 thousand) related to the cash.

The revenues were \$154 thousand, consisting primarily of rents and loan repayments. The expenditures were \$45 thousand classified as community development expenditures. The resulting operating surplus was \$109 thousand. There was an extraordinary gain of \$2.3 million from the transfer of advance from the Successor Agency.

HOME Special Revenue Fund has a total fund balance of \$140 thousand which was restricted for the affordable housing projects. The revenue of \$691 thousand exceeded the expenditure of \$615 thousand by \$76 thousand.

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**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 position increased \$4.6 million as a result of an increase of \$4.1 million in water sales from the previous year's water sales of \$11.1 million.

Golf Fund. The net position decreased \$397 thousand at the end of fiscal year. The operating income decreased \$81 thousand from the previous fiscal year's net operating income of \$306 thousand. The decrease in Golf Fund's net position is mostly attributable to the decrease in the golf fees revenue and the transfer out.

Transit Fund. The net position increased \$422 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 \$3.4 million and transfer out of \$541 thousand were fully offset by the non-operating revenue, including taxes of \$4.3 million and Investment and rental of \$52 thousand. Sales and use taxes attributed to 88.6% 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, 2013 was \$242.7 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 thousand)

	Governmental activities		Business-activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Land and improvements	\$ 21,318	\$ 20,624	\$ 19,653	\$ 19,603	\$ 40,971	\$ 40,227
Projects in progress	12,849	17,963	-	-	12,849	17,963
Buildings	20,820	21,566	7,933	8,288	28,753	29,854
Land improvements	11,125	11,698	-	-	11,125	11,698
Machinery & equipment	5,300	5,420	396	510	5,696	5,930
Furniture & Fixtures	83	124	89	99	172	223
Infrastructure	130,038	127,679	-	-	130,038	127,679
Water sup and dist system	-	-	13,106	13,048	13,106	13,048
<b>Total Capital Assets</b>	<b>\$ 201,533</b>	<b>\$ 205,074</b>	<b>\$ 41,177</b>	<b>\$ 41,548</b>	<b>\$ 242,710</b>	<b>\$ 246,622</b>

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

**Long-term liabilities.** The City's outstanding long-term liabilities including certificates of participation, bonds, capital leases, advances, loans, compensated absences, and self-insurance totaled \$65.3 million. At June 30, 2013, the City had \$54.0 million in outstanding long-term debt for governmental activities, a decrease of \$3.1 million, or 5.4% from the preceding fiscal year. A decrease of \$393 thousand in outstanding long-term liabilities for business-type activities was due to a net reduction in the Golf Course certificates of participation of \$351 thousand and an increase of \$42 thousand in compensated absences.

See independent auditors' report

## LONG-TERM LIABILITIES

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Bonds payable	\$ 19,260	\$ 19,535	\$ -	\$ -	\$ 19,260	\$ 19,535
Certificates of participation	-	-	7,149	7,500	7,149	7,500
Capital lease payable	1,130	1,032	-	-	1,130	1,032
Advances from County	-	-	-	-	-	-
Loans from Federal Gov	12,223	11,904	-	-	12,223	11,904
Compensated absences	11,735	14,187	694	736	12,429	14,923
Claims payable	9,687	10,459	-	-	9,687	10,459
<b>Total long-term liabilities</b>	<b>\$ 54,035</b>	<b>\$ 57,117</b>	<b>\$ 7,843</b>	<b>\$ 8,236</b>	<b>\$ 61,878</b>	<b>\$ 65,353</b>

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 2013-14

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.

According to a UCLA's fourth quarterly report on U.S. economic outlook of 2013, US GDP is going to grow at a sustained 3% while the unemployment rate is expected to fall to around 6% by the end of 2015. California's coastal region shows the strong job growth while the inland region is still struggling to recover. California's unemployment rate is currently 8.7% and expected to fall to 8.2% by the end of 2014. The housing recovery has spread across California in the last two years.

#### Adopted Budget

In June 2013, the City Council adopted an annual operating budget totaling \$140.3 million, excluding Internal Service Funds. In comparison, the total budget amount for 2012-13 is up \$5 million from last year's \$135.3 million total budget due to management's continuing efforts to reduce costs as the economy struggles to recover.

The approved budget reflects the following five objectives, which fall under 2013 Adopted Priorities set by the City Council, Fiscal Responsibility, Economic Vibrancy Efficiency and Adaptability, Quality of Life, Neighborhoods & Infrastructure, and Public Information and Engagement.

The highlights of the approved budget consist of addition of new Police and Fire personnel, new public safety equipment, \$35 million in Capital Improvement project and improvement to City parks, library, and theatre. In addition, the approved budget helps maintain approximately \$19.5 million in available reserves.

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 2014, the City kept 682 fees unchanged, increased 5 fees, deleted 6 fees and created 15 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 \$57 thousand.

See independent auditors' report

## **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](http://www.downeyca.org).



CITY OF DOWNEY

STATEMENT OF NET POSITION

June 30, 2013

(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 40,635	\$ 16,114	\$ 56,749
Receivables, net of allowance:			
Taxes	5,856	-	5,856
Accounts	3,556	2,899	6,455
Interest	96	9	105
Loans	8,674	-	8,674
Notes	938	-	938
Internal balances	4,587	(4,587)	-
Prepaid expenses	16,223	-	16,223
Other post-employment benefits asset	178	-	178
Due from other governments and entities	784	72	856
Due from Successor Agency	11,547	-	11,547
Restricted assets:			
Cash and investments	10,260	3,514	13,774
Cash and investments with fiscal agents	-	710	710
Land held for resale	3,598	-	3,598
Inventories	188	108	296
Capital assets, not depreciated	34,167	10,436	44,603
Capital assets, net of accumulated depreciation	167,366	30,741	198,107
<b>TOTAL ASSETS</b>	<b>308,653</b>	<b>60,016</b>	<b>368,669</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred loss on refunding	-	88	88
<b>LIABILITIES:</b>			
Accounts payable and accrued liabilities	3,356	9,974	13,330
Deposits payable	-	149	149
Interest payable	105	135	240
Retentions payable	10	61	71
Unearned revenue	275	-	275
Noncurrent liabilities:			
Due within one year	12,936	555	13,491
Due in more than one year	41,184	7,288	48,472
<b>TOTAL LIABILITIES</b>	<b>57,866</b>	<b>18,162</b>	<b>76,028</b>
<b>NET POSITION:</b>			
Net investment in capital assets	189,490	34,116	223,606
Restricted for:			
Community development	15,009	-	15,009
Community services	65	-	65
Public works	4,019	-	4,019
Debt service	10,239	4,224	14,463
Unrestricted	31,965	3,602	35,567
<b>TOTAL NET POSITION</b>	<b>\$ 250,787</b>	<b>\$ 41,942</b>	<b>\$ 292,729</b>

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

CITY OF DOWNEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2013  
(amounts expressed in thousands)

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 7,242	\$ 104	\$ 384	\$ -
Public safety	46,414	5,996	2,059	-
Public works	7,349	3,111	2,302	4,279
Community services	8,959	2,452	1,597	-
Community development	5,821	1,301	1,756	-
Unallocated infrastructure depreciation	5,717	-	-	-
Interest on long term debt	46	-	-	-
Total governmental activities	<u>81,548</u>	<u>12,964</u>	<u>8,098</u>	<u>4,279</u>
<b>Business-type activities:</b>				
Water	10,117	15,194	-	-
Golf	2,772	2,639	-	-
Transit	3,992	370	-	-
Total business-type activities	<u>16,881</u>	<u>18,203</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 98,429</u>	<u>\$ 31,167</u>	<u>\$ 8,098</u>	<u>\$ 4,279</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

Earnings (losses) on investments

Gain on sale of property

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

NET POSITION - BEGINNING OF YEAR, AS RESTATED

NET POSITION- END OF YEAR

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

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (6,754)	\$ -	\$ (6,754)
(38,359)	-	(38,359)
2,343	-	2,343
(4,910)	-	(4,910)
(2,764)	-	(2,764)
(5,717)	-	(5,717)
(46)	-	(46)
<u>(56,207)</u>	<u>-</u>	<u>(56,207)</u>
-	5,077	5,077
-	(133)	(133)
-	(3,622)	(3,622)
<u>-</u>	<u>1,322</u>	<u>1,322</u>
(56,207)	1,322	(54,885)
21,116	-	21,116
1,219	-	1,219
11,925	4,310	16,235
3,732	-	3,732
2,303	-	2,303
7,170	-	7,170
1,426	-	1,426
267	164	431
-	2	2
2,782	135	2,917
<u>1,629</u>	<u>(1,629)</u>	<u>-</u>
<u>53,569</u>	<u>2,982</u>	<u>56,551</u>
(2,638)	4,304	1,666
<u>253,425</u>	<u>37,638</u>	<u>291,063</u>
<u>\$ 250,787</u>	<u>\$ 41,942</u>	<u>\$ 292,729</u>

CITY OF DOWNEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

(amounts expressed in thousands)

ASSETS	General Fund	Housing Authority Special Revenue Fund
	<u>          </u>	<u>          </u>
ASSETS:		
Cash and investments	\$ 1,919	\$ 138
Receivables:		
Taxes	5,390	-
Accounts	3,191	-
Interest	89	-
Loans	-	2,462
Notes	-	938
Inventory	-	-
Due from other governments and entities	249	-
Due from other funds	575	-
Restricted assets:		
Cash and investments	4,793	-
Advances to Successor Agency	7,118	2,309
Land held for resale	-	3,598
	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 23,324</u>	<u>\$ 9,445</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 3,149	\$ -
Retention payable	-	-
Due to other funds	32	-
Unearned revenue	8	267
	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>3,189</u>	<u>267</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue	<u>1,786</u>	<u>2,195</u>
FUND BALANCES:		
Nonspendable	7,118	6,845
Restricted	4,793	138
Assigned	-	-
Unassigned	6,438	-
	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>18,349</u>	<u>6,983</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 23,324</u>	<u>\$ 9,445</u>

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

HOME Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 179	\$ 10,941	\$ 13,177
-	466	5,856
-	355	3,546
-	7	96
5,516	696	8,674
-	-	938
3	23	26
-	535	784
-	32	607
-	21	4,814
-	-	9,427
-	-	3,598
<u>\$ 5,698</u>	<u>\$ 13,076</u>	<u>\$ 51,543</u>
\$ 42	\$ 458	\$ 3,649
-	10	10
-	575	607
-	-	275
<u>42</u>	<u>1,043</u>	<u>4,541</u>
<u>5,516</u>	<u>696</u>	<u>10,193</u>
-	-	13,963
140	4,808	9,879
-	6,671	6,671
-	(142)	6,296
<u>140</u>	<u>11,337</u>	<u>36,809</u>
<u>\$ 5,698</u>	<u>\$ 13,076</u>	<u>\$ 51,543</u>

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CITY OF DOWNEY

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

June 30, 2013

(amounts expressed in thousands)

Fund balances - total governmental funds		\$ 36,809
Amounts reported for governmental activities in the Statement of Net Position 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.		196,232
Net OPEB asset is not considered a current financial resource in governmental funds, therefore it is not reported in the governmental funds balance sheet.		178
Long-term receivables are not available to pay for current-period expenditures and accordingly are reported as unavailable revenues in the governmental funds.		10,193
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 Position. Internal service funds net position are:		21,529
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 Position:		
Loans payable	\$ (12,223)	
Claims payable	(1,912)	
	<u>                    </u>	(14,135)
Accrued liabilities in the Statement of Net Position differ from amounts reported in governmental funds due to accrued interest on long-term debt.		<u>                    (19)</u>
Net position of governmental activities		<u><u>                    \$ 250,787</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, 2013  
(amounts expressed in thousands)

	General Fund	Housing Authority Special Revenue Fund
	<u>        </u>	<u>        </u>
REVENUES:		
Taxes	\$ 49,438	\$ -
License and permits	1,171	-
Fines and forfeitures	1,362	-
Investment and rental	637	86
Intergovernmental revenue	2,455	-
Charges for services	7,224	-
Other revenue	3,522	68
Sale of property	248	-
TOTAL REVENUES	<u>66,057</u>	<u>154</u>
EXPENDITURES:		
Current:		
General government	6,533	-
Public safety	43,180	-
Public works	4,882	-
Community services	6,270	-
Community development	3,859	45
Capital outlay	-	-
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
TOTAL EXPENDITURES	<u>64,724</u>	<u>45</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,333</u>	<u>109</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	1,986	-
Transfers out	(3,078)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,092)</u>	<u>-</u>
CHANGE IN FUND BALANCES, BEFORE EXTRAORDINARY ITEMS	<u>241</u>	<u>109</u>
EXTRAORDINARY ITEMS:		
Loss on transfer of advance	(1,779)	-
Gain on transfer of advance	-	2,309
TOTAL EXTRAORDINARY ITEMS	<u>(1,779)</u>	<u>2,309</u>
NET CHANGE IN FUND BALANCES	(1,538)	2,418
FUND BALANCES - BEGINNING OF YEAR	<u>19,887</u>	<u>4,565</u>
FUND BALANCES - END OF YEAR	<u>\$ 18,349</u>	<u>\$ 6,983</u>

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



HOME Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 725	\$ 50,163
-	-	1,171
-	-	1,362
-	27	750
691	5,323	8,469
-	3,985	11,209
-	311	3,901
-	-	248
<u>691</u>	<u>10,371</u>	<u>77,273</u>
-	-	6,533
449	288	43,917
166	487	5,535
-	1,742	8,012
-	1,912	5,816
-	5,381	5,381
-	250	250
-	51	51
<u>615</u>	<u>10,111</u>	<u>75,495</u>
<u>76</u>	<u>260</u>	<u>1,778</u>
-	2,233	4,219
-	(1,657)	(4,735)
-	576	(516)
<u>76</u>	<u>836</u>	<u>1,262</u>
-	-	(1,779)
-	-	2,309
-	-	530
76	836	1,792
<u>64</u>	<u>10,501</u>	<u>35,017</u>
<u>\$ 140</u>	<u>\$ 11,337</u>	<u>\$ 36,809</u>

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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 \$ 1,792

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 depreciation expense exceeded capital expenditures in the current period:

Capital expenditures	\$ 3,656	
Depreciation expense	<u>(7,077)</u>	(3,421)

Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however, in the Statement of Activities only the ARC is reported as an expense. This is the net change in OPEB for the current period. 178

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 position. (196)

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. (978)

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 position. Debt transactions involved:

Change in claims payable	(283)
Principal payments	250

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 funds:

Net change in accrued interest payable on long-term liabilities	5
---	---

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 sales and use tax	<u>15</u>
---	-----------

Change in net position of governmental activities \$ (2,638)

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

## CITY OF DOWNEY

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2013

(amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
ASSETS:		
CURRENT ASSETS:		
Cash and investments	\$ 9,757	\$ 858
Accounts receivable	2,899	-
Interest receivable	-	1
Due from other governments and entities	16	56
Advances to Successor Agency	-	-
Inventories	75	33
Restricted assets:		
Cash and investments	1,472	2,042
Cash and investments with fiscal agent	-	710
TOTAL CURRENT ASSETS	<u>14,219</u>	<u>3,700</u>
NONCURRENT ASSETS:		
Prepaid pension	-	-
Capital Assets (Net of Accumulated Depreciation):		
Land	8,272	-
Land improvements	-	9,206
Buildings and improvements	5	5,653
Furniture and fixtures	89	-
Machinery and equipment	7	266
Water supply and distribution plant	13,106	-
TOTAL NONCURRENT ASSETS	<u>21,479</u>	<u>15,125</u>
TOTAL ASSETS	<u>35,698</u>	<u>18,825</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred loss on refunding	-	88

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	
\$ 5,499	\$ 16,114	\$ 27,458
-	2,899	10
8	9	-
-	72	-
-	-	2,120
-	108	162
-	3,514	5,446
-	710	-
<u>5,507</u>	<u>23,426</u>	<u>35,196</u>
-	-	16,223
2,164	10,436	-
11	9,217	-
2,275	7,933	-
-	89	-
123	396	5,301
-	13,106	-
<u>4,573</u>	<u>41,177</u>	<u>21,524</u>
<u>10,080</u>	<u>64,603</u>	<u>56,720</u>
-	88	-

CITY OF DOWNEY

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 (CONTINUED)

June 30, 2013

(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	\$ 9,623	\$ 198
Deposits payable	99	50
Retentions payable	28	-
Interest payable	-	135
Compensated absences	163	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
Certificates of participation	-	365
	9,913	748
TOTAL CURRENT LIABILITIES		
NONCURRENT LIABILITIES:		
Compensated absences	453	-
Claims payable	-	-
Capital lease payable	-	-
Certificates of participation	-	6,784
Pension obligation bonds	-	-
	453	6,784
TOTAL NONCURRENT LIABILITIES		
TOTAL LIABILITIES	10,366	7,532
NET POSITION:		
Net investment in capital assets	21,479	8,064
Restricted for debt service	1,472	2,752
Unrestricted	2,381	565
	\$ 25,332	\$ 11,381
TOTAL NET POSITION		

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

Net position 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
\$ 153	\$ 9,974	\$ 782
-	149	-
33	61	-
-	135	86
27	190	3,463
-	-	2,765
-	-	238
-	-	335
-	365	-
<u>213</u>	<u>10,874</u>	<u>7,669</u>
51	504	8,272
-	-	4,020
-	-	892
-	6,784	-
-	-	18,925
<u>51</u>	<u>7,288</u>	<u>32,109</u>
<u>264</u>	<u>18,162</u>	<u>39,778</u>
4,573	34,116	4,171
-	4,224	5,446
<u>5,243</u>	<u>8,189</u>	<u>7,325</u>
<u>\$ 9,816</u>	46,529	<u>\$ 16,942</u>
	<u>(4,587)</u>	
	<u>\$ 41,942</u>	

CITY OF DOWNEY

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

For the year ended June 30, 2013  
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
OPERATING REVENUES:		
Charges for services:		
Water sales	\$ 15,194	\$ -
Golf fees	-	2,639
Bus fares	-	-
Other services	-	-
Miscellaneous	-	-
Intergovernmental	-	-
TOTAL OPERATING REVENUES	<u>15,194</u>	<u>2,639</u>
OPERATING EXPENSES:		
Purchased water	4,609	-
Maintenance and operations	2,610	2,002
General and administrative	2,073	-
Employee benefits	-	-
Depreciation	621	412
TOTAL OPERATING EXPENSES	<u>9,913</u>	<u>2,414</u>
OPERATING INCOME (LOSS)	<u>5,281</u>	<u>225</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	-
Investment and rental	4	109
Interest expense	-	(355)
Gain/(loss) on sale of capital assets	-	2
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4</u>	<u>(244)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	5,285	(19)
CAPITAL CONTRIBUTIONS	-	-
TRANSFERS IN	-	-
TRANSFERS OUT	(710)	(378)
CHANGES IN NET POSITION, BEFORE EXTRAORDINARY ITEM	4,575	(397)
EXTRAORDINARY ITEM:		
Loss on transfer of advance	-	-
CHANGES IN NET POSITION	4,575	(397)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	<u>20,757</u>	<u>11,778</u>
NET POSITION - END OF YEAR	<u>\$ 25,332</u>	<u>\$ 11,381</u>

Adjustment to reflect the consolidation of internal fund activities related to enterprise funds  
 Change in net position 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
\$ -	\$ 15,194	\$ -
-	2,639	-
370	370	-
-	-	26,582
135	135	412
-	-	45
<u>505</u>	<u>18,338</u>	<u>27,039</u>
-	4,609	-
3,707	8,319	1,813
-	2,073	205
-	-	27,987
197	1,230	1,564
<u>3,904</u>	<u>16,231</u>	<u>31,569</u>
<u>(3,399)</u>	<u>2,107</u>	<u>(4,530)</u>
4,310	4,310	-
52	165	551
-	(355)	(50)
-	2	-
<u>4,362</u>	<u>4,122</u>	<u>501</u>
963	6,229	(4,029)
-	-	1,140
-	-	2,145
<u>(541)</u>	<u>(1,629)</u>	<u>-</u>
422	4,600	(744)
-	-	(530)
422	4,600	(1,274)
<u>9,394</u>		<u>18,216</u>
<u>\$ 9,816</u>		<u>\$ 16,942</u>
	(296)	
	<u>\$ 4,304</u>	

CITY OF DOWNEY

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

For the year ended June 30, 2013  
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 13,956	\$ 2,618
Receipts from user departments	-	-
Payment to suppliers	(3,600)	(1,949)
Payment to employees	(2,239)	(54)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,117	615
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	-
Cash paid to other funds	(710)	(378)
Principal paid	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(710)	(378)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(645)	(236)
Proceeds from sale of capital assets	-	24
Capital contributions	-	-
Taxes received	-	-
Principal paid on debt	-	(339)
Interest paid on debt	-	(361)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(645)	(912)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	4	114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,766	(561)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,463	4,171
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 11,229	\$ 3,610

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	
\$ 512	\$ 17,086	\$ -
-	-	27,054
(3,209)	(8,758)	(20,342)
<u>(837)</u>	<u>(3,130)</u>	<u>(11,943)</u>
<u>(3,534)</u>	<u>5,198</u>	<u>(5,231)</u>
-	-	2,145
(541)	(1,629)	-
<u>-</u>	<u>-</u>	<u>(280)</u>
<u>(541)</u>	<u>(1,629)</u>	<u>1,865</u>
-	(881)	(1,184)
-	24	-
-	-	1,140
4,504	4,504	-
-	(339)	(202)
<u>-</u>	<u>(361)</u>	<u>(50)</u>
<u>4,504</u>	<u>2,947</u>	<u>(296)</u>
<u>66</u>	<u>184</u>	<u>593</u>
495	6,700	(3,069)
<u>5,004</u>	<u>13,638</u>	<u>35,973</u>
<u>\$ 5,499</u>	<u>\$ 20,338</u>	<u>\$ 32,904</u>

(Continued)

CITY OF DOWNEY

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 (CONTINUED)

For the year ended June 30, 2013  
 (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)	\$ 5,281	\$ 225
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	621	412
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,027)	-
(Increase) decrease in due from other governments and entities	(11)	(21)
(Increase) decrease in inventories	53	-
(Increase) decrease in prepaid pension expense	-	-
Increase (decrease) in accounts payable and accrued liabilities	3,210	(1)
Increase (decrease) in deposits payable	12	-
Increase (decrease) in retentions payable	28	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	(50)	-
	<u>\$ 8,117</u>	<u>\$ 615</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 8,117</u>	<u>\$ 615</u>
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Current assets	\$ 9,757	\$ 858
Restricted assets	1,472	2,752
	<u>11,229</u>	<u>3,610</u>
TOTAL CASH AND CASH EQUIVALENTS FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 11,229</u>	<u>\$ 3,610</u>
NONCASH ITEMS:		
Equipment financed by capital lease	<u>\$ -</u>	<u>\$ -</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	
\$ (3,399)	\$ 2,107	\$ (4,530)
197	1,230	1,564
8	(1,019)	16
-	(32)	-
-	53	(28)
-	-	717
(347)	2,862	(192)
-	12	-
-	28	-
-	-	(327)
<u>7</u>	<u>(43)</u>	<u>(2,451)</u>
<u>\$ (3,534)</u>	<u>\$ 5,198</u>	<u>\$ (5,231)</u>
\$ 5,499	\$ 16,114	\$ 27,458
<u>-</u>	<u>4,224</u>	<u>5,446</u>
<u>\$ 5,499</u>	<u>\$ 20,338</u>	<u>\$ 32,904</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300</u>

CITY OF DOWNEY

STATEMENT OF NET POSITION  
FIDUCIARY FUNDS

June 30, 2013

(amounts expressed in thousands)

	Private-Purpose Trust Fund	Total Agency Funds
	<u>          </u>	<u>          </u>
ASSETS:		
Cash and investments	\$ 1,780	\$ 6,204
Cash and investments with fiscal agents	663	-
Accounts receivable	14	-
Interest receivable	-	150
Land held for development	2,858	-
	<u>5,315</u>	<u>6,354</u>
TOTAL ASSETS		<u>\$ 6,354</u>
LIABILITIES:		
Accounts payable	7	\$ 342
Interest payable	147	-
Deposits payable	3	6,012
Advances from City of Downey	11,547	-
Long-term liabilities:		
Due within one year	290	-
Due in more than one year	27,370	-
	<u>39,364</u>	<u>6,354</u>
TOTAL LIABILITIES		<u>\$ 6,354</u>
NET POSITION:		
Net deficit restricted for private purpose	<u>(34,049)</u>	
TOTAL NET POSITION	<u>\$ (34,049)</u>	

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

CITY OF DOWNEY

STATEMENT OF CHANGES IN NET POSITION  
FIDUCIARY FUNDS

For the year ended June 30, 2013  
(amounts expressed in thousands)

	<u>Private-Purpose Trust Fund</u>
ADDITIONS:	
Taxes	\$ 241
Other revenue	<u>19</u>
TOTAL ADDITIONS	<u>260</u>
DEDUCTIONS:	
Current:	
Community development	2,720
Interest expense	<u>1,713</u>
TOTAL DEDUCTIONS	<u>4,433</u>
CHANGE IN NET POSITION	(4,173)
NET POSITION - BEGINNING OF YEAR	<u>(29,876)</u>
NET POSITION - END OF YEAR	<u>\$ (34,049)</u>

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

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2013

**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 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 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 City of Downey Public Facilities Financing Corporation and the City of Downey Housing Authority. Each blended component unit has a June 30 year end.

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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Description of the Reporting Entity (Continued)

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. 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 14), 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 position 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.

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 Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The 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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 are the proprietary and private purpose trust fund financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their Statements of Net Position. Operating statements present increases (revenues) and decreases (expenses) in total net position. 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.

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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 reported as deferred inflows of resources.

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.

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.

See independent auditors’ report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Fund Classifications

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 generated by housing assets received from former redevelopment agency 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. Major sources of revenues are repayments received on rehab loans.

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.

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 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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Fund Classifications (Continued)

Fund Types (Continued)

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.

E. New Accounting Pronouncements

Implemented

In fiscal year 2012-2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, "*Elements of Financial Statements*" into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new Statement of Net Position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

See independent auditors' report.



CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. New Accounting Pronouncements (Continued)

Implemented (Continued)

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”. This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of this statement, bond issue costs, which should be recognized as an expense in the period incurred, were eliminated. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard decreased the net position at July 1, 2012 of the governmental activities and business-type activities by \$152,679 and \$229,520, respectively.

Pending Accounting Standards

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

- GASB 66 - “*Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62*”, effective for periods beginning after December 15, 2012.
- GASB 67 - “*Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*”, effective for the fiscal years beginning after June 15, 2013.
- GASB 68 - “*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*”, effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - “*Government Combinations and Disposals of Government Operations*”, effective for periods beginning after December 15, 2013.
- GASB 70 - “*Accounting and Financial Reporting for Nonexchange Financial Guarantees*”, effective for the periods beginning after June 15, 2013.

F. 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).

See independent auditors’ report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

G. 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 \$1,116,727 at June 30, 2013. Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as a bad debt expense.

H. 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 Enterprise Fund inventories consist primarily of water pipes, valves, and fittings. Inventories of fuel are recorded in the Equipment Internal Service Fund.

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

I. 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, 2013.

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 Position.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. Capital Assets (Continued)

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

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is the deferred loss on refunding, net of accumulated amortization reported in the government-wide statement of net position and the proprietary funds financial statements. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenues*, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from two sources: taxes and long-term notes receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied.

L. 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.

M. 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, which will be liquidated from current resources, are recorded in the General Fund and Internal Service Funds.

N. 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, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. 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.

**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, 2013

**NOTE 3 - CASH AND INVESTMENTS**

A. Cash and Investments

Cash and investments at June 30, 2013 are classified in the accompanying financial statements as follows (in thousands):

	Government Wide Statement of <u>Net Position</u>	Fiduciary Funds Statement of <u>Net Position</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 56,749	\$ 7,984	\$ 64,733
Restricted assets:			
Cash and investments	13,774	-	13,774
Cash and investments with fiscal agents	<u>710</u>	<u>663</u>	<u>1,373</u>
Total Cash and Investments	<u>\$ 71,233</u>	<u>\$ 8,647</u>	<u>\$ 79,880</u>

Cash and investments at June 30, 2013 consisted of the following (in thousands):

Demand accounts	\$ 4,286
Petty cash	6
Investments	<u>75,588</u>
Total Cash and Investments	<u>\$ 79,880</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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, 2013

**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	\$ -	\$ -	\$ -	\$ 13,576	\$ 13,576
United States Government Sponsored Agency Securities:					
FHLMC	-	-	1,981	-	1,981
FNMA	-	-	24,555	-	24,555
FFCB	-	-	8,831	-	8,831
Negotiable Certificates of Deposit	-	494	492	-	986
Medium-Term Corporate Notes	-	-	3,970	-	3,970
Local Agency Investment Fund	20,162	-	-	-	20,162
Money Market Mutual Funds	154	-	-	-	154
Held by Bond Trustee:					
Money Market Mutual Funds	730	-	-	-	730
Investment Agreements	-	-	-	643	643
	<u>\$ 21,046</u>	<u>\$ 494</u>	<u>\$ 39,829</u>	<u>\$ 14,219</u>	<u>\$ 75,588</u>

See independent auditors' report.



CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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, 2013	Minimum Legal Rating	Not Required to be			
			Rated	AAA	AA+	Unrated
United States Treasury Notes	\$ 13,576	N/A	\$ 13,576	\$ -	\$ -	\$ -
United States Government Sponsored						
Agency Securities:						
FHLMC	1,981	N/A	-	-	1,981	-
FNMA	24,555	N/A	-	-	24,555	-
FFCB	8,831	N/A	-	-	8,831	-
Negotiable Certificates of Deposit	986	N/A	-	-	-	986
Medium-Term Corporate Notes	3,970	A	-	1,942	2,028	-
Local Agency Investment Fund	20,162	N/A	-	-	-	20,162
Money Market Mutual Funds	154	A	-	154	-	-
Held by Bond Trustee:						
Money Market Mutual Funds	730	A	-	730	-	-
Investment Agreements	<u>643</u>	N/A	<u>-</u>	<u>-</u>	<u>-</u>	<u>643</u>
TOTAL	<u>\$ 75,588</u>		<u>\$ 13,576</u>	<u>\$ 2,826</u>	<u>\$ 37,395</u>	<u>\$ 21,791</u>

N/A - Not Applicable

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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 Farm Credit Bank	United States Government Sponsored Agency Securities	\$ 8,831	11.68 %
Federal National Mortgage Association	United States Government Sponsored Agency Securities	24,554	32.48 %

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, 2013, the City deposits (bank balances) were all insured by the Federal Deposit Insurance Corporation or collateralized.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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, 2013, amounts due from/to other funds were as follows (in thousands):

Due to General Fund from:		
Other Governmental Funds	\$	575
Due to Other Governmental Funds from:		
General Fund		<u>32</u>
	\$	<u><u>607</u></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, 2013 consisted of the following (in thousands):

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 933
	Internal Service Funds	2,145
Other Governmental Funds	General Fund	1,002
	Other Governmental Funds	655

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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	\$ 606
	Other Governmental Funds	104
Golf Enterprise Fund	General Fund	378
Transit Enterprise Fund	Other Governmental Funds	<u>541</u>
		<u>\$ 6,364</u>

The General Fund transferred \$933,000 to Other Governmental Funds to provide for capital expenditures to subsidize Learning Center's operations and to provide for new equipment purchases and \$2,145,000 to Internal Service Funds to cover the current year deficit in the employee benefits fund.

The Water and Golf Enterprise Funds transferred \$606,000 and \$378,000 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 \$104,000 and \$541,000, respectively, to Other Governmental Funds to provide funding for capital expenditures.

Other Governmental Funds transferred \$655,000 to the Other Governmental Funds for various street and related program expenditures and \$1,002,000 to the General Fund to provide for infrastructure and street maintenance reimbursement.

**NOTE 5 - ADVANCES RECEIVABLE FROM SUCCESSOR AGENCY**

As of June 30, 2013, amounts advanced to the Successor Agency were as follows (in thousands):

Advances from General Fund	\$ 7,118
Advanced from Housing Authority Special Revenue Fund	2,309
Advances from Employee Benefits	
Internal Service Fund	<u>2,120</u>
	<u>\$ 11,547</u>

The advances from the General Fund, Housing Authority Special Revenue Fund and Employee Benefits 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 17 for additional information.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 6 - LAND HELD FOR RESALE**

As of June 30, 2013, 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 and Housing Authority housing rehabilitation programs. Due to the long-term nature of the loans, the City has recorded unavailable revenue as an offset to loans receivable which totaled \$8,674,000 at June 30, 2013.

**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, 2013

**NOTE 9 - CAPITAL ASSETS**

A summary of changes in the Governmental Activities capital assets at June 30, 2013 is as follows (in thousands):

	Balances at June 30, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balances at June 30, <u>2013</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 20,624	\$ 694	\$ -	\$ 21,318
Projects in progress	<u>17,963</u>	<u>2,962</u>	<u>(8,076)</u>	<u>12,849</u>
Total capital assets, not being depreciated	<u>38,587</u>	<u>3,656</u>	<u>(8,076)</u>	<u>34,167</u>
Capital assets, being depreciated:				
Buildings	37,304	-	-	37,304
Land improvements	18,855	-	-	18,855
Equipment	24,317	1,461	(436)	25,342
Furniture and fixtures	299	-	-	299
Infrastructure	<u>274,757</u>	<u>8,076</u>	<u>-</u>	<u>282,833</u>
Total capital assets, being depreciated	<u>355,532</u>	<u>9,203</u>	<u>(436)</u>	<u>364,633</u>
Less accumulated depreciation for:				
Buildings	(15,738)	(746)	-	(16,484)
Land improvements	(7,157)	(573)	-	(7,730)
Equipment	(18,897)	(1,564)	419	(20,042)
Furniture and fixtures	(175)	(41)	-	(216)
Infrastructure	<u>(147,078)</u>	<u>(5,717)</u>	<u>-</u>	<u>(152,795)</u>
Total accumulated depreciation	<u>(189,045)</u>	<u>(8,641)</u>	<u>419</u>	<u>(197,267)</u>
Total capital assets being depreciated, net	<u>166,487</u>	<u>562</u>	<u>(17)</u>	<u>167,366</u>
Governmental activities capital assets, net	<u>\$ 205,074</u>	<u>\$ 4,218</u>	<u>\$ (8,093)</u>	<u>\$ 201,533</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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	\$	433
Public Safety		200
Public Works		41
Community Services		686
Internal Service Funds depreciation charges to program		<u>1,564</u>
Allocated depreciation		2,924
Unallocated infrastructure depreciation		<u>5,717</u>
Total depreciation expense -governmental activities	<u>\$</u>	<u>8,641</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2013 is as follows (in thousands):

	<u>WATER FUND</u>			
	<u>Balances at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2013</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>29,170</u>	<u>645</u>	<u>-</u>	<u>29,815</u>
Total capital assets being depreciated	<u>30,034</u>	<u>645</u>	<u>-</u>	<u>30,679</u>
Less accumulated depreciation for:				
Buildings and improvements	(209)	(3)	-	(212)
Furniture and fixtures	(225)	(10)	-	(235)
Machinery and equipment	(295)	(21)	-	(316)
Water supply and distribution system	<u>(16,122)</u>	<u>(587)</u>	<u>-</u>	<u>(16,709)</u>
Total accumulated depreciation	<u>(16,851)</u>	<u>(621)</u>	<u>-</u>	<u>(17,472)</u>
Total capital assets being depreciated, net	<u>13,183</u>	<u>24</u>	<u>-</u>	<u>13,207</u>
Water Fund capital assets, net	<u>\$ 21,455</u>	<u>\$ 24</u>	<u>\$ -</u>	<u>\$ 21,479</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 9 - CAPITAL ASSETS (CONTINUED)**

A summary of changes in the Business-type Activities capital assets at June 30, 2013 is as follows (in thousands) (Continued):

	<b>GOLF FUND</b>			
	Balances at June 30, 2012	Additions	Deletions	Balances at June 30, 2013
Capital assets, being depreciated:				
Land improvements	\$ 10,743	\$ 75	\$ -	\$ 10,818
Buildings and improvements	8,217	-	-	8,217
Machinery and equipment	<u>562</u>	<u>161</u>	<u>(155)</u>	<u>568</u>
Total capital assets being depreciated	<u>19,522</u>	<u>236</u>	<u>(155)</u>	<u>19,603</u>
Less accumulated depreciation for:				
Land improvements	(1,590)	(22)	-	(1,612)
Buildings and improvements	(2,280)	(284)	-	(2,564)
Machinery and equipment	<u>(329)</u>	<u>(106)</u>	<u>133</u>	<u>(302)</u>
Total accumulated depreciation	<u>(4,199)</u>	<u>(412)</u>	<u>133</u>	<u>(4,478)</u>
Golf Fund capital assets, net	<u>\$ 15,323</u>	<u>\$ (176)</u>	<u>\$ (22)</u>	<u>\$ 15,125</u>
	<b>TRANSIT FUND</b>			
	Balances at June 30, 2012	Additions	Deletions	Balances at June 30, 2013
Capital assets, not being depreciated:				
Land	<u>\$ 2,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,164</u>
Capital assets, being depreciated:				
Land improvements	277	-	-	277
Buildings and improvements	2,973	-	-	2,973
Machinery and equipment	<u>968</u>	<u>-</u>	<u>-</u>	<u>968</u>
Total capital assets being depreciated	<u>4,218</u>	<u>-</u>	<u>-</u>	<u>4,218</u>
Less accumulated depreciation for:				
Land improvements	(263)	(3)	-	(266)
Buildings and improvements	(630)	(68)	-	(698)
Machinery and equipment	<u>(719)</u>	<u>(126)</u>	<u>-</u>	<u>(845)</u>
Total accumulated depreciation	<u>(1,612)</u>	<u>(197)</u>	<u>-</u>	<u>(1,809)</u>
Total capital assets, being depreciated	<u>2,606</u>	<u>(197)</u>	<u>-</u>	<u>2,409</u>
Transit Fund capital assets, net	<u>\$ 4,770</u>	<u>\$ (197)</u>	<u>\$ -</u>	<u>\$ 4,573</u>

See independent auditors' report.



CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 10 - LONG-TERM LIABILITIES**

Noted below is a summary of changes in long-term liabilities for the year ended June 30, 2013 (in thousands):

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year	Amount Due in More Than One Year
<b>Governmental Activities:</b>						
Bonds payable	\$ 19,690	\$ -	\$ (280)	\$ 19,410	\$ 335	\$ 19,075
Less deferred charges:						
Bond discounts	(155)	-	5	(150)	-	(150)
Total bonds payable	19,535	-	(275)	19,260	335	18,925
Capital lease payable	1,032	300	(202)	1,130	238	892
Loans from Federal						
Government	11,904	569	(250)	12,223	250	11,973
Compensated absences	14,187	243	(2,695)	11,735	8,272	3,463
Claims payable	10,459	3,265	(3,952)	9,772	3,841	5,931
Total governmental activities long-term liabilities	<u>\$ 57,117</u>	<u>\$ 4,377</u>	<u>\$ (7,374)</u>	<u>\$ 54,120</u>	<u>\$ 12,936</u>	<u>\$ 41,184</u>
<b>Business-type Activities:</b>						
Compensated absences	\$ 736	\$ 114	\$ (156)	\$ 694	\$ 190	\$ 504
Golf Course Certificates of Participation	7,490	-	(350)	7,140	365	6,775
Add deferred items:						
Bond premium	10	-	(1)	9	-	9
Total business-type activities long-term liabilities	<u>\$ 8,236</u>	<u>\$ 114</u>	<u>\$ (507)</u>	<u>\$ 7,843</u>	<u>\$ 555</u>	<u>\$ 7,288</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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>
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	600,000	891,822	1,491,822
2019 - 2023	4,295,000	3,934,964	8,229,964
2024 - 2028	4,580,000	2,775,009	7,355,009
2029 - 2033	6,535,000	1,481,694	8,016,694
2034	<u>1,680,000</u>	<u>85,394</u>	<u>1,765,394</u>
	19,410,000	12,960,782	32,370,782
Less deferred charges:			
Bond discounts	<u>(150,000)</u>	<u>-</u>	<u>(150,000)</u>
Total	<u>\$ 19,260,000</u>	<u>\$ 12,960,782</u>	<u>\$ 32,220,782</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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	\$ 2,257,336
Less: accumulated depreciation	<u>(432,767)</u>
	<u>\$ 1,824,569</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>
2014	\$ 284,292
2015	195,968
2016	195,968
2017	195,968
2018	163,265
2019 - 2020	<u>264,038</u>
Total minimum lease payments	1,299,499
Less: amounts representing interest	<u>(169,499)</u>
Present value of minimum lease payments	<u>\$ 1,130,000</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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, 2013 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 250,000	\$ 19,325	\$ 269,325
2015	<u>250,000</u>	<u>6,488</u>	<u>256,488</u>
Total	<u>\$ 500,000</u>	<u>\$ 25,813</u>	<u>\$ 525,813</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, 2013 is as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	81,000	17,156	98,156
2019-2023	405,000	61,232	466,232
2024-2025	<u>162,000</u>	<u>9,651</u>	<u>171,651</u>
Total	<u>\$ 810,000</u>	<u>\$ 162,617</u>	<u>\$ 972,617</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 \$10,913,000 as of June 30, 2013.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)**

**Governmental Activities (Continued)**

Compensated Absences

For the fiscal year ended June 30, 2013, compensated absences are as follows (in thousands):

	<u>Total</u>
Vacation	\$ 2,971
Sick Leave	7,974
Compensatory Time	<u>1,484</u>
Total	<u>\$ 12,429</u>

Amount reported in governmental activities	\$ 11,735
Amount reported in business-type activities	<u>694</u>
	<u>\$ 12,429</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 two types of claims are workers' compensation 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
General Liability	2,000,000	20,000,000
Employee Health Benefit	85,000	1,000,000

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**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, 2012 and 2013 were as follows:

	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

	Claims Payable Balance <u>June 30, 2012</u>	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance <u>June 30, 2013</u>
Workers' Compensation	\$ 5,880,000	\$ 2,534,000	\$ 1,714,000	\$ 6,700,000
Employee Health Benefits	1,147,000	629,000	1,691,000	85,000
General Liability	3,432,000	102,000	547,000	2,987,000

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, 2013, 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, 2013

**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, 2013, bonds outstanding were \$7,140,000.

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 deferred outflows of resources, 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>
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	435,000	264,860	699,860
2019-2023	2,285,000	1,005,563	3,290,563
2024-2028	<u>2,865,000</u>	<u>371,875</u>	<u>3,236,875</u>
Subtotal	7,140,000	2,882,279	10,022,279
Add deferred amounts:			
Bond premium	<u>9,381</u>	<u>-</u>	<u>9,381</u>
Total	<u>\$ 7,149,381</u>	<u>\$ 2,882,279</u>	<u>\$ 10,031,660</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 11 - 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 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, 2013

**NOTE 11 - 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, 2013 are tabulated (in thousands) below.

	<u>General Fund</u>	<u>Housing Authority Special Revenue Fund</u>	<u>HOME Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Nonspendable:					
Land held for resale	\$ -	\$ 3,598	\$ -	\$ -	\$ 3,598
Long-term receivables	-	938	-	-	938
Advances to Successor Agency	7,118	2,309	-	-	9,427
Restricted for:					
Debt service	4,793	-	-	-	4,793
Low and moderate income housing	-	138	140	162	440
Community development	-	-	-	627	627
Public works	-	-	-	4,019	4,019
Assigned for:					
Public works	-	-	-	3,239	3,239
Capital projects	-	-	-	3,432	3,432
Unassigned	<u>6,438</u>	<u>-</u>	<u>-</u>	<u>(142)</u>	<u>6,296</u>
	<u>\$ 18,349</u>	<u>\$ 6,983</u>	<u>\$ 140</u>	<u>\$ 11,337</u>	<u>\$ 36,809</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 12 - 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](http://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, 2013 were 17.838% for non-safety employees and 28.412% 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	\$ 2,176	\$ 5,646	\$ 7,822
Interest on net pension asset	(146)	(489)	(635)
Adjustment to annual required contribution	<u>310</u>	<u>1,042</u>	<u>1,352</u>
Annual pension cost	2,340	6,199	8,539
Contributions made	<u>(2,176)</u>	<u>(5,646)</u>	<u>(7,822)</u>
Decrease in net pension asset	164	553	717
Net pension asset - beginning of year	<u>(3,891)</u>	<u>(13,049)</u>	<u>(16,940)</u>
Net pension asset - end of year	<u><u>\$ (3,727)</u></u>	<u><u>\$ (12,496)</u></u>	<u><u>\$ (16,223)</u></u>

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Annual Pension Costs (Continued)

The required contribution was determined as part of the June 30, 2010, 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 3.0%, (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 (Asset)</u>
June 30, 2011	\$ 2,355	94%	\$ (4,039)
June 30, 2012	3,345	96%	(3,891)
June 30, 2013	2,176	93%	(3,727)

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 (Asset)</u>
June 30, 2011	\$ 4,789	91%	\$ (13,545)
June 30, 2012	6,546	92%	(13,049)
June 30, 2013	5,646	91%	(12,496)

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)**

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the miscellaneous and safety plans were 82.6% and 82.8% funded, respectively. The actuarial accrued liability for benefits were \$151,446,952 and \$294,124,762, respectively and the actuarial value of assets were \$125,086,184 and \$243,498,858, respectively, resulting in unfunded actuarial accrued liabilities (UAAL) of \$26,360,768 and \$50,625,904, respectively. The covered payrolls (annual payroll of active employees covered by the plan) were \$12,816,569 and \$21,183,381, respectively, and the ratios of the UAAL to the covered payrolls were 205.7% and 239.0%, 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 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

In connection with the retirement benefits for employees described in Note 12, 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, 2013

**NOTE 13 - 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, 2013, 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 2012-13 was \$336,306.

Annual Other Postemployment Benefit (OPEB) Cost

The required contribution for the fiscal year 2013 was determined as part of the January 1, 2013, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses), (b) inflation rate of 3.25%, (c) projected annual salary increase of 3.25%, and (d) medical plan premium cost will increase at a rate ranging from 5% to 8.5%. The City's unfunded actuarial accrued liability is amortized on a level dollar basis over a closed period of 28 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 2013, the City's annual OPEB cost (expense) of \$336,306 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>
6/30/11	\$ 1,609,657	100.00 %	\$ -
6/30/12	1,622,516	100.00 %	-
6/30/13	336,306	152.92%	177,973

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Funded Status and Funding Progress

As of January 1, 2013, the most current actuarial valuation date, the actuarial accrued liability for benefits was \$7.03 million and the actuarial value of assets was \$4.81 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$23.93 million and the ratio of the UAAL to the covered payroll was 9.28%.

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 - 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 and does not have financial responsibility. These agencies do not depend on revenue from the City to continue in existence. 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, 2013

**NOTE 14 - 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. Separate audited financial statements for the Authority may be obtained at City of Signal Hill, City Hall. The City of Signal Hill acts as lead agency.

**NOTE 15 - 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, 2013

**NOTE 16 - 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:

City attorney	\$	14
Elections		10
Finance		421
Public Safety – Fire		344

Housing Authority Special Revenue Fund:

Community development		34
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HOME Special Revenue Fund:

Public safety		449
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Other Governmental Funds - Other Special Revenue Funds:

Street Lighting- Community development		134
Air Quality - Public works		11
Grants - Public safety		255
Community Development Block Grant (CDBG):		
Community development		120

Deficit Fund Balance

The following fund reported a deficit fund balance at June 30, 2013 (in thousands):

Other Governmental Funds - Other Special Revenue Fund:

Grants	\$	142
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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, 2013

**NOTE 17 - 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.

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.

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.

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.

See independent auditors’ report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 17 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA  
REDEVELOPMENT AGENCIES (CONTINUED)**

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller (the "CAC"), 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 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.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The Successor Agency made payments totaling \$134,035 to the CAC as a result of the due diligence reviews.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 17 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA  
REDEVELOPMENT AGENCIES (CONTINUED)**

The DOF issued a Finding of Completion on May 15, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. The Finding of Completion allows the placement of loan agreements between the former redevelopment agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. Loan repayments could begin in the 2014-15 fiscal year as governed by the criteria in the health and code safety section. When the repayments begin, 20% of the repayments of the loan agreement amounts are to be allocated to the Housing Successor Agency. At June 30, 2013, the long-term advances totaled \$11,547,000. During the fiscal year, 20% of the balance was transferred to the Housing Authority Special Revenue Fund and was reported as extraordinary loss in the General Fund and Employee Benefit Internal Service Fund. At June 30, 2013, \$7,118,000 is reported in the General Fund, \$2,120,000 is reported in Employee Benefit Internal Service Fund and \$2,309,000 is reported in the Housing Authority Special Revenue Fund.

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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 18 - 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 liabilities activity for the year ended June 30, 2013 (in thousands) was as follows:

	Balance			Balance	Amount	Amount
	June 30,			June 30,	Due Within	Due in More
	2012	Additions	Reductions	2013	One Year	Than One Year
Bond payable	\$ 7,165	\$ -	\$ (275)	\$ 6,890	\$ 290	\$ 6,600
Advances from County	19,411	1,359	-	20,770	-	20,770
Total long-term liabilities	<u>\$ 26,576</u>	<u>\$ 1,359</u>	<u>\$ (275)</u>	<u>\$ 27,660</u>	<u>\$ 290</u>	<u>\$ 27,370</u>

**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, 2013 is \$6,890,000.

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

Year Ending	Principal	Interest	Total
June 30,			
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	350,000	280,081	630,081
2019 - 2023	2,050,000	1,103,156	3,153,156
2024 - 2028	2,630,000	506,607	3,136,607
2029	610,000	15,631	625,631
Total	<u>\$ 6,890,000</u>	<u>\$ 3,193,645</u>	<u>\$ 10,083,645</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 18 - SUCCESSOR AGENCY DISCLOSURES (CONTINUED)**

**LONG-TERM LIABILITIES (CONTINUED)**

**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, there were no pass-through agreement amounts owed to the County that were deferred. Interest of \$1,358,776 was also accrued during the year on the outstanding deferral amount still owing. The amount owed the County, including accrued interest, at June 30, 2013 was \$20,770,000.

**NOTE 19 - RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCES**

The net position reported in the government-wide financial statements as of July 1, 2012 were restated as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net position as previously reported - July 1, 2012	\$ 253,578	\$ 37,868
To remove unamortized bond issuance costs For the implementation of GASB No. 65	<u>(153)</u>	<u>(230)</u>
Net position as restated - July 1, 2012	<u>\$ 253,425</u>	<u>\$ 37,638</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2013

**NOTE 19 - RESTATEMENT OF BEGINNING NET POSITION AND FUND BALANCES  
(CONTINUED)**

The fund balances/net position reported in the fund financial statements as of July 1, 2012 were restated as follows:

	Proprietary Fund	Internal Service Fund
	Golf Enterprise Fund	Employee Benefits Fund
Fund balances/net position as previously reported - July 1, 2012	\$ 12,008	\$ 9,927
To remove unamortized bond issuance costs For the implementation of GASB No. 65	<u>(230)</u>	<u>(153)</u>
Fund balances/net position as restated - July 1, 2012	<u>\$ 11,778</u>	<u>\$ 9,774</u>

**NOTE 20 - SUBSEQUENT EVENTS**

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

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF DOWNEY

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2013

**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)
06/30/10	\$ 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%
06/30/12	151,446,952	125,086,184	26,360,768	82.59%	12,816,569	205.68%

**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)
06/30/10	\$ 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%
06/30/12	294,124,762	243,498,858	50,625,904	82.79%	21,183,381	238.99%

**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%
01/01/13	4,809,210	7,029,281	2,220,071	68.42%	23,932,021	9.28%

See independent auditors' report.



CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 46,267	\$ 46,267	\$ 49,438	\$ 3,171
Licenses and permits	1,339	1,339	1,171	(168)
Fines and forfeitures	1,529	1,529	1,362	(167)
Investment and rental	1,787	1,787	637	(1,150)
Intergovernmental revenue	2,415	2,453	2,455	2
Charges for services	6,820	6,820	7,224	404
Other revenue	3,351	3,351	3,522	171
Sale of property	-	-	248	248
TOTAL REVENUES	<u>63,508</u>	<u>63,546</u>	<u>66,057</u>	<u>2,511</u>
EXPENDITURES:				
Current:				
General government:				
Legislation	267	267	290	(23)
City attorney	164	164	185	(21)
City clerk	280	280	273	7
Elections	-	102	112	(10)
City management	780	780	752	28
Finance	4,500	4,500	4,921	(421)
Public safety:				
Police	27,945	27,983	25,823	2,160
Animal control	265	265	253	12
Fire	16,760	16,760	17,104	(344)
Public works	5,519	5,519	4,882	637
Community services	6,468	6,481	6,270	211
Community development	4,016	4,016	3,859	157
TOTAL EXPENDITURES	<u>66,964</u>	<u>67,117</u>	<u>64,724</u>	<u>2,393</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,456)</u>	<u>(3,571)</u>	<u>1,333</u>	<u>4,904</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,152	2,152	1,986	(166)
Transfers out	(1,187)	(1,187)	(3,078)	(1,891)
TOTAL OTHER FINANCING SOURCES (USES)	<u>965</u>	<u>965</u>	<u>(1,092)</u>	<u>(2,057)</u>
CHANGE IN FUND BALANCE, BEFOR EXTRAORDINARY ITEM	(2,491)	(2,606)	241	2,847
EXTRAORDINARY ITEM:				
Loss on transfer of advance	-	-	(1,779)	(1,779)
NET CHANGE IN FUND BALANCE	(2,491)	(2,606)	(1,538)	1,068
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>19,887</u>	<u>19,887</u>	<u>19,887</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 17,396</u>	<u>\$ 17,281</u>	<u>\$ 18,349</u>	<u>\$ 1,068</u>

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

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE  
HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 20	\$ 20	\$ 86	\$ 66
Other revenue	-	-	68	68
TOTAL REVENUES	20	20	154	134
EXPENDITURES:				
Current:				
Community development	11	11	45	(34)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES, BEFORE EXTRAORDINARY ITEM	9	9	109	100
EXTRAORDINARY ITEM:				
Gain on transfer of advance	-	-	2,309	2,309
NET CHANGE IN FUND BALANCE	9	9	2,418	2,409
FUND BALANCE - BEGINNING OF YEAR	4,565	4,565	4,565	-
FUND BALANCE - END OF YEAR	\$ 4,574	\$ 4,574	\$ 6,983	\$ 2,409

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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 691	\$ 691
EXPENDITURES:				
Current:				
Public safety	-	-	449	(449)
Public works	-	318	166	152
TOTAL EXPENDITURES	-	318	615	(297)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(318)	76	394
FUND BALANCE - BEGINNING OF YEAR	64	64	64	-
FUND BALANCE - END OF YEAR	\$ 64	\$ (254)	\$ 140	\$ 394

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

CITY OF DOWNEY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

**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. The City Council passes various amendments to the budget during the year. Supplementary appropriations for the year ended June 30, 2013 increased budgeted expenditures from \$135,347,232 as adopted in the original budget, to \$136,475,357.

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.

## **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, an Other Capital Projects Fund, Internal Service Funds and Agency Funds.

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CITY OF DOWNEY

COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS

June 30, 2013  
(amounts expressed in thousands)

	Special Revenue Funds	City Capital Projects Fund	Total
ASSETS	<u>          </u>	<u>          </u>	<u>          </u>
Cash and investments	\$ 7,478	\$ 3,463	\$ 10,941
Receivables:			
Taxes	466	-	466
Accounts	350	5	355
Interest	7	-	7
Loans	696	-	696
Inventory	23	-	23
Due from other governments and entities	535	-	535
Due from other funds	32	-	32
Restricted assets:			
Cash and investments	-	21	21
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 9,587</u>	<u>\$ 3,489</u>	<u>\$ 13,076</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 401	\$ 57	\$ 458
Retention payable	10	-	10
Due to other funds	575	-	575
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>986</u>	<u>57</u>	<u>1,043</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	696	-	696
	<u>          </u>	<u>          </u>	<u>          </u>
FUND BALANCES:			
Restricted	4,808	-	4,808
Assigned	3,239	3,432	6,671
Unassigned	(142)	-	(142)
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>7,905</u>	<u>3,432</u>	<u>11,337</u>
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 9,587</u>	<u>\$ 3,489</u>	<u>\$ 13,076</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, 2013  
(amounts expressed in thousands)

	Special Revenue Funds	City Capital Projects Fund	Total
REVENUES:			
Taxes	\$ 725	\$ -	\$ 725
Investment and rental	19	8	27
Intergovernmental revenue	5,181	142	5,323
Charges for services	3,985	-	3,985
Other revenue	219	92	311
	<u>10,129</u>	<u>242</u>	<u>10,371</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Public safety	288	-	288
Public works	487	-	487
Community services	1,742	-	1,742
Community development	1,912	-	1,912
Capital outlay	4,066	1,315	5,381
Debt service:			
Principal retirement	250	-	250
Interest and fiscal charges	51	-	51
	<u>8,796</u>	<u>1,315</u>	<u>10,111</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,333</u>	<u>(1,073)</u>	<u>260</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	1,615	618	2,233
Transfers out	<u>(1,657)</u>	<u>-</u>	<u>(1,657)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(42)</u>	<u>618</u>	<u>576</u>
NET CHANGE IN FUND BALANCES	1,291	(455)	836
FUND BALANCES - BEGINNING OF YEAR	<u>6,614</u>	<u>3,887</u>	<u>10,501</u>
FUND BALANCES - END OF YEAR	<u>\$ 7,905</u>	<u>\$ 3,432</u>	<u>\$ 11,337</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, 2013

(amounts expressed in thousands)

	Waste Reduction	Street Lighting	Gas Tax
ASSETS			
Cash and investments	\$ 585	\$ 1,391	\$ 1,805
Receivables:			
Taxes	-	83	218
Accounts	30	12	-
Interest	1	2	3
Loans	-	-	-
Inventory	-	-	-
Due from other governments and entities	30	-	-
Due from other funds	-	-	-
	-	-	-
TOTAL ASSETS	\$ 646	\$ 1,488	\$ 2,026
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 19	\$ 129	\$ 130
Due to other funds	-	-	-
Retention payable	-	-	10
	-	-	10
TOTAL LIABILITIES	19	129	140
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	-	-	-
	-	-	-
FUND BALANCES (DEFICIT):			
Restricted	627	1,359	1,886
Assigned	-	-	-
Unassigned	-	-	-
	-	-	-
TOTAL FUND BALANCES (DEFICIT)	627	1,359	1,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 646	\$ 1,488	\$ 2,026

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>
\$ 2,990	\$ 116	\$ 591	\$ -	\$ -	\$ 7,478
-	-	-	165	-	466
307	-	-	1	-	350
-	-	1	-	-	7
-	-	-	-	696	696
-	-	-	23	-	23
-	-	35	20	450	535
-	-	32	-	-	32
<u>\$ 3,297</u>	<u>\$ 116</u>	<u>\$ 659</u>	<u>\$ 209</u>	<u>\$ 1,146</u>	<u>\$ 9,587</u>

\$ 58	\$ -	\$ 1	\$ 35	\$ 29	\$ 401
-	-	-	316	259	575
-	-	-	-	-	10
<u>58</u>	<u>-</u>	<u>1</u>	<u>351</u>	<u>288</u>	<u>986</u>
-	-	-	-	696	696
-	116	658	-	162	4,808
3,239	-	-	-	-	3,239
-	-	-	(142)	-	(142)
<u>3,239</u>	<u>116</u>	<u>658</u>	<u>(142)</u>	<u>162</u>	<u>7,905</u>
<u>\$ 3,297</u>	<u>\$ 116</u>	<u>\$ 659</u>	<u>\$ 209</u>	<u>\$ 1,146</u>	<u>\$ 9,587</u>

CITY OF DOWNEY

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

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Waste Reduction	Street Lighting	Gas Tax
REVENUES:			
Taxes	\$ -	\$ 666	\$ -
Investment and rental	(1)	(8)	(2)
Intergovernmental revenue	62	-	3,828
Charges for services	396	1,733	-
Other revenue	-	-	-
	<u>457</u>	<u>2,391</u>	<u>3,826</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
Public safety	-	-	-
Public works	223	-	-
Community services	269	-	-
Community development	-	1,758	-
Capital outlay	-	-	2,461
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<u>492</u>	<u>1,758</u>	<u>2,461</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(35)</u>	<u>633</u>	<u>1,365</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	176	-	257
Transfers out	(20)	-	(1,565)
	<u>156</u>	<u>-</u>	<u>(1,308)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	121	633	57
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	<u>506</u>	<u>726</u>	<u>1,829</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 627</u>	<u>\$ 1,359</u>	<u>\$ 1,886</u>

See independent auditors' report.

Sewer and Storm Drain	CATV Public Access	Air Quality	Grants	CDBG	Totals
\$ -	\$ 59	\$ -	\$ -	\$ -	\$ 725
33	-	(3)	-	-	19
-	-	135	91	1,065	5,181
1,680	-	-	176	-	3,985
-	-	-	219	-	219
<u>1,713</u>	<u>59</u>	<u>132</u>	<u>486</u>	<u>1,065</u>	<u>10,129</u>
-	-	-	288	-	288
23	-	138	103	-	487
-	-	-	593	880	1,742
-	-	-	-	154	1,912
1,440	-	-	165	-	4,066
-	-	-	-	250	250
-	-	-	-	51	51
<u>1,463</u>	<u>-</u>	<u>138</u>	<u>1,149</u>	<u>1,335</u>	<u>8,796</u>
<u>250</u>	<u>59</u>	<u>(6)</u>	<u>(663)</u>	<u>(270)</u>	<u>1,333</u>
650	-	-	532	-	1,615
-	-	-	-	(72)	(1,657)
<u>650</u>	<u>-</u>	<u>-</u>	<u>532</u>	<u>(72)</u>	<u>(42)</u>
900	59	(6)	(131)	(342)	1,291
<u>2,339</u>	<u>57</u>	<u>664</u>	<u>(11)</u>	<u>504</u>	<u>6,614</u>
<u>\$ 3,239</u>	<u>\$ 116</u>	<u>\$ 658</u>	<u>\$ (142)</u>	<u>\$ 162</u>	<u>\$ 7,905</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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 5	\$ 5	\$ (1)	\$ (6)
Intergovernmental revenue	30	30	62	32
Charges for services	410	410	396	(14)
Other revenue	1	1	-	(1)
	<u>446</u>	<u>446</u>	<u>457</u>	<u>11</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Public works	375	384	223	161
Community services	680	651	269	382
	<u>1,055</u>	<u>1,035</u>	<u>492</u>	<u>543</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(609)</u>	<u>(589)</u>	<u>(35)</u>	<u>554</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	178	176	176	-
Transfers out	(20)	(20)	(20)	-
	<u>158</u>	<u>156</u>	<u>156</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCE	(451)	(433)	121	554
FUND BALANCE - BEGINNING OF YEAR	<u>506</u>	<u>506</u>	<u>506</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 55</u>	<u>\$ 73</u>	<u>\$ 627</u>	<u>\$ 554</u>

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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 357	\$ 357	\$ 666	\$ 309
Investment and rental	20	20	(8)	(28)
Charges for services	1,186	1,186	1,733	547
TOTAL REVENUES	1,563	1,563	2,391	828
EXPENDITURES:				
Current:				
Community development	1,624	1,624	1,758	(134)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(61)	(61)	633	694
FUND BALANCE - BEGINNING OF YEAR	726	726	726	-
FUND BALANCE - END OF YEAR	\$ 665	\$ 665	\$ 1,359	\$ 694

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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ (2)	\$ (2)
Intergovernmental revenue	14,437	13,937	3,828	(10,109)
Other revenue	-	500	-	(500)
TOTAL REVENUES	14,437	14,437	3,826	(10,611)
EXPENDITURES:				
Capital outlay	16,561	19,841	2,461	17,380
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,124)	(5,404)	1,365	6,769
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	257	257
Transfers out	(1,589)	(1,589)	(1,565)	24
TOTAL OTHER FINANCING SOURCES (USES)	(1,589)	(1,589)	(1,308)	281
NET CHANGE IN FUND BALANCE	(3,713)	(6,993)	57	7,050
FUND BALANCE - BEGINNING OF YEAR	1,829	1,829	1,829	-
FUND BALANCE - END OF YEAR	\$ (1,884)	\$ (5,164)	\$ 1,886	\$ 7,050

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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 35	\$ 35	\$ 33	\$ (2)
Charges for services	1,526	1,526	1,680	154
TOTAL REVENUES	1,561	1,561	1,713	152
EXPENDITURES:				
Current:				
Public works	1,642	1,335	23	1,312
Capital outlay	2,056	2,363	1,440	923
TOTAL EXPENDITURES	3,698	3,698	1,463	2,235
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,137)	(2,137)	250	2,387
OTHER FINANCING SOURCES:				
Transfers in	678	678	650	(28)
NET CHANGE IN FUND BALANCE	(1,459)	(1,459)	900	2,359
FUND BALANCE - BEGINNING OF YEAR	2,339	2,339	2,339	-
FUND BALANCE - END OF YEAR	\$ 880	\$ 880	\$ 3,239	\$ 2,359

See independent auditors' report.

CITY OF DOWNEY

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

CATV PUBLIC ACCESS SPECIAL REVENUE FUND

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 113	\$ 113	\$ 59	\$ (54)
FUND BALANCE - BEGINNING OF YEAR	<u>57</u>	<u>57</u>	<u>57</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 170</u>	<u>\$ 170</u>	<u>\$ 116</u>	<u>\$ (54)</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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 10	\$ 10	\$ (3)	\$ (13)
Intergovernmental revenue	145	145	135	(10)
TOTAL REVENUES	155	155	132	(23)
EXPENDITURES:				
Current:				
Public works	127	127	138	(11)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28	28	(6)	(34)
FUND BALANCE - BEGINNING OF YEAR	664	664	664	-
FUND BALANCE - END OF YEAR	\$ 692	\$ 692	\$ 658	\$ (34)

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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 182	\$ 182	\$ 91	\$ (91)
Charges for services	235	235	176	(59)
Other revenue	65	65	219	154
TOTAL REVENUES	482	482	486	4
EXPENDITURES:				
Current:				
Public safety	-	33	288	(255)
Public works	-	166	103	63
Community services	666	666	593	73
Capital outlay	-	182	165	17
TOTAL EXPENDITURES	666	1,047	1,149	(102)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(184)	(565)	(663)	(98)
OTHER FINANCING SOURCES:				
Transfers in	532	532	532	-
NET CHANGE IN FUND BALANCE	348	(33)	(131)	(98)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(11)	(11)	(11)	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 337	\$ (44)	\$ (142)	\$ (98)

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, 2013  
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 1,216	\$ 1,216	\$ 1,065	\$ (151)
EXPENDITURES:				
Current:				
Community services	643	983	880	103
Community development	34	34	154	(120)
Debt service:				
Principal retirement	250	250	250	-
Interest and fiscal charges	51	51	51	-
TOTAL EXPENDITURES	978	1,318	1,335	(17)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	238	(102)	(270)	(168)
OTHER FINANCING USES:				
Transfers out	(238)	(238)	(72)	166
NET CHANGE IN FUND BALANCE	-	(340)	(342)	(2)
FUND BALANCE - BEGINNING OF YEAR	504	504	504	-
FUND BALANCE - END OF YEAR	\$ 504	\$ 164	\$ 162	\$ (2)

See independent auditors' report.

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## **OTHER CAPITAL PROJECTS FUND**

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

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, 2013  
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 4	\$ 4	\$ 8	\$ 4
Intergovernmental revenue	400	400	142	(258)
Other revenue	375	375	92	(283)
TOTAL REVENUES	779	779	242	(537)
EXPENDITURES:				
Capital outlay	1,471	5,353	1,315	4,038
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(692)	(4,574)	(1,073)	3,501
OTHER FINANCING SOURCES:				
Transfers in	583	583	618	35
NET CHANGE IN FUND BALANCE	(109)	(3,991)	(455)	3,536
FUND BALANCE - BEGINNING OF YEAR	3,887	3,887	3,887	-
FUND BALANCE - END OF YEAR	\$ 3,778	\$ (104)	\$ 3,432	\$ 3,536

See independent auditors' report.



## **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 POSITION  
INTERNAL SERVICE FUNDS

June 30, 2013

(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash and investments	\$ 26,484	\$ 974	\$ 27,458
Accounts receivable	10	-	10
Advances to Successor Agency	2,120	-	2,120
Inventories	-	162	162
Restricted assets:			
Cash and investments	2,723	2,723	5,446
<b>TOTAL CURRENT ASSETS</b>	<b>31,337</b>	<b>3,859</b>	<b>35,196</b>
<b>NONCURRENT ASSETS:</b>			
Prepaid pension	16,223	-	16,223
Capital Assets (Net of Accumulated Depreciation):			
Machinery and equipment	-	5,301	5,301
<b>TOTAL NONCURRENT ASSETS</b>	<b>16,223</b>	<b>5,301</b>	<b>21,524</b>
<b>TOTAL ASSETS</b>	<b>47,560</b>	<b>9,160</b>	<b>56,720</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable and accrued liabilities	450	332	782
Interest payable	86	-	86
Compensated absences	3,463	-	3,463
Claims payable	2,765	-	2,765
Capital lease payable	-	238	238
Pension obligation bonds	335	-	335
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,099</b>	<b>570</b>	<b>7,669</b>
<b>NONCURRENT LIABILITIES:</b>			
Compensated absences	8,272	-	8,272
Claims payable	4,020	-	4,020
Capital lease payable	-	892	892
Pension obligation bonds	18,925	-	18,925
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>31,217</b>	<b>892</b>	<b>32,109</b>
<b>TOTAL LIABILITIES</b>	<b>38,316</b>	<b>1,462</b>	<b>39,778</b>
<b>NET POSITION:</b>			
Net investment in capital assets	-	4,171	4,171
Restricted for debt service	2,723	2,723	5,446
Unrestricted	6,521	804	7,325
<b>TOTAL NET POSITION</b>	<b>\$ 9,244</b>	<b>\$ 7,698</b>	<b>\$ 16,942</b>

See independent auditors' report.

CITY OF DOWNEY

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

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 24,862	\$ 1,720	\$ 26,582
Intergovernmental	-	45	45
Miscellaneous	394	18	412
	<u>25,256</u>	<u>1,783</u>	<u>27,039</u>
<b>TOTAL OPERATING REVENUES</b>			
<b>OPERATING EXPENSES:</b>			
Maintenance and operations	-	1,813	1,813
General and administration	-	205	205
Employee benefits	27,987	-	27,987
Depreciation	-	1,564	1,564
	<u>27,987</u>	<u>3,582</u>	<u>31,569</u>
<b>TOTAL OPERATING EXPENSES</b>			
<b>OPERATING LOSS</b>			
	<u>(2,731)</u>	<u>(1,799)</u>	<u>(4,530)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment and rental	593	(42)	551
Interest expense	(7)	(43)	(50)
	<u>586</u>	<u>(85)</u>	<u>501</u>
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>			
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>			
	(2,145)	(1,884)	(4,029)
<b>CAPITAL CONTRIBUTIONS</b>			
	-	1,140	1,140
<b>TRANSFERS IN</b>			
	<u>2,145</u>	<u>-</u>	<u>2,145</u>
<b>CHANGE IN NET POSITION, BEFORE EXTRAORDINARY ITEM</b>			
	-	(744)	(744)
<b>EXTRAORDINARY ITEM:</b>			
Loss on transfer of advance	<u>(530)</u>	<u>-</u>	<u>(530)</u>
<b>CHANGE IN NET POSITION</b>			
	(530)	(744)	(1,274)
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>			
	<u>9,774</u>	<u>8,442</u>	<u>18,216</u>
<b>NET POSITION - END OF YEAR</b>			
	<u>\$ 9,244</u>	<u>\$ 7,698</u>	<u>\$ 16,942</u>

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from user departments	\$ 25,256	\$ 1,798	\$ 27,054
Payment to suppliers	(18,906)	(1,436)	(20,342)
Payment to employees	(11,433)	(510)	(11,943)
NET CASH USED BY OPERATING ACTIVITIES	<u>(5,083)</u>	<u>(148)</u>	<u>(5,231)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash received from other funds	2,145	-	2,145
Principal paid	(280)	-	(280)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,865</u>	<u>-</u>	<u>1,865</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets	-	(1,184)	(1,184)
Capital contributions	-	1,140	1,140
Principal paid on debt	-	(202)	(202)
Interest paid on debt	-	(50)	(50)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(296)</u>	<u>(296)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest received	593	-	593
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,625)	(444)	(3,069)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	31,832	4,141	35,973
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 29,207</u>	<u>\$ 3,697</u>	<u>\$ 32,904</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:</b>			
Operating loss	\$ (2,731)	\$ (1,799)	\$ (4,530)
Depreciation	-	1,564	1,564
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	1	15	16
(Increase) decrease in inventories	-	(28)	(28)
(Increase) decrease in prepaid pension expense	717	-	717
Increase (decrease) in accounts payable and accrued liabilities	(292)	100	(192)
Increase (decrease) in claims payable	(327)	-	(327)
Increase (decrease) in compensated absences payable	(2,451)	-	(2,451)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (5,083)</u>	<u>\$ (148)</u>	<u>\$ (5,231)</u>
<b>NONCASH ITEMS:</b>			
Equipment financed by capital lease	\$ -	\$ 300	\$ 300

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

AGENCY FUNDS

June 30, 2013

(amounts expressed in thousands)

	Special Deposits	Cemetery District	1913 Act Bond
ASSETS			
Cash and investments	\$ 4,845	\$ 127	\$ 120
Receivables	<u>30</u>	<u>63</u>	<u>1</u>
TOTAL ASSETS	<u>\$ 4,875</u>	<u>\$ 190</u>	<u>\$ 121</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 34	\$ 3	\$ -
Deposits payable	<u>4,841</u>	<u>187</u>	<u>121</u>
TOTAL LIABILITIES	<u>\$ 4,875</u>	<u>\$ 190</u>	<u>\$ 121</u>

See independent auditors' report.

Elm Vista	Columbia Memorial Space Learning Center Foundation	SEAACA	Totals
\$ 2	\$ 7	\$ 1,103	\$ 6,204
3	10	43	150
<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ 1,146</u>	<u>\$ 6,354</u>
\$ 5	\$ -	\$ 300	\$ 342
-	17	846	6,012
<u>\$ 5</u>	<u>\$ 17</u>	<u>\$ 1,146</u>	<u>\$ 6,354</u>

CITY OF DOWNEY

COMBINING STATEMENT OF CHANGES IN  
FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>SPECIAL DEPOSITS</b>				
ASSETS:				
Cash and investments	\$ 6,384	\$ 2,054	\$ 3,593	\$ 4,845
Receivables	39	32	41	30
TOTAL ASSETS	<u>\$ 6,423</u>	<u>\$ 2,086</u>	<u>\$ 3,634</u>	<u>\$ 4,875</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 95	\$ 743	\$ 804	\$ 34
Deposits payable	6,328	1,343	2,830	4,841
TOTAL LIABILITIES	<u>\$ 6,423</u>	<u>\$ 2,086</u>	<u>\$ 3,634</u>	<u>\$ 4,875</u>
<b>CEMETERY DISTRICT</b>				
ASSETS:				
Cash and investments	\$ 168	\$ 122	\$ 163	\$ 127
Receivables	2	69	8	63
TOTAL ASSETS	<u>\$ 170</u>	<u>\$ 191</u>	<u>\$ 171</u>	<u>\$ 190</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 8	\$ 65	\$ 70	\$ 3
Deposits payable	162	95	70	187
TOTAL LIABILITIES	<u>\$ 170</u>	<u>\$ 160</u>	<u>\$ 140</u>	<u>\$ 190</u>
<b>1913 ACT BOND</b>				
ASSETS:				
Cash and investments	\$ 120	\$ -	\$ -	\$ 120
Receivables	1	-	-	1
TOTAL ASSETS	<u>\$ 121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121</u>
LIABILITIES:				
Deposits payable	<u>\$ 121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121</u>
<b>ELM VISTA</b>				
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)

AGENCY FUNDS

For the year ended June 30, 2013  
(amounts expressed in thousands)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>COLUMBIA MEMORIAL SPACE LEARNING CENTER FOUNDATION</b>				
ASSETS:				
Cash and investments	\$ 6	\$ 1	\$ -	\$ 7
Receivables	-	10	-	10
	<u>\$ 6</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 17</u>
LIABILITIES:				
Deposits payable	<u>\$ 6</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 17</u>
<b>SEAACA</b>				
ASSETS:				
Cash and investments	\$ 1,327	\$ 6,241	\$ 6,465	\$ 1,103
Receivables	91	4,642	4,690	43
TOTAL ASSETS	<u>\$ 1,418</u>	<u>\$ 10,883</u>	<u>\$ 11,155</u>	<u>\$ 1,146</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 410	\$ -	\$ 110	\$ 300
Deposits payable	1,008	-	162	846
TOTAL LIABILITIES	<u>\$ 1,418</u>	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 1,146</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
ASSETS:				
Cash and investments	\$ 8,007	\$ 8,418	\$ 10,221	\$ 6,204
Receivables	136	4,753	4,739	150
TOTAL ASSETS	<u>\$ 8,143</u>	<u>\$ 13,171</u>	<u>\$ 14,960</u>	<u>\$ 6,354</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 518	\$ 808	\$ 984	\$ 342
Deposits payable	7,625	1,449	3,062	6,012
TOTAL LIABILITIES	<u>\$ 8,143</u>	<u>\$ 2,257</u>	<u>\$ 4,046</u>	<u>\$ 6,354</u>

See independent auditors' report.

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## **STATISTICAL SECTION**

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## DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2013

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.	124 - 133
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	134 - 138
<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.	139 - 144
<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.	145 - 146
<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.	147 - 149

CITY OF DOWNEY

NET POSITION BY COMPONENT  
(amounts expressed in thousands)

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
<b>Governmental Activities:</b>				
Net investment in capital assets	\$ 140,035	\$ 158,433	\$ 150,882	\$ 154,423
Restricted	16,888	24,225	28,039	31,468
Unrestricted	45,558	30,035	44,867	46,856
<b>Total governmental activities net position</b>	<b>202,481</b>	<b>212,693</b>	<b>223,788</b>	<b>232,747</b>
<b>Business-type Activities:</b>				
Net investment in capital assets	32,802	33,550	35,976	35,662
Restricted	-	-	-	-
Unrestricted	23,333	24,438	21,345	22,903
<b>Total business-type activities net position</b>	<b>56,135</b>	<b>57,988</b>	<b>57,321</b>	<b>58,565</b>
<b>Primary Government:</b>				
Net investment in capital assets	172,837	191,983	186,858	190,085
Restricted	16,888	24,225	28,039	31,468
Unrestricted	68,891	54,473	66,212	69,759
<b>Total primary government net position</b>	<b>\$ 258,616</b>	<b>\$ 270,681</b>	<b>\$ 281,109</b>	<b>\$ 291,312</b>

Fiscal Year					
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$ 172,185	\$ 176,041	\$ 177,580	\$ 188,044	\$ 193,698	\$ 189,490
28,201	32,221	39,029	35,023	26,298	29,332
38,679	34,848	25,557	11,490	33,582	31,965
<u>239,065</u>	<u>243,110</u>	<u>242,166</u>	<u>234,557</u>	<u>253,578</u>	<u>250,787</u>
35,586	35,423	35,211	35,675	34,378	34,116
-	-	3,706	3,816	4,259	4,224
21,693	20,494	10,215	2,336	(769)	3,602
<u>57,279</u>	<u>55,917</u>	<u>49,132</u>	<u>41,827</u>	<u>37,868</u>	<u>41,942</u>
207,771	211,464	212,791	223,719	228,076	223,606
28,201	32,221	42,735	38,839	30,557	33,556
60,372	55,342	35,772	13,826	32,813	35,567
<u>\$ 296,344</u>	<u>\$ 299,027</u>	<u>\$ 291,298</u>	<u>\$ 276,384</u>	<u>\$ 291,446</u>	<u>\$ 292,729</u>

## CITY OF DOWNEY

CHANGES IN NET POSITION - EXPENSES AND PROGRAM REVENUES  
(amounts expressed in thousands)Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
<b>Expenses:</b>				
Governmental Activities:				
General government	\$ 2,784	\$ 5,633	\$ 4,510	\$ 6,100
Public safety	34,990	37,122	40,767	42,379
Public works	5,424	7,642	8,079	8,466
Community services	6,298	6,179	8,927	7,903
Community development	7,028	6,673	6,269	6,556
Unallocated infrastructure depreciation	4,569	4,614	4,614	4,772
Interest on long term debt	2,109	1,745	1,767	1,801
Total governmental activities net expenses	<u>63,202</u>	<u>69,608</u>	<u>74,933</u>	<u>77,977</u>
Business-type Activities:				
Water	7,255	7,238	7,977	8,852
Golf	2,232	2,501	2,516	2,745
Transit	1,980	2,170	2,577	2,634
Total business-type activities net expenses	<u>11,467</u>	<u>11,909</u>	<u>13,070</u>	<u>14,231</u>
Total primary government expenses	<u>\$ 74,669</u>	<u>\$ 81,517</u>	<u>\$ 88,003</u>	<u>\$ 92,208</u>
<b>Program Revenues:</b>				
Governmental Activities:				
Charges for services:				
General government	\$ 150	\$ 146	\$ 153	\$ 150
Public safety	4,176	4,584	3,996	4,156
Public works	5,037	1,860	2,092	2,236
Community services	1,718	2,100	2,648	2,904
Community development	2,577	2,972	3,030	2,701
Operating grants and contributions	7,784	10,901	9,826	7,409
Capital grants and contributions	3,829	6,342	4,548	3,676
Total governmental activities program revenues	<u>25,271</u>	<u>28,905</u>	<u>26,293</u>	<u>23,232</u>
Business-type Activities:				
Charges for services:				
Water	9,526	8,819	9,095	9,543
Golf	3,207	2,649	2,864	2,944
Transit	9	10	9	7
Operating grants and contributions	18	-	-	-
Total business-type activities program revenues	<u>12,760</u>	<u>11,478</u>	<u>11,968</u>	<u>12,494</u>
Primary government program revenues	<u>\$ 38,031</u>	<u>\$ 40,383</u>	<u>\$ 38,261</u>	<u>\$ 35,726</u>
<b>Net (Expense)/Revenue:</b>				
Governmental activities	\$ (37,931)	\$ (40,703)	\$ (48,640)	\$ (54,745)
Business-type activities	<u>1,293</u>	<u>(431)</u>	<u>(1,102)</u>	<u>(1,737)</u>
Total primary government net expense	<u>\$ (36,638)</u>	<u>\$ (41,134)</u>	<u>\$ (49,742)</u>	<u>\$ (56,482)</u>

Source: Finance Department, City of Downey



Fiscal Year					
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$ 5,891	\$ 4,881	\$ 7,588	\$ 7,594	\$ 7,768	\$ 7,242
43,510	45,314	46,420	50,482	51,958	46,414
7,460	7,450	8,013	5,849	6,767	7,349
9,390	9,220	8,420	9,041	9,314	8,959
8,898	8,732	10,543	13,825	8,481	5,821
4,806	4,965	5,064	5,481	5,640	5,717
1,823	1,859	1,933	2,130	1,541	46
<u>81,778</u>	<u>82,421</u>	<u>87,981</u>	<u>94,402</u>	<u>91,469</u>	<u>81,548</u>
10,121	9,739	11,829	10,432	12,207	10,117
2,765	2,699	2,847	2,693	2,842	2,772
2,939	3,486	3,469	5,954	4,927	3,992
<u>15,825</u>	<u>15,924</u>	<u>18,145</u>	<u>19,079</u>	<u>19,976</u>	<u>16,881</u>
<u>\$ 97,603</u>	<u>\$ 98,345</u>	<u>\$ 106,126</u>	<u>\$ 113,481</u>	<u>\$ 111,445</u>	<u>\$ 98,429</u>
\$ 134	\$ 154	\$ 162	\$ 190	\$ 179	\$ 104
4,202	4,161	4,951	4,014	5,234	5,996
2,247	2,273	2,410	2,134	1,173	3,111
2,516	2,536	2,078	2,187	2,414	2,452
3,795	2,277	1,580	3,806	1,443	1,301
7,965	7,499	7,060	8,689	8,903	8,098
3,623	7,634	7,528	6,500	6,330	4,279
<u>24,482</u>	<u>26,534</u>	<u>25,769</u>	<u>27,520</u>	<u>25,676</u>	<u>25,341</u>
9,078	8,782	8,408	8,366	11,104	15,194
2,938	2,780	2,625	2,547	2,706	2,639
121	130	130	129	228	370
-	762	-	2,004	-	-
<u>12,137</u>	<u>12,454</u>	<u>11,163</u>	<u>13,046</u>	<u>14,038</u>	<u>18,203</u>
<u>\$ 36,619</u>	<u>\$ 38,988</u>	<u>\$ 36,932</u>	<u>\$ 40,566</u>	<u>\$ 39,714</u>	<u>\$ 43,544</u>
\$ (57,296)	\$ (55,887)	\$ (62,212)	\$ (66,882)	\$ (65,793)	\$ (56,207)
(3,688)	(3,470)	(6,982)	(6,033)	(5,938)	1,322
<u>\$ (60,984)</u>	<u>\$ (59,357)</u>	<u>\$ (69,194)</u>	<u>\$ (72,915)</u>	<u>\$ (71,731)</u>	<u>\$ (54,885)</u>

CITY OF DOWNEY

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

Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
<b>General Revenues and Other Changes in Net Position:</b>				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 11,059	\$ 16,668	\$ 19,813	\$ 22,726
Transient occupancy taxes	814	863	1,022	1,085
Sales taxes and use taxes	12,922	10,475	11,372	12,996
Property taxes in lieu of sales and use tax	-	3,511	3,819	3,989
Franchise taxes	1,952	1,985	2,076	2,168
Utility users tax	-	-	-	-
Other taxes	13,957	8,873	8,574	9,489
Business operation tax	-	-	-	-
Motor vehicle taxes	-	-	-	-
Earning on investments	81	3,265	2,070	5,405
Gain (loss) on sale of capital assets	8,396	1,549	-	-
Miscellaneous	1,482	1,616	7,459	4,126
Transfers	1,474	1,341	3,530	1,720
Extraordinary gain	-	-	-	-
Total governmental activities	<u>52,137</u>	<u>50,146</u>	<u>59,735</u>	<u>63,704</u>
Business-type Activities:				
Sales taxes	2,806	2,978	3,383	3,330
Earning on investments	291	1,166	562	1,371
Gain (loss) on sale of capital assets	-	4	20	-
Miscellaneous	-	-	-	-
Transfers	(1,474)	(1,341)	(3,530)	(1,720)
Total business-type activities	<u>1,623</u>	<u>2,807</u>	<u>435</u>	<u>2,981</u>
Total primary government	<u>\$ 53,760</u>	<u>\$ 52,953</u>	<u>\$ 60,170</u>	<u>\$ 66,685</u>
<b>Change in Net Position:</b>				
Governmental activities	\$ 14,206	\$ 9,443	\$ 11,095	\$ 8,959
Business-type activities	<u>2,916</u>	<u>2,376</u>	<u>(667)</u>	<u>1,244</u>
Total primary government	<u>\$ 17,122</u>	<u>\$ 11,819</u>	<u>\$ 10,428</u>	<u>\$ 10,203</u>

Source: Finance Department, City of Downey

Fiscal Year					
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$ 23,974	\$ 25,561	\$ 25,938	\$ 24,347	\$ 20,847	\$ 21,116
1,050	934	936	991	1,123	1,219
11,706	9,675	8,942	9,845	10,479	11,925
3,856	3,444	3,180	3,144	3,959	3,732
2,142	2,276	2,201	2,340	2,324	2,303
8,002	7,677	7,471	7,094	6,778	7,170
1,819	1,632	1,536	1,742	1,351	1,426
-	-	-	-	-	-
-	-	-	-	-	-
5,973	4,889	3,671	1,817	2,281	267
24	49	38	25	24	-
1,443	1,491	1,938	2,171	2,529	2,782
4,761	2,304	4,961	5,757	2,619	1,629
-	-	-	-	30,042	-
<u>64,750</u>	<u>59,932</u>	<u>60,812</u>	<u>59,273</u>	<u>84,356</u>	<u>53,569</u>
3,310	3,004	4,074	3,761	4,070	4,310
1,580	1,436	1,022	451	768	164
28	(28)	2	2	-	2
2,012	-	60	271	824	135
<u>(4,761)</u>	<u>(2,304)</u>	<u>(4,961)</u>	<u>(5,757)</u>	<u>(2,619)</u>	<u>(1,629)</u>
<u>2,169</u>	<u>2,108</u>	<u>197</u>	<u>(1,272)</u>	<u>3,043</u>	<u>2,982</u>
<u>\$ 66,919</u>	<u>\$ 62,040</u>	<u>\$ 61,009</u>	<u>\$ 58,001</u>	<u>\$ 87,399</u>	<u>\$ 56,551</u>
\$ 7,454	\$ 4,045	\$ (1,400)	\$ (7,609)	\$ 18,563	\$ (2,638)
<u>(1,519)</u>	<u>(1,362)</u>	<u>(6,785)</u>	<u>(7,305)</u>	<u>(2,895)</u>	<u>4,304</u>
<u>\$ 5,935</u>	<u>\$ 2,683</u>	<u>\$ (8,185)</u>	<u>\$ (14,914)</u>	<u>\$ 15,668</u>	<u>\$ 1,666</u>

CITY OF DOWNEY

FUND BALANCES OF GOVERNMENTAL FUNDS  
(amounts expressed in thousands)

Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2003-04	2004-05	2005-06	2006-07
General Fund:				
Reserved	\$ 1,239	\$ 7,756	\$ 7,850	\$ 8,014
Unreserved	20,905	14,377	15,194	15,448
Total general fund	<u>\$ 22,144</u>	<u>\$ 22,133</u>	<u>\$ 23,044</u>	<u>\$ 23,462</u>
All Other Governmental Funds:				
Reserved	\$ 12,884	\$ 20,723	\$ 16,986	\$ 27,267
Unreserved, reported in:				
Special revenue funds	4,012	10,699	12,535	3,832
Debt service funds	(7,195)	(1,140)	(7,059)	(6,655)
Capital projects funds	14,274	(3,089)	4,169	4,403
Total all other governmental funds	<u>\$ 23,975</u>	<u>\$ 27,193</u>	<u>\$ 26,631</u>	<u>\$ 28,847</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					
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
\$ 8,832	\$ 11,350	\$ 10,764	\$ -	\$ -	\$ -
15,188	13,390	12,355	-	-	-
<u>\$ 24,020</u>	<u>\$ 24,740</u>	<u>\$ 23,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,833	\$ 16,828	\$ 16,270	\$ -	\$ -	\$ -
6,288	8,279	8,345	-	-	-
(7,317)	(7,590)	(9,214)	-	-	-
(19)	1,162	2,925	-	-	-
<u>\$ 21,785</u>	<u>\$ 18,679</u>	<u>\$ 18,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 6,497	\$ 8,897	\$ 7,118
-	-	-	4,260	4,867	4,793
-	-	-	10,070	6,123	6,438
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,827</u>	<u>\$ 19,887</u>	<u>\$ 18,349</u>
\$ -	\$ -	\$ -	\$ 3,601	\$ 4,570	\$ 6,845
-	-	-	12,837	4,379	5,086
-	-	-	5,620	6,226	6,671
-	-	-	(7,766)	(45)	(142)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,292</u>	<u>\$ 15,130</u>	<u>\$ 18,460</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			
	2003-04	2004-05	2005-06	2006-07
<b>Revenues:</b>				
Taxes	\$ 34,626	\$ 41,641	\$ 47,113	\$ 52,682
License and permits	1,043	1,768	1,852	2,147
Fines and forfeitures	1,739	1,878	1,751	1,911
Investment and rental	2,957	4,429	3,719	7,002
Intergovernmental revenue	14,758	14,618	10,103	9,370
Charges for services	6,303	7,574	7,788	7,804
Other revenue	9,782	6,171	10,962	3,416
Total revenues	<u>71,208</u>	<u>78,079</u>	<u>83,288</u>	<u>84,332</u>
<b>Expenditures:</b>				
Current:				
General government	4,292	4,658	3,953	4,905
Public safety	34,128	35,979	37,613	39,555
Public works	7,540	6,987	7,343	7,902
Community services	5,848	5,639	7,929	6,769
Community development	8,275	6,821	7,148	7,589
ERAF payment	395	494	271	-
Capital outlay	34,040	13,805	8,935	9,105
Debt service:				
Principal	1,360	1,415	1,730	1,800
Interest and fiscal charges	1,969	2,355	2,383	2,370
Total expenditures	<u>97,847</u>	<u>78,153</u>	<u>77,305</u>	<u>79,995</u>
Excess of revenues over (under) expenditures	<u>(26,639)</u>	<u>(74)</u>	<u>5,983</u>	<u>4,337</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	6,106	12,205	8,446	10,653
Transfers out	(9,609)	(15,819)	(15,200)	(13,742)
Proceeds from long-term debt	3,567	-	-	-
Sale of property	30,418	-	-	-
Issuance of debt	-	1,002	1,120	1,386
Sale of capital assets	-	5,893	-	-
Total other financing sources (uses)	<u>30,482</u>	<u>3,281</u>	<u>(5,634)</u>	<u>(1,703)</u>
<b>Extraordinary Gain</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,843	3,207	349	2,634
Fund balances - July 1	<u>-</u>	<u>3,843</u>	<u>7,050</u>	<u>7,399</u>
Fund balances - June 30	<u>\$ 3,843</u>	<u>\$ 7,050</u>	<u>\$ 7,399</u>	<u>\$ 10,033</u>
Debt service as a percentage of noncapital expenditures	3.42%	4.85%	5.34%	5.21%

Source: Finance Department, City of Downey

Fiscal Year						
2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
\$ 53,432	\$ 52,020	\$ 50,106	\$ 49,804	\$ 47,785	\$ 50,163	
2,487	1,372	1,269	1,107	1,094	1,171	
1,900	1,625	1,803	1,552	1,507	1,362	
7,154	6,425	5,011	3,360	2,639	750	
7,234	12,266	12,205	11,892	11,404	8,469	
10,161	7,960	7,883	8,740	9,795	11,209	
3,025	2,933	3,200	5,505	3,211	3,901	
<u>85,393</u>	<u>84,601</u>	<u>81,477</u>	<u>81,960</u>	<u>77,435</u>	<u>77,025</u>	
5,457	5,244	6,296	6,565	6,293	6,533	
42,361	45,429	44,786	45,231	46,585	43,917	
7,004	7,634	7,064	7,296	7,482	5,535	
8,775	8,781	7,748	7,793	8,065	8,012	
9,820	10,432	11,471	14,411	9,304	5,816	
-	-	-	-	-	-	
16,186	10,223	9,582	12,476	8,200	5,381	
1,890	1,840	485	500	510	250	
2,277	2,252	2,267	2,270	1,581	51	
<u>93,770</u>	<u>91,835</u>	<u>89,699</u>	<u>96,542</u>	<u>88,020</u>	<u>75,495</u>	
<u>(8,377)</u>	<u>(7,234)</u>	<u>(8,222)</u>	<u>(14,582)</u>	<u>(10,585)</u>	<u>1,530</u>	
12,049	7,844	12,750	16,487	6,094	4,219	
(10,440)	(5,540)	(7,798)	(9,656)	(4,175)	(4,735)	
-	-	-	-	-	-	
-	-	-	-	124	248	
1,400	1,408	1,296	1,425	1,349	-	
-	-	-	-	-	-	
<u>3,009</u>	<u>3,712</u>	<u>6,248</u>	<u>8,256</u>	<u>3,392</u>	<u>(268)</u>	
-	-	-	-	4,233	530	
(5,368)	(3,522)	(1,974)	(6,326)	(2,960)	1,792	
51,173	46,941	43,419	41,445	37,977	35,017	
<u>\$ 45,805</u>	<u>\$ 43,419</u>	<u>\$ 41,445</u>	<u>\$ 35,119</u>	<u>\$ 35,017</u>	<u>\$ 36,809</u>	
4.44%	5.03%	3.39%	3.54%	3.00%	0.42%	

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)
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
2012-13	9,054,262	560	525,164	8,529,658	440,018	148,762	291,256	8,820,914	2.0

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	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Residential	\$ 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	\$ 6,813,822
Commercial	680,932	704,305	774,652	873,724	919,334	1,004,451	1,048,645	1,048,624	1,062,528	1,102,810
Industrial	243,328	253,864	288,420	303,635	308,835	336,253	369,515	372,651	376,634	365,085
Government owned	-	-	-	109	-	-	-	-	-	-
Institutional	45,214	36,441	39,116	37,176	41,827	42,987	47,219	46,807	45,773	55,963
Miscellaneous	7,102	12	12	12	12	12	13	13	13	13
Recreational	28,986	27,639	23,017	26,408	24,413	25,322	25,189	25,080	25,184	25,643
Vacant Land	12,485	15,672	37,473	31,804	56,814	39,879	22,582	26,544	52,680	46,386
SBE Nonunitary	995	1,058	1,036	984	830	1,172	830	830	560	560
Possessory Int.	66,491	69,220	101,136	99,401	78,879	79,303	117,054	115,856	116,837	118,890
Unsecured	210,018	200,757	203,626	214,338	230,763	244,182	243,290	231,329	228,721	291,256
Exempt	-	-	-	-	-	-	-	-	-	-
Unknown	-	-	-	-	-	24,802	25,298	25,238	25,428	487
<b>TOTALS</b>	<b>\$ 5,855,767</b>	<b>\$ 6,266,556</b>	<b>\$ 7,001,934</b>	<b>\$ 7,774,263</b>	<b>\$ 8,477,831</b>	<b>\$ 8,945,868</b>	<b>\$ 8,595,374</b>	<b>\$ 8,496,958</b>	<b>\$ 8,646,846</b>	<b>\$ 8,820,915</b>
Total Direct Rate	0.1723%	0.1728%	0.1772%	0.1786%	0.1779%	0.1805%	0.1952%	0.1812%	0.1810%	0.1815%

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

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Basic Levy</b>										
City of Downey Tax District 1	0.14125	0.14125	0.14125	0.14125	0.14125	0.13970	0.13970	0.13970	0.14125	0.13970
Cerritos Community College District	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02620	0.02625	0.02620
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	0.01394	0.01395	0.01394
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	0.21540	0.21536	0.21540
Educational Augmentation Fund Impound	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16310	0.16308	0.16310
Educational Revenue Augmentation	0.07154	0.07154	0.07154	0.07154	0.07154	0.07340	0.07340	0.07340	0.07154	0.07340
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	0.33450	0.33450	0.33450	0.33481	0.33450
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
<b>Total Basic Levy Rate</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>	<b>1.00000</b>
Cerritos Community College Dist	0.00000	0.01908	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594
Compton Community College Dist	0.02714	0.00396	0.02051	0.01975	0.01763	0.01262	0.01296	0.01487	0.01481	0.01531
County Detention Facilities 1987 Debt	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.05130	0.06564	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132
LA Community College District	0.01986	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756
LA County Flood Control	0.00046	0.00025	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Little Lake City School District	0.06094	0.05313	0.03994	0.03483	0.07499	0.07360	0.07233	0.07647	0.05286	0.06942
Los Angeles Unified School District	0.07715	0.08884	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819	0.17560
Metropolitan Water District	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350
Montebello Unified School District	0.04076	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001	0.09630
Norwalk-La Mirada Unified	0.05560	0.05316	0.05368	0.05036	0.05226	0.06271	0.06110	0.06197	0.06496	0.06997
Rio Hondo Community College Dist	0.00000	0.02170	0.01802	0.01469	0.01369	0.02320	0.02714	0.03439	0.03418	0.02812
Whittier Union High School Dist	0.03793	0.03085	0.04489	0.08918	0.04359	0.03728	0.04224	0.04239	0.04317	0.04556
<b>Total Voter Approved Rate</b>	<b>0.37823</b>	<b>0.40315</b>	<b>0.45370</b>	<b>0.49520</b>	<b>0.49200</b>	<b>0.50908</b>	<b>0.57533</b>	<b>0.65592</b>	<b>0.60225</b>	<b>0.63860</b>
<b>TOTAL DIRECT &amp; OVERLAPPING TAX RATE</b>	<b>1.37823</b>	<b>1.40315</b>	<b>1.45370</b>	<b>1.49520</b>	<b>1.49200</b>	<b>1.50908</b>	<b>1.57533</b>	<b>1.65592</b>	<b>1.60225</b>	<b>1.63860</b>
<b>Rate producing Revenue for City and Redevelopment Agency (RDA)</b>										
City General Fund Direct Rate	0.14125	0.14125	0.14125	0.14125	0.14125	0.13973	0.13973	0.13973	0.13973	0.013973
RDA Incremental Rate	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	-
<b>Total Direct Rate</b>	<b>0.17234</b>	<b>0.17281</b>	<b>0.17722</b>	<b>0.17864</b>	<b>0.17786</b>	<b>0.18053</b>	<b>0.19517</b>	<b>0.18514</b>	<b>0.18102</b>	<b>0.18154</b>

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 Redevelopment 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. The approved of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

5 Because basic and debt and rates vary by tax rate area individual rates cannot be summed. The 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 2003/04 - 2012/13 Tax Rate Table

CITY OF DOWNEY

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2012-13		2003-04	
	Taxable Assessed Value	% of Total City Taxable Assessed Value	Taxable Assessed Value	% of Total City Taxable Assessed Value
Gary L. Ball Trust	\$ 102,695,186	1.16%	\$ 76,217,375	1.30%
Coca Cola Bottling Company of Los Angeles	92,550,368	1.05%	83,283,380	1.42%
Downey Landing LLC	68,541,758	0.78%	-	0.00%
Macerich Stonewood Limited Partnership	54,530,581	0.62%	47,553,052	0.81%
Kaiser Foundation Health Plan	98,204,998	1.11%	33,635,806	0.57%
Fremont Rancho Limited	43,504,241	0.49%	35,687,015	0.61%
PRC Multi-Family LLC	31,650,594	0.36%	-	0.00%
RLJ II-EM Downey	28,187,000	0.32%	-	0.00%
Majestic Enterprises LP	27,293,517	0.31%	-	0.00%
Downey Land Limited	27,242,467	0.31%	17,300,437	0.30%
Sanwa Jutaku Company Limited	-	0.00%	32,768,297	0.56%
Norbert Gehr Trust	-	0.00%	27,388,015	0.47%
Andrews Rancho Del Norte	-	0.00%	20,961,731	0.36%
Brookshire Partners	-	0.00%	14,927,193	0.25%
	<u>\$ 574,400,710</u>	<u>6.51%</u>	<u>\$ 389,722,301</u>	<u>6.66%</u>

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

Sources: HdL Coren & Cone, Los Angeles County Assessor 2003/04 - 2012/13 Combined Tax Rolls  
The SBE Non Unitary Tax Roll

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>
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	10	10,823	89.59
2012-13	12,323	12,407	100.68	(1)	12,407	100.68

(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			
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	19,535	-	37,582	57,117	7,830	597	8,427	65,544	10.80%	584
2012-13	19,260	-	34,860	54,120	7,149	694	7,843	61,963	10.00%	550

The City of Downey implemented GASB 34 for the fiscal year ended June 30, 2003.  
Information prior to the implementation of GASB 34 is not available.

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)	Pension Obligation Bond	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Ratio of Net Bonded Debt Per Capita
2003-04	112,817	\$ 5,855,766	\$ -	\$ -	\$ -	0.0%	0.0%
2004-05	112,938	6,266,554	20,429	1,775	18,654	0.3%	16.5%
2005-06	113,063	7,001,934	20,436	1,580	18,856	0.3%	16.7%
2006-07	113,587	7,774,263	20,268	1,712	18,556	0.2%	16.3%
2007-08	113,607	8,477,831	20,180	1,912	18,268	0.2%	16.1%
2008-09	113,053	8,945,869	20,077	2,090	17,987	0.2%	15.9%
2009-10	113,715	8,595,374	19,939	2,335	17,604	0.2%	15.5%
2010-11	111,985	8,496,958	19,762	2,420	17,342	0.2%	15.5%
2011-12	112,201	8,646,847	19,535	2,765	16,770	0.2%	14.9%
2012-13	112,761	8,820,914	19,260	2,723	16,537	0.2%	14.7%

Source: Finance Department, City of Downey

CITY OF DOWNEY

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

June 30, 2013

	\$		\$
City Assessed Valuation	8,820,914,579		
Redevelopment Agency Incremental Valuation	504,848,558		
Total Assessed Valuation	<u>8,316,066,021</u>		
	Gross Bonded Debt Balance 6/30/2013	Percent Applicable to City of Downey	Net Bonded Debt
Metropolitan Water District*	\$ 79,696,126	0.942	\$ 750,855
Little Lake City SD DS 2005 Ref. Bond	6,725,000	3.557	239,233
Little Lake City SD DS 2000 Series C	7,409,901	3.557	263,597
Little Lake City School 2000 Series D 1QSCBS	8,000,000	3.557	284,589
Little Lake City SD DS 2011 Ref. Bond	5,240,000	3.557	186,406
Whittier Union HSD DS 2005 Refunding Bonds	77,861,369	0.582	453,288
Whittier UN High DS 2008 Ser 2009A	38,001,949	0.583	221,479
Cerritos CC DS 2004 Series 2004A	2,330,000	23.617	550,281
Cerritos CC DS 2005 Refunding Bonds	21,268,286	23.617	5,022,972
Cerritos CC DS 2004 Series 2006	30,645,000	23.617	7,237,489
Cerritos CC DS 2004 Series 2009C	51,160,000	23.617	12,082,556
Cerritos CC DS 2004 Series 2012D	82,825,515	23.617	19,561,061
Compton CCD DS 2002 Series A	19,730,000	0.711	140,302
Compton CCD DS 2002 Series 2008A	28,576,122	0.711	203,208
Compton CCD DS 2002 REF	14,470,000	0.711	102,898
L.A. CCD DS 2003 Series B	3,100,000	0.003	87
L.A. CCD DS 2003 Taxable Series 2004B	11,985,000	0.003	335
L.A. CCD DS 2001 Taxable Series 2004A	74,440,000	0.003	2,080
LACC DS Refunding 2001 Series 2005A & 2013	473,395,000	0.003	13,227
LA CCD DS 2001, 2006 Series B	275,300,000	0.003	7,692
LA CCD DS 2003, 2006 Series C	382,160,000	0.003	10,677
LACC DS 2001, 2008 Ser E-1	271,710,000	0.003	7,592
LACC DS 2003, 2008 Series F-1	344,915,000	0.003	9,637
LACC DS 2003, 2008 Taxable Ser F-2	550,000	0.003	15
LACC DS 2008, 2009 Taxable Series A	350,000,000	0.003	9,779
LACC DS 2008, 2009 Taxable Ser B	75,000,000	0.003	2,095
LACC Debt 2008, 2010 Tax Series D	175,000,000	0.003	4,889
LACC Debt 2008, 2010 Tax Ser E (BABS)	900,000,000	0.003	25,146
LACC DS 2008, 2010 Series C	125,000,000	0.003	3,492
LACC DS 2008, 2010 Series F	250,000,000	0.003	6,985
Rio Hondo CC DS 2004 Series 2004A	3,650,000	0.371	13,548
Rio Hondo CCD DS 2005 Refunding Bonds	42,055,387	0.371	156,105
Rio Hondo CCD DS 2004 Ser 2008	61,881,844	0.371	229,698
Rio Hondo CCD DS 04, 2010 SER C	60,040,980	0.372	223,350
Downey Unified SD Refunding 1999 Series A	6,020,256	91.529	5,510,285
Downey USD DS 2002 Series B	695,000	91.529	636,127
Downey Unified DS 2002 Series C	3,735,000	91.529	3,418,611
Downey USD DS 2006 Refunding Bonds	8,675,000	91.529	7,940,148
Downey Unif DS 2007 Ref Bds	20,125,000	91.529	18,420,227
Downey USD DS 2011 Refunding Bonds	11,755,000	91.529	10,759,243
Downey USD DS 2012 Refunding Bonds	17,620,000	91.529	16,127,424
Montebello Unified DS 1998 Series 98	8,715,223	0.127	11,062
Montebello Unified SD DS 98 Series 99	7,712,854	0.127	9,790
Montebello USD DS 1998 Series 2001	2,632,827	0.127	3,342
Montebello USD DS 1998 Series 2004	7,560,273	0.127	9,596
Montebello Unified DS 1998 Series 2002	9,956,587	0.127	12,637
Montebello Unified DS 2004 Series 2005	940,000	0.127	1,193
Montebello Unif DS 2004 Ser 2008	32,255,000	0.127	40,940
Montebello Unified DS 2004 Series 2009-1	19,585,000	0.127	24,858
Montebello Unified 04 Series 2009A-2 BABS	12,640,000	0.127	16,043
Montebello USD 2010 Refunding Bonds	34,075,000	0.127	43,250
<b>Total Overlapping Debt</b>			<b>\$ 111,011,419</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$ 146,536,815</b>

\* 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.

CITY OF DOWNEY

SCHEDULE OF LEGAL DEBT MARGIN  
(amounts expressed in thousands)

Last Ten Fiscal Years

	Fiscal Year									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Assessed Valuation	\$ 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	\$ 8,820,914
Charter Debt Limited (15% of Assessed Valuation)	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	1,323,137
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 1,323,137</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			
				Principal	Interest	Total	Coverage
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	-	-	-	-
2012-13	15,194	10,977	4,217	-	-	-	-

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	
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
2012-13	2,639	2,414	225	350	349	699	0.32

Source: Finance Department, City of Downey

CITY OF DOWNEY

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population <sup>1</sup>	Calif. Metropolitan Personal Income (in thousands) <sup>2</sup>	Calif. Metropolitan Per Capita Personal Income <sup>2</sup>	Unemployment Rate <sup>3</sup>
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	604,832,000	46,337	8.2%
2013	112,761	626,001,120	47,959 *	7.6%

Sources:

<sup>1</sup> State Department of Finance, city population as of January 1

<sup>2</sup> Bureau of Economic Analysis (data shown is for the metropolitan area of L.A.-Long Beach-Anaheim)

<sup>3</sup> State of California Employment Development Department (data shown is for the city of downey in December)

<http://www.labormarketinfo.edd.ca.gov>

\* Based on Quarterly personal income for 2012Q2 and 2013Q2 from Bureau of Economic Analysis, we estimate an increase of 3.5% in 2013.

CITY OF DOWNEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2012-13		2003-04		
	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	2,029		
Stonewood Shopping Center	2,100	4.0	1,535		
Rancho Los Amigos Medical Center	1,410	2.7	1,400		N
Coca-Cola Bottling Company	920	1.7	795		O
Downey Regional Medical Center	955	1.8	1,200		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									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
General government	32	32	33	33	37	38	36	36	33	27
Police	167	166	169	169	179	201 (1)	193	190	166	162
Fire	87	86	85	85	86	92	91	90	86	82
Parks and recreation	339	338	338	338	368 (2)	383 (2)	370	383	337	370
Public works	83	81	81	81	82	87	82	83	83	67
Community development	31	32	34	34	32	30	33	28	30	20
Total	<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>	<u>728</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 years 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									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Police:</b>										
Number of arrests	3,351	4,228	4,402	4,984	4,519	4,437	4,663	4,194	4,667	3,376
Number of collision reports issued	1,272	1,596	1,601	1,473	1,402	1,311	1,143	1,080	901	1,135
Number of traffic citations issued	45,611	42,479	41,499	47,508	43,188	42,078	40,871	36,595	40,741	32,031
Number of reported crimes & incidents	13,933	14,129	14,139	15,016	13,543	13,294	13,230	12,814	13,891	9,759
<b>Fire:</b>										
Number of emergency incidents	5,700	5,413	5,474	5,451	5,983	6,021	6,126	6,554	5,086	6,979
Number of fire & other incidents	2,683	2,344	2,530	2,567	1,881	1,136	1,384	1,160	2,892	1,268
Number of special services and other incidents	n/a	n/a	n/a	n/a	n/a	535	297	422	n/a	171
Number of traffic accidents	350	350	540	752	735	715	747	784	312	812
<b>Parks and recreation:</b>										
Number of general park attendance	499,576	445,984	513,059	676,731	520,340	929,974	935,457	982,229	436,000	954,696
Number of participants in theatre	40,000	41,000	41,000	40,738	54,114	38,891	42,882	40,385	40,000	47,943
Number of library attendance	428,561	400,700	371,445	359,502	397,002	413,510	416,605	446,970	387,656	356,586
<b>Public works:</b>										
<b>Engineering (CIP related improvement):</b>										
Street striping (no. of lineal ft)	n/a	n/a	29,866	39,005	45,148	27,600	27,000	108,187	n/a	5,798
Asphalt replacement (no. of tons)	n/a	n/a	15,947	21,506	3,944	7,981	34,000	47,017	n/a	5,201
Trees planted (each)	n/a	n/a	108	444	434	372	127	291	n/a	n/a
Trees removed (each)	n/a	n/a	10	20	5	13	62	75	n/a	151
<b>Maintenance:</b>										
Pavement markings (square feet)	n/a	n/a	84,170	59,201	80,365	102,651	42,638	57,844	n/a	35,038
Street striping (no. of lineal ft)	n/a	n/a	368,109	375,471	191,707	501,357	272,266	67,706	n/a	260,463
Asphalt repair (no. of tons)	500	550	575	587	466	508	428	505	400	403
Graffiti removed (square feet)	380,000	516,093	503,704	627,970	755,485	719,661	685,482	728,954	200,000	633,950
Trees trimmed (each)	5,550	9,503	7,697	8,870	9,870	6,288	7,100	8,122	10,208	5,820
Trees planted (each)	769	718	434	200	239	155	241	177	240	123
Trees removed (each)	159	227	350	234	320	199	494	470	290	618
Vehicles serviced - Preventative	310	265	326	441	469	575	694	830	152	1,332
Vehicles serviced - Repairs (each)	683	541	397	597	612	498	911	617	545	849
<b>Water:</b>										
Number of customers	22,955	22,955	22,734	22,356	22,806	22,421	22,249	22,788	22,339	23,486
Annual supply (acre feet)	18,925	17,571	18,043	19,313	18,402	17,973	16,953	16,402	18,347	17,215
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
<b>Sewer:</b>										
Sewer main cleaned (no. of miles)	187	198	187	18	18	25	12	95	25	57
Vector coating applied to sewer manholes	n/a	n/a	1,750	1,818	1,920	2,000	1,000	1,000	n/a	1,650
<b>Golf course:</b>										
Golf rounds played	65,449	64,784	70,071	68,980	67,050	64,105	62,154	60,703	61,983	66,276

CITY OF DOWNEY

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Public Safety</b>										
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
<b>Highways and streets</b>										
Miles of streets	210	210	210	210	210	210	210	210	210	210
Traffic signals	102	115	115	115	115	115	115	115	115	116
Number of street lights	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
<b>Water</b>										
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	263	263	263	263	263	263	263	276
<b>Sewer</b>										
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
<b>Culture and Recreation</b>										
Number of parks	11	11	11	11	11	12	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