



City of Downey

California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2014

CITY OF DOWNEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

Prepared by: Finance Department

City of Downey

City Map



CITY OF DOWNEY
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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City of Downey

December 31, 2014

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, 2014.

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 111,807.

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.

Future Unlimited

CIVIC CENTER
11111 BROOKSHIRE AVE.
PO BOX 7016
DOWNEY, CALIFORNIA
90241-7016
562-869-7331
www.downeyca.org

LIBRARY
11121 BROOKSHIRE AVE.
DOWNEY, CALIFORNIA
90241-7016
562-904-7360
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

Slowly, but steadily, the City is recovering from the largest economic downturn since the Great Depression. The City of Downey continues to position itself as the prime locator for companies looking for industrial, retail, or office space due to its central location, public safety record, and robust business environment. During the last couple of years, Downey has been experiencing overall increased activity in contractor and commercial business. Overall, Downey's economy is one of the most diverse communities in Los Angeles County mainly due to a healthy influx of businesses and industries that operate within its borders. Mix of industries include auto & transportation, restaurants and hotels, retail trade, business services, health care and manufacturing.

The City's retail sector continues to experience moderate growth as the region's economy continues to slowly recover from the effect of the recession, Downey has benefited in particular from a strong recovery in automotive sales and the continues the addition of retail and restaurant businesses in the City.

In June 2014, the unemployment rate for the City was 7%, which is slightly lower than the national unemployment rate of 7.8% and significantly lower than the County unemployment rate of 8.7%. The City's retail sector is highly dependent on the financial health of consumers and their perception of the direction of the local and national economy. Most economists predict that the national economy will continue to slowly improve throughout 2014 and 2015.

With positive indicators, such as rising consumer confidence, improvements in the housing market, increased contractor activity, and reduced rate of unemployment, Downey is forecasting moderate growth in major general fund revenues such as property, sales, and utility user taxes for the upcoming year. While the other side of the coin is that revenue growth is not keeping pace with the growth in expenditures, which will be challenging in coming years.

MAJOR INITIATIVES

For FY 2013 - 2014

Fiscal year 2013-14 was the third consecutive year the City did not rely upon the City's reserves for General Fund operations. In fact, due to the sale of the former Downey Regional Community Hospital property and the repayment of the Champion Dodge owner participation loans, the City has added nearly \$14 million in one-time revenues to the Reserves Fund. Currently, reserves stand at roughly 40% of General Fund expenditures, up from a low of 30% during the recession.

The City has performed admirably under significant pressure to reduce costs and eliminate employees and services, with the result that the majority of residents and businesses have not been inconvenienced by the significant reductions. In fact, the City has implemented all seven of these commendations from the Independent Cities Association (ICA) to safeguard debt credibility and ratings. These recommendations include right-sizing the organization (early retirement incentives and elimination of frozen positions), changes in service delivery, program reductions, employee benefit concessions, reductions to employee benefit packages, deferring non-essential equipment replacement, and reduced General Fund capital costs. These measures have resulted in the closure of a budget gap and the proposed FY 2014-2015 balanced budget that maintains available reserves at approximately \$32 million.

The City's One Stop Shop and its Red Team have allowed the City to reinforce its relationships with major businesses and employers, and to proactively address local business needs. The roll-out of several new economic development tools, including an online property finder for businesses and a local Job Creation Partnership Program through the Los Angeles Small Business Development Center has provided additional supports for growing the City's economic base and providing good, stable jobs in Downey.

FUTURE INITIATIVES

For FY 2014 - 2015

Throughout the upcoming 2014-15 fiscal year, staff will monitor cost estimates and revenue projections. Staff will continue meeting with the budget subcommittee on a regular basis to review whether additional budget modifications are necessary. Looking forward to this coming fiscal year, the City will aggressively continue with technological advances and will implement new technology to improve services to residents. Some of these services will include online water billing, full expansion of the online business registration to new businesses, and a City-wide telephone system upgrade.

During this fiscal year, the City has already experienced the openings of businesses such as the Habit Burger, Chick Fil-A, Dunkin Donuts and a few others who will occupy formerly vacated areas along the Firestone Boulevard Corridor. The Firestone Boulevard Corridor just underwent a massive improvement project, complete with repaving, landscaping, lighting, and a complete facelift in the Downtown to promote walkability. Additionally, the budget will allow the hiring of six (6) new paramedics in the Fire Department, including the addition of an Emergency Preparedness Coordinator position.

The City looks forward to expanding the City's partnership with the Chamber of Commerce to focus on additional business attraction and retention, including redeveloping the corners of Lakewood and Gallatin, and the 9066 Firestone Boulevard property. The Champion Dodge Dealership is anticipating an expansion, while the Toyota dealership is seeking to remodel and expand as well. The Downey View Housing Development opened in early December of this year and welcomed multiple tenants to our City, specifically our Downtown area. Another significant development the City looks forward to in FY 2014-15 is the opening of the Promenade at Downey (formerly Tierra Luna), which will feature various restaurants and retailers, including a Cinemark Theatre.

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, 2013 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The single audit for the current fiscal year is in progress; however, the City fully anticipates that there will also be no instances of material weaknesses in the internal controls.

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

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

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

Principal Issue	Trustee	Outstanding
Downey Public Facilities Financing Corporation: 2002 Certificates of Participation	U.S. Bank	\$ 6,775,006
California Statewide Communities Development Authority: 2005 Pension Obligation Bonds	Wells Fargo Trust Services	19,075,000

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 Lance, Soll and Lunghard, 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, 2013. 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.

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, Lance, Soll and Lunghard, LLP, to produce this report. I would like to express my appreciation to all members of the Finance Department, especially the Finance Manager, Maurina Lee.

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

Respectfully submitted,



Anil H. Gandhi, CPA
Director of Finance

CITY OF DOWNEY
PRINCIPAL OFFICIALS

CITY COUNCIL

Fernando Vasquez, Mayor

Luis H. Marquez, Mayor Pro Tem

**Mario A. Guerra
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

**Carl D. Charles
Chief of Police**

**Lonald Croom
Fire Chief**

**Anil Gandhi
Director of Finance & Information Technology**

**Mohammad Mostahkami
Director of Public Works**

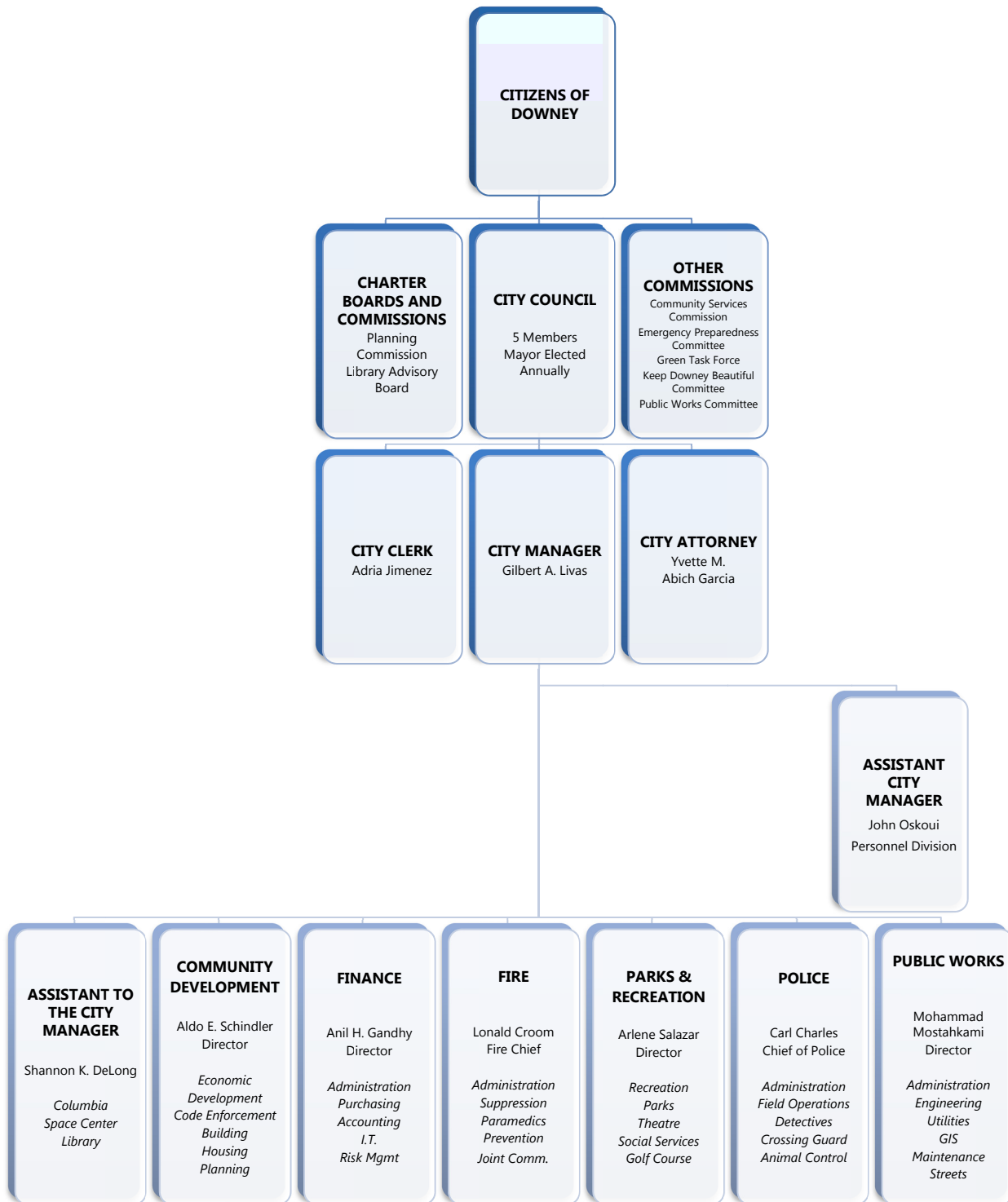
**Aldo E. Schindler
Director of Community Development**

**Arlene Salazaar
Director of Park & Recreation**

**Shannon Delong
Assistant to the City Manager,
Columbia Memorial Space Center & Library**

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, 2013

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on 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 City of Downey, California, (the City) as of and for the year ended June 30, 2014, 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 financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 entity'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 opinions.



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Downey, California, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedules of funding progress 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, combining and individual nonmajor fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate 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 combining and individual nonmajor fund financial statements and schedules are 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.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2014, 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.

Lance, Solt & Lughard, LLP

Brea, California
December 30, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Downey, we offer readers of the City of Downey's financial statements this narrative overview and analysis of the financial activities of the City of Downey for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vi of this report. All amounts, unless otherwise indicated, are expressed in millions of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities, at June 30, 2014, by \$316.6 million (net position). Of this amount, \$54.1 million (unrestricted net position) may be used to meet the government's ongoing obligations to residents and creditors, but is subject to allocation for specific City programs. Some of these restrictions are \$2.9 million for public works projects and \$2.0 million for community development.
- At the fiscal year ended June 30, 2014, the government's total net position increased by \$19.5 million. The increase in net position is attributable to the increase in other general revenue. During the fiscal year, the City has agreed to sell the City's hospital property to PIH.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$50.6 million, an increase of \$13.7 million in comparison with the prior year. Approximately 57.1% of this total amount, \$28.9 million, is available for spending at the government's discretion (assigned and unassigned fund balance) within the guidelines of the funding sources.
- At June 30, 2014, assigned and unassigned fund balance for the general fund was \$23.1 million or 33.1% of total general fund expenditures. This represents an increase of \$16.7 million or 258.7%, from the prior year. The unassigned fund balance which is unrestricted in use is anticipated to be designated by City Council for specific purposes at a future City Council meeting.
- The City's total long-term liabilities decreased by \$121 thousand or 0.2%, during the current fiscal year. The key factor to keep the long term liability flat is a tight risk management in general liability and workers' compensation claims.

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 and liabilities, including capital assets and long-term liabilities, with the difference between the two reported as net position. Over time, increases or decreases in the 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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the City include 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 revenue generated from these functions that intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also three legally separate entities: the City of Downey Public Facilities Financing Corporation, the City of Downey Housing Authority and the City of Downey Water Facilities Corporation. The City is financially accountable for these entities and financial information for these *blended component units* is reported within the financial information presented for the primary government itself. The government-wide financial statements can be found immediately following this discussion and analysis.

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 various individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet, and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, for the General Fund, Housing Authority Special Revenue Fund, and HOME Special Revenue Fund; all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds is provided in the form of *combining statements* elsewhere in this report.

The basic financial statements also include budgetary comparison statements for the General Fund, to demonstrate compliance with the annual budget as adopted and amended.

The basic governmental fund financial statements can be found immediately following the government-wide financial statements.

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 self-insurance activities, vehicle fleet operations, and miscellaneous equipment replacement and maintenance, and duplication and telecommunications services. 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.

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, 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 to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the basic fiduciary 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 Defined Benefit Pension Plans and Other Post Employment Benefit Plans 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, Housing Authority Special Revenue Funds, and HOME Special Revenue Fund.

The combining statements referred to earlier in connection with other governmental funds and internal service funds are presented for Other Special Revenue Funds, Other Capital Projects Funds, Permanent Fund, Internal Service Funds, and Fiduciary Funds. These combining and individual fund statements and schedules can be found immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

In the case of the City of Downey, assets exceeded liabilities by \$267.4 million for governmental activities and \$49.1 million for business-type activities for a total of \$316.5 million at the close of the most recent fiscal year.

The largest portion of the City's net position, 72%, reflects its net investment in capital assets (e.g., land, buildings and systems, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress); less any related outstanding debt used to acquire those assets. The City's only outstanding debt against capital assets is four capital leases for public safety vehicles, ambulance and various types of fire equipment. The City uses these capital assets to provide services to residents; consequently, these assets are not available for future spending. Although the City's investment in its 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.

Of the remaining total net position, \$26.2 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining, \$48.1 million, is subject to designation for specific purposes as approved by the City Council.

City of Downey
Summary of Net Position
June 30, 2013 and 2014
(amounts expressed in thousands)

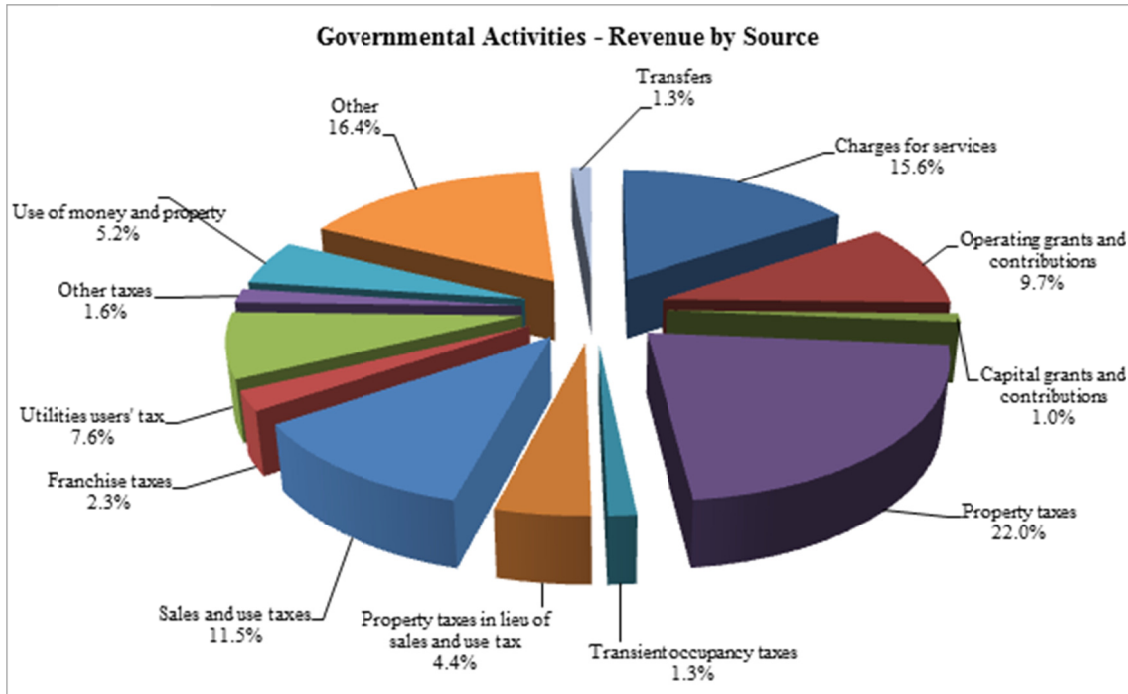
	Governmental Activities		Business-Type Activities		Total	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
ASSETS						
Current and other assets	\$ 124,923	\$ 107,120	\$ 14,211	\$ 18,839	\$ 139,134	\$ 125,959
Capital assets	202,086	201,533	45,640	41,177	247,726	242,710
Total assets	327,009	308,653	59,851	60,016	386,860	368,669
DEFERRED OUTFLOWS OF RESOURCES	---	---	75	88	75	88
LIABILITIES						
Current liabilities	5,207	3,743	3,308	10,319	8,515	14,062
Noncurrent liabilities	54,366	54,123	7,479	7,843	61,845	61,966
Total liabilities	59,573	57,866	10,787	18,162	70,360	76,028
NET POSITION						
Net Investment capital assets	193,071	189,490	41,719	34,116	234,790	223,606
Restricted	26,203	29,332	1,478	4,224	27,681	33,556
Unrestricted	48,162	31,965	5,941	3,602	54,103	35,567
Total net position	\$ 267,436	\$ 250,787	\$ 49,138	\$ 41,942	\$ 316,574	\$ 292,729

Governmental Activities. The City's net position in the Governmental activities increased \$16.7 million, accounting for approximately 69.8% of the total increase in net position. As noted previously, the City is continuing to see growth in its revenue base and realized savings in the General Fund above the level anticipated in the 2013-14 budget.

City of Downey
Summary of Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(amounts expressed in thousands)

	Governmental Activities		Amount Increase (Decrease)
	2014	2013	
REVENUES:			
Program revenues:			
Charges for services	\$ 15,550	\$ 12,964	\$ 2,586
Operating grants and contributions	9,691	8,098	1,593
Capital grants and contributions	981	4,279	(3,298)
General revenues:			
Taxes			
Property taxes	21,842	21,116	726
Transient occupancy taxes	1,315	1,219	96
Sales and use taxes	11,395	11,925	(530)
Property taxes in lieu of sales and use tax	4,385	3,732	653
Franchise taxes	2,281	2,303	(22)
Utilities users' tax	7,562	7,170	392
Other taxes	1,633	1,426	207
Use of money and property	5,189	267	4,922
Other	16,321	2,782	13,539
Total revenues	98,145	77,281	20,864
EXPENSES:			
Program activities:			
General government	12,856	12,959	(103)
Public safety	52,127	46,414	5,713
Public works	10,209	7,349	2,860
Community services	5,820	8,959	(3,139)
Community development	5,115	5,821	(706)
Interest on long term debt	1,052	46	1,006
Total expenses	87,179	81,548	5,631
Excess of revenues over expenses	10,966	(4,267)	15,233
Transfers	1,311	1,629	(318)
Change in net position	\$ 12,277	\$ (2,638)	\$ 14,915

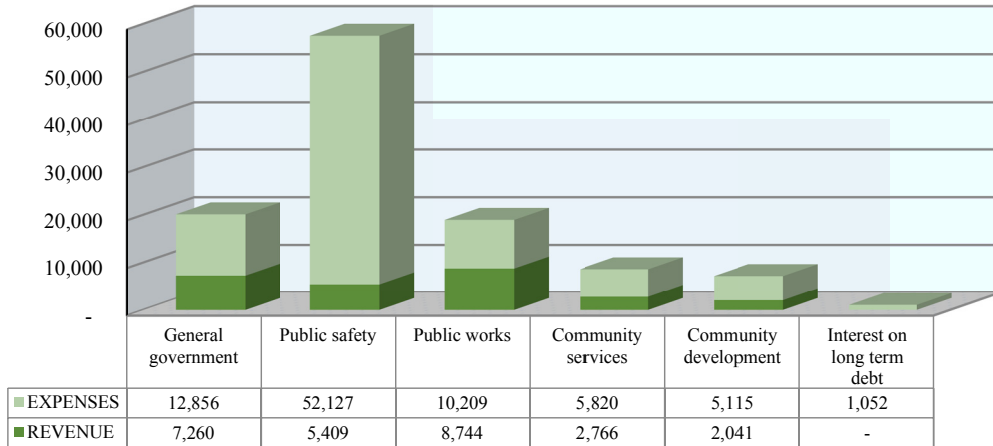
Top Governmental Activity Revenue Sources. As shown below, our top five tax revenue accounted for almost 80% of total revenues, with use of money and property accounting for another 5%. Generally, revenues for 2013-14 increased from those of the prior fiscal year.



The following narrative addresses the significant variances in key revenues and expenses from the prior fiscal year:

1. *Sales Tax.* General sales tax receipts were \$530 thousand or 11.5% less than in 2012-13. The economic recovery remains slow.
2. *Property Tax.* Property tax revenue increased by \$726 thousand or 3.4% from 2012-13. Property taxes continue to grow at a slow but steady pace.
3. *Transient Occupancy Tax (TOT).* These revenues increased by \$96 thousand or 7.9% over the prior year and continue to exceed their pre-recession peak. The increase in the local tourism industry has been impacted positively by the economic recovery.
4. *Charges for Services.* These revenues increased by approximately \$2.6 million over 2012-13. In the General Fund, charges for services increased significantly over the prior year due to the plan check and various permit fee related to the Promenade development project and other private developments that is continuing to remain strong.
5. *Operating grants and contributions.* These revenues increased by nearly \$1.6 million as progress on City infrastructure projects resulted in an increased amount of grant reimbursements.
6. *Program Expenses – Governmental Activities.* Program expenses increased by approximately \$5.6 million or 6.9% over the prior fiscal year. The most significant increase is in Public Safety activity which reflects an increase in costs related to AB 109 compliance check, maintaining an acceptable citizen to officer ratio, and the change of ambulance operation model in the General Fund in 2013-14.

Governmental Activities - by Program/Function



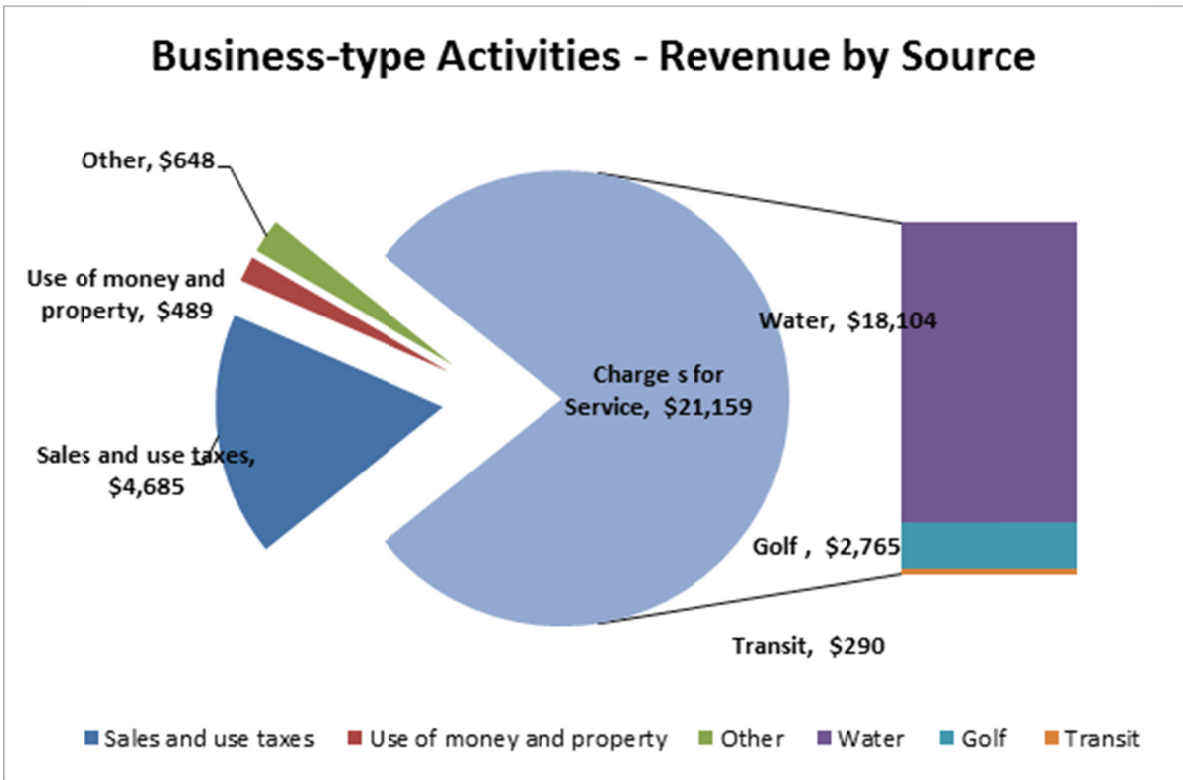
Business-Type Activities. Business-type activities accounted for 37% of the total growth in net position.

**City of Downey
Summary of Changes in Net Position
For the Years Ended June 30, 2014 and 2013
(amounts expressed in thousands)**

	Business-type Activities		Amount Increase (Decrease)
	2014	2013	
REVENUES:			
Program revenues:			
Charges for services	\$ 21,159	\$ 18,203	\$ 2,956
General revenues:			
Taxes			
Sales and use taxes	4,685	4,310	375
Use of money and property	489	166	323
Other	648	135	513
Total revenues	26,981	22,814	4,167
EXPENSES:			
Program activities:			
Water	12,102	10,117	1,985
Golf	3,054	2,772	282
Transit	3,317	3,992	(675)
Total expenses	18,473	16,881	1,592
Excess of revenues over expenses	8,508	5,933	2,575
Transfers	(1,311)	(1,629)	318
Change in net position	\$ 7,197	\$ 4,304	\$ 2,893

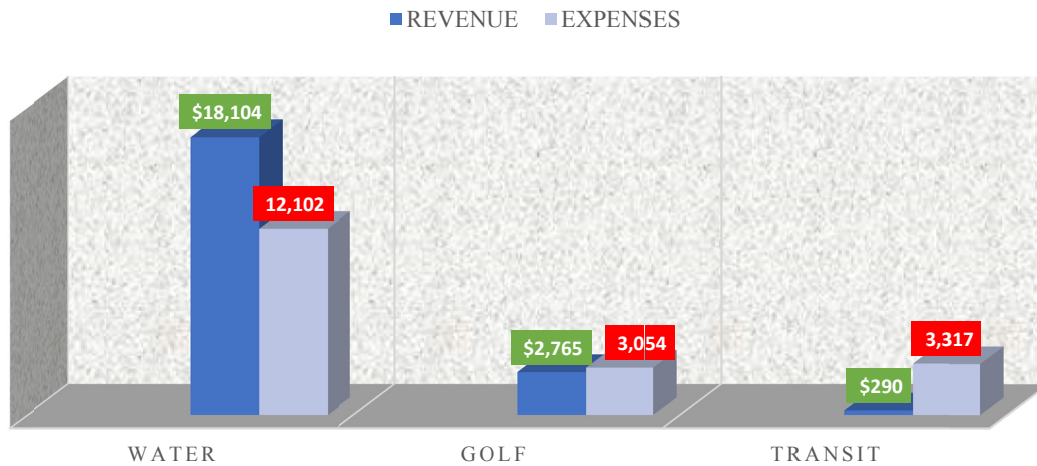
Revenue Sources – Business-Type Activities. Operating revenues for services reflect an increase of approximately \$3.0 million or 16.2% over the prior fiscal year. This reflects growth in service charges in all of the enterprise funds. Significant variances are as follows:

1. *Water revenues.* Total operating revenues increased \$2.9 million. 98.5% of this amount was from the increase in sale of water. Warmer weather which increased consumption, coupled with the implementation of a 3% rate increase that became effective on July 1, 2013 were responsible for the increase.
2. *Golf revenues.* The overall increase of \$126 thousand over the prior year is due to the economic recovery.
3. *Transit revenues.* The ridership continued to drop after the implementation of a modest increase in bus fare.



Program Expenses – Business Type Activities. The program expenses for enterprises funds increased by \$1.6 million or 9.4% over the prior fiscal year. The increase simply reflects the fact that the cost of doing business increased. The Water Fund saw an increase in spending over the prior year of roughly \$2.0 million due to increases in the cost of supplies and maintenance.

BUSINESS-TYPE ACTIVITIES BY PROGRAM



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. The following funds have been classified as either governmental or proprietary fund types.

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.

As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$50.6 million, a net increase of \$13.7 million or 37.4% over the prior year. The increase is the result of sale of City's hospital land. Approximately 57% of the City's governmental fund ending fund balances, or \$28.9 million, constitutes assigned and unassigned fund balance, which is available for spending at the City's discretion within the guidelines of the funding sources. The remainder of fund balance, \$21.7 million, is either non-spendable or restricted for purposes imposed by creditors, grantors, contributors, laws or regulations of other governments or through enabling legislation. Non-spendable fund balance of \$7.1 million is not available for use and are comprised of advances to Successor Agency and prepaid costs. Restricted fund balance of \$14.6 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. The restricted funds are comprised of \$636 thousand for community development activity, \$2.6 million for public works, \$4.8 million for debt services, and \$6.4 million for low and moderate income housing.

General Fund Financial Highlights

The general fund is the chief operating fund of the City. At June 30, 2014, assigned and unassigned fund balance of the general fund was \$23.1 million, while total fund balance was \$35.1 million. As a measure of the general fund's liquidity, it is useful to compare committed, assigned, and unassigned fund balance to total fund expenditures. assigned, and unassigned fund balance represents 33.1% of the total general fund expenditures. As mentioned above, however, the City Council has designated all of this assigned, and unassigned fund balance for specified purpose.

For the fiscal year ended June 30, 2014, the cash and investments balance in the general fund was \$19.4 million, an increase of \$17.5 million from the prior fiscal year.

City of Downey
General Fund Revenues and Other Financing Sources
 June 30, 2014 and 2013
 (amounts expressed in thousand)

	2014 Actual	Percent of Total	2013 Actual	Percent of Total	Incr (Decr)
Taxes	\$ 51,625	57.7%	\$ 49,438	72.7%	\$ 2,187
Licenses and permits	1,390	1.6%	1,171	1.7%	219
Fines and forfeitures	1,435	1.6%	1,362	2.0%	73
Use of money and property	4,632	5.2%	885	1.3%	3,747
Intergovernmental revenue	2,605	2.9%	2,455	3.6%	150
Charges for services	8,986	10.0%	7,224	10.6%	1,762
Other revenue	15,958	17.8%	3,522	5.2%	12,436
Total Revenues	86,631	96.8%	66,057	97.1%	20,574
Other financing sources	2,840	3.2%	1,996	2.9%	844
Total Revenues & Other Finance Sources	\$ 89,471	100.0%	\$ 68,053	100.0%	\$ 21,418

Overall, General Fund revenues for the fiscal year ended June 30, 2014, increased by \$20.6 million, or 31.1%, over the prior year. The majority of this increase is attributable to higher tax revenues and charges for service, and a sale of city's hospital property.

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

City of Downey
General Fund Expenditures and Other Financing Uses
June 30, 2014 and 2013
(amounts expressed in thousand)

	2014 Actual	Percent of Total	2013 Actual	Percent of Total	Incr (Decr)
General government	\$ 12,660	17.1%	\$ 6,534	9.4%	\$ 6,126
Public safety	43,717	59.2%	43,180	62.1%	537
Public works	5,873	8.0%	4,882	7.0%	991
Community service	4,949	6.7%	6,269	9.0%	(1,320)
Community development	2,548	3.5%	3,859	5.5%	(1,311)
Debt Service:					
Interest and fiscal charges	-	0.0%	-	0.0%	-
Total Expenditures	69,747	94.5%	64,724	93.0%	5,023
Other financing uses	4,036	5.5%	3,078	4.4%	958
Extraordinary item			1,779	2.6%	(1,779)
Total Expenditures & Other Finance Uses	\$ 73,783	100.0%	\$ 69,581	100.0%	\$ 4,202

The General Fund's total expenditures increased by \$5.0 million or 7.8%, from the previous fiscal year. All departments' expenditures increased except the expenditures in Community service and Community development. Changes in expenditures, by function, occurred as follows during the fiscal year ended June 30, 2014:

- General Government expenditures increased by \$6.1 million, to \$12.6 million attributable in part to the change in recording the Pension Obligation Bond debt service expenditure and related retiree benefit expenditure from Internal Service Fund to General Fund for improved financial reporting.
- Public Works expenditures increased by \$991 thousand, to \$5.9 million, as a result of additional staffing expenditure and the increase in the cost of supply and maintenance.
- Community Service and Community Development departments all experienced a drop in expenditure as a result of vacant positions, a reduction in service hours, and a decrease in recreational and private development activities.

General Fund Budgetary Highlights

Differences between the general fund original budget expenditures and the final amended budget were \$1.0 million. The increases for activities can be briefly summarized as follows:

- \$390 thousand for public safety
- \$299 thousand for general government
- \$320 thousand for public works

In the functional expenditure categories actual expenditures exceeded the final budgeted amount, totaling \$73.8 million, and \$70.9 million, respectively. In addition, for the fiscal year ended June 30, 2014, actual revenue exceeded budgetary estimates, at \$108.9 million and \$90.2 million, respectively. The actual transfers out of the general fund were more than final budget amount by \$2.9 million, as a result of funding Employee Benefit Fund for \$1.9 million and correcting capital assets contribution transaction for \$1.0 million.

Financial Analysis of the Other Major Funds

The Housing Authority Special Revenue Fund accounts for monthly rents from tenants from the properties Downey Community Development Commission acquired and the loan repayments from various housing loans. The Housing Authority Special Revenue Fund has a total fund balance of \$6.2 million. It has a total fund balance of \$6.2 million which is restricted for low and moderate incoming housing projects.

The HOME Special Revenue Fund accounts for the transactions relating to the affordable housing project. It has a total fund balance of \$212 thousand is restricted for low and moderate incoming housing projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its government and business-type activities at June 30, 2014 amounted to \$247.7 million, net of accumulated depreciation. This investment in capital assets includes land, projects in progress, buildings, equipment, fixtures and infrastructure. The total increase over prior fiscal year in the City's investment in capital assets was \$4.2 million, or a 2% increase.

City of Downey
Summary of Capital Assets
Net of accumulated depreciation
(amounts expressed in thousand)

	Governmental activities		Business-activities		Total	
	2014	2013	2014	2013	2014	2013
Land and improvements	\$ 21,374	\$ 21,318	\$ 15,050	\$ 19,653	\$ 36,424	\$ 40,971
Projects in progress	9,929	13,671	-	-	9,929	13,671
Buildings	20,073	20,820	7,577	7,933	27,650	28,753
Land improvements	13,584	11,125	9,254	-	22,838	11,125
Machinery & equipment	5,717	5,300	355	396	6,072	5,696
Furniture & Fixtures	42	83	1	89	43	172
Infrastructure	131,368	130,038	-	-	131,368	130,038
Water supply and distribution system	-	-	13,402	13,106	13,402	13,106
Total Capital Assets	\$ 202,087	\$ 202,355	\$ 45,639	\$ 41,177	\$ 247,726	\$ 243,532

Major capital asset transactions during the current fiscal year included the following:

- Infrastructure additions were \$7.2 million. Street additions accounted for \$5.4 million, and traffic signal additions totaled \$1.8 million.
- Projects in progress additions were \$11.3 million. 76% of these capital improvement projects are related to roadway, i.e. residential resurfacing, Bellflower Boulevard improvement, Firestone Street Improvement, and Telegraph Traffic Improvement.
- Machinery and equipment acquisitions of \$1.8 million included vehicles, and hardware and software.

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

Long-term liabilities. Total outstanding long-term debt at June 30, 2014, is \$61.8 million, a decrease of \$121 thousand from the prior fiscal year.

**City of Downey
Summary of Changes in Long-Term Liabilities
(amounts expressed in thousands)**

	Balance June 30, 2013	Additions	Reduction	Balance June 30, 2014	Due Within One Year
Bond	\$ 26,410	\$ -	\$ 693	\$ 25,717	\$ 775
Capital lease payable	1,131	600	411	1,320	327
Loans from Federal Government	12,223	600	250	12,573	250
Compensated absences	12,429	3,125	2,927	12,627	2,973
Claims payable	<u>9,773</u>	<u>3,732</u>	<u>3,897</u>	<u>9,608</u>	<u>3,784</u>
Total	<u>\$ 61,966</u>	<u>\$ 8,057</u>	<u>\$ 8,178</u>	<u>\$ 61,845</u>	<u>\$ 8,109</u>

Long-term debt-related events during the fiscal year ended June 30, 2014, included:

- Compensated absences liabilities increased by \$198 thousand and payouts to employees upon termination amounted to \$895 thousand.
- A net decrease to claim payable of \$165 thousand to adjust for possible future general liability and workers' compensation claims.
- Capital lease obligations increased \$189 thousand as a result of the City entering into a new lease agreement for Fire ambulances and vehicles.

Additional information on the City's long-term liabilities can be found in Note 10 of the Notes to Basic Financial Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

On June 24, 2014, the City Council adopted and approved 2014-15 budget with total appropriations of \$157.4 million. Adequate resources are available to fund the proposed expenditures. For the General Fund, the 2014-15 budget reflects a margin of current expenses and other uses exceeding current revenue and other resources by \$2.4 million or 3% of the General Fund operating budget. The City Council approved the use of reserves to pay for one-time expense for Capital Improvement Project for public facilities infrastructure. Consistent with the City's budget resolution, the amount of General Fund Net Increase in Fund Balance at the end of June 30, 2015 shall be deposited into an Assigned General Fund balance account to provide future resources for fiscal emergencies.

It is important to note that 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 2015, the City kept 742 fees unchanged, increased 43 fees, removed 2 fees, and set up 10 new fees. The changes in fees mainly were for the Downey Theatre and Parks and Recreation department.

Utility Rates. Effective July 1, 2014, water rates increased by 3% based on action previously adopted by Council during a public hearing held on June 28, 2011.

REQUESTS FOR INFORMATION

This financial report is designated to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance & Information Technology, City of Downey, 11111 Brookshire Avenue, Downey, California 90241-0607.

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CITY OF DOWNEY

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments	\$ 60,260,997	\$ 11,277,081	\$ 71,538,078
Receivables:			
Accounts	3,050,099	3,524,223	6,574,322
Taxes	3,878,046	-	3,878,046
Notes and loans	13,596,015	-	13,596,015
Accrued interest	160,690	-	160,690
Internal balances	4,999,390	(4,999,390)	-
Prepaid costs	28,792	-	28,792
Due from other governments	1,432,564	1,392	1,433,956
Inventories	114,574	141,428	256,002
Land held for resale	2,597,073	-	2,597,073
Restricted assets:			
Cash with fiscal agent	7,648,020	4,265,989	11,914,009
Advances to Successor Agency	11,546,570	-	11,546,570
Other post-employment benefits asset	180,399	-	180,399
Prepaid pension asset	15,428,842	-	15,428,842
Capital assets not being depreciated	31,302,608	15,051,128	46,353,736
Capital assets, net of depreciation	170,784,125	30,588,786	201,372,911
Total Assets	327,008,804	59,850,637	386,859,441
Deferred Outflows of Resources:			
Deferred charge on refunding	-	75,073	75,073
Total Deferred Outflows of Resources	-	75,073	75,073
Liabilities:			
Accounts payable	3,711,862	2,791,746	6,503,608
Accrued liabilities	1,371,382	116,036	1,487,418
Accrued interest	121,123	134,622	255,745
Deposits payable	2,650	265,417	268,067
Noncurrent liabilities:			
Due within one year	7,541,340	568,015	8,109,355
Due in more than one year	46,824,890	6,910,972	53,735,862
Total Liabilities	59,573,247	10,786,808	70,360,055
Net Position:			
Net investment in capital assets	193,070,762	41,719,289	234,790,051
Restricted for:			
Community development	1,987,892	-	1,987,892
Public works	2,945,339	-	2,945,339
Debt service	2,770,995	1,478,232	4,249,227
Low and moderate income housing	18,498,283	-	18,498,283
Unrestricted	48,162,286	5,941,381	54,103,667
Total Net Position	\$ 267,435,557	\$ 49,138,902	\$ 316,574,459

CITY OF DOWNEY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Functions/Programs				
Primary Government:				
Governmental Activities:				
General government	\$ 12,855,614	\$ 5,109,225	\$ 2,150,795	\$ -
Public safety	52,127,188	4,550,017	859,036	-
Community development	5,114,504	1,080,383	329,773	631,459
Community services	5,820,955	2,765,640	-	-
Public works	10,209,475	2,044,482	6,351,491	349,113
Interest on long-term debt	1,051,960	-	-	-
Total Governmental Activities	87,179,696	15,549,747	9,691,095	980,572
Business-Type Activities:				
Water Fund	12,101,998	18,103,723	-	-
Golf Fund	3,054,230	2,765,208	-	-
Transit Fund	3,316,964	290,406	-	-
Total Business-Type Activities	18,473,192	21,159,337	-	-
Total Primary Government	\$ 105,652,888	\$ 36,709,084	\$ 9,691,095	\$ 980,572

General Revenues:

Taxes:

- Property taxes, levied for general purpose
- Transient occupancy taxes
- Sales taxes
- Property taxes in lieu of sales and use tax
- Franchise taxes
- Utility users tax
- Other taxes
- Use of money and property
- Other

Transfers

**Total General Revenues
and Transfers**

Change in Net Position

Net Position at Beginning of Year

Restatement of Net Position

Net Position at End of Year

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (5,595,594)	\$ -	\$ (5,595,594)
(46,718,135)	-	(46,718,135)
(3,072,889)	-	(3,072,889)
(3,055,315)	-	(3,055,315)
(1,464,389)	-	(1,464,389)
(1,051,960)	-	(1,051,960)
(60,958,282)	-	(60,958,282)
-	6,001,725	6,001,725
-	(289,022)	(289,022)
-	(3,026,558)	(3,026,558)
-	2,686,145	2,686,145
(60,958,282)	2,686,145	(58,272,137)
21,842,198	-	21,842,198
1,315,412	-	1,315,412
11,394,875	4,684,792	16,079,667
4,385,331	-	4,385,331
2,281,458	-	2,281,458
7,561,837	-	7,561,837
1,633,379	-	1,633,379
5,189,339	489,282	5,678,621
16,320,603	648,158	16,968,761
1,310,804	(1,310,804)	-
73,235,236	4,511,428	77,746,664
12,276,954	7,197,573	19,474,527
250,788,165	41,941,329	292,729,494
4,370,438	-	4,370,438
\$ 267,435,557	\$ 49,138,902	\$ 316,574,459

CITY OF DOWNEY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds				Other Governmental Funds	Total Governmental Funds
	General	Housing Authority	HOME			
Assets:						
Pooled cash and investments	\$ 19,393,919	\$ 391,396	\$ 213,829	\$ 10,033,003	\$ 30,032,147	
Receivables:						
Accounts	2,611,381	-	-	429,969	3,041,350	
Taxes	3,546,073	-	-	331,973	3,878,046	
Notes and loans	-	7,345,970	5,643,701	606,344	13,596,015	
Accrued interest	160,690	-	-	-	160,690	
Prepaid costs	28,792	-	-	-	28,792	
Due from other governments	383,601	-	9,210	1,034,417	1,427,228	
Due from other funds	615,324	-	-	31,583	646,907	
Inventories	-	-	-	11,049	11,049	
Land held for resale	-	2,597,073	-	-	2,597,073	
Restricted assets:						
Cash and investments with fiscal agents	4,877,025	-	-	-	4,877,025	
Advances to Successor Agency	7,117,256	2,309,314	-	-	9,426,570	
Total Assets	\$ 38,734,061	\$ 12,643,753	\$ 5,866,740	\$ 12,478,338	\$ 69,722,892	
Liabilities, Deferred Inflows of Resources, and Fund Balances:						
Liabilities:						
Accounts payable	\$ 2,178,666	\$ 714	\$ 7,298	\$ 1,066,968	\$ 3,253,646	
Accrued liabilities	1,264,216	-	1,548	89,117	1,354,881	
Deposits payable	-	-	2,650	-	2,650	
Due to other funds	31,583	-	-	615,324	646,907	
Total Liabilities	3,474,465	714	11,496	1,771,409	5,258,084	
Deferred Inflows of Resources:						
Unavailable revenues	146,646	6,407,463	5,643,701	1,697,248	13,895,058	
Total Deferred Inflows of Resources	146,646	6,407,463	5,643,701	1,697,248	13,895,058	
Fund Balances:						
Nonspendable:						
Prepaid costs	28,792	-	-	-	28,792	
Advances to Successor Agency	7,117,256	-	-	-	7,117,256	
Restricted for:						
Community development	-	-	-	635,971	635,971	
Public works	-	-	-	2,600,012	2,600,012	
Debt service	4,877,025	-	-	-	4,877,025	
Low and moderate income housing	-	6,235,576	211,543	-	6,447,119	
Assigned to:						
Public works	-	-	-	3,907,466	3,907,466	
Capital projects	-	-	-	2,391,326	2,391,326	
Fiscal emergency fund	15,688,546	-	-	-	15,688,546	
Unassigned	7,401,331	-	-	(525,094)	6,876,237	
Total Fund Balances	35,112,950	6,235,576	211,543	9,009,681	50,569,750	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 38,734,061	\$ 12,643,753	\$ 5,866,740	\$ 12,478,338	\$ 69,722,892	

CITY OF DOWNEY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Fund balances of governmental funds		\$ 50,569,750
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		196,369,628
Long-term debt and compensated absences that have not been included in the governmental fund activity:		
Bonds payable	\$ (12,573,490)	
Claims payable	<u>(1,706,471)</u>	(14,279,961)
Governmental funds report all OPEB contributions as expenditures, however in the statement of net position any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.		180,399
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		13,895,058
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>20,700,683</u>
Net Position of governmental activities		<u>\$ 267,435,557</u>

CITY OF DOWNEY

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				Total Governmental Funds
	General	Housing Authority	HOME	Other Governmental Funds	
Revenues:					
Taxes	\$ 51,624,714	\$ -	\$ -	\$ 429,130	\$ 52,053,844
Licenses and permits	1,390,056	-	-	-	1,390,056
Intergovernmental	2,605,486	-	349,113	6,891,491	9,846,090
Charges for services	8,985,969	-	-	3,393,173	12,379,142
Use of money and property	4,631,784	57,012	-	96,150	4,784,946
Fines and forfeitures	1,435,222	-	-	-	1,435,222
Contributions	-	-	-	80,000	80,000
Miscellaneous	15,957,881	215,533	-	147,189	16,320,603
Total Revenues	86,631,112	272,545	349,113	11,037,133	98,289,903
Expenditures:					
Current:					
General government	12,660,418	-	-	-	12,660,418
Public safety	43,716,529	-	-	1,120,676	44,837,205
Community development	2,548,297	19,442	277,433	1,167,766	4,012,938
Community services	4,948,742	-	-	41,135	4,989,877
Public works	5,872,957	-	-	4,166,655	10,039,612
Capital outlay	-	-	-	6,592,466	6,592,466
Debt service:					
Principal retirement	-	-	-	250,000	250,000
Interest and fiscal charges	-	-	-	38,090	38,090
Total Expenditures	69,746,943	19,442	277,433	13,376,788	83,420,606
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,884,169	253,103	71,680	(2,339,655)	14,869,297
Other Financing Sources (Uses):					
Transfers in	2,239,987	-	-	1,685,837	3,925,824
Transfers out	(4,035,839)	-	-	(1,673,218)	(5,709,057)
Other debts issued	600,229	-	-	-	600,229
Total Other Financing Sources (Uses)	(1,195,623)	-	-	12,619	(1,183,004)
Net Change in Fund Balances	15,688,546	253,103	71,680	(2,327,036)	13,686,293
Fund Balances, Beginning of Year, as previously reported	18,349,133	6,983,732	139,863	11,336,717	36,809,445
Restatements	1,075,271	(1,001,259)	-	-	74,012
Fund Balances, Beginning of Year, as restated	19,424,404	5,982,473	139,863	11,336,717	36,883,457
Fund Balances, End of Year	\$ 35,112,950	\$ 6,235,576	\$ 211,543	\$ 9,009,681	\$ 50,569,750

CITY OF DOWNEY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds \$ 13,686,293

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 costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 6,592,466	
Depreciation	(7,435,178)	
Contributed capital assets	164,923	
Gain/(loss) on sale of capital assets	<u>(6,425)</u>	(684,214)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments		250,000
----------------------	--	---------

Other debts issued is a revenue in the governmental funds, but issuance the increases long-term liabilities in the statement of net position.

(600,229)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

19,000

Claims and judgements expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

205,122

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 an expense.

2,426

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.

(847,942)

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities.

246,498

Change in net position of governmental activities

\$ 12,276,954

CITY OF DOWNEY

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Golf Fund	Transit Fund	Totals	
Assets:					
Current:					
Cash and investments	\$ 6,705,618	\$ 871,326	\$ 3,700,137	\$ 11,277,081	\$ 30,228,850
Receivables:					
Accounts	3,518,623	-	5,600	3,524,223	8,749
Accrued interest	-	-	-	-	-
Due from other governments	1,232	160	-	1,392	5,336
Inventories	108,623	32,805	-	141,428	103,525
Advance to Successor Agency	-	-	-	-	2,120,000
Cash with fiscal agent	1,478,232	2,787,757	-	4,265,989	2,770,995
Total Current Assets	11,812,328	3,692,048	3,705,737	19,210,113	35,237,455
Noncurrent:					
Prepaid Pension	-	-	-	-	15,428,842
Capital assets - net of accumulated depreciation	21,814,102	14,759,165	9,066,647	45,639,914	5,717,105
Total Noncurrent Assets	21,814,102	14,759,165	9,066,647	45,639,914	21,145,947
Total Assets	\$ 33,626,430	\$ 18,451,213	\$ 12,772,384	\$ 64,850,027	\$ 56,383,402
Deferred Outflows of Resources:					
Deferred charge on refunding	\$ -	\$ 75,073	\$ -	\$ 75,073	\$ -
Total Deferred Outflows of Resources	\$ -	\$ 75,073	\$ -	\$ 75,073	\$ -
Liabilities and Net Position:					
Liabilities:					
Current:					
Accounts payable	\$ 1,791,027	\$ 229,275	\$ 771,444	\$ 2,791,746	\$ 458,216
Accrued liabilities	79,495	1,813	34,728	116,036	16,501
Accrued interest	-	134,622	-	134,622	121,123
Deposits payable	151,800	111,307	2,310	265,417	-
Accrued compensated absences	166,204	-	21,811	188,015	2,784,875
Accrued claims payable	-	-	-	-	2,611,958
Bonds, notes, and capital leases	-	380,000	-	380,000	722,559
Total Current Liabilities	2,188,526	857,017	830,293	3,875,836	6,715,232
Noncurrent:					
Accrued compensated absences	448,643	-	58,874	507,517	9,148,237
Accrued claims payable	-	-	-	-	5,288,867
Bonds, notes, and capital leases	-	6,403,455	-	6,403,455	19,529,773
Total Noncurrent Liabilities	448,643	6,403,455	58,874	6,910,972	33,966,877
Total Liabilities	2,637,169	7,260,472	889,167	10,786,808	40,682,109
Net Position:					
Net investment in capital assets	21,814,102	10,838,540	9,066,647	41,719,289	4,397,599
Restricted for debt service	1,478,232	-	-	1,478,232	2,770,995
Unrestricted	7,696,927	427,274	2,816,570	10,940,771	8,532,699
Total Net Position	30,989,261	11,265,814	11,883,217	54,138,292	15,701,293
Total Liabilities and Net Position	\$ 33,626,430	\$ 18,526,286	\$ 12,772,384	\$ 64,925,100	\$ 56,383,402
Reconciliation of Net Position to the Statement of Net Position					
Net Position per Statement of Net Position - Proprietary Funds				\$ 54,138,292	
Prior years' accumulated adjustment to reflect the consolidation of internal service funds activities related to the enterprise funds				(4,587,000)	
Current years' adjustments to reflect the consolidation of internal service activities related to enterprise funds				(412,390)	
Net Position per Statement of Net Position				\$ 49,138,902	

CITY OF DOWNEY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Golf Fund	Transit Fund	Totals	
Operating Revenues:					
Sales and service charges	\$ 18,103,723	\$ 2,765,208	\$ 290,406	\$ 21,159,337	\$ -
Interdepartmental charges	-	-	-	-	2,617,143
Miscellaneous	47,325	446,034	154,799	648,158	38,082
Total Operating Revenues	18,151,048	3,211,242	445,205	21,807,495	2,655,225
Operating Expenses:					
Purchased water	5,164,814	-	-	5,164,814	-
Maintenance and operations	3,110,414	2,287,756	3,058,579	8,456,749	2,550,741
General and administrative	2,932,956	-	-	2,932,956	46,215
Employee benefits	-	-	-	-	1,653,726
Depreciation expense	618,638	408,275	122,667	1,149,580	1,301,472
Total Operating Expenses	11,826,822	2,696,031	3,181,246	17,704,099	5,552,154
Operating Income (Loss)	6,324,226	515,211	(2,736,041)	4,103,396	(2,896,929)
Nonoperating Revenues (Expenses):					
Taxes	-	-	4,684,792	4,684,792	-
Interest revenue	256,858	114,357	118,067	489,282	703,885
Interest expense	-	(344,462)	-	(344,462)	(1,032,870)
Gain (loss) on disposal of capital assets	-	(12,241)	-	(12,241)	(34,015)
Total Nonoperating Revenues (Expenses)	256,858	(242,346)	4,802,859	4,817,371	(363,000)
Income (Loss) Before Transfers	6,581,084	272,865	2,066,818	8,920,767	(3,259,929)
Transfers in	-	-	-	-	3,094,037
Transfers out	(924,038)	(386,766)	-	(1,310,804)	-
Changes in Net Position	5,657,046	(113,901)	2,066,818	7,609,963	(165,892)
Net Position:					
Beginning of Year, as previously reported	25,332,215	11,379,715	9,816,399	46,528,329	16,942,456
Restatements	-	-	-	-	(1,075,271)
Beginning of Fiscal Year, as restated	25,332,215	11,379,715	9,816,399	46,528,329	15,867,185
End of Fiscal Year	\$ 30,989,261	\$ 11,265,814	\$ 11,883,217	\$ 54,138,292	\$ 15,701,293
Reconciliation of Changes in Net Position to the Statement of Activities:					
Changes in Net Position, per the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds				\$ 7,609,963	
Adjustment to reflect the consolidation of current fiscal year internal service funds activities related to enterprise funds				(412,390)	
Changes in Net Position of Business-Type Activities per Statement of Activities				\$ 7,197,573	

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Water Fund	Golf Fund	Transit Fund	Totals	
Cash Flows from Operating Activities:					
Cash received from customers and users	\$ 17,584,350	\$ 3,211,242	\$ 441,915	\$ 21,237,507	\$ 2,656,337
Cash paid to suppliers for goods and services	(16,145,779)	(2,121,256)	(1,518,947)	(19,785,982)	(2,495,775)
Cash paid to employees for services	(2,877,619)	(71,618)	(917,285)	(3,866,522)	(1,010,096)
Cash received from (payments to) others	15,015	55,492	-	70,507	34,507
Net Cash Provided (Used) by Operating Activities	(1,424,033)	1,073,860	(1,994,317)	(2,344,490)	(815,027)
Cash Flows from Non-Capital Financing Activities:					
Cash transfers in	(924,038)	(386,766)	-	(1,310,804)	3,094,037
Net Cash Provided (Used) by Non-Capital Financing Activities	(924,038)	(386,766)	-	(1,310,804)	3,094,037
Cash Flows from Capital and Related Financing Activities:					
Proceeds from capital debt	-	-	-	-	599,754
Acquisition and construction of capital assets	(954,022)	(54,804)	(4,615,710)	(5,624,536)	(1,776,042)
Taxes received	-	-	4,684,792	4,684,792	-
Principal paid on capital debt	-	(365,000)	-	(365,000)	(746,000)
Interest paid on capital debt	-	(332,696)	-	(332,696)	(989,572)
Proceeds from sales of capital assets	-	160	-	160	24,299
Net Cash Provided (Used) by Capital and Related Financing Activities	(954,022)	(752,340)	69,082	(1,637,280)	(2,887,561)
Cash Flows from Investing Activities:					
Interest received	256,859	114,718	126,114	497,691	703,886
Net Cash Provided (Used) by Investing Activities	256,859	114,718	126,114	497,691	703,886
Net Increase (Decrease) in Cash and Cash Equivalents	(3,045,234)	49,472	(1,799,121)	(4,794,883)	95,335
Cash and Cash Equivalents at Beginning of Year	11,229,084	3,609,611	5,499,258	20,337,953	32,904,510
Cash and Cash Equivalents at End of Year	\$ 8,183,850	\$ 3,659,083	\$ 3,700,137	\$ 15,543,070	\$ 32,999,845
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss)	\$ 6,324,226	\$ 515,211	\$ (2,736,041)	\$ 4,103,396	\$ (2,896,929)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:					
Depreciation	618,638	408,275	122,667	1,149,580	1,301,472
(Increase) decrease in accounts receivable	(619,888)	-	(5,600)	(625,488)	1,112
(Increase) decrease in due from other governments	15,015	55,492	-	70,507	(5,336)
(Increase) decrease in inventories	(33,331)	-	-	(33,331)	59,215
(Increase) decrease in prepaid pension	-	-	-	-	794,256
Increase (decrease) in accounts payable	(7,837,220)	93,590	594,893	(7,148,737)	(4,249)
Increase (decrease) in accrued liabilities	56,606	1,292	24,806	82,704	(302,093)
Increase (decrease) in deposits payable	53,190	-	2,310	55,500	-
Increase (decrease) in claims payable	-	-	-	-	39,843
Increase (decrease) in compensated absences	(1,269)	-	2,648	1,379	197,682
Total Adjustments	(7,748,259)	558,649	741,724	(6,447,886)	2,081,902
Net Cash Provided (Used) by Operating Activities	\$ (1,424,033)	\$ 1,073,860	\$ (1,994,317)	\$ (2,344,490)	\$ (815,027)
Non-Cash Investing, Capital, and Financing Activities:					
Amortization of bond premium	\$ -	\$ 11,985	\$ -	\$ 11,985	\$ (7,109)
Amortization of deferred charge on refunding	-	930	-	930	-
Loss on disposal of capital assets	-	12,401	-	12,401	(34,015)
Prior period restatement related to claims payable	-	-	-	-	1,075,271

CITY OF DOWNEY

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	Agency Funds	Private- Purpose Trust Fund
Assets:		
Pooled cash and investments	\$ 5,390,033	\$ 2,787,002
Receivables:		
Accounts	1,684,044	-
Taxes	2,293	-
Accrued interest	160	-
Due from other governments	17,218	-
Land held for resale	-	2,858,295
Cash and investments with fiscal agents	-	662,925
Total Assets	7,093,748	6,308,222
Liabilities:		
Accounts payable	530,422	97,299
Accrued liabilities	258,113	-
Accrued interest	-	147,130
Unearned revenues	177,681	-
Deposits payable	6,127,532	2,500
Long-term liabilities:		
Due in one year	-	305,000
Due in more than one year	-	28,518,756
Advances from the City	-	11,546,570
Total Liabilities	7,093,748	40,617,255
Net Position:		
Held in trust for other purposes	-	(34,309,033)
Total Net Position	\$ -	\$ (34,309,033)

CITY OF DOWNEY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2014

	<u>Private- Purpose Trust Fund</u>
Additions:	
Taxes	\$ 590,404
Interest and change in fair value of investments	21,400
Miscellaneous	<u>1,445,757</u>
Total Additions	<u>2,057,561</u>
Deductions:	
Benefits	268,057
Interest expense	1,799,571
Contributions to other governments	<u>250,000</u>
Total Deductions	<u>2,317,628</u>
Changes in Net Position	(260,067)
Net Position - Beginning of the Year	<u>(34,048,966)</u>
Net Position - End of the Year	<u>\$ (34,309,033)</u>

**NOTES TO BASIC FINANCIAL
STATEMENTS**

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I. SIGNIFICANT ACCOUNTING POLICIES

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of 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.

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 provides services entirely to the City and 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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 of the 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

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.

d. Fund Classifications

The City reports the following major governmental funds:

- The General Fund is the general operating fund of the City. All general tax receipts and fee revenue not allocated by law, Council policy or contractual agreement to other funds are accounted for in the General Fund. General Fund expenditures include operations traditionally associated with activities, which are not required to be accounted for or paid by 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 proprietary 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.

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

- The Private-Purpose Trust Fund is used to account for the activities of the Successor Agency to the Community Development Commission of the City of Downey.
- The Agency Funds are used to account for money and property held by the City as trustee, agent or custodian. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

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

- General Government Department includes the legislative, city clerk, city attorney, city manager, personnel, finance, purchasing, and information technology divisions.
- Public Safety Department includes police, fire and paramedic, and animal control operations. Public Works Department includes maintenance and engineering divisions.
- 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.

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).

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 \$1,194,131 at June 30, 2014. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 1: Organization and Summary of Significant Accounting Policies (Continued)

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, 2014.

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.

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.

Note 1: Organization and 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.

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 collectability 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

Note 3: Cash and Investments

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

	Government Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets			
Cash and Investments	\$ 71,538,078	\$ 8,177,035	\$ 79,715,113
Restricted assets			
Cash and Investments with fiscal agents	<u>11,914,009</u>	<u>662,925</u>	<u>12,576,934</u>
Total Cash and Investments	<u>\$ 83,452,087</u>	<u>\$ 8,839,960</u>	<u>\$ 92,292,047</u>

As of June 30, 2014, cash and investments consisted of the following:

Demand accounts	\$ 18,433,520
Petty cash	5,687
Investments	<u>73,852,840</u>
Total Cash and Investments	<u>\$ 92,292,047</u>

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.

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Cash and Investments (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage Allowed	Maximum Investment in One Issuer
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

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.

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.

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 3: Cash and Investments (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

	Investment Maturities (in Months)				Total
	12 months or less	13 - 24 Months	25 - 60 Months	Over 60 Months	
Investments:					
Local Agency Investment Fund	\$ 15,691,908	\$ -	\$ -	\$ -	\$ 15,691,908
Federal Farm Credit Bank	-	-	-	6,963,760	6,963,760
Federal Home Loan Bank	-	-	-	6,491,905	6,491,905
Federal Home Loan Mortgage Corp.	-	-	2,002,060	2,003,940	4,006,000
Federal National Mortgage Assoc.	-	-	-	14,940,710	14,940,710
Us Treasury Note	-	-	-	1,001,880	1,001,880
Negotiable Certificates of Deposit	-	496,228	1,980,296	976,330	3,452,854
Commercial Paper	-	-	-	5,908,535	5,908,535
Money Market Mutual Funds	47,368	-	-	-	47,368
Held by Bond Trustee					
Money Market Mutual Funds	15,347,920	-	-	-	15,347,920
	<u>\$ 31,087,196</u>	<u>\$ 496,228</u>	<u>\$ 3,982,356</u>	<u>\$ 38,287,060</u>	<u>\$ 73,852,840</u>

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:

	Total as of June 30, 2014	Minimum Legal Rating	Not Required to be Rated	Actual Rating		
				AAA	AA+	Unrated
Investments:						
United States Treasury Notes	\$ 1,001,880	N/A	\$ 1,001,880	\$ -	\$ -	\$ -
United States Government Sponsored Agency Securities						
FHLMC	4,006,000	N/A	-	-	4,006,000	-
FNMA	14,940,710	N/A	-	-	14,940,710	-
FFCB	6,963,760	N/A	-	-	6,963,760	-
FHLB	6,491,905	N/A	-	-	6,491,905	-
Negotiable Certificates of Deposit	3,452,854	N/A	-	-	-	3,452,854
Medium-Term Corporate Notes	5,908,535	A	-	5,908,535	-	-
Local Agency Investment Fund	15,691,908	N/A	-	-	-	15,691,908
Money Market Mutual Funds	47,368	A	-	47,368	-	-
Held by Bond Trustee						
Money Market Mutual Funds	15,347,920	A	-	15,347,920	-	-
	<u>\$ 73,852,840</u>		<u>\$ 1,001,880</u>	<u>\$ 21,303,823</u>	<u>\$ 32,402,375</u>	<u>\$ 19,144,762</u>

N/A - Not Applicable

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 3: Cash and Investments (Continued)

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:

Issuer	Investment Type	Reported Amount	Percent of Investment
Federal Farm Credit Bank	United States Government Sponsored Agency Securities	\$ 6,963,760	9.43%
Federal National Mortgage Association	United States Government Sponsored Agency Securities	14,940,710	20.23%
Federal Home Loan Mortgage Corp.	United States Government Sponsored Agency Securities	4,006,000	5.42%
Federal Home Loan Bank	United States Government Sponsored Agency Securities	6,491,905	8.79%

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, 2014, the City deposits (bank balances) were all insured by the Federal Deposit Insurance Corporation or collateralized.

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.

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 4: Interfund Receivables/Payables and Transfers

As of June 30, 2014, amounts due from/to other funds were as follows:

Due to General Fund from:		
Other Governmental Funds	\$	615,324
Due to Other Governmental Funds from:		
General Fund		31,583
	\$	<u>646,907</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, 2014, consisted of the following:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 941,802
	Internal Service Funds	3,094,037
Other Governmental Funds	General Fund	1,228,221
	Other Governmental Funds	444,997
Water Enterprise Fund	General Fund	625,000
	Other Governmental Funds	299,038
Golf Enterprise Fund	General Fund	<u>386,766</u>
		<u>\$ 7,019,861</u>

The General Fund transferred \$941,802 to Other Governmental Funds to provide for capital expenditures to subsidize Learning Center's operations and \$1,939,798 to Internal Service Funds to cover the current year deficit in the employee benefits fund and to provide for new equipment purchases.

The Water and Golf Enterprise Funds transferred \$625,000 and \$386,766 to the General Fund, respectively, to reimburse the General Fund for certain program, administrative and overhead expenditures. The Water Enterprise Fund transferred \$299,038 to Other Governmental Funds to provide funding for capital expenditures.

Other Governmental Funds transferred \$444,997 to the Other Governmental Funds for various street and related program expenditures and \$1,228,221 to the General Fund to provide for infrastructure and street maintenance reimbursement.

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 5: Advances Receivable from Successor Agency

As of June 30, 2014, amounts advanced to the Successor Agency were as follows:

Advances from General Fund	\$ 7,117,256
Advances from Housing Authority Special Revenue Fund	2,309,314
Advances from Employee Benefits	<u>2,120,000</u>
	<u>\$ 11,546,570</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 18 for additional information.

Note 6: Land Held for Resale

As of June 30, 2014, the Housing Authority has properties for redevelopment purposes for resale to developers at a capitalized cost of \$2,597,073.

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 \$13,596,015 at June 30, 2014.

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.

CITY OF DOWNEY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Note 9: Capital Assets

A summary of changes in the Governmental Activities capital assets at June 30, 2014, is as follows:

	<u>Balances at June 30,2013</u>	<u>Adjustments *</u>	<u>Beginning Balance</u>	<u>Transfers of CIP</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30,2014</u>
Governmental Activities:							
Capital assets, not being depreciated:							
Land and improvements	\$ 21,317,749	\$ -	\$ 21,317,749	\$ -	\$ 62,492	\$ 6,425	\$ 21,373,816
Projects-in-progress	12,848,997	821,697	13,670,694	(10,436,799)	6,694,897	-	9,928,792
Total Capital Assets, Not Being Depreciated	<u>34,166,746</u>	<u>821,697</u>	<u>34,988,443</u>	<u>(10,436,799)</u>	<u>6,757,389</u>	<u>6,425</u>	<u>31,302,608</u>
Capital assets, being depreciated:							
Buildings	37,303,621	-	37,303,621	-	-	-	37,303,621
Land Improvements	18,854,954	-	18,854,954	3,213,099	-	-	22,068,053
Equipment	25,342,817	-	25,342,817	-	1,776,042	2,209,063	24,909,796
Furniture and fixtures	298,993	-	298,993	-	-	-	298,993
Infrastructure	282,833,477	-	282,833,477	7,223,700	-	-	290,057,177
Total Capital Assets, Being Depreciated	<u>364,633,862</u>	<u>-</u>	<u>364,633,862</u>	<u>10,436,799</u>	<u>1,776,042</u>	<u>2,209,063</u>	<u>374,637,640</u>
Less accumulated depreciation:							
Buildings	16,484,613	-	16,484,613	-	746,072	-	17,230,685
Land Improvements	7,729,626	-	7,729,626	-	754,198	-	8,483,824
Equipment	20,041,968	-	20,041,968	-	1,301,472	2,150,749	19,192,691
Furniture and fixtures	216,228	-	216,228	-	41,315	-	257,543
Infrastructure	152,795,179	-	152,795,179	-	5,893,593	-	158,688,772
Total Accumulated Depreciation	<u>197,267,614</u>	<u>-</u>	<u>197,267,614</u>	<u>-</u>	<u>8,736,650</u>	<u>2,150,749</u>	<u>203,853,515</u>
Total Capital Assets, Being Depreciated, Net	<u>167,366,248</u>	<u>-</u>	<u>167,366,248</u>	<u>10,436,799</u>	<u>(6,960,608)</u>	<u>58,314</u>	<u>170,784,125</u>
Governmental Activities Capital Assets, Net	<u>\$ 201,532,994</u>	<u>\$ 821,697</u>	<u>\$ 202,354,691</u>	<u>\$ -</u>	<u>\$ (203,219)</u>	<u>\$ 64,739</u>	<u>\$ 202,086,733</u>

* See note 19 for detail on adjustment

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

General Government	\$ 420,027
Public Safety	5,482,150
Community Development	395,049
Community Services	633,435
Public Works	504,517
Internal Service Funds	1,301,472
Total depreciation expense governmental activities	<u>\$ 8,736,650</u>

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9: Capital Assets (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2014, is as follows:

	WATER FUND			
	Balances at June 30,2013	Additions	Deletions	Balances at June 30,2014
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 8,271,537	\$ -	\$ -	\$ 8,271,537
Capital assets, being depreciated:				
Buildings and improvements	216,992	-	-	216,992
Land Improvements	-	65,097	-	65,097
Furniture and fixtures	323,633	-	-	323,633
Machinery and equipment	322,942	-	-	322,942
Water supply and distribution system	29,814,487	888,925	-	30,703,412
Total Capital Assets, Being Depreciated	30,678,054	954,022	-	31,632,076
Less accumulated depreciation:				
Buildings and improvements	212,195	2,206	-	214,401
Land Improvements	-	6,510	-	6,510
Furniture and fixtures	315,933	7,008	-	322,941
Machinery and equipment	234,590	10,194	-	244,784
Water supply and distribution system	16,708,155	592,720	-	17,300,875
Total Accumulated Depreciation	17,470,873	618,638	-	18,089,511
Total Capital Assets, Being Depreciated, Net	13,207,181	335,384	-	13,542,565
Water Fund Capital Assets, Net	\$ 21,478,718	\$ 335,384	\$ -	\$ 21,814,102

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9: Capital Assets (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2014, is as follows:

	GOLF FUND			
	Balances at June 30,2013	Additions	Deletions	Balances at June 30,2014
Capital assets, being depreciated:				
Land improvements	\$ 10,817,430	\$ -	\$ -	\$ 10,817,430
Buildings and improvements	8,217,041	-	-	8,217,041
Machinery and equipment	568,442	54,804	51,140	572,106
Total Capital Assets, Being Depreciated	<u>19,602,913</u>	<u>54,804</u>	<u>51,140</u>	<u>19,606,577</u>
Less accumulated depreciation:				
Land improvements	1,611,205	22,021	-	1,633,226
Buildings and improvements	2,564,328	293,597	-	2,857,925
Machinery and equipment	302,344	92,657	38,740	356,261
Total Accumulated Depreciation	<u>4,477,877</u>	<u>408,275</u>	<u>38,740</u>	<u>4,847,412</u>
Golf Fund Capital Assets, Net	<u>\$ 15,125,036</u>	<u>\$ (353,471)</u>	<u>\$ 12,400</u>	<u>\$ 14,759,165</u>

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 9: Capital Assets (Continued)

A summary of changes in the Business-type Activities capital assets at June 30, 2014, is as follows:

	TRANSIT FUND			
	Balances at June 30,2013	Additions	Deletions	Balances at June 30,2014
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 2,163,881	\$ -	\$ -	\$ 2,163,881
Projects-in-progress	-	4,615,710	-	4,615,710
Total Capital Assets, Not Being Depreciated	2,163,881	4,615,710	-	6,779,591
Capital assets, being depreciated:				
Land Improvements	277,067	-	-	277,067
Buildings and improvements	2,973,321	-	-	2,973,321
Machinery and equipment	968,452	-	1,069	967,383
Total Capital Assets, Being Depreciated	4,218,840	-	1,069	4,217,771
Less accumulated depreciation:				
Land improvements	265,218	1,292	-	266,510
Buildings and improvements	698,294	59,466	-	757,760
Machinery and equipment	845,605	61,909	1,069	906,445
Total Accumulated Depreciation	1,809,117	122,667	1,069	1,930,715
Total Capital Assets, Being Depreciated, Net	2,409,723	(122,667)	-	2,287,056
Transit Fund Capital Assets, Net	<u>\$ 4,573,604</u>	<u>\$ 4,493,043</u>	<u>\$ -</u>	<u>\$ 9,066,647</u>

CITY OF DOWNEY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Note 10: Long-Term Liabilities

Noted below is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities:					
Bonds payable	\$ 19,410,000	\$ -	\$ 335,000	\$ 19,075,000	\$ 395,000
Bond discount	(149,283)	-	(7,109)	(142,174)	-
Total Bonds	19,260,717	-	327,891	18,932,826	395,000
Capital lease payable	1,130,752	599,754	411,000	1,319,506	327,559
Loans from Federal					
Government	12,223,261	600,229	250,000	12,573,490	250,000
Compensated absences	11,735,430	2,936,423	2,738,741	11,933,112	2,784,875
Claims payable	9,772,575	3,732,135	3,897,414	9,607,296	3,783,906
Total governmental activities long-term liabilities	<u>\$ 54,122,735</u>	<u>\$ 7,868,541</u>	<u>\$ 7,625,046</u>	<u>\$ 54,366,230</u>	<u>\$ 7,541,340</u>
Business-type Activities:					
Compensated absences	\$ 694,153	\$ 189,021	\$ 187,642	\$ 695,532	\$ 188,015
Golf Course Certificates of Participation	7,140,000	-	365,000	6,775,000	380,000
Add deferred items:					
Bond premium	9,381	-	926	8,455	-
Total business-type activities long-term liabilities	<u>\$ 7,843,534</u>	<u>\$ 189,021</u>	<u>\$ 553,568</u>	<u>\$ 7,478,987</u>	<u>\$ 568,015</u>

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.

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 10: Long-Term Liabilities (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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	680,000	862,512	1,542,512
2020-2024	4,775,000	3,721,499	8,496,499
2025-2029	4,505,000	2,543,531	7,048,531
2030-2034	7,130,000	1,149,520	8,279,520
Total	<u>\$ 19,075,000</u>	<u>\$ 11,985,826</u>	<u>\$ 31,060,826</u>

Capital Lease Payable

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

Year Ending June 30,	Governmental Activities
2015	\$ 376,695
2016	376,696
2017	242,013
2018	209,310
2019	130,560
2020	130,561
Total minimum lease payments	1,465,835
Less: amounts representing interest	<u>146,329</u>
Present value of minimum lease payments	<u>\$ 1,319,506</u>

CITY OF DOWNEY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10: Long-Term Liabilities (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, 2014, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 250,000	\$ 6,488	\$ 256,488
Total	<u>\$ 250,000</u>	<u>\$ 6,488</u>	<u>\$ 256,488</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, 2014, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 18,768	\$ 18,768
2016	-	18,768	18,768
2017	81,000	18,274	99,274
2018	81,000	17,156	98,156
2019	81,000	15,815	96,815
2020-2024	405,000	51,431	456,431
2025-2026	162,000	4,856	166,856
Total	<u>\$ 810,000</u>	<u>\$ 145,068</u>	<u>\$ 955,068</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 \$11,513,490 as of June 30, 2014.

Compensated Absences

For the fiscal year ended June 30, 2014, compensated absences are as follows:

	<u>Total</u>
Amount reported in governmental activities	\$ 11,933,112
Amount reported in business-type activities	695,532
	<u>\$ 12,628,644</u>

The compensated absences are predominantly associated with the General fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2014

Note 10: Long-Term Liabilities (Continued)

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:

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

Changes in the workers' compensation, employee health benefits, and general liability outstanding claims liability for the fiscal years ended June 30, 2013 and 2014, were as follows:

	Claims Payable Balance June 30,2012	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance June 30,2013
General Liability	\$ 3,432,000	\$ 101,864	\$ 547,000	\$ 2,986,864
Workers' Compensation	5,880,000	2,534,711	1,714,000	6,700,711
Employee Health Benefit	85,000	-	-	85,000

	Claims Payable Balance June 30,2013	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance June 30,2014
General Liability	\$ 2,986,864	\$ 1,886,000	\$ 2,051,279	\$ 2,821,585
Workers' Compensation	6,700,711	1,846,135	1,846,135	6,700,711
Employee Health Benefit	85,000	-	-	85,000

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 10: Long-Term Liabilities (Continued)

At June 30, 2014, in the opinion of the City Attorney, the City had no other material claims which would require loss provision in the financial statements.

Business-type Activities2002 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, 2014, bonds outstanding were \$6,775,000.

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 June 30,	Principal	Interest	Total
2015	\$ 380,000	\$ 327,070	\$ 707,070
2016	395,000	310,920	705,920
2017	415,000	293,540	708,540
2018	435,000	274,865	709,865
2019	450,000	254,855	704,855
2020-2024	2,355,000	949,760	3,304,760
2025-2029	2,345,000	300,250	2,645,250
Total	\$ 6,775,000	\$ 2,711,260	\$ 9,486,260

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 12: City Employee Retirement PlanPlan Description

The City of Downey contributes to the State of California Public Employees Retirement System (PERS), which is an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agency for most of the public agencies in California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street Sacramento, CA 95814, or downloaded from the website at www.calpers.ca.gov.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. The contribution rates for the year ended June 30, 2014, 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:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 3,380,478	\$ 6,917,230	\$ 10,297,708
Interest on net pension asset	(139,924)	(468,442)	(608,366)
Adjustment to annual required contribution	322,603	1,080,019	1,402,622
Annual pension cost	<u>3,563,157</u>	<u>7,528,807</u>	<u>11,091,964</u>
Contributions made	<u>(3,380,478)</u>	<u>(6,917,230)</u>	<u>(10,297,708)</u>
Decrease in net pension asset	(182,679)	(611,577)	(794,256)
Net pension asset - beginning of year	<u>3,731,313</u>	<u>12,491,785</u>	<u>16,223,098</u>
Net pension asset - end of year	<u>\$ 3,548,634</u>	<u>\$ 11,880,208</u>	<u>\$ 15,428,842</u>

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

The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of 7.50% a year (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.30% to 14.20% for miscellaneous members and 3.55% to 13.15% for safety members, (c) inflation of 2.75%, (d) payroll growth of 3.00% and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 12: City Employee Retirement Plan (Continued)

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 26 years and 26 years for the Miscellaneous Plan and Safety Plan, respectively.

Three –Year Trend Information for PERS - Miscellaneous

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Position Obligation (Asset)
June 30,2012	\$ 3,345,000	96%	\$ 3,891,000
June 30,2013	2,176,000	93%	3,727,000
June 30,2014	3,563,157	95%	3,548,634

Three –Year Trend Information for PERS - Safety

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Position Obligation (Asset)
June 30,2012	\$ 4,789,000	92%	\$ 13,049,000
June 30,2013	6,546,000	91%	12,496,000
June 30,2014	7,528,807	92%	11,880,208

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the miscellaneous and safety plans were 72.6% and 71.5% funded, respectively. The actuarial accrued liability for benefits were \$155,601,929 and \$310,031,287 , respectively and the actuarial value of assets were \$112,970,285 and \$221,673,859, respectively, resulting in unfunded actuarial accrued liabilities (UAAL) of \$42,631,644 and \$88,357,428, respectively. The covered payrolls (annual payroll of active employees covered by the plan) were \$12,663,802 and \$18,865,085, respectively, and the ratios of the UAAL to the covered payrolls were 336.6% and 468.4%, 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.

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, 2014, 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 2013-14, was \$336,306.

Annual Other Postemployment Benefit (OPEB) Cost

The required contribution for the fiscal year 2014 was determined as part of the July 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 3.00%, (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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 13: Postemployment Benefits Other than Pensions (Continued)Three-Year Trend Information

For fiscal year 2014, the City's annual OPEB cost (expense) was \$340,091.

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
June 30,2012	\$ 1,622,516	100%	\$ -
June 30,2013	336,306	153%	177,973
June 30,2014	340,091	101%	180,399

Funded Status and Funding Progress

As of July 1, 2013, the most current actuarial valuation date, the actuarial accrued liability for benefits was \$7,272,710 million and the actuarial value of assets was \$4,950,181 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,322,529 million. The covered payroll (annual payroll of active employees covered by the plan) was \$24,846,421 million and the ratio of the UAAL to the covered payroll was 9.35%.

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.

Note 14: Joint Ventures (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 15: Mortgage Revenue Bonds (Continued)

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.

Note 16: Other Required Disclosures

Deficit Fund Balance

The following fund reported a deficit fund balance at June 30, 2014:

Other Governmental Funds - Other Special Revenue Fund:	
Grants	\$ 426,975
CDBG	\$ 98,119

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

Expenditures in Excess of Appropriations

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

Other Governmental Funds - Other Special Revenue Funds:	
Street Lighting	
Public Works	62,191
Air Quality	
Public Works	133
Transfers out	2,412
Grants	
Public Safety	21,237
Capital Outlay	3,623
Community Development Block Grant (CDBG)	
Public Works	9,232

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 17: Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 17: Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)

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

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

Note 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, 2014, was as follows:

	Balance June 30, 2013	Addition	Deletion	Balance June 30, 2014	Due Within One Year
Bonds payable	\$ 6,890,000	\$ -	\$ 290,000	\$ 6,600,000	\$ 305,000
Advances from City	11,546,570	-	-	11,546,570	-
Advances from County	20,769,866	1,453,890	-	22,223,756	-
Total long-term liabilities	<u>\$ 39,206,436</u>	<u>\$ 1,453,890</u>	<u>\$ 290,000</u>	<u>\$ 40,370,326</u>	<u>\$ 305,000</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, 2014, is \$6,600,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014
Note 18: Successor Agency Disclosures (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 305,000	\$ 330,434	\$ 635,434
2016	320,000	314,419	634,419
2017	335,000	297,634	632,634
2018	350,000	280,081	630,081
2019	370,000	261,631	631,631
2020-2024	2,155,000	995,403	3,150,403
2025-2029	2,765,000	368,359	3,133,359
Total	<u>\$ 6,600,000</u>	<u>\$ 2,847,961</u>	<u>\$ 9,447,961</u>

Advances from City

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, 2014, the long-term advances totaled \$11,546,570. 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, 2014, \$7,117,256 is reported in the General Fund, \$2,120,000 is reported in Employee Benefit Internal Service Fund and \$2,309,314 is reported in the Housing Authority Special Revenue Fund.

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 \$1,453,890 was also accrued during the year on the outstanding deferral amount still owing. The amount owed the County, including accrued interest, at June 30, 2014, was \$22,223,756.

Note 19: Restatement of Beginning Net Position and Fund Balances

The beginning fund balance of the General Fund and the Employee Benefits Internal Service Fund has been restated to reclassify claims payable from the General Fund to the Employee Benefits Internal Service Fund in the amount of \$1,075,271.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Note 19: Restatement of Beginning Net Position and Fund Balances (Continued)

The beginning fund balance of the Housing Authority Special Revenue Fund has been restated to record land donated to a third party in 2013 in the amount of \$1,001,259.

The beginning net position of the Governmental Activities in the Statement of Net Position has been restated to record Capital Asset additions purchased in the prior fiscal years in the amount of \$821,697.

The beginning net position of the Governmental Activities in the Statement of Net Position has been restated to recognize unavailable revenue related to the prior fiscal year in the amount of \$4,550,000.

Note 20: Subsequent Events

Subsequent to June 30, 2014, the Golf Fund entered into a Lease agreement totaling \$6,350,000 to prepay the 2002 Golf Course Certificates of Participation. The Lease payments mature in August 2026 and bear interest of 3.70%.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOWNEY

**SCHEDULES OF FUNDING PROGRESS
JUNE 30, 2014**

**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)
6/30/2011	\$ 144,892,087	\$ 121,080,491	\$ 23,811,596	83.57%	\$ 16,285,693	146.21%
6/30/2012	151,446,952	125,086,184	26,360,768	82.59%	12,816,569	205.68%
6/30/2013	155,601,929	112,970,285	42,631,644	72.60%	12,663,802	336.64%

**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)
6/30/2011	\$ 281,587,432	\$ 236,609,577	\$ 44,977,855	84.0%	\$ 21,430,329	209.9%
6/30/2012	294,124,762	243,498,858	50,625,904	82.8%	21,183,381	239.0%
6/30/2013	310,031,287	221,673,859	88,357,428	71.5%	18,865,085	468.4%

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)
7/1/2010	\$ 2,900,721	\$ 16,896,612	\$ 13,995,891	17.17%	\$ 29,768,632	47.02%
1/1/2013	4,809,210	7,029,281	2,220,071	68.42%	23,932,021	9.28%
7/1/2013	4,950,181	7,272,710	2,322,529	68.07%	24,846,421	9.35%

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 19,424,404	\$ 19,424,404	\$ 19,424,404	\$ -
Resources (Inflows):				
Taxes	49,566,482	49,566,482	51,624,714	2,058,232
Licenses and permits	1,120,000	1,120,000	1,390,056	270,056
Intergovernmental	2,283,149	2,283,149	2,605,486	322,337
Charges for services	8,583,636	9,073,636	8,985,969	(87,667)
Use of money and property	1,277,080	1,277,080	4,631,784	3,354,704
Fines and forfeitures	1,378,000	1,378,000	1,435,222	57,222
Miscellaneous	3,119,980	3,119,980	15,957,881	12,837,901
Transfers in	2,311,766	2,311,766	2,239,987	(71,779)
Other debts issued	600,229	600,229	600,229	-
Amounts Available for Appropriations	89,664,726	90,154,726	108,895,732	18,741,006
Charges to Appropriation (Outflow):				
General government	12,615,141	12,914,141	12,660,418	253,723
Public safety	42,425,381	42,815,381	43,716,529	(901,148)
Community development	2,670,316	2,670,316	2,548,297	122,019
Community services	4,580,168	4,580,168	4,948,742	(368,574)
Public works	6,474,439	6,794,439	5,872,957	921,482
Transfers out	1,086,716	1,086,716	4,035,839	(2,949,123)
Total Charges to Appropriations	69,852,161	70,861,161	73,782,782	(2,921,621)
Budgetary Fund Balance, June 30	\$ 19,812,565	\$ 19,293,565	\$ 35,112,950	\$ 15,819,385

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
HOUSING AUTHORITY
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, as restated	\$ 5,982,473	\$ 5,982,473	\$ 5,982,473	\$ -
Resources (Inflows):				
Use of money and property	-	-	57,012	57,012
Miscellaneous	-	-	215,533	215,533
Amounts Available for Appropriations	5,982,473	5,982,473	6,255,018	272,545
Charges to Appropriation (Outflow):				
Community development	25,050	25,050	19,442	5,608
Total Charges to Appropriations	25,050	25,050	19,442	5,608
Budgetary Fund Balance, June 30	\$ 5,957,423	\$ 5,957,423	\$ 6,235,576	\$ 278,153

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
HOME
YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 139,863	\$ 139,863	\$ 139,863	\$ -
Resources (Inflows):				
Intergovernmental	326,631	326,631	349,113	22,482
Amounts Available for Appropriations	466,494	466,494	488,976	22,482
Charges to Appropriation (Outflow):				
Community development	453,277	453,277	277,433	175,844
Total Charges to Appropriations	453,277	453,277	277,433	175,844
Budgetary Fund Balance, June 30	\$ 13,217	\$ 13,217	\$ 211,543	\$ 198,326

CITY OF DOWNEY

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

Note 1: Budgetary Data

General Budget Policies

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, 2014, increased budgeted expenditures from \$101,381,264 as adopted in the original budget, to \$138,137,487

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.

Expenditures in Excess of Appropriations

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

Major Fund:

General Fund:

Public safety	\$ 901,148
Community services	368,574
Transfers out	2,949,123

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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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 carpooling, 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
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2014

	<u>Special Revenue Funds</u>			
	<u>Waste Reduction</u>	<u>Street Lighting</u>	<u>Gas Tax</u>	<u>Sewer and Storm Drain</u>
Assets:				
Pooled cash and investments	\$ 597,531	\$ 1,208,417	\$ 1,192,431	\$ 3,702,492
Receivables:				
Accounts	29,690	361	91,024	308,835
Taxes	-	-	331,973	-
Notes and loans	-	-	-	-
Due from other governments	29,652	-	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Total Assets	<u>\$ 656,873</u>	<u>\$ 1,208,778</u>	<u>\$ 1,615,428</u>	<u>\$ 4,011,327</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ 8,894	\$ 143,986	\$ 647,051	\$ 78,068
Accrued liabilities	12,008	601	5,104	25,793
Due to other funds	-	-	-	-
Total Liabilities	<u>20,902</u>	<u>144,587</u>	<u>652,155</u>	<u>103,861</u>
Deferred Inflows of Resources:				
Unavailable revenues	-	-	309,000	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>309,000</u>	<u>-</u>
Fund Balances:				
Restricted for:				
Community development	635,971	-	-	-
Public works	-	1,064,191	654,273	-
Assigned to:				
Public works	-	-	-	3,907,466
Capital Projects	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>635,971</u>	<u>1,064,191</u>	<u>654,273</u>	<u>3,907,466</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 656,873</u>	<u>\$ 1,208,778</u>	<u>\$ 1,615,428</u>	<u>\$ 4,011,327</u>

CITY OF DOWNEY

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

	Special Revenue Funds			
	CATV Public Access	Air Quality	Grants	CDBG
Assets:				
Pooled cash and investments	\$ 199,631	\$ 624,139	\$ -	\$ -
Receivables:				
Accounts	-	-	59	-
Taxes	-	-	-	-
Notes and loans	-	-	-	606,344
Due from other governments	29,553	36,327	601,840	332,045
Due from other funds	-	31,583	-	-
Inventories	-	-	11,049	-
Total Assets	\$ 229,184	\$ 692,049	\$ 612,948	\$ 938,389
Liabilities, Deferred Inflows of Resources, and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 54,652	\$ 13,584
Accrued liabilities	-	3,358	33,793	7,157
Due to other funds	-	-	535,674	79,650
Total Liabilities	-	3,358	624,119	100,391
Deferred Inflows of Resources:				
Unavailable revenues	-	36,327	415,804	936,117
Total Deferred Inflows of Resources	-	36,327	415,804	936,117
Fund Balances:				
Restricted for:				
Community development	-	-	-	-
Public works	229,184	652,364	-	-
Assigned to:				
Public works	-	-	-	-
Capital Projects	-	-	-	-
Unassigned	-	-	(426,975)	(98,119)
Total Fund Balances	229,184	652,364	(426,975)	(98,119)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 229,184	\$ 692,049	\$ 612,948	\$ 938,389

CITY OF DOWNEY

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>City Capital Projects</u>	
Assets:		
Pooled cash and investments	\$ 2,508,362	\$ 10,033,003
Receivables:		
Accounts	-	429,969
Taxes	-	331,973
Notes and loans	-	606,344
Due from other governments	5,000	1,034,417
Due from other funds	-	31,583
Inventories	-	11,049
	<u>-</u>	<u>11,049</u>
Total Assets	<u>\$ 2,513,362</u>	<u>\$ 12,478,338</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances:		
Liabilities:		
Accounts payable	\$ 120,733	\$ 1,066,968
Accrued liabilities	1,303	89,117
Due to other funds	-	615,324
	<u>-</u>	<u>615,324</u>
Total Liabilities	<u>122,036</u>	<u>1,771,409</u>
Deferred Inflows of Resources:		
Unavailable revenues	-	1,697,248
	<u>-</u>	<u>1,697,248</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>1,697,248</u>
Fund Balances:		
Restricted for:		
Community development	-	635,971
Public works	-	2,600,012
Assigned to:		
Public works	-	3,907,466
Capital Projects	2,391,326	2,391,326
Unassigned	-	(525,094)
	<u>-</u>	<u>(525,094)</u>
Total Fund Balances	<u>2,391,326</u>	<u>9,009,681</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,513,362</u>	<u>\$ 12,478,338</u>

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CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	Waste Reduction	Street Lighting	Gas Tax	Sewer and Storm Drain
Revenues:				
Taxes	\$ -	\$ 315,858	\$ -	\$ -
Intergovernmental	61,733	-	5,259,307	-
Charges for services	415,761	1,283,394	-	1,535,763
Use of money and property	7,683	14,653	14,385	48,705
Contributions	-	-	-	-
Miscellaneous	1,163	-	1,924	-
Total Revenues	486,340	1,613,905	5,275,616	1,584,468
Expenditures:				
Current:				
Public safety	-	-	-	-
Community development	-	417	-	-
Community services	-	-	-	-
Public works	477,318	1,908,538	-	1,656,543
Capital outlay	-	-	4,915,361	115,745
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	477,318	1,908,955	4,915,361	1,772,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,022	(295,050)	360,255	(187,820)
Other Financing Sources (Uses):				
Transfers in	-	-	-	856,519
Transfers out	-	-	(1,592,585)	-
Total Other Financing Sources (Uses)	-	-	(1,592,585)	856,519
Net Change in Fund Balances	9,022	(295,050)	(1,232,330)	668,699
Fund Balances, Beginning of Year	626,949	1,359,241	1,886,603	3,238,767
Fund Balances, End of Year	\$ 635,971	\$ 1,064,191	\$ 654,273	\$ 3,907,466

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	Special Revenue Funds			
	CATV Public Access	Air Quality	Grants	CDBG
Revenues:				
Taxes	\$ 113,272	\$ -	\$ -	\$ -
Intergovernmental	-	103,683	835,309	631,459
Charges for services	-	-	158,255	-
Use of money and property	-	7,856	-	-
Contributions	-	-	-	-
Miscellaneous	-	-	135,949	-
Total Revenues	113,272	111,539	1,129,513	631,459
Expenditures:				
Current:				
Public safety	-	-	1,120,676	-
Community development	-	-	668,631	498,718
Community services	-	-	-	16,935
Public works	-	115,024	-	9,232
Capital outlay	-	-	107,323	-
Debt service:				
Principal retirement	-	-	-	250,000
Interest and fiscal charges	-	-	-	38,090
Total Expenditures	-	115,024	1,896,630	812,975
Excess (Deficiency) of Revenues Over (Under) Expenditures	113,272	(3,485)	(767,117)	(181,516)
Other Financing Sources (Uses):				
Transfers in	-	-	482,704	-
Transfers out	-	(2,412)	-	(78,221)
Total Other Financing Sources (Uses)	-	(2,412)	482,704	(78,221)
Net Change in Fund Balances	113,272	(5,897)	(284,413)	(259,737)
Fund Balances, Beginning of Year	115,912	658,261	(142,562)	161,618
Fund Balances, End of Year	\$ 229,184	\$ 652,364	\$ (426,975)	\$ (98,119)

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>City Capital Projects</u>	
Revenues:		
Taxes	\$ -	\$ 429,130
Intergovernmental	-	6,891,491
Charges for services	-	3,393,173
Use of money and property	2,868	96,150
Contributions	80,000	80,000
Miscellaneous	8,153	147,189
	<u>91,021</u>	<u>11,037,133</u>
Expenditures:		
Current:		
Public safety	-	1,120,676
Community development	-	1,167,766
Community services	24,200	41,135
Public works	-	4,166,655
Capital outlay	1,454,037	6,592,466
Debt service:		
Principal retirement	-	250,000
Interest and fiscal charges	-	38,090
	<u>1,478,237</u>	<u>13,376,788</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,387,216)</u>	<u>(2,339,655)</u>
Other Financing Sources (Uses):		
Transfers in	346,614	1,685,837
Transfers out	-	(1,673,218)
	<u>346,614</u>	<u>12,619</u>
Net Change in Fund Balances	(1,040,602)	(2,327,036)
Fund Balances, Beginning of Year	<u>3,431,928</u>	<u>11,336,717</u>
Fund Balances, End of Year	<u>\$ 2,391,326</u>	<u>\$ 9,009,681</u>

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
WASTE REDUCTION
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 626,949	\$ 626,949	\$ 626,949	\$ -
Resources (Inflows):				
Intergovernmental	30,000	30,000	61,733	31,733
Charges for services	410,000	410,000	415,761	5,761
Use of money and property	5,000	5,000	7,683	2,683
Miscellaneous	1,000	1,000	1,163	163
Amounts Available for Appropriations	1,072,949	1,072,949	1,113,289	40,340
Charges to Appropriation (Outflow):				
Community services	-	355,000	-	355,000
Public works	509,654	509,654	477,318	32,336
Total Charges to Appropriations	509,654	864,654	477,318	387,336
Budgetary Fund Balance, June 30	\$ 563,295	\$ 208,295	\$ 635,971	\$ 427,676

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
STREET LIGHTING
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,359,241	\$ 1,359,241	\$ 1,359,241	\$ -
Resources (Inflows):				
Taxes	357,300	357,300	315,858	(41,442)
Charges for services	1,185,700	1,185,700	1,283,394	97,694
Use of money and property	-	-	14,653	14,653
Amounts Available for Appropriations	2,902,241	2,902,241	2,973,146	70,905
Charges to Appropriation (Outflow):				
Community development	417	417	417	-
Public works	1,846,347	1,846,347	1,908,538	(62,191)
Total Charges to Appropriations	1,846,764	1,846,764	1,908,955	(62,191)
Budgetary Fund Balance, June 30	\$ 1,055,477	\$ 1,055,477	\$ 1,064,191	\$ 8,714

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
GAS TAX
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 1,886,603	\$ 1,886,603	\$ 1,886,603	\$ -
Resources (Inflows):				
Intergovernmental	12,408,431	12,408,431	5,259,307	(7,149,124)
Use of money and property	5,000	5,000	14,385	9,385
Miscellaneous	958,500	958,500	1,924	(956,576)
Amounts Available for Appropriations	15,258,534	15,258,534	7,162,219	(8,096,315)
Charges to Appropriation (Outflow):				
Capital outlay	-	13,608,320	4,915,361	8,692,959
Transfers out	1,653,500	1,653,500	1,592,585	60,915
Total Charges to Appropriations	1,653,500	15,261,820	6,507,946	8,753,874
Budgetary Fund Balance, June 30	\$ 13,605,034	\$ (3,286)	\$ 654,273	\$ 657,559

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
SEWER AND STROM DRAIN
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,238,767	\$ 3,238,767	\$ 3,238,767	\$ -
Resources (Inflows):				
Charges for services	1,550,000	1,550,000	1,535,763	(14,237)
Use of money and property	7,000	7,000	48,705	41,705
Transfers in	1,080,396	1,080,396	856,519	(223,877)
Amounts Available for Appropriations	5,876,163	5,876,163	5,679,754	(196,409)
Charges to Appropriation (Outflow):				
Community services	-	1,410,000	-	1,410,000
Public works	2,029,905	2,689,905	1,656,543	1,033,362
Capital outlay	-	187,655	115,745	71,910
Total Charges to Appropriations	2,029,905	4,287,560	1,772,288	2,515,272
Budgetary Fund Balance, June 30	\$ 3,846,258	\$ 1,588,603	\$ 3,907,466	\$ 2,318,863

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
CATV PUBLIC ACCESS
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 115,912	\$ 115,912	\$ 115,912	\$ -
Resources (Inflows):				
Taxes	113,000	113,000	113,272	272
Amounts Available for Appropriations	<u>228,912</u>	<u>228,912</u>	<u>229,184</u>	<u>272</u>
Budgetary Fund Balance, June 30	<u>\$ 228,912</u>	<u>\$ 228,912</u>	<u>\$ 229,184</u>	<u>\$ 272</u>

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
 AIR QUALITY
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 658,261	\$ 658,261	\$ 658,261	\$ -
Resources (Inflows):				
Intergovernmental	135,000	135,000	103,683	(31,317)
Use of money and property	2,000	2,000	7,856	5,856
Amounts Available for Appropriations	795,261	795,261	769,800	(25,461)
Charges to Appropriation (Outflow):				
Public works	114,891	114,891	115,024	(133)
Transfers out	-	-	2,412	(2,412)
Total Charges to Appropriations	114,891	114,891	117,436	(2,545)
Budgetary Fund Balance, June 30	\$ 680,370	\$ 680,370	\$ 652,364	\$ (28,006)

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
GRANTS
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ (142,562)	\$ (142,562)	\$ (142,562)	\$ -
Resources (Inflows):				
Intergovernmental	1,055,936	1,055,936	835,309	(220,627)
Charges for services	170,000	170,000	158,255	(11,745)
Miscellaneous	116,168	116,168	135,949	19,781
Transfers in	627,618	627,618	482,704	(144,914)
Amounts Available for Appropriations	1,827,160	1,827,160	1,469,655	(357,505)
Charges to Appropriation (Outflow):				
Public safety	1,099,439	1,099,439	1,120,676	(21,237)
Community development	806,350	806,350	668,631	137,719
Capital outlay	-	103,700	107,323	(3,623)
Total Charges to Appropriations	1,905,789	2,009,489	1,896,630	112,859
Budgetary Fund Balance, June 30	\$ (78,629)	\$ (182,329)	\$ (426,975)	\$ (244,646)

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
 CDBG
 YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 161,618	\$ 161,618	\$ 161,618	\$ -
Resources (Inflows):				
Intergovernmental	990,320	990,320	631,459	(358,861)
Notes and loans issued	3,000,000	3,000,000	-	(3,000,000)
Amounts Available for Appropriations	4,151,938	4,151,938	793,077	(3,358,861)
Charges to Appropriation (Outflow):				
Community development	467,922	467,922	498,718	(30,796)
Community services	-	3,235,000	16,935	3,218,065
Public works	-	-	9,232	(9,232)
Debt service:				
Principal retirement	250,000	250,000	250,000	-
Interest and fiscal charges	103,093	103,093	38,090	65,003
Transfers out	150,000	150,000	78,221	71,779
Total Charges to Appropriations	971,015	4,206,015	891,196	3,314,819
Budgetary Fund Balance, June 30	\$ 3,180,923	\$ (54,077)	\$ (98,119)	\$ (44,042)

OTHER CAPITAL PROJECTS FUND

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

CITY OF DOWNEY

**BUDGETARY COMPARISON SCHEDULE
CITY CAPITAL PROJECT
YEAR ENDED JUNE 30, 2014**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 3,431,928	\$ 3,431,928	\$ 3,431,928	\$ -
Resources (Inflows):				
Use of money and property	-	-	2,868	2,868
Contributions	-	-	80,000	80,000
Miscellaneous	-	-	8,153	8,153
Transfers in	344,202	344,202	346,614	2,412
Amounts Available for Appropriations	3,776,130	3,776,130	3,869,563	93,433
Charges to Appropriation (Outflow):				
Community services	-	-	24,200	(24,200)
Capital outlay	273,508	3,097,656	1,454,037	1,643,619
Total Charges to Appropriations	273,508	3,097,656	1,478,237	1,619,419
Budgetary Fund Balance, June 30	\$ 3,502,622	\$ 678,474	\$ 2,391,326	\$ 1,712,852

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, 2014

	Governmental Activities - Internal Service Funds		
	Employee Benefits	Equipment	Totals
Assets:			
Current:			
Cash and investments	\$ 29,491,107	\$ 737,743	\$ 30,228,850
Receivables:			
Accounts	157	8,592	8,749
Due from other governments	-	5,336	5,336
Inventories	-	103,525	103,525
Advances to Successor Agency	2,120,000	-	2,120,000
Restricted:			
Cash with fiscal agent	9	2,770,986	2,770,995
Total Current Assets	31,611,273	3,626,182	35,237,455
Noncurrent:			
Prepaid Pension	15,428,842	-	15,428,842
Capital assets - net of accumulated depreciation	-	5,717,105	5,717,105
Total Noncurrent Assets	15,428,842	5,717,105	21,145,947
Total Assets	\$ 47,040,115	\$ 9,343,287	\$ 56,383,402
Liabilities and Net Position:			
Liabilities:			
Current:			
Accounts payable	\$ 57,896	\$ 400,320	\$ 458,216
Accrued liabilities	1,215	15,286	16,501
Accrued interest	85,532	35,591	121,123
Accrued compensated absences	2,784,875	-	2,784,875
Accrued claims payable	2,611,958	-	2,611,958
Bonds, notes, and capital leases	395,000	327,559	722,559
Total Current Liabilities	5,936,476	778,756	6,715,232
Noncurrent:			
Accrued compensated absences	9,148,237	-	9,148,237
Accrued claims payable	5,288,867	-	5,288,867
Bonds, notes, and capital leases	18,537,826	991,947	19,529,773
Total Noncurrent Liabilities	32,974,930	991,947	33,966,877
Total Liabilities	38,911,406	1,770,703	40,682,109
Net Position:			
Net investment in capital assets	-	4,397,599	4,397,599
Restricted for debt service	9	2,770,986	2,770,995
Unrestricted	8,128,700	403,999	8,532,699
Total Net Position	8,128,709	7,572,584	15,701,293
Total Liabilities and Net Position	\$ 47,040,115	\$ 9,343,287	\$ 56,383,402

CITY OF DOWNEY

**COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds		
	Employee Benefits	Equipment	Totals
Operating Revenues:			
Interdepartmental charges	\$ -	\$ 2,617,143	\$ 2,617,143
Miscellaneous	68	38,014	38,082
Total Operating Revenues	68	2,655,157	2,655,225
Operating Expenses:			
Maintenance and operations	-	2,550,741	2,550,741
General and administrative	-	46,215	46,215
Employee benefits	1,653,726	-	1,653,726
Depreciation expense	-	1,301,472	1,301,472
Total Operating Expenses	1,653,726	3,898,428	5,552,154
Operating Income (Loss)	(1,653,658)	(1,243,271)	(2,896,929)
Nonoperating Revenues (Expenses):			
Interest revenue	656,084	47,801	703,885
Interest expense	(982,066)	(50,804)	(1,032,870)
Gain (loss) on disposal of capital assets	-	(34,015)	(34,015)
Total Nonoperating Revenues (Expenses)	(325,982)	(37,018)	(363,000)
Income (Loss) Before Transfers	(1,979,640)	(1,280,289)	(3,259,929)
Transfers in	1,939,798	1,154,239	3,094,037
Changes in Net Position	(39,842)	(126,050)	(165,892)
Net Position:			
Beginning of Year, as originally reported	9,243,822	7,698,634	16,942,456
Restatements	(1,075,271)	-	(1,075,271)
Beginning of Fiscal Year, as restated	8,168,551	7,698,634	15,867,185
End of Fiscal Year	\$ 8,128,709	\$ 7,572,584	\$ 15,701,293

CITY OF DOWNEY

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2014**

	Governmental Activities - Internal Service Funds		
	Employee Benefits	Equipment	Totals
Cash Flows from Operating Activities:			
Cash received from customers and users	\$ 9,772	\$ 2,646,565	\$ 2,656,337
Cash paid to suppliers for goods and services	(78,147)	(2,417,628)	(2,495,775)
Cash paid to employees for services	(974,074)	(36,022)	(1,010,096)
Cash received from (payments to) others	39,843	(5,336)	34,507
Net Cash Provided (Used) by Operating Activities	(1,002,606)	187,579	(815,027)
Cash Flows from Non-Capital Financing Activities:			
Cash transfers in	1,939,798	1,154,239	3,094,037
Net Cash Provided (Used) by Non-Capital Financing Activities	1,939,798	1,154,239	3,094,037
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital debt	-	599,754	599,754
Acquisition and construction of capital assets	-	(1,776,042)	(1,776,042)
Principal paid on capital debt	(335,000)	(411,000)	(746,000)
Interest paid on capital debt	(974,957)	(14,615)	(989,572)
Proceeds from sales of capital assets	-	24,299	24,299
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,309,957)	(1,577,604)	(2,887,561)
Cash Flows from Investing Activities:			
Interest received	656,084	47,802	703,886
Net Cash Provided (Used) by Investing Activities	656,084	47,802	703,886
Net Increase (Decrease) in Cash and Cash Equivalents	283,319	(187,984)	95,335
Cash and Cash Equivalents at Beginning of Year	29,207,797	3,696,713	32,904,510
Cash and Cash Equivalents at End of Year	\$ 29,491,116	\$ 3,508,729	\$ 32,999,845
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ (1,653,658)	\$ (1,243,271)	\$ (2,896,929)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:			
Depreciation	-	1,301,472	1,301,472
(Increase) decrease in accounts receivable	9,704	(8,592)	1,112
(Increase) decrease in due from other governments	-	(5,336)	(5,336)
(Increase) decrease in inventories	-	59,215	59,215
(Increase) decrease in prepaid pension	794,256	-	794,256
Increase (decrease) in accounts payable	(78,147)	73,898	(4,249)
Increase (decrease) in accrued liabilities	(312,286)	10,193	(302,093)
Increase (decrease) in claims payable	39,843	-	39,843
Increase (decrease) in compensated absences	197,682	-	197,682
Total Adjustments	651,052	1,430,850	2,081,902
Net Cash Provided (Used) by Operating Activities	\$ (1,002,606)	\$ 187,579	\$ (815,027)
Non-Cash Investing, Capital, and Financing Activities:			
Amortization of bond premium	\$ (7,109)	\$ -	\$ (7,109)
Loss on disposal of capital assets	-	(34,015)	(34,015)
Prior period restatement related to claims payable	1,075,271	-	1,075,271

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.

Asset Forfeiture is used to account for funds obtained through asset forfeiture

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 NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2014

	<u>Special Deposits</u>	<u>Cemetery District</u>	<u>1913 Act Bond</u>	<u>Elm Vista</u>
Assets:				
Pooled cash and investments	\$ 1,724,209	\$ 189,523	\$ 122,271	\$ 1,765
Receivables:				
Accounts	-	-	-	3,256
Taxes	-	2,293	-	-
Accrued interest	-	160	-	-
Due from other governments	48	632	-	-
Total Assets	<u>\$ 1,724,257</u>	<u>\$ 192,608</u>	<u>\$ 122,271</u>	<u>\$ 5,021</u>
Liabilities:				
Accounts payable	\$ 96,457	\$ 2,758	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposits payable	1,627,800	189,850	122,271	5,021
Total Liabilities	<u>\$ 1,724,257</u>	<u>\$ 192,608</u>	<u>\$ 122,271</u>	<u>\$ 5,021</u>

CITY OF DOWNEY

COMBINING STATEMENT OF NET POSITION
 ALL AGENCY FUNDS
 JUNE 30, 2014

	Columbia Memorial Space	Asset Forfeiture Fund	SEAACA	Totals
Assets:				
Pooled cash and investments	\$ 16,494	\$ 2,224,376	\$ 1,111,395	\$ 5,390,033
Receivables:				
Accounts	-	-	1,680,788	1,684,044
Taxes	-	-	-	2,293
Accrued interest	-	-	-	160
Due from other governments	-	16,538	-	17,218
Total Assets	\$ 16,494	\$ 2,240,914	\$ 2,792,183	\$ 7,093,748
Liabilities:				
Accounts payable	\$ 899	\$ 43,795	\$ 386,513	\$ 530,422
Accrued liabilities	-	6,777	251,336	258,113
Unearned revenues	-	177,681	-	177,681
Deposits payable	15,595	2,012,661	2,154,334	6,127,532
Total Liabilities	\$ 16,494	\$ 2,240,914	\$ 2,792,183	\$ 7,093,748

CITY OF DOWNEY

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014**

	<u>Balance 7/1/2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/2014</u>
<u>Special Deposits</u>				
Assets:				
Pooled cash and investments	\$ 1,470,355	\$ 1,008,533	\$ 754,679	\$ 1,724,209
Due from other governments	2,190	48	2,190	48
Total Assets	<u>\$ 1,472,545</u>	<u>\$ 1,008,581</u>	<u>\$ 756,869</u>	<u>\$ 1,724,257</u>
Liabilities:				
Accounts payable	\$ 33,799	\$ 814,484	\$ 751,826	\$ 96,457
Deposits payable	1,438,746	1,002,712	813,658	1,627,800
Total Liabilities	<u>\$ 1,472,545</u>	<u>\$ 1,817,196</u>	<u>\$ 1,565,484</u>	<u>\$ 1,724,257</u>
<u>Cemetery District</u>				
Assets:				
Pooled cash and investments	\$ 127,436	\$ 195,136	\$ 133,049	\$ 189,523
Taxes	2,133	160	-	2,293
Accrued interest	(76)	299	63	160
Due from other governments	61,050	-	60,418	632
Total Assets	<u>\$ 190,543</u>	<u>\$ 195,595</u>	<u>\$ 193,530</u>	<u>\$ 192,608</u>
Liabilities:				
Accounts payable	\$ 3,012	\$ 33,345	\$ 33,599	\$ 2,758
Accrued liabilities	57	-	57	-
Deposits payable	187,474	36,645	34,269	189,850
Total Liabilities	<u>\$ 190,543</u>	<u>\$ 69,990</u>	<u>\$ 67,925</u>	<u>\$ 192,608</u>
<u>1913 Act Bond</u>				
Assets:				
Pooled cash and investments	\$ 120,541	\$ 1,782	\$ 52	\$ 122,271
Total Assets	<u>\$ 120,541</u>	<u>\$ 1,782</u>	<u>\$ 52</u>	<u>\$ 122,271</u>
Liabilities:				
Deposits payable	\$ 120,541	\$ 2,221	\$ 491	\$ 122,271
Total Liabilities	<u>\$ 120,541</u>	<u>\$ 2,221</u>	<u>\$ 491</u>	<u>\$ 122,271</u>
<u>Elm Vista</u>				
Assets:				
Pooled cash and investments	\$ 1,765	\$ -	\$ -	\$ 1,765
Receivables:				
Accounts	3,256	-	-	3,256
Total Assets	<u>\$ 5,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,021</u>
Liabilities:				
Deposits payable	\$ 5,021	\$ -	\$ -	\$ 5,021
Total Liabilities	<u>\$ 5,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,021</u>
<u>Columbia Memorial Space Learning Center Foundation</u>				
Assets:				
Pooled cash and investments	\$ 7,535	\$ 10,015	\$ 1,056	\$ 16,494
Due from other governments	10,000	-	10,000	-
Total Assets	<u>\$ 17,535</u>	<u>\$ 10,015</u>	<u>\$ 11,056</u>	<u>\$ 16,494</u>

CITY OF DOWNEY

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 YEAR ENDED JUNE 30, 2014**

	Balance 7/1/2013	Additions	Deductions	Balance 6/30/2014
Liabilities:				
Accounts payable	\$ -	\$ 1,604	\$ 705	\$ 899
Deposits payable	17,535	11,135	13,075	15,595
Total Liabilities	\$ 17,535	\$ 12,739	\$ 13,780	\$ 16,494
<u>Asset Forfeiture Fund</u>				
Assets:				
Pooled cash and investments	\$ 3,374,841	\$ 270,564	\$ 1,421,029	\$ 2,224,376
Receivables:				
Accrued interest	5,600	-	5,600	-
Due from other governments	22,667	16,538	22,667	16,538
Total Assets	\$ 3,403,108	\$ 287,102	\$ 1,449,296	\$ 2,240,914
Liabilities:				
Accounts payable	\$ 5,003	\$ 881,960	\$ 843,168	\$ 43,795
Accrued liabilities	23,193	195,398	211,814	6,777
Unearned revenues	1,389,824	252,759	1,464,902	177,681
Deposits payable	1,985,088	1,501,470	1,473,897	2,012,661
Total Liabilities	\$ 3,403,108	\$ 2,831,587	\$ 3,993,781	\$ 2,240,914
<u>SEAACA</u>				
Assets:				
Pooled cash and investments	\$ 1,103,288	\$ 6,525,416	\$ 6,517,309	\$ 1,111,395
Receivables:				
Accounts	19,120	4,677,913	3,016,245	1,680,788
Accrued interest	1,743	-	1,743	-
Due from other governments	21,792	-	21,792	-
Total Assets	\$ 1,145,943	\$ 11,203,329	\$ 9,557,089	\$ 2,792,183
Liabilities:				
Accounts payable	\$ 202,311	\$ 6,343,230	\$ 6,159,028	\$ 386,513
Accrued liabilities	235,246	2,587,964	2,571,874	251,336
Deposits payable	708,386	16,151,174	14,705,226	2,154,334
Total Liabilities	\$ 1,145,943	\$ 25,082,368	\$ 23,436,128	\$ 2,792,183
<u>Totals - All Agency Funds</u>				
Assets:				
Pooled cash and investments	\$ 6,205,761	\$ 8,011,446	\$ 8,827,174	\$ 5,390,033
Receivables:				
Accounts	22,376	4,677,913	3,016,245	1,684,044
Taxes	2,133	160	-	2,293
Accrued interest	7,267	299	7,406	160
Due from other governments	117,699	16,586	117,067	17,218
Total Assets	\$ 6,355,236	\$ 12,706,404	\$ 11,967,892	\$ 7,093,748
Liabilities:				
Accounts payable	\$ 244,125	\$ 8,074,623	\$ 7,788,326	\$ 530,422
Accrued liabilities	258,496	2,783,362	2,783,745	258,113
Unearned revenues	1,389,824	252,759	1,464,902	177,681
Deposits payable	4,462,791	18,705,357	17,040,616	6,127,532
Total Liabilities	\$ 6,355,236	\$ 29,816,101	\$ 29,077,589	\$ 7,093,748

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STATISTICAL SECTION

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2014

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.	105-110
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.....	111-115
<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.	116-121
<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.	122-123
<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.	124-126

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CITY OF DOWNEY

NET POSITION BY COMPONENT
(amounts expressed in thousands)

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Years									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Governmental Activities:										
Net investment in capital assets	\$ 158,433	\$ 150,882	\$ 154,423	\$ 172,185	\$ 176,041	\$ 177,580	\$ 188,044	\$ 193,698	\$ 189,490	\$ 193,071
Restricted	24,225	28,039	31,468	28,201	32,221	39,029	35,023	26,298	29,332	26,203
Unrestricted	30,035	44,867	46,856	38,679	34,848	25,557	11,490	33,582	31,965	48,162
Total governmental activities net position	212,693	223,788	232,747	239,065	243,110	242,166	234,557	253,578	250,787	267,436
Business-type Activities:										
Net investment in capital assets	32,802	33,550	35,976	35,586	35,423	35,211	35,675	34,378	34,116	41,719
Restricted						3,706	3,816	4,259	4,224	1,478
Unrestricted	23,333	24,438	21,345	21,693	20,494	10,215	2,336	(769)	3,602	5,941
Total business-type activities net position	56,135	57,988	57,321	57,279	55,917	49,132	41,827	37,868	41,942	49,138
Primary Government:										
Net investment in capital assets	191,235	184,432	190,399	207,771	211,464	212,791	223,719	228,076	223,606	234,790
Restricted	24,225	28,039	31,468	28,201	32,221	42,735	38,839	30,557	33,556	27,681
Unrestricted	53,368	69,305	68,201	60,372	55,342	35,772	13,826	32,813	35,567	54,103
Total primary government net position	\$ 268,828	\$ 281,776	\$ 290,068	\$ 296,344	\$ 299,027	\$ 291,298	\$ 276,384	\$ 291,446	\$ 292,729	\$ 316,574

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									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Expenses:										
Governmental Activities:										
General government	\$ 5,633	\$ 4,510	\$ 6,100	\$ 5,891	\$ 4,881	\$ 7,588	\$ 7,594	\$ 7,768	\$ 7,242	\$ 12,856
Public safety	37,122	40,767	42,379	43,510	45,314	46,420	50,482	51,958	46,414	52,127
Public works	7,642	8,079	8,466	7,460	7,450	8,013	5,849	6,767	7,349	10,209
Community services	6,179	8,927	7,903	9,390	9,220	8,420	9,041	9,314	8,959	5,821
Community development	6,673	6,269	6,556	8,898	8,732	10,543	13,825	8,481	5,821	5,115
Unallocated infrastructure depreciation	4,614	4,614	4,772	4,806	4,965	5,064	5,481	5,640	5,717	-
Interest on long term debt	1,745	1,767	1,801	1,823	1,859	1,933	2,130	1,541	46	1,052
Total governmental activities net expenses	69,608	74,933	77,977	81,778	82,421	87,981	94,402	91,469	81,548	87,180
Business-type Activities:										
Water	7,238	7,977	8,852	10,121	9,739	11,829	10,432	12,207	10,117	12,102
Golf	2,501	2,516	2,745	2,765	2,699	2,847	2,693	2,842	2,772	3,054
Transit	2,170	2,577	2,634	2,939	3,486	3,469	5,954	4,927	3,992	3,317
Total business-type activities net expenses	11,909	13,070	14,231	15,825	15,924	18,145	19,079	19,976	16,881	18,473
Total Primary government expenses	\$ 81,517	\$ 88,003	\$ 92,208	\$ 97,603	\$ 98,345	\$ 106,126	\$ 113,481	\$ 111,445	\$ 98,429	\$ 105,653
Program Revenues:										
Governmental Activities:										
Charges for services:										
General government	\$ 146	\$ 153	\$ 150	\$ 134	\$ 154	\$ 162	\$ 190	\$ 179	\$ 104	\$ 5,109
Public safety	4,584	3,996	4,156	4,202	4,161	4,951	4,014	5,234	5,996	4,550
Public works	1,860	2,092	2,236	2,247	2,273	2,410	2,134	1,173	3,111	2,045
Community services	2,100	2,648	2,904	2,516	2,536	2,078	2,187	2,414	2,452	2,766
Community development	2,972	3,030	2,701	3,795	2,277	1,580	3,806	1,443	1,301	1,080
Operating grants and contributions	10,901	9,826	7,409	7,965	7,499	7,060	8,689	8,903	8,098	9,691
Capital grants and contributions	6,342	4,548	3,676	3,623	7,634	7,528	6,500	6,330	4,279	981
Total governmental activities program revenues	28,905	26,293	23,232	24,482	26,534	25,769	27,520	25,676	25,341	26,222

CITY OF DOWNEY

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

	Last Ten Fiscal Years (accrual basis of accounting)									
Business-type Activities:										
Charges for services:										
Water	8,819	9,095	9,543	9,078	8,782	8,408	8,366	11,104	15,194	18,104
Golf	2,649	2,864	2,944	2,938	2,780	2,625	2,547	2,706	2,639	2,765
Transit	10	9	7	121	130	130	129	228	370	290
Operating grants and contributions	-	-	-	-	762	-	2,004	-	-	-
Total business-type activities	11,478	11,968	12,494	12,137	12,454	11,163	13,046	14,038	18,203	21,159
Primary government program revenues	\$ 40,383	\$ 38,261	\$ 35,726	\$ 36,619	\$ 38,988	\$ 36,932	\$ 40,566	\$ 39,714	\$ 43,544	\$ 47,381
Net (Expense)/Revenue:										
Governmental activities	\$ (40,703)	\$ (48,640)	\$ (54,745)	\$ (57,296)	\$ (55,887)	\$ (62,212)	\$ (66,882)	\$ (65,793)	\$ (56,207)	\$ (60,958)
Business-type activities	(431)	(1,102)	(1,737)	(3,688)	(3,470)	(6,982)	(6,033)	(5,938)	1,322	2,686
Total primary government net expense	\$ (41,134)	\$ (49,742)	\$ (56,482)	\$ (60,984)	\$ (59,357)	\$ (69,194)	\$ (72,915)	\$ (71,731)	\$ (54,885)	\$ (58,272)

Source: Finance Department, City of Downey

CITY OF DOWNEY

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

Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Years									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property taxes, levied for general purposes	\$ 16,668	\$ 19,813	\$ 22,726	\$ 23,974	\$ 25,561	\$ 25,938	\$ 24,347	\$ 20,847	\$ 21,116	\$ 21,842
Transient occupancy taxes	863	1,022	1,085	1,050	934	936	991	1,123	1,219	1,315
Sales taxes and use taxes	10,475	11,372	12,996	11,706	9,675	8,942	9,845	10,479	11,925	11,395
Property tax in lieu of sales and use tax	3,511	3,819	3,989	3,856	3,444	3,180	3,144	3,959	3,732	4,385
Franchise taxes	1,985	2,076	2,168	2,142	2,276	2,201	2,340	2,324	2,303	2,282
Utility users tax	-	-	-	8,002	7,677	7,471	7,094	6,778	7,170	7,562
Other taxes	8,873	8,574	9,489	1,819	1,632	1,536	1,742	1,351	1,426	1,633
Earning on investments	3,265	2,070	5,405	5,973	4,889	3,671	1,817	2,281	267	5,189
Gain (loss) on sale of capital assets	1,549	-	-	24	49	38	25	24	-	-
Miscellaneous	1,616	7,459	4,126	1,443	1,491	1,938	2,171	2,529	2,782	16,321
Transfers	1,341	3,530	1,720	4,761	2,304	4,961	5,757	2,619	1,629	1,311
Extraordinary gain	-	-	-	-	-	-	-	30,042	-	-
Total governmental activities	50,146	59,735	63,704	64,750	59,932	60,812	59,273	84,356	53,569	73,235
Business-type Activities:										
Sales taxes	2,978	3,383	3,330	3,310	3,004	4,074	3,761	4,070	4,310	4,685
Earning on investments	1,166	562	1,371	1,580	1,436	1,022	451	768	164	489
Gain (loss) on sale of capital assets	4	20	-	28	(28)	2	2	-	2	-
Miscellaneous	-	-	-	2,012	-	60	271	824	135	648
Transfer	(1,341)	(3,530)	(1,720)	(4,761)	(2,304)	(4,961)	(5,757)	(2,619)	(1,629)	(1,311)
Total governmental activities	2,807	435	2,981	2,169	2,108	197	(1,272)	3,043	2,982	4,511
Total primary government	\$ 52,953	\$ 60,170	\$ 66,685	\$ 66,919	\$ 62,040	\$ 61,009	\$ 58,001	\$ 87,399	\$ 56,551	\$ 77,746
Change in Net Position:										
Governmental activities	\$ 9,443	\$ 11,095	\$ 8,959	\$ 7,454	\$ 4,045	\$ (1,400)	\$ (7,609)	\$ 18,563	\$ (2,638)	\$ 12,277
Business-type activities	2,376	(667)	1,244	(1,519)	(1,362)	(6,785)	(7,305)	(2,895)	4,304	7,198
Total primary government	\$ 11,819	\$ 10,428	\$ 10,203	\$ 5,935	\$ 2,683	\$ (8,185)	\$ (14,914)	\$ 15,668	\$ 1,666	\$ 19,475

Source: Finance Department, City of Downey

CITY OF DOWNEY

FUND BALANCES OF GOVERNMENTAL FUNDS
(amounts expressed in thousands)

Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
General Fund:										
Reserved	\$ 7,756	\$ 7,850	\$ 8,014	\$ 8,832	\$ 11,350	\$ 10,764	\$ -	\$ -	\$ -	\$ -
Unreserved	14,377	15,194	15,448	15,188	13,390	12,355	-	-	-	-
Total general fund	\$ 22,133	\$ 23,044	\$ 23,462	\$ 24,020	\$ 24,740	\$ 23,119	\$ -	\$ -	\$ -	\$ -
All Other Governmental Funds:										
Reserved	\$ 20,723	\$ 16,986	\$ 27,267	\$ 22,833	\$ 16,828	\$ 16,270	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	10,699	12,535	3,832	6,288	8,279	8,345	-	-	-	-
Debt service funds	(1,140)	(7,059)	(6,655)	(7,317)	(7,590)	(9,214)	-	-	-	-
Capital projects funds	(3,089)	4,169	4,403	(19)	1,162	2,925	-	-	-	-
Total all other governmental funds	\$ 27,193	\$ 26,631	\$ 28,847	\$ 21,785	\$ 18,679	\$ 18,326	\$ -	\$ -	\$ -	\$ -
General fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,497	\$ 8,897	\$ 7,118	\$ 7,146
Restricted	-	-	-	-	-	-	4,260	4,867	4,793	4,877
Assigned	-	-	-	-	-	-	-	-	-	15,689
Unassigned	-	-	-	-	-	-	10,070	6,123	6,438	7,401
Total general fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,827	\$ 19,887	\$ 18,349	\$ 35,113
All other governmental funds:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,601	\$ 4,570	\$ 6,845	\$ -
Restricted	-	-	-	-	-	-	12,837	4,379	5,086	9,683
Assigned	-	-	-	-	-	-	5,620	6,226	6,671	6,298
Unassigned	-	-	-	-	-	-	(7,766)	(45)	(142)	(525)
Total all other governmental funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,292	\$ 15,130	\$ 18,460	\$ 15,456

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

Source: Finance Department, City of Downey

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									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Revenues:										
Taxes	\$ 41,641	\$ 47,113	\$ 52,682	\$ 53,432	\$ 52,020	\$ 50,106	\$ 49,804	\$ 47,785	\$ 50,163	\$ 52,054
License and permits	1,768	1,852	2,147	2,487	1,372	1,269	1,107	1,094	1,171	1,390
Intergovernmental revenue	14,618	10,103	9,370	7,234	12,266	12,205	11,892	11,404	8,469	9,846
Charges for services	7,574	7,788	7,804	10,161	7,960	7,883	8,740	9,795	11,209	12,379
Investment and rental	4,429	3,719	7,002	7,154	6,425	5,011	3,360	2,639	750	4,785
Fines and forfeitures	1,878	1,751	1,911	1,900	1,625	1,803	1,552	1,507	1,362	1,435
Other revenue	6,171	10,962	3,416	3,025	2,933	3,200	5,505	3,211	3,901	16,401
Total revenues	78,079	83,288	84,332	85,393	84,601	81,477	81,960	77,435	77,025	98,290
Expenditures:										
Current:										
General government	4,658	3,953	4,905	5,457	5,244	6,296	6,565	6,293	6,533	12,660
Public safety	35,979	37,613	39,555	42,361	45,429	44,786	45,231	46,585	43,917	44,837
Community development	6,821	7,148	7,589	9,820	10,432	11,471	14,411	9,304	5,816	4,013
Community services	5,639	7,929	6,769	8,775	8,781	7,748	7,793	8,065	8,012	4,990
Public works	6,987	7,343	7,902	7,004	7,634	7,064	7,296	7,482	5,535	10,040
ERAF payment	494	271	-	-	-	-	-	-	-	-
Capital outlay	13,805	8,935	9,105	16,186	10,223	9,582	12,476	8,200	5,381	6,593
Debt service:										
Principal	1,415	1,730	1,800	1,890	1,840	485	500	510	250	250
Interest and fiscal charges	2,355	2,383	2,370	2,277	2,252	2,267	2,270	1,581	51	38
Total expenditures	78,153	77,305	79,995	93,770	91,835	89,699	96,542	88,020	75,495	83,421
Excess of revenues over (under) expenditures	(74)	5,983	4,337	(8,377)	(7,234)	(8,222)	(14,582)	(10,585)	1,530	14,869
Other Financing Sources (Uses):										
Transfers in	12,205	8,446	10,653	12,049	7,844	12,750	16,487	6,094	4,219	3,926
Transfers out	(15,819)	(15,200)	(13,742)	(10,440)	(5,540)	(7,798)	(9,656)	(4,175)	(4,735)	(5,709)
Proceeds from long-term debt	-	-	-	-	-	-	-	-	-	-
Sale of property	-	-	-	-	-	-	-	124	248	-
Issuance of debt	1,002	1,120	1,386	1,400	1,408	1,296	1,425	1,349	-	600
Sale of capital assets	5,893	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	3,281	(5,634)	(1,703)	3,009	3,712	6,248	8,256	3,392	(268)	(1,183)
Extraordinary Gain										
Net change in fund balances	3,207	349	2,634	(5,368)	(3,522)	(1,974)	(6,326)	(2,960)	1,792	13,686
Fund balances - July 1, as restated	46,119	49,326	49,675	51,173	46,941	43,419	41,445	37,977	35,017	36,883
Fund balances - June 30	\$ 49,326	\$ 49,675	\$ 52,309	\$ 45,805	\$ 43,419	\$ 41,445	\$ 35,119	\$ 35,017	\$ 36,809	\$ 50,569
Debt service as a percentage of noncapital expenditures	4.85%	5.34%	5.21%	4.44%	5.03%	3.39%	3.54%	3.00%	42.00%	0.37%

Source: Finance Department, City of Downey

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)
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
2013-14	9,558,959	560	722,297	8,837,222	415,315	154,317	260,998	9,098,220	3.1

* Note: Homeowner Exemptions are not included in Total Exemptions.

Source: HdL Coren & Cone, Los Angeles County Assessor 2013/14 Combined Tax Rolls

CITY OF DOWNEY

ASSESSED VALUE OF TAXABLE PROPERTY
(amounts expressed in thousands)

Last Ten Fiscal Years

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Residential	\$ 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	\$ 7,042,493
Commercial	704,305	774,652	873,724	919,334	1,004,451	1,048,645	1,048,624	1,062,528	1,102,810	1,131,294
Industrial	253,864	288,420	303,635	308,835	336,253	369,515	372,651	376,634	365,085	396,484
Government owned	-	-	109	-	-	-	-	-	-	-
Institutional	36,441	39,116	37,176	41,827	42,987	47,219	46,807	45,773	55,963	62,578
Miscellaneous	12	12	12	12	12	13	13	13	13	13
Recreational	27,639	23,017	26,408	24,413	25,322	25,189	25,080	25,184	25,643	25,780
Unknown					24,802	25,298	25,238	25,428	487	3,384
Vacant Land	15,672	37,473	31,804	56,814	39,879	22,582	26,544	52,680	46,386	44,154
SBE Nonunitary	1,058	1,036	984	830	1,172	830	830	560	560	560
Possessory Int.	69,220	101,136	99,401	78,879	79,303	117,054	115,856	116,837	118,890	130,482
Unsecured	200,757	203,626	214,338	230,763	244,182	243,290	231,329	228,721	291,256	260,999
TOTALS	\$ 6,266,556	\$ 7,001,934	\$ 7,774,263	\$ 8,477,831	\$ 8,945,868	\$ 8,595,374	\$ 8,496,958	\$ 8,646,846	\$ 8,820,915	\$ 9,098,221
Total Direct Rate	0.1728%	0.1772%	0.1786%	0.1779%	0.1805%	0.1952%	0.1812%	0.1810%	0.1815%	0.1387%

Note: Exempt values are not included in Total.

Source: HdL Coren & Cone, L.A. County Assessor 2004/05 - 2013/14 Combined Tax Rolls

CITY OF DOWNEY

DIRECT AND OVERLAPPING PROPERTY TAX RATES

(Rate per \$100 of Taxable Value)

Last Ten Fiscal Years

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Basic Levy										
City of Downey Tax District 1	0.14125	0.14125	0.14125	0.14125	0.13970	0.13970	0.13970	0.14125	0.13970	0.13970
Cerritos Community College District	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02620	0.02625	0.02620	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	0.01394	0.01395	0.01394	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	0.21540	0.21536	0.21540	0.21540
Educational Augmentation Fund Impound	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16310	0.16308	0.16310	0.16310
Educational Revenue Augmentation	0.07154	0.07154	0.07154	0.07154	0.07340	0.07340	0.07340	0.07154	0.07340	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	0.33450	0.33450	0.33450	0.33481	0.33450	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
Total Basic Levy Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College Dist	0.01908	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677	0.01782	0.02594	0.02502
Compton Community College Dist	0.00396	0.02051	0.01975	0.01763	0.01262	0.01296	0.01487	0.01481	0.01531	0.00963
County Detention Facilities 1987 Debt	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.06564	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018	0.06725	0.07132	0.06603
LA Community College District	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031	0.03530	0.03756	0.04454
LA County Flood Control	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
Little Lake City School District	0.05313	0.03994	0.03483	0.07499	0.07360	0.07233	0.07647	0.05286	0.06942	0.08537
Los Angeles Unified School District	0.08884	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695	0.16819	0.17560	0.14644
Metropolitan Water District	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370	0.00370	0.00350	0.00350
Montebello Unified School District	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792	0.10001	0.09630	0.09457
Norwalk-La Mirada Unified	0.05316	0.05368	0.05036	0.05226	0.06271	0.06110	0.06197	0.06496	0.06997	0.07238
Rio Hondo Community College Dist	0.02170	0.01802	0.01469	0.01369	0.02320	0.02714	0.03439	0.03418	0.02812	0.02892
Whittier Union High School Dist	0.03085	0.04489	0.08918	0.04359	0.03728	0.04224	0.04239	0.04317	0.04556	0.04473
Total Voter Approved Rate	0.40315	0.45370	0.49520	0.49200	0.50908	0.57533	0.65592	0.60225	0.63860	0.62113
TOTAL DIRECT & OVERLAPPING TAX RATE	1.40315	1.45370	1.49520	1.49200	1.50908	1.57533	1.65592	1.60225	1.63860	1.62113
Rate producing Revenue for City and Redevelopment Agency (RDA)										
City General Fund Direct Rate	0.14125	0.14125	0.14125	0.14125	0.13973	0.13973	0.13973	0.13973	0.13973	0.13973
RDA Incremental Rate	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370	1.00370	1.00370	1.00370
Total Direct Rate	0.17281	0.17722	0.17864	0.17786	0.18053	0.19517	0.18514	0.18102	0.18154	0.18154

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.

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.

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.

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.

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.

CITY OF DOWNEY

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2013-14		2004-05	
	Taxable Assessed Value	% of Total City Taxable Assessed Value	Taxable Assessed Value	% of Total City Taxable Assessed Value
Coca Cola Bottling Company of Los Angeles	\$ 122,093,788	1.34%	\$ 84,197,772	1.34%
Gary L. Ball Trust	102,731,232	1.13%	75,693,922	1.21%
Downey Landing LLC	69,912,586	0.77%	-	0.00%
*Kaiser Foundation Health Plan, Inc.	68,026,608	0.75%	17,943,487	0.29%
Macerich Stonewood, LLC	56,386,950	0.62%	48,417,282	0.77%
Fremont Rancho Limited	44,374,324	0.49%	38,432,908	0.61%
RLJ II-EM Downey	35,839,923	0.39%	-	0.00%
PRC Multi-Family LLC	32,280,791	0.35%	-	0.00%
Majestic Enterprises LP	27,872,009	0.31%	-	0.00%
Downey Land Limited	27,787,302	0.31%	21,310,547	0.34%
Sanwa Jutaku Company Limited	-	0.00%	33,380,078	0.53%
Norbert Gehr Trust	-	0.00%	27,898,201	0.45%
Andrews Rancho Del Norte	-	0.00%	21,993,354	0.35%
Brookshire Partners	-	0.00%	15,176,956	0.24%
	<u>\$ 587,305,513</u>	<u>6.46%</u>	<u>\$ 384,444,507</u>	<u>6.13%</u>

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

*Business named Kaiser Foundation Hospitals in 2004-05

Source: HdL Coren & Cone, L. A. County Assessor 2004/05 - 2013/14 Combined Tax Rolls and the SBE Non Unitary Tax Roll

CITY OF DOWNEY

PROPERTY TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Current Tax Collected Amount	Percent of Levy Collected	Collections in Subsequent Fiscal Year	Total Collections to Date	
					Tax Collected Amount	Percent of Total Tax Collections
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	12,008	100.00
2010-11	11,870	10,934	92.11	95	11,029	92.91
2011-12	12,080	10,823	89.59	10	10,833	89.68
2012-13	12,323	12,407	100.68	(13)	12,394	100.58
2013-14	12,710	12,313	96.88	*	12,313	96.88

* Information not available

Source: L.A. County Auditor Controller's Office 2013/14

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				
2004-05	\$ 29,189	\$ 4,990	\$ 41,526	\$ 75,705	\$ 9,640	\$ 214	\$ 9,854	\$ 85,559	17.8%	\$ 758	
2005-06	28,906	3,850	44,676	77,432	9,360	257	9,617	87,049	17.0%	770	
2006-07	28,618	2,650	46,213	77,481	9,070	323	9,393	86,874	16.1%	765	
2007-08	28,315	1,365	48,486	78,166	8,775	383	9,158	87,324	15.8%	769	
2008-09	27,987	-	46,595	74,582	8,470	497	8,967	83,549	15.2%	739	
2009-10	27,614	-	48,236	75,850	8,155	531	8,686	84,536	15.0%	743	
2010-11	27,186	-	52,743	79,929	7,830	597	8,427	88,356	15.4%	789	
2011-12	19,535	-	37,582	57,117	7,830	597	8,427	65,544	10.8%	584	
2012-13	19,260	-	35,253	54,513	7,149	694	7,843	62,356	9.8%	553	
2013-14	18,933	-	35,433	54,366	6,783	696	7,479	61,845	9.5%	546	

Source: Finance Department, City of Downey

CITY OF DOWNEY

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

Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value (in thousands)	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2004-05	112,938	\$ 6,266,554	\$ -	\$ -	\$ -	0.0%	0.0%
2005-06	113,063	7,001,934	-	-	-	0.0%	0.0%
2006-07	113,587	7,774,263	-	-	-	0.0%	0.0%
2007-08	113,607	8,477,831	-	-	-	0.0%	0.0%
2008-09	113,053	8,945,869	-	-	-	0.0%	0.0%
2009-10	113,715	8,595,374	-	-	-	0.0%	0.0%
2010-11	111,985	8,496,958	-	-	-	0.0%	0.0%
2011-12	112,201	8,646,847	-	-	-	0.0%	0.0%
2012-13	112,761	8,820,914	-	-	-	0.0%	0.0%
2013-14	113,363	9,098,220	-	-	-	0.0%	0.0%

Source: Finance Department, City of Downey

CITY OF DOWNEY
SCHEDULE OF DIRECT AND OVERLAPPING DEBT

June 30, 2014

City Assessed Valuation	\$ 9,098,221,009
Incremental Valuation	(518,093,750)
Total Assessed Valuation	\$ 8,580,127,259

Debt to Assessed Valuation Ratios:	Direct Debt	0.97%
	Overlapping Debt	1.25%
	Total Debt	2.23%

	Gross Bonded Debt Balance Jun-30-2014	Percent Applicable to City of Downey	Net Bonded Debt
Metropolitan Water District*	\$ 64,271,492	0.929	\$ 596,880
Little Lake City SD DS 2005 Ref. Bond	845,000	3.496	29,542
Little Lake City SD DS 2000 Series C	1,764,901	3.496	61,702
Little Lake City School 2000 Series D IQSCBS	7,775,000	3.496	271,817
Little Lake City SD DS 2011 Ref. Bond	17,070,000	3.496	596,774
Little Lake City SD DS 2012 Series A	6,000,000	3.496	209,762
Whittier Union HSD DS 2005 Refunding Bonds	75,865,340	0.571	433,320
Whittier UN High DS 2008 Ser 2009A	55,988,717	0.574	321,410
Cerritos CC DS 2004 Series 2004A	1,890,000	23.597	445,979
Cerritos CC DS 2005 Refunding Bonds	20,769,770	23.597	4,901,001
Cerritos CC DS 2004 Series 2006	30,645,000	23.597	7,231,239
Cerritos CC DS 2004 Series 2009C	50,985,000	23.597	12,030,827
Cerritos CC DS 2004 Series 2012D	82,825,515	23.597	19,544,169
Compton CCD DS 2002 Series A	910,000	0.708	6,443
Compton CCD DS 2002 Series 2008A	13,435,000	0.708	95,117
Compton CCD DS 2002 Series 2012C	31,556,094	0.708	223,411
Compton CCD DS 2012 Ref Bonds	31,245,000	0.708	221,208
L.A. CCD DS 2003 Taxable Series 2004B	74,235,000	0.003	2,013
L.A. CCD DS 2001 Taxable Series 2004A	8,850,000	0.003	240
LA CCD DS Refunding 2001 Series 2005A	403,320,000	0.003	10,935
LA CCD DS 2001, 2006 Series B	266,185,000	0.003	7,217
LA CCD DS 2003, 2006 Series C	381,585,000	0.003	10,345
LACC DS 2001, 2008 Ser E-1	267,340,000	0.003	7,248
LACC DS 2003, 2008 Series F-1	341,565,000	0.003	9,260
LACC DS 2008, 2009 Taxable Series A	350,000,000	0.003	9,489
LACC DS 2008, 2009 Taxable Ser B	75,000,000	0.003	2,033
LACC Debt 2008, 2010 Tax Series D	219,889,950	0.003	5,962
LACC Debt 2008, 2010 Tax Ser E (BABS)	900,000,000	0.003	24,400
LACC DS 2008, 2010 Series C	177,885,060	0.003	4,823
LACC DS 2013 Ref Bonds	54,480,000	0.003	1,477
LACC DS 2008 Series G	220,000,000	0.003	5,965
Rio Hondo CC DS 2004 Series 2004A	1,870,000	0.364	6,816
Rio Hondo CCD DS 2005 Refunding Bonds	40,575,387	0.364	147,894
Rio Hondo CCD DS 2004 Ser 2008	121,657,824	0.364	443,434
Downey Unified SD Refunding 1999 Series A	5,655,256	91.523	5,175,880
Downey Unified DS 2002 Series C	2,900,000	91.523	2,654,177
Downey USD DS 2006 Refunding Bonds	8,320,000	91.523	7,614,743
Downey Unif DS 2007 Ref Bds	19,685,000	91.523	18,016,373
Downey USD DS 2011 Refunding Bonds	10,900,000	91.523	9,976,046
Downey USD DS 2012 Refunding Bonds	17,620,000	91.523	16,126,416
Montebello USD DS 1998 Series 1998	7,783,067	0.124	9,681
Montebello USD DS 98 Series 1999	9,570,081	0.124	11,903
Montebello USD DS 1998 Series 2002	15,833,172	0.124	19,694
Montebello USD DS 2004 Ser 2008	31,850,000	0.124	39,616
Montebello USD DS 2004 Series 2009-1	19,115,000	0.124	23,776
Montebello USD DS 04 Series 2009A-2 BABS	12,640,000	0.124	15,722
Montebello USD DS 2010 Refunding Bonds	11,140,000	0.124	13,856
Montebello USD DS Ref 2004 Series 2013A	22,155,000	0.124	27,557
Total Overlapping Debt			\$ 107,645,592
Total Direct and Overlapping Debt			\$ 191,087,233

* This fund is a portion of a larger agency, and is responsible for debt in areas outside the city.

This report reflects debt which is being repaid through voter-approved property tax indebtedness. It excludes mortgage revenue, tax allocation bonds, interim financing obligations, non-bonded capital lease obligations, and certificates of participation, unless provided by the city.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2013/14 Lien Date Tax Rolls

CITY OF DOWNEY

SCHEDULE OF LEGAL DEBT MARGIN
(amounts expressed in thousands)

Last Ten Fiscal Years

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Assessed Valuation	\$ 6,266,554	\$ 7,001,934	\$ 7,774,263	\$ 8,477,831	\$ 8,945,869	\$ 8,595,374	\$ 8,496,958	\$ 8,646,847	\$ 8,820,914	\$ 9,098,220
Charter Debt Limited (15% of Assessed Valuation)	939,983	1,050,290	1,166,139	1,271,675	1,341,880	1,289,306	1,274,544	1,297,027	1,323,137	1,364,733
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	\$ 939,983	\$ 1,050,290	\$ 1,166,139	\$ 1,271,675	\$ 1,341,880	\$ 1,289,306	\$ 1,274,544	\$ 1,297,027	\$ 1,323,137	\$ 1,364,733
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.

Source: L. A. County Assessor 2004/05 - 2013/14 Combined Tax Rolls

CITY OF DOWNEY

WATER LEASEHOLD MORTGAGE BOND COVERAGE

(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
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	-	-	-	-
2013-14	18,408	11,827	6,581	-	-	-	-

Source: Finance Department, City of Downey

CITY OF DOWNEY

GOLF COURSE REVENUE 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	
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
2013-14	3,325	2,696	629	365	335	700	0.90

Source: Finance Department, City of Downey

CITY OF DOWNEY
DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population ¹	Calif. Metropolitan Personal Income (in thousands) ²	Calif. Metropolitan Per Capita Personal Income ²	Unemployment Rate ³
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	635,891,798	48,425	7.6%
2014	113,363	649,881,418 *	49,490 *	6.3%

Sources:

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

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

³ 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 2013Q2 and 2014Q2 from Bureau of Economic Analysis, we estimate an increase of 2.2% in 2014.

CITY OF DOWNEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2013-14		2004-05	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Kaiser Permanente	4,500	8.2	-	-
Downey Unified School District	2,693	4.9	2,500	N/A
Office of Education, County of Los Angeles	2,262	4.1	4,400	N/A
Stonewood Shopping Center	1,765	3.2	1,535	N/A
Rancho Los Amigos Medical Center	1,410	2.6	-	-
PIH Health (formally Downey Regional Medical Center)	1,250	2.3	1,200	N/A
Coca-Cola Bottling Company	800	1.5	795	N/A
City of Downey	766	1.4	-	-
Internal Service Dept., County of Los Angeles	712	1.3	-	-
Lakewood Health Center	314	0.6	-	-

Note: Total no. of employment in 2013-14 is based on 2013 American Community Survey for Downey.
 The survey detail can be found at <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>

Source: Finance Department and Community Development Department, City of Downey

CITY OF DOWNEY
FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
General government	32	33	33	37	38	36	36	33	27	31
Police	166	169	169	179	201 *	193	190	166	162	167
Fire	86	85	85	86	92	91	90	86	82	94 **
Parks and Recreation	338	338	338	368	383 *	370	383	337	370	379
Public works	81	81	81	82	87	82	83	83	67	74
Community development	32	34	34	32	30	33	28	30	20	21
Total	735	740	740	784	831	805	810	735	728	766

Note:

* The increase in number of Part-Time employees in Community Service in FY 2008 and 2009 was due to the expanded ASPIRE program funded by the State.

* City implemented new part-time cadet program in FY 2009.

** Fire department was authorized to hire 12 paramedic operators upon receipt of Federal grant .

Source: Finance Department, City of Downey

CITY OF DOWNEY
OPERATING INDICATORS

Last Ten Fiscal Years

	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Police:										
Number of arrests	4,228	4,402	4,984	4,519	4,437	4,663	4,194	4,667	3,376	3,368
Number of collision reports issued	1,596	1,601	1,473	1,402	1,311	1,143	1,080	901	1,135	1,170
Number of traffic citations issued	42,479	41,499	47,508	43,188	42,078	40,871	36,595	40,741	32,031	35,643
Number of reported crimes & incidents	14,129	14,139	15,016	13,543	13,294	13,230	12,814	13,891	9,759	8,198
Fire:										
Number of emergency incidents	5,413	5,474	5,451	5,983	6,021	6,126	6,554	5,086	6,979	6,996
Number of fire & other incidents	2,344	2,530	2,567	1,881	1,136	1,384	1,160	2,892	1,268	1,363
Number of special service & other incidents	n/a	n/a	n/a	n/a	535	297	422	n/a	171	312
Number of traffic accidents	350	540	752	735	715	747	784	312	812	853
Parks and Recreation:										
Number of general park attendance	445,984	513,059	676,731	520,340	929,974	935,457	982,229	844,896	954,696	1,404,361
Number of participants in theatre	41,000	41,000	40,738	54,114	38,891	42,882	40,385	40,000	47,943	42,219
Number of library attendance	400,700	371,445	359,502	397,002	413,510	416,605	446,970	387,656	356,586	363,640
Public works:										
Engineering (CIP related improvement)										
Street striping (lineal feet)	n/a	29,866	39,005	45,148	27,600	27,000	108,187	n/a	5,798	39,750
Asphalt replacement (tons)	n/a	15,947	21,506	3,944	7,981	34,000	47,017	n/a	5,201	21,484
Trees planted (each)	n/a	108	444	434	372	127	291	n/a	n/a	n/a
Trees removed (each)	n/a	10	20	5	13	62	75	n/a	151	220
Maintenance										
Pavement markings (square feet)	n/a	84,170	59,201	80,365	102,651	42,638	57,844	n/a	35,038	57,229
Street striping (lineal feet)	n/a	368,109	375,471	191,707	501,357	272,266	67,706	n/a	260,463	29,751
Asphalt repair (tons)	550	575	587	466	508	428	505	400	403	375
Graffiti removed (square feet)	516,093	503,704	627,970	755,485	719,661	685,482	728,954	200,000	633,950	645,000
Trees trimmed (each)	9,503	7,697	8,870	9,870	6,288	7,100	8,122	10,208	5,820	8,169
Trees planted (each)	718	434	200	239	155	241	177	240	123	204
Trees removed (each)	227	350	234	320	199	494	470	290	618	228
Vehicles serviced - preventative maintenance	265	326	441	469	575	694	830	152	1,332	455
Vehicles serviced - repairs (each)	541	397	597	612	498	911	617	545	849	660
Water:										
Number of customers	22,955	22,734	22,356	22,806	22,421	22,249	22,788	22,339	22,486	22,961
Annual supply (acre feet)	17,571	18,043	19,313	18,402	17,973	16,953	16,402	18,347	17,215	17,279
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
Sanitary Sewer:										
Sewer main cleaned (no. of miles)	198	187	18	18	25	12	95	25	57	45
Vector coating applied to sewer manholes	n/a	1,750	1,818	1,920	2,000	1,000	1,000	n/a	1,650	1,350
Golf course:										
Golf rounds played	64,784	70,071	68,980	67,050	64,105	62,154	60,703	61,938	66,276	60,152

Source: Finance Department, City of Downey

CITY OF DOWNEY

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Public Safety										
Number of Police stations	1	1	1	1	1	1	1	1	1	1
Number of Fire stations	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Miles of streets	210	210	210	210	210	210	210	210	210	210
Traffic signals	115	115	115	115	115	115	115	115	116	116
No. of street lights	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Water										
Number of active water wells	20	20	20	20	20	20	20	20	20	20
Number of reservoirs	1	1	1	1	1	1	1	1	1	1
Miles of lines & mains	320	263	263	263	263	263	263	263	276	276
Sewer										
Miles of sanitary sewer	187	187	187	187	187	187	187	187	187	187
Sewer lift station	2	2	2	2	2	2	2	2	2	2
Culture and Recreation										
Number of parks	11	11	11	11	12	12	12	12	12	12
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of golf course	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



City of *Downey*

