

CITY OF DOWNEY

C A L I F O R N I A



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2007**

CITY OF DOWNEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Prepared by:

Department of Finance

John Michicoff
Finance Director

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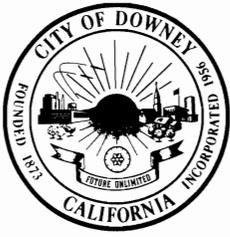
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INTRODUCTORY SECTION



City of Downey

FUTURE UNLIMITED

December 26, 2007

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, 2007. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The CAFR is a comprehensive report consisting of three main sections: Introductory, Financial and Statistical. The Introductory Section includes the table of contents, this letter of transmittal, principal officials, an organization chart and a certificate of award. The Financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), the basic financial statements, including the government-wide financial statements, comprised of the Statement of Net Assets and the Statement of Activities, fund financial statements and combining individual fund statements. The Statistical section includes several tables and schedules that present financial and general information for the past ten years. More information about this change can be found in the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

GENERAL INFORMATION ABOUT THE CITY OF DOWNEY

The City of Downey, located in the County of Los Angeles, California, 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 a full range of municipal services to its 113,587 residents. These services include, but are not limited to, police, fire, public works, recreational, 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 school districts, the County of Los Angeles and its related agencies have not met the established criteria for inclusion in the reporting entity; they have been excluded from this report.

ECONOMIC CONDITION AND OUTLOOK

The City of Downey is located twelve miles southeast of the City of Los Angeles in the center of the Southern California economy. City staff has worked diligently to retain and attract existing or new business that will continue to provide an economic stimulus to our local economy. Although the City experienced a loss of approximately 3,250 jobs due to the departure of Boeing Corporation, staff has put forth significant effort in replenishing this economic loss by redeveloping the former Boeing site with several new businesses including large retail stores, restaurants, health care, professional services, and a major film studio. Additionally, a large portion was dedicated for the creation of the Columbia Memorial Space Science Learning Center (CMSSLC) as well as the Discovery Sports complex, a 13-acre park facility. The City of Downey is the proud owner of one of the finest municipal golf courses in all of Southern California. By utilizing talented professionals via concessionaire agreements, the daily operation of the golf course, grounds maintenance and event center, continue to provide all users with quality services and leisure activities. According to the U. S. Department of Labor, the unemployment rate for the Los Angeles metropolitan area is 4.8%. Nationally the unemployment rate is 4.4% and the rate for the State of California is 5.6%.

MAJOR INITIATIVES

For the Year. The largest project continues to involve the 160 acre former Boeing property. The development of a 56 acre retail complex, known as the Downey Landing Retail Center has now been completed and is in full operation. The facility contains several large retail stores and restaurants. Also, construction of the new Kaiser Permanente hospital continues to make rapid progress. The hospital facility covers over 30 acres and is designed to contain a 1 million square feet state-of-the-art hospital with 450 beds. Construction should be completed by the fall of 2008. Another 56 acres of the former Boeing property is being utilized by Industrial Realty Group (IRG) for use as a film production facility, known as Downey Studios. To date, over \$20 million of property improvements have been made to the property which required the City's involvement from various disciplines (building, planning, engineering, legal, risk management, etc.). The following projects were either completed or commenced in the current year: \$5 million for the construction of the Columbia Memorial Space Science Learning Center; \$3.5 million for the Discovery Sports Complex; \$7.2 million in highway improvements to Lakewood Boulevard, a major arterial through the city; \$6 million in other highway improvements and beautification projects; \$5.6 million in water infrastructure upgrades; \$4.5 million towards the consolidation of several Public Works corporate yards into a single location.

Future Initiatives. The City is involved in numerous economic development projects. Even though the former Boeing property is briefly addressed as an initiative for the current year, the activities surrounding this property have significant impact on the future initiatives of Downey as well. All available sites are occupied and have a significant regional draw of customers. Some of the tenants include Best Buy, Old Navy, Marshall's, Ross Dress for Less, Michael's Craft Store, Bally's Fitness

Center, Pier 1 Imports, Elephant Bar, Johnny Carino's, and Chili's just to name a few. Downey Studios has been in full operation for over 3 years and has attracted the production of several blockbuster style movies. Due to the cyclical fluctuation of the movie industry (as evidenced by the current film and television writer's strike), the owners of the studios are considering utilizing the 56-acre site for other means. Although discussions are still in their initial stages, the desires relayed to the city would include more of a mixed use to include homes, retail stores, corporate office space and entertainment. The City anticipates approximately \$3 million per year in additional revenues from increased sales and use tax, property tax, utility users tax, and business registration fees from the entire former Boeing site. Also as discussed, the City retained several acres for the creation of the new Discovery Sports Complex and the Columbia Memorial Space Science Learning Center. This park will be the first park built in the City since 1975. The \$18 million Learning Center will preserve the 70-year legacy of aviation and aerospace history through space science education programs and honor the people who worked in the aviation and aerospace industry in Downey. It also seeks to enhance the science literacy of future generations. Street and traffic flow improvements will continue throughout the City currently estimated at more than \$20 million over the next several years. And finally, the City intends to maintain its aggressive position of assisting and attracting businesses of all sizes by offering a less intrusive business registration fee structure and various grant programs.

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 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, 2006 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 also maintains control of its fiscal condition through the budget. The objective of the budget is to ensure funds are expended in accordance with the wishes of the City Council. Activities of the General Fund, Special Revenue Funds, and the Capital Project Funds are

included in the budget. The level of budgetary control is the department level within the fund. The City Council may amend the 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 of Downey has no general obligation debt. However, the City does have two revenue bond issues and one tax allocation bond issue. Note 9, of the Notes to Basic Financial Statements, presents more detailed information about these debt issues. The City uses various trustees as its paying agents for all bonds and coupons. The City deposits with the trustee, according to agreement, principal and interest requirements as appropriate.

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

<u>Principal Issue</u>	<u>Trustee</u>	<u>Outstanding</u>
Downey Public Facilities Financing Corporation: 2002 Certificates of Participation	U.S. Bank	\$ 9,070,000
City of Downey Civic Center Corporation: 1996 Certificates of Participation	Western Trust	2,650,000
Downey Community Development Commission: 1997 Tax Allocation Bonds	First Trust California	8,350,000
California Statewide Communities Development Authority: 2005 Pension Obligation Bonds	Wells Fargo	20,460,000

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

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

During 2006-07, the City directly managed the day to day investing of a portfolio averaging \$115,622,083 and yielding approximately \$4,923,700. Interest was credited to funds based on month-end cash and investment balances.

Risk Management. The City self-insures for a substantial part of its operation. Workers' Compensation, employee health benefits, and general liability are managed on a self-insured basis. The City contracts with third-party administrators to process claims and help manage these programs.

The self-insured retention, the amount payable at June 30, 2007 and the limit of excess insurance coverage are as follows:

	<u>Self-Insured Retention</u>	<u>Amount Payable 6-30-07</u>	<u>Limit of Insurance Coverage</u>
Workers' Compensation	\$ 750,000	\$ 6,838,000	\$ 50,000,000
Employee Health Benefits	85,000	980,000	1,000,000
General Liability	2,000,000	2,523,000	20,000,000

The amount payable includes the calculated (projected) value of Incurred but Not Reported (IBNR) claims. The various amounts are based upon information provided by the City's Claim Administrator and Actuary.

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

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 Diehl, Evans and Company, 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 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, 2006. 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. I believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and I am submitting it to the GFOA to determine its eligibility for another certificate.

California Society of Municipal Finance Officers (CSMFO) Certificate of Award for Outstanding Financial Reporting. The CSMFO awarded a Certificate of Award for Outstanding Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The certificate is issued in recognition of meeting professional standards and criteria in reporting which reflect a high level of quality in the annual financial statements and in the underlying accounting system from which the reports were prepared. For fiscal years beginning June 30, 2006, CSMFO will no longer be issuing a separate certificate for outstanding financial reporting if the City qualifies and submitted for the awards program sponsored by the GFOA. Therefore, in lieu of applying for the CSMFO awards program, the City will continue to apply for the GFOA awards program.

Acknowledgments. The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire Finance Department staff. I would like to express my sincere appreciation to all members of the Finance Department, especially the Finance Manager, Maurina Lee, and Administrative Assistant Melissa Galvan. Additionally, I want to thank and acknowledge the efforts of the City's audit firm Diehl, Evans and Company LLP.

In closing, without the leadership and strong support of the members of the City Council, City Manager and Assistant City Manager, the implementation of vital fiscal management policies and procedures resulting in this report would not be possible.

Respectfully submitted,



John Michicoff
Director of Finance

CITY OF DOWNEY

PRINCIPAL OFFICIALS

City Council

Rick Trejo, Mayor

David R. Gafin, Mayor Pro Tem

**Mario Guerra
Council Member**

**Anne M. Bayer
Council Member**

**Kirk O. Cartozian
Council Member**

APPOINTED OFFICIALS

Charles S. Vose – City Attorney/Economic Development

Kathleen L. Midstokke – City Clerk

MANAGEMENT TEAM

Gerald M. Caton, City Manager

Lee Powell, Assistant City Manager

**Desi Alvarez
Director of Public Works**

**Roy Campos
Chief of Police**

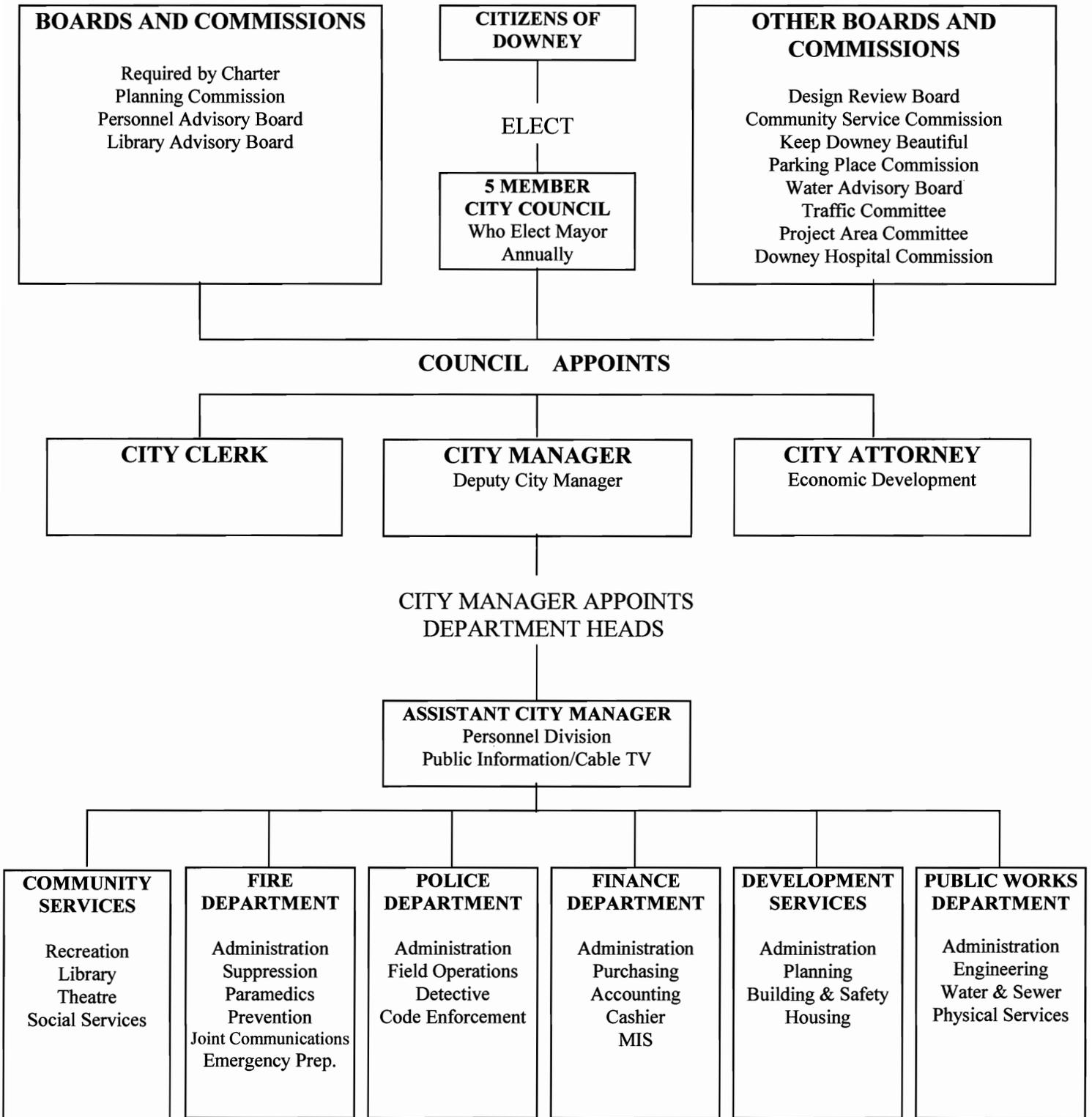
**Linda Haines
Director of Development Services**

**Thad Phillips
Director of Community Services**

**John Michicoff
Director of Finance**

**Mark Sauter
Fire Chief**

**CITY OF DOWNEY
ORGANIZATIONAL CHART**



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Downey
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director

FINANCIAL SECTION



DIEHL, EVANS & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100
IRVINE, CALIFORNIA 92606-4956
(949) 399-0600 • FAX (949) 399-0610
www.diehlevans.com

MICHAEL R. LUDIN, CPA
CRAIG W. SPRAKER, CPA
NITIN P. PATEL, CPA
ROBERT J. CALLANAN, CPA
*PHILIP H. HOLTkamp, CPA
*THOMAS M. PERLOWSKI, CPA
*HARVEY J. SCHROEDER, CPA
KENNETH R. AMES, CPA

*A PROFESSIONAL CORPORATION

December 20, 2007

INDEPENDENT AUDITORS' REPORT

City Council Members
City of Downey
Downey, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Downey, California, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Downey's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

- 1 -

OTHER OFFICES AT:

2965 ROOSEVELT STREET
CARLSBAD, CALIFORNIA 92008-2389
(760) 729-2343 • FAX (760) 729-2234

613 W. VALLEY PARKWAY, SUITE 330
ESCONDIDO, CALIFORNIA 92025-2598
(760) 741-3141 • FAX (760) 741-9890

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2007 on our consideration of the City of Downey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison schedules identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and express no opinion on it. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Downey's basic financial statements. The introductory section, other supplemental information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Diehl, Evans and Company, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Downey (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide

- ✓ The assets of the City exceeded its liabilities at the close of the current fiscal year by \$291.3 million. Of this amount, \$69.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- ✓ The City's total net assets increased by \$10.2 million. Of this, \$9.0 million is attributable to governmental activities and a deficit of \$1.2 million is from operations of business-type activities.
- ✓ The City's total long-term liability decreased by \$2.3 million during the current fiscal year, a decrease of only 3.0%

Fund based

- ✓ At the close of the current fiscal year, the City's governmental funds reported total ending fund balances of \$52.3 million, an increase of \$2.6 million, including an \$8.1 million transfer out to the Employee Benefit Fund for future commitments.
- ✓ At the end of the current fiscal year, unreserved General Fund balance was \$15.4 million which equates to 26.18% of the total General Fund expenditures.
- ✓ For the General Fund, actual revenues (inflows) of \$68.8 million exceeded final budgeted revenues of \$59.4 million by \$9.4 million. This favorable variance is due to increases in Taxes (\$3.7 million), Charges for services revenue (\$2.8 million) and Investment and rental income (\$1.5 million). The balance of the variance is attributable variances is the remaining revenue categories.
- ✓ General Fund expenditures (outflows) for the current year were \$59.0 million. This was \$2.6 million less than the final budgeted expenditures of \$61.6 million. These savings were attributable primarily to prudent management of city services and risk management. Some of the more significant departmental savings were from Police, (\$1.4 million) and Community development (\$1.3 million).

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.

See independent auditors' report

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (CONTINUED)

Government-wide financial statements. The government-wide financial statements are comprised of the Statement of Net Assets and Statement of Activities. These two statements are designed to provide the reader with a broad overview of the City's finances utilizing the full accrual method of accounting, in a manner similar to a private-sector business. Under the full accrual method of accounting, transactions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, assets, liabilities, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., uncollected revenues and accrued but unpaid interest expense).

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

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

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

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

Fund financial statements. The 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. All of the funds 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.

See independent auditors' report

Governmental funds (Continued). 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 of Downey maintains several individual governmental funds, organized by their type (Special Revenue, Debt Service, and Capital Projects). Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Firestone Debt Service Fund, City Capital Projects Fund, Housing Capital Projects Fund, which are considered to be major funds. Data from the Other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these other governmental funds are provided in the form of supplementary combining statements elsewhere in this report.

The City adopts an annual appropriated budget to substantially cover all City expenditures with the exception of debt service on bonds. Budgetary comparison statements are not presented for the Debt Service Funds because budgets are not adopted for these funds.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes Budgetary Comparison Schedules for the General Fund and the CDBG Special Revenue Fund. Combining statements for other governmental funds, internal service funds, Agency funds and budgetary comparison schedules for all other special revenue and capital projects funds are presented immediately following the required supplementary information. These statements and schedules can be found elsewhere in this report.

See independent auditors' report

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Downey, assets exceeded liabilities by \$232.7 million for governmental activities and \$58.6 million for business-type activities for a total of \$291.3 million at the close the most recent fiscal year.

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

GOVERNMENTAL ACTIVITIES NET ASSETS (in thousands)

	2007	2006
Current and other assets	\$ 141,156	\$ 131,557
Capital assets	177,742	175,640
Total assets	<u>318,898</u>	<u>307,197</u>
Other liabilities	20,276	15,472
Long-term liabilities	65,875	67,937
Total liabilities	<u>86,151</u>	<u>83,409</u>
Net Assets:		
Invested in capital assets, net of related debt	154,423	150,882
Restricted	31,468	28,039
Unrestricted	46,856	44,867
Total net assets	<u>\$ 232,747</u>	<u>\$ 223,788</u>

BUSINESS-TYPE ACTIVITIES NET ASSETS (in thousands)

	2007	2006
Current and other assets	\$ 25,217	\$ 23,879
Capital assets	44,587	44,386
Total assets	<u>69,804</u>	<u>68,265</u>
Other liabilities	2,301	1,754
Long-term liabilities	8,938	9,190
Total liabilities	<u>11,239</u>	<u>10,944</u>
Net Assets:		
Invested in capital assets, net of related debt	35,662	35,976
Restricted	-	-
Unrestricted	22,903	21,345
Total net assets	<u>\$ 58,565</u>	<u>\$ 57,321</u>

See independent auditors' report

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

TOTAL GOVERNMENT NET ASSETS (in thousands)

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 166,373	\$ 155,436
Capital assets	<u>222,329</u>	<u>220,026</u>
Total assets	<u>388,702</u>	<u>375,462</u>
Other liabilities	22,577	17,226
Long-term liabilities	<u>74,813</u>	<u>77,127</u>
Total liabilities	<u>97,390</u>	<u>94,353</u>
Net Assets:		
Invested in capital assets, net of related debt	190,085	186,858
Restricted	31,468	28,039
Unrestricted	<u>69,759</u>	<u>66,212</u>
Total net assets	<u>\$ 291,312</u>	<u>\$ 281,109</u>

By far, the largest portion of the City's total net assets (65.2%) reflects its investment in capital assets (i.e., infrastructure, land, buildings, machinery and equipment), net of related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (10.8%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$69,759 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Of the unrestricted assets, \$22,903 is attributable to business-type activities. The governmental activities of the City have unrestricted net assets of \$46,856.

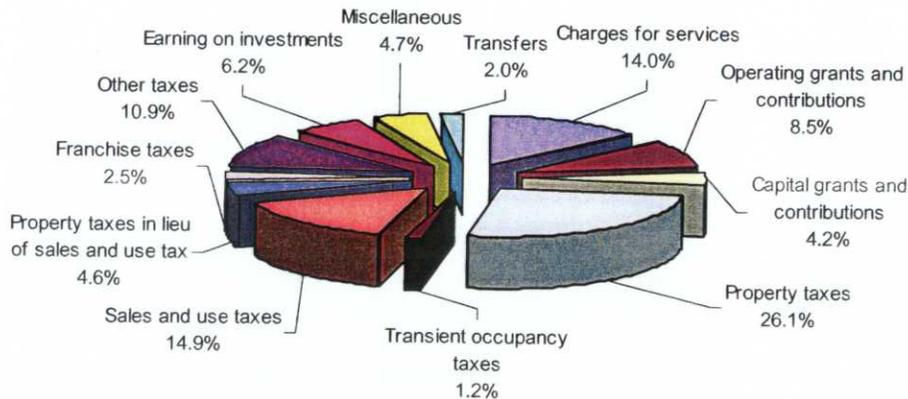
See independent auditors' report

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

GOVERNMENTAL ACTIVITIES
CHANGE IN NET ASSETS
(in thousands)

	<u>2007</u>	<u>2006</u>
REVENUES:		
Program revenues:		
Charges for services	\$ 12,147	\$ 11,919
Operating grants and contributions	7,409	9,826
Capital grants and contributions	3,676	4,548
General revenues:		
Taxes:		
Property taxes	22,726	19,813
Transient occupancy taxes	1,085	1,022
Sales and use taxes	12,996	11,372
Property taxes in lieu of sales and use tax	3,989	3,819
Franchise taxes	2,168	2,076
Other taxes	9,489	8,574
Earning on investments	5,405	2,070
Miscellaneous	4,126	7,459
Total revenues	<u>85,216</u>	<u>82,498</u>
EXPENSES:		
Program activities:		
General government	6,100	4,510
Public safety	42,379	40,767
Public works	8,466	8,079
Community services	7,903	8,927
Community development	6,556	6,269
Unallocated infrastructure depreciation	4,772	4,614
Interest on long term debt	1,801	1,767
Total expenses	<u>77,977</u>	<u>74,933</u>
Excess of revenues over expenses	7,239	7,565
Transfers	<u>1,720</u>	<u>3,530</u>
Change in net assets	<u>\$ 8,959</u>	<u>\$ 11,095</u>

Revenue by Source - Governmental Activities

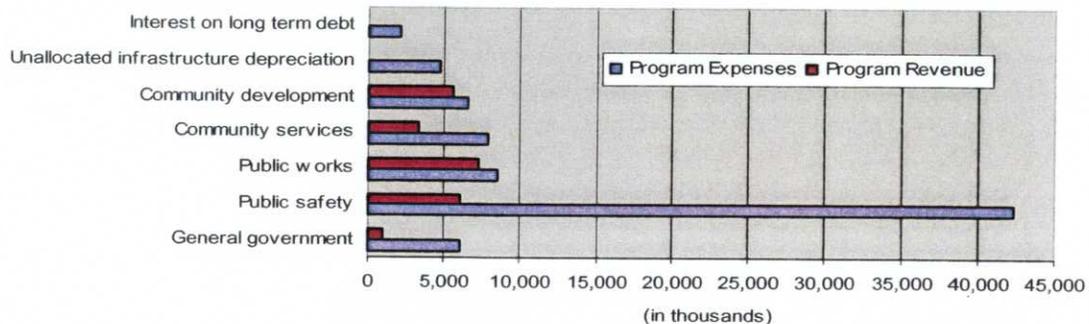


See independent auditors' report

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. The most significant revenues, including transfers, of the governmental activities are taxes (60.2%), which included property taxes (26.1%), sales and use taxes (14.9%), and other taxes (19.2%). Program revenues are 26.7% of the total revenues of the governmental activities, which includes charges for services (14.0%), operating grants and contributions (8.5%) and capital grants and contributions (4.2%). The remaining 12.9% of total revenues is comprised of earnings on investments (6.2%), miscellaneous (4.7%) and transfers (2.0%).

Governmental Activities



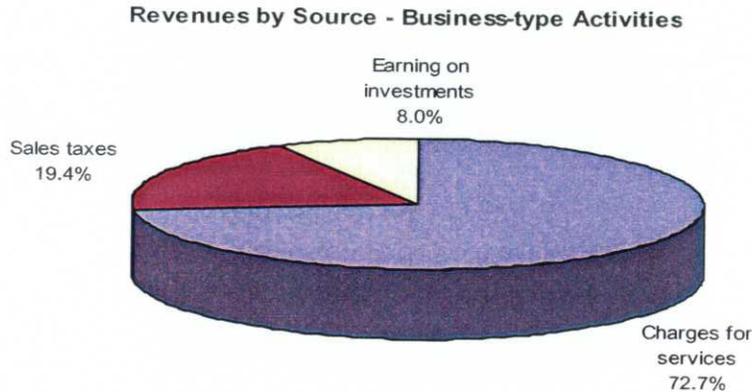
Public safety expenses, which include police and fire service, are the most significant of all governmental expenses at 54.4%. Thereafter, public work (10.8%), community services (10.1%), community development (8.4%), general government (7.8%), unallocated infrastructure depreciation (6.1%), interest on long term debt (2.3%).

BUSINESS-TYPE ACTIVITIES CHANGE IN NET ASSETS (in thousands)

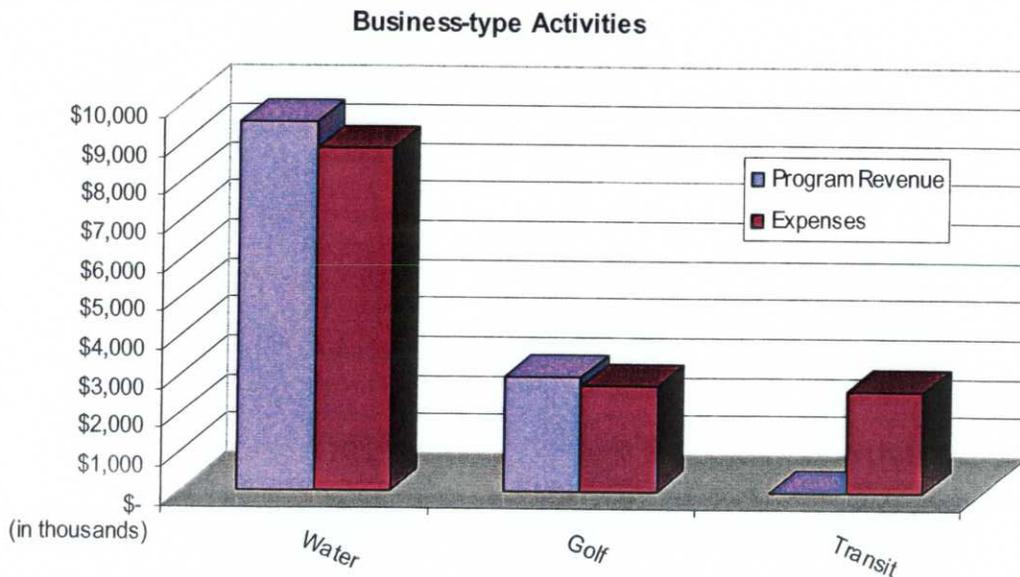
	2007	2006
REVENUES:		
Program revenues:		
Charges for services	\$ 12,494	\$ 11,968
General revenues:		
Taxes:		
Sales taxes	3,330	3,383
Earning on investments	1,371	562
Gain on sale of capital assets	-	20
Total revenues	17,195	15,933
EXPENSES:		
Program activities:		
Water	8,852	7,977
Golf	2,745	2,516
Transit	2,634	2,577
Total expenses	14,231	13,070
Excess of revenues over expenses	2,964	2,863
Transfers	(1,720)	(3,530)
Change in net assets	\$ 1,244	\$ (667)
See independent auditors' report		

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type activities. Business-type activities increase the City's net assets by \$1,244. The most significant revenue generated was from charges from services (72.7%). The balance of revenues is from sales tax (19.3%) and earning on investments (8.0%). Of the charges from services, the most significant revenues generated were from the sales of water and related services (\$9,543). Second to this significance is the revenue generated by users of the golf course (\$2,944). The balance (\$7) is attributable to transit pass sales for the city operated transit services.



Water related expenses were also the most significant at \$8,852 or 62.2% of total operating expenses. As with revenues, the golf course was next with expenses of \$2,745 (19.3%) followed by the transit operation with expenses of \$2,634 (18.5%).



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**TOTAL GOVERNMENTAL ACTIVITIES
CHANGE IN NET ASSETS
(in thousands)**

	<u>2007</u>	<u>2006</u>
REVENUES:		
Program revenues:		
Charges for services	\$ 24,641	\$ 23,887
Operating grants and contributions	7,409	9,826
Capital grants and contributions	3,676	4,548
General revenues:		
Taxes:		
Property taxes	22,726	19,813
Transient occupancy taxes	1,085	1,022
Sales and use taxes	16,326	14,755
Property taxes in lieu of sales and use tax	3,989	3,819
Franchise taxes	2,168	2,076
Other taxes	9,489	8,574
Earning on investments	6,776	2,632
Gain on sale of capital assets	-	20
Miscellaneous	4,126	7,459
	<u>102,411</u>	<u>98,431</u>
Total revenues		
EXPENSES:		
Program activities:		
Governmental activities:		
General government	6,100	4,510
Public safety	42,379	40,767
Public works	8,466	8,079
Community services	7,903	8,927
Community development	6,556	6,269
Unallocated infrastructure depreciation	4,772	4,614
Interest on long term debt	1,801	1,767
Business-type activities:		
Water	8,852	7,977
Golf	2,745	2,516
Transit	2,634	2,577
	<u>92,208</u>	<u>88,003</u>
Total expenses		
Excess of revenues over expenses	10,203	10,428
Transfers	-	-
Change in net assets	\$ <u>10,203</u>	\$ <u>10,428</u>

See independent auditors' report

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported total ending fund balances of \$52,309, an increase of \$2,634 in comparison with the prior year. Approximately 32.6% of this total constitutes unreserved fund balances which are considered available for appropriation. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$15,845), 2) to pay debt service (\$2,071), 3) to reflect land held for resale that is not available as a spendable resource (\$3,909), and 4) to offset other non-current financial resources that are not anticipated to be liquidated in the near term (\$13,456).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance was \$15,448 which increased by \$254 from the prior as a result of operations.

General Fund actual revenues of \$68,804 exceeded budgeted revenues of \$59,395 by \$9,409 (15.8%). This was the result of actual revenues exceeding budget revenues in every category. Leading the way with an increase over their respective budget was Taxes with a \$3,735 variance. The significant increases were as follows: Charges for services of \$2,815, Investment and rental of \$1,460, and Intergovernmental revenue of \$778.

General fund actual expenditures were slightly less than the final budget. Of the total final appropriations (\$61,573), approximately 4.2% or \$2,564 went unspent. This savings is the result of an active role by management in maintaining service levels in a prudent and efficient manner. There were three expenditure centers with a material unfavorable variance: public works (\$773), interest and fiscal charges (\$413), and public safety-animal control (\$39). All departments which could not be anticipated when the budget document was prepared and subsequently modified.

Transfers out of the General Fund being much larger than anticipated which, in this case, is a positive event. Of the \$11,628 transfers out, \$8,052 was transferred to the Employee Benefit Fund due to the General Fund excess revenues over expenditures. The 2006-07 budget approval resolution contains a provision, which allows for the transfer of these excess revenues to the Employee Benefit Fund to satisfy future requirements.

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

The Water Fund's net assets increased \$476 as a result of increase in water sales. Operating income of \$867 was supplemented by \$624 of Non-operating revenues and further reduced by a \$1,015 Transfer out.

The Golf Fund's net assets increased \$239 in the current fiscal year. The increase is mostly attributable to a smaller Transfer out to fund various community service programs comparing with 2005-06.

The Transit Fund's net assets increased \$762 in the current fiscal year. Unlike the two other business-type activities, the Transit Fund receives most of its revenues from voter approved sales and use taxes. For the current year, taxes of \$3,330 were received to supplement the \$7 received from transit users. Sales and use taxes attributed to 90.8% of total transit revenues from all sources.

See independent auditors' report

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its government and business-type activities at June 30, 2007 amounted to \$222,329, net of accumulated depreciation. This investment in capital assets includes land, projects in progress, buildings, equipment, fixtures and infrastructure. The total changes in the City's investment in capital assets resulted from many various projects, acquisitions and depreciation on assets located throughout the City.

GOVERNMENTAL ACTIVITIES CAPITAL ASSETS (in thousands) (net of accumulated depreciation)

	<u>2007</u>	<u>2006</u>
Land	\$ 13,351	\$ 13,125
Projects in progress	27,268	19,306
Buildings	15,760	16,283
Land improvements	4,450	4,816
Equipment	6,432	6,873
Furniture and fixtures	151	165
Infrastructure	<u>110,330</u>	<u>115,072</u>
Total capital assets	<u>\$ 177,742</u>	<u>\$ 175,640</u>

BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS (in thousands) (net of accumulated depreciation)

	<u>2007</u>	<u>2006</u>
Land	\$ 10,436	\$ 9,925
Buildings	10,040	10,355
Land improvements	9,152	9,152
Equipment	571	647
Furniture and fixtures	154	170
Water supply and distribution system	<u>14,234</u>	<u>14,137</u>
Total capital assets	<u>\$ 44,587</u>	<u>\$ 44,386</u>

See independent auditors' report

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**TOTAL GOVERNMENTAL ACTIVITIES
CAPITAL ASSETS
(in thousands)
(net of accumulated depreciation)**

	<u>2007</u>	<u>2006</u>
Land	\$ 23,787	\$ 23,050
Projects in progress	27,268	19,306
Buildings	25,800	26,638
Land improvements	13,602	13,968
Equipment	7,003	7,520
Furniture and fixtures	305	335
Infrastructure	110,330	115,072
Water supply and distribution system	<u>14,234</u>	<u>14,137</u>
Total capital assets	<u>\$ 222,329</u>	<u>\$ 220,026</u>

Additional information on the City's assets can be found in the notes to basic financial statement in note 8.

Long-term liabilities. The City's outstanding long-term liabilities including certificates of participation, bonds, a capital lease, advances, loans, compensated absences, self-insurance and retiree health benefits totaled \$86,874. Of this, 89.2% (\$77,481) was in governmental activities and 10.8% (\$9,393) was in business-type activities. The governmental activities long-term liabilities increased by \$49 from advances, loans, and compensated absences. However, since long-term liability reductions totaled \$175, governmental activities long-term liabilities increased in total by \$49. Business-type activities long-term liabilities increased by \$55 from compensated absences. However, due to a net reduction in the Golf Course certificates of participation of \$279, total Business-type long-term debt decreased by \$224.

**GOVERNMENTAL ACTIVITIES
LONG-TERM LIABILITIES
(in thousands)**

	<u>2007</u>	<u>2006</u>
Bonds payable	\$ 28,618	\$ 28,906
Certificates of participation	2,650	3,850
Capital lease payable	525	588
Advances from County	9,956	8,338
Loans from Federal Government	10,055	10,032
Compensated absences	11,095	10,620
Claims payable	10,341	10,747
Retiree health benefits	<u>4,241</u>	<u>4,351</u>
Total long-term liabilities	<u>\$ 77,481</u>	<u>\$ 77,432</u>

See independent auditors' report

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

BUSINESS-TYPE ACTIVITIES LONG-TERM LIABILITIES (in thousands)

	<u>2007</u>	<u>2006</u>
Compensated absences	\$ 468	\$ 413
Certificates of participation	<u>8,925</u>	<u>9,204</u>
Total long-term liabilities	<u>\$ 9,393</u>	<u>\$ 9,617</u>

TOTAL GOVERNMENTAL ACTIVITIES LONG-TERM LIABILITIES (in thousands)

	<u>2007</u>	<u>2006</u>
Bonds payable	\$ 28,618	\$ 28,906
Certificates of participation	11,575	13,054
Capital lease payable	525	588
Advances from County	9,956	8,338
Loans from Federal Government	10,055	10,032
Compensated absences	11,563	11,033
Claims payable	10,341	10,747
Retiree health benefits	<u>4,241</u>	<u>4,351</u>
Total long-term liabilities	<u>\$ 86,874</u>	<u>\$ 87,049</u>

Additional information on the City's long-term liabilities can be found in the notes to basic financial statement in note 9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ✓ In March 2004, California voters approved Proposition 57 which allowed the state to issue bonds to reduce the state budget deficit. The state legislature additionally enacted provisions to fund the debt repayment. This method, referred to as "the triple flip", redistributes City Sales and use tax, City Property tax and County Property tax. Due to this financing method, the City's fiscal year 2007-08 budget reflects \$4,113,000 of Sales and use tax to be retained by the state and a relatively equal amount to be returned to the City as an increased Property tax.
- ✓ Property values in the City of Downey continued to experience significant increases due to higher resale prices and an increase in residential construction values. The slow down in residential resale prices and sub-prime mortgage loan problem may impact the city's property tax revenue in 2008-09. The City's fiscal year 2007-08 budget reflects a moderate increase of 9% in Property tax revenues over prior year.

See independent auditors' report

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CONTINUED)

- ✓ Sales tax revenue continues to be a strong revenue source for the City of Downey. The state's economic growth is projected to decrease but remains positive through 2008 because of the decline in housing-related market and spike in energy cost. The 2007-08 budget anticipates a conservative economic growth with an increase of 11%.
- ✓ The City's fiscal year 2007-08 budget includes appropriations for on-going City general and public safety services, economic development, capital projects, and potential property acquisitions for Lakewood Street improvement project and consolidated public works yard project.
- ✓ The City annually reviews all of its fees as part of the budget adoption process. For fiscal year 2007-08, 425 fees remained unchanged, 141 were increased, 2 were decreased and 8 new fees were added. The City's fee resolution covers fees that generate \$8.7 million for all city funds (\$5.3 million in the General Fund). The proposed changes are projected to increase total fee revenues by approximately \$173,020.

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 Director of Finance, City of Downey, 11111 Brookshire Avenue, Downey, California 90241-0607.

CITY OF DOWNEY

STATEMENT OF NET ASSETS

June 30, 2007

(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 3)	\$ 87,721	\$ 20,770	\$ 108,491
Receivables, net of allowance:			
Taxes	6,673	-	6,673
Accounts	1,934	1,405	3,339
Interest	1,316	300	1,616
Loans (Note 6)	5,092	-	5,092
Notes	971	-	971
Internal balances	640	(640)	-
Prepaid expense	19,568	-	19,568
Due from other governments and entities	1,890	32	1,922
Restricted assets (Note 3):			
Cash and investments	6,491	2,126	8,617
Cash and investments with fiscal agents	4,691	729	5,420
Land held for resale (Note 5)	3,909	-	3,909
Inventory	73	183	256
Deferred bond issuance costs	187	312	499
Capital assets, not depreciated (Note 8)	40,619	10,436	51,055
Capital assets, net of accumulated depreciation (Note 8)	137,123	34,151	171,274
TOTAL ASSETS	318,898	69,804	388,702
LIABILITIES:			
Accounts payable and accrued liabilities	7,751	1,627	9,378
Deposits	2	50	52
Interest payable	398	169	567
Unearned revenue (Notes 6 and 10)	519	-	519
Noncurrent liabilities (Note 9):			
Due within one year	11,606	455	12,061
Due in more than one year	65,875	8,938	74,813
TOTAL LIABILITIES	86,151	11,239	97,390
NET ASSETS:			
Invested in capital assets, net of related debt	154,423	35,662	190,085
Restricted for:			
Community development	21,856	-	21,856
Public works	7,563	-	7,563
Debt service	2,049	-	2,049
Unrestricted	46,856	22,903	69,759
TOTAL NET ASSETS	\$ 232,747	\$ 58,565	\$ 291,312

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

CITY OF DOWNEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2007
(amounts expressed in thousands)

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 6,100	\$ 150	\$ 780	\$ -
Public safety	42,379	4,156	1,950	-
Public works	8,466	2,236	1,412	3,676
Community services	7,903	2,904	404	-
Community development	6,556	2,701	2,863	-
Unallocated infrastructure depreciation	4,772	-	-	-
Interest on long term debt	1,801	-	-	-
Total governmental activities	77,977	12,147	7,409	3,676
Business-type activities:				
Water	8,852	9,543	-	-
Golf	2,745	2,944	-	-
Transit	2,634	7	-	-
Total business-type activities	14,231	12,494	-	-
Total	\$ 92,208	\$ 24,641	\$ 7,409	\$ 3,676

General revenues:

Taxes:

Property taxes, levied for general purposes

Transient occupancy taxes

Sales and use taxes

Property taxes in lieu of sales and use tax

Franchise taxes

Other taxes

Earning on investments

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

NET ASSETS - BEGINNING OF YEAR

NET ASSETS - END OF YEAR

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (5,170)	\$ -	\$ (5,170)
(36,273)	-	(36,273)
(1,142)	-	(1,142)
(4,595)	-	(4,595)
(992)	-	(992)
(4,772)	-	(4,772)
(1,801)	-	(1,801)
<u>(54,745)</u>	<u>-</u>	<u>(54,745)</u>
-	691	691
-	199	199
<u>-</u>	<u>(2,627)</u>	<u>(2,627)</u>
<u>-</u>	<u>(1,737)</u>	<u>(1,737)</u>
<u>(54,745)</u>	<u>(1,737)</u>	<u>(56,482)</u>
22,726	-	22,726
1,085	-	1,085
12,996	3,330	16,326
3,989	-	3,989
2,168	-	2,168
9,489	-	9,489
5,405	1,371	6,776
4,126	-	4,126
1,720	(1,720)	-
<u>63,704</u>	<u>2,981</u>	<u>66,685</u>
8,959	1,244	10,203
<u>223,788</u>	<u>57,321</u>	<u>281,109</u>
<u>\$ 232,747</u>	<u>\$ 58,565</u>	<u>\$ 291,312</u>

CITY OF DOWNEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

(amounts expressed in thousands)

	General Fund	CDBG Special Revenue Fund
	<u> </u>	<u> </u>
ASSETS		
ASSETS:		
Cash and investments	\$ 10,258	\$ -
Receivables:		
Taxes	5,606	-
Accounts	1,844	-
Interest	907	-
Loans (Note 6)	-	951
Notes	-	-
Due from other governments and entities	538	959
Due from other funds (Note 4)	2,173	-
Prepaid expense	-	56
Restricted assets:		
Cash and investments	2,916	198
Cash and investments with fiscal agent	-	2,606
Advances to other funds (Note 4)	6,300	-
Land held for resale (Note 5)	-	-
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 30,542</u>	<u>\$ 4,770</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 4,382	\$ 973
Due to other funds (Note 4)	31	2,169
Deposit	-	-
Advances from other funds (Note 4)	-	-
Deferred revenue	1,658	951
Claims payable	1,009	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>7,080</u>	<u>4,093</u>
FUND BALANCES (DEFICIT):		
Reserved (Note 11)	8,014	2,604
Unreserved, reported in:		
General Fund	15,448	-
Special Revenue Funds	-	(1,927)
Debt Service Funds	-	-
Capital Projects Funds	-	-
	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICIT)	<u>23,462</u>	<u>677</u>
	<u>\$ 30,542</u>	<u>\$ 4,770</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30,542</u>	<u>\$ 4,770</u>

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

Firestone Debt Service Fund	City Capital Projects Fund	Housing Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,002	\$ 6,899	\$ 4,217	\$ 18,102	\$ 40,478
811	-	19	237	6,673
-	7	-	49	1,900
37	-	54	163	1,161
-	-	4,141	-	5,092
-	-	961	10	971
-	-	174	219	1,890
-	-	-	31	2,204
-	-	-	-	56
-	-	63	-	3,177
644	-	-	1,386	4,636
-	-	-	-	6,300
-	-	1,051	2,858	3,909
<u>\$ 2,494</u>	<u>\$ 6,906</u>	<u>\$ 10,680</u>	<u>\$ 23,055</u>	<u>\$ 78,447</u>
\$ -	\$ 148	\$ 12	\$ 1,680	\$ 7,195
-	-	-	1	2,201
-	-	2	-	2
7,200	-	-	1,750	8,950
-	-	4,141	31	6,781
-	-	-	-	1,009
<u>7,200</u>	<u>148</u>	<u>4,155</u>	<u>3,462</u>	<u>26,138</u>
644	2,965	6,525	14,529	35,281
-	-	-	-	15,448
-	-	-	5,759	3,832
(5,350)	-	-	(1,305)	(6,655)
-	3,793	-	610	4,403
<u>(4,706)</u>	<u>6,758</u>	<u>6,525</u>	<u>19,593</u>	<u>52,309</u>
<u>\$ 2,494</u>	<u>\$ 6,906</u>	<u>\$ 10,680</u>	<u>\$ 23,055</u>	<u>\$ 78,447</u>

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CITY OF DOWNEY

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

June 30, 2007

(amounts expressed in thousands)

Fund balances - total governmental funds	\$	52,309
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		171,311
Long-term receivable are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds.		6,262
Internal Service funds are used by management to charge the costs of various city activities to individual governmental and business-like funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. Internal Service funds net assets are		35,524
Long-term liabilities applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Assets.		
Certificates of participation	\$	(2,650)
Tax allocation bonds payable		(8,350)
Advances from County of Los Angeles		(9,955)
Loans payable		(10,055)
Claims payable		(1,514)
		(32,524)
Accrued liabilities in the Statement of Net Assets differ from amounts reported in governmental funds due to accrued interest on long term debt		(290)
Interest receivable, not considered to be available to finance current expenditures is not reported in the governmental funds. For the Statement of Net Assets, this amount is accrued. Additional interest receivable at June 30, 2007 is		155
Net assets of governmental activities	\$	232,747

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

CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

	General Fund	CDBG Special Revenue Fund
REVENUES:		
Taxes	\$ 48,203	\$ -
License and permits	2,147	-
Fines and forfeitures	1,911	-
Investment and rental	5,848	103
Intergovernmental revenue	2,266	2,683
Charges for services	6,114	-
Other revenue	2,315	31
TOTAL REVENUES	68,804	2,817
EXPENDITURES:		
Current:		
General government	4,779	-
Public safety	39,504	-
Public works	5,179	-
Community services	6,443	-
Community development	2,691	1,220
Capital outlay	-	2,239
Debt service (Note 9):		
Principal retirement	-	390
Interest and fiscal charges	413	109
TOTAL EXPENDITURES	59,009	3,958
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	9,795	(1,141)
OTHER FINANCING SOURCES (USES):		
Transfers in (Note 4)	1,838	-
Transfers out (Note 4)	(11,628)	(121)
Issuance of debt (Note 9)	413	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,377)	(121)
NET CHANGE IN FUND BALANCES	418	(1,262)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	23,044	1,939
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 23,462	\$ 677

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

Firestone Debt Service Fund	City Capital Projects Fund	Housing Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,010	\$ -	\$ 773	\$ 696	\$ 52,682
-	-	-	-	2,147
-	-	-	-	1,911
95	136	210	610	7,002
-	-	915	3,506	9,370
-	-	-	1,690	7,804
39	683	246	102	3,416
<u>3,144</u>	<u>819</u>	<u>2,144</u>	<u>6,604</u>	<u>84,332</u>
-	-	-	126	4,905
-	-	-	51	39,555
-	-	-	2,723	7,902
-	-	-	326	6,769
889	-	1,511	1,278	7,589
-	2,985	-	3,881	9,105
210	-	-	1,200	1,800
1,398	-	-	450	2,370
<u>2,497</u>	<u>2,985</u>	<u>1,511</u>	<u>10,035</u>	<u>79,995</u>
<u>647</u>	<u>(2,166)</u>	<u>633</u>	<u>(3,431)</u>	<u>4,337</u>
-	1,305	-	7,510	10,653
(1,000)	-	-	(993)	(13,742)
810	-	-	163	1,386
<u>(190)</u>	<u>1,305</u>	<u>-</u>	<u>6,680</u>	<u>(1,703)</u>
457	(861)	633	3,249	2,634
<u>(5,163)</u>	<u>7,619</u>	<u>5,892</u>	<u>16,344</u>	<u>49,675</u>
<u>\$ (4,706)</u>	<u>\$ 6,758</u>	<u>\$ 6,525</u>	<u>\$ 19,593</u>	<u>\$ 52,309</u>

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CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		\$	2,634
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital expense in the current period:			
Capital expenditures	\$	8,275	
Depreciation expense		<u>(5,731)</u>	2,544
Repayments on long-term receivables provide current financial resources to governmental funds, while loans provided consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets.			101
Internal service funds are used by management to charge the costs of certain activities, such as employee benefits and equipment management to individual funds. The net revenue (expense) of these internal service funds are reported as governmental activities.			3,945
The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and changes in other long-term liabilities effects the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. Debt transactions involved:			
Principal payments	\$	1,800	
Proceeds from loans from County of Los Angeles		(973)	
Accrued interest expense added to loan from County of Los Angeles		(644)	
Accretion on loan from Federal Government		(413)	
Claims payable		<u>(131)</u>	(361)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:			
Accrued interest payable on long-term liabilities			43
Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds:			
Accrued interest receivable	\$	19	
Accrued sales and use tax		<u>34</u>	<u>53</u>
Change in net assets of governmental activities		<u>\$</u>	<u>8,959</u>

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

CITY OF DOWNEY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2007
 (amounts expressed in thousands)

		Business-type Activities Enterprise Funds	
		Water Fund	Golf Fund
ASSETS		<u> </u>	<u> </u>
CURRENT ASSETS:			
Cash and investments		\$ 10,720	\$ 2,837
Accounts receivable		1,405	-
Interest receivable		150	52
Due from other governments and entities		1	31
Advances to other funds		-	-
Inventories		149	34
Restricted Assets:			
Cash and investments		884	1,242
Cash and investments with fiscal agent		-	729
		<u> </u>	<u> </u>
TOTAL CURRENT ASSETS		<u>13,309</u>	<u>4,925</u>
NONCURRENT ASSETS:			
Prepaid pension expense		-	-
Bond issuance costs		-	312
Capital Assets (Net of Accumulated Depreciation):			
Land		8,272	-
Land improvements		-	9,133
Buildings and improvements		26	7,382
Furniture and fixtures		154	-
Machinery and equipment		192	154
Water supply and distribution plant		14,234	-
		<u> </u>	<u> </u>
TOTAL NONCURRENT ASSETS		<u>22,878</u>	<u>16,981</u>
		<u> </u>	<u> </u>
TOTAL ASSETS		<u>36,187</u>	<u>21,906</u>

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ 7,213	\$ 20,770	\$ 47,243
-	1,405	34
98	300	-
-	32	-
-	-	2,650
-	183	73
-	2,126	3,314
-	729	55
<u>7,311</u>	<u>25,545</u>	<u>53,369</u>
-	-	19,512
-	312	187
2,164	10,436	-
19	9,152	-
2,632	10,040	-
-	154	-
225	571	6,431
-	14,234	-
<u>5,040</u>	<u>44,899</u>	<u>26,130</u>
<u>12,351</u>	<u>70,444</u>	<u>79,499</u>

(Continued)

CITY OF DOWNEY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (CONTINUED)

June 30, 2007
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
LIABILITIES		
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS:		
Accounts payable and accrued liabilities	\$ 1,315	\$ 151
Due to other funds	1	2
Deposits	-	50
Retiree health benefits payable	-	-
Compensated absences	131	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
TOTAL CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS	1,447	203
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Interest payable	-	169
Certificates of participation	-	295
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	-	464
TOTAL CURRENT LIABILITIES	1,447	667
NONCURRENT LIABILITIES:		
Retiree health benefits payable	-	-
Compensated absences	269	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
Certificates of participation	-	8,630
TOTAL NONCURRENT LIABILITIES	269	8,630
TOTAL LIABILITIES	1,716	9,297
NET ASSETS:		
Invested in capital assets, net of related debt	22,878	7,744
Unrestricted	11,593	4,865
TOTAL NET ASSETS	\$ 34,471	\$ 12,609

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

Net assets of business-type activities

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ 161	\$ 1,627	\$ 556
-	3	-
-	50	-
-	-	155
29	160	3,696
-	-	3,715
-	-	66
-	-	95
<u>190</u>	<u>1,840</u>	<u>8,283</u>
-	169	108
-	<u>295</u>	-
-	464	108
<u>190</u>	<u>2,304</u>	<u>8,391</u>
-	-	4,086
39	308	7,399
-	-	4,103
-	-	459
-	-	20,174
-	8,630	-
<u>39</u>	<u>8,938</u>	<u>36,221</u>
<u>229</u>	<u>11,242</u>	<u>44,612</u>
5,040	35,662	5,906
<u>7,082</u>	<u>23,540</u>	<u>28,981</u>
<u>\$ 12,122</u>	<u>59,202</u>	<u>\$ 34,887</u>
	<u>(637)</u>	
	<u>\$ 58,565</u>	

CITY OF DOWNEY

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

For the year ended June 30, 2007
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
OPERATING REVENUES:		
Charges for services:		
Water sales	\$ 9,453	\$ -
Golf fees	-	2,944
Bus fares	-	-
Other services	-	-
Miscellaneous	90	-
TOTAL OPERATING REVENUES	<u>9,543</u>	<u>2,944</u>
OPERATING EXPENSES:		
Purchased water	4,335	-
Maintenance and operations	1,303	1,908
General and administrative	2,437	-
Employee benefits	-	-
Amortization	-	17
Depreciation	601	394
TOTAL OPERATING EXPENSES	<u>8,676</u>	<u>2,319</u>
OPERATING INCOME (LOSS)	<u>867</u>	<u>625</u>
NONOPERATING REVENUES (EXPENSES):		
Grant revenue	-	-
Taxes	-	-
Investment and rental	624	417
Interest expense	-	(422)
Loss on sale of capital assets	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>624</u>	<u>(5)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	1,491	620
TRANSFERS IN	-	-
TRANSFERS OUT	(1,015)	(381)
CAPITAL CONTRIBUTIONS	-	-
CHANGES IN NET ASSETS	476	239
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>33,995</u>	<u>12,370</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 34,471</u>	<u>\$ 12,609</u>

Adjustment to reflect the consolidation of internal fund activities related to enterprise funds
 Change in net assets of business-type activities

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ -	\$ 9,453	\$ -
-	2,944	-
7	7	-
-	-	23,327
-	90	965
<u>7</u>	<u>12,494</u>	<u>24,292</u>
-	4,335	-
2,416	5,627	3,158
-	2,437	314
-	-	22,201
-	17	7
165	1,160	1,942
<u>2,581</u>	<u>13,576</u>	<u>27,622</u>
<u>(2,574)</u>	<u>(1,082)</u>	<u>(3,330)</u>
-	-	2,549
3,330	3,330	-
330	1,371	975
-	(422)	(1,055)
-	-	(548)
<u>3,660</u>	<u>4,279</u>	<u>1,921</u>
1,086	3,197	(1,409)
-	-	8,052
(324)	(1,720)	(3,243)
-	-	313
762	1,477	3,713
<u>11,360</u>		<u>31,174</u>
<u>\$ 12,122</u>		<u>\$ 34,887</u>
	<u>(233)</u>	
	<u>\$ 1,244</u>	

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2007
(amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 9,486	\$ 2,913
Receipts from user departments	-	-
Payment to suppliers	(5,479)	(1,853)
Payment to employees	(2,097)	(48)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,910</u>	<u>1,012</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	-	-
Cash paid to other funds	(1,015)	(381)
Principal paid	-	-
Interest paid	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,015)</u>	<u>(381)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(674)	(144)
Proceed from sale of capital assets	-	-
Proceed from capital lease	-	-
Capital contributions	-	-
Taxes received	-	-
Grants received	-	-
Principal paid on debt	-	(290)
Interest paid on debt	-	(415)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(674)</u>	<u>(849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>598</u>	<u>409</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	819	191
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,785</u>	<u>4,617</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,604</u>	<u>\$ 4,808</u>

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ 7	\$ 12,406	\$ -
-	-	24,283
(1,723)	(9,055)	(19,011)
<u>(703)</u>	<u>(2,848)</u>	<u>(6,687)</u>
<u>(2,419)</u>	<u>503</u>	<u>(1,415)</u>
-	-	8,052
(324)	(1,720)	(3,243)
-	-	(85)
<u>-</u>	<u>-</u>	<u>(1,026)</u>
<u>(324)</u>	<u>(1,720)</u>	<u>3,698</u>
(543)	(1,361)	(2,188)
-	-	140
-	-	-
-	-	313
3,330	3,330	-
-	-	2,549
-	(290)	(63)
<u>-</u>	<u>(415)</u>	<u>(25)</u>
<u>2,787</u>	<u>1,264</u>	<u>726</u>
<u>300</u>	<u>1,307</u>	<u>975</u>
344	1,354	3,984
<u>6,869</u>	<u>22,271</u>	<u>46,628</u>
<u>\$ 7,213</u>	<u>\$ 23,625</u>	<u>\$ 50,612</u>

(Continued)

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2007
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 867	\$ 625
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	601	411
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(57)	-
(Increase) decrease in due from other governments and entities	-	(31)
(Increase) decrease in inventories	(81)	(1)
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable and accrued liabilities	515	8
Increase (decrease) in retiree health payable	-	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	65	-
	65	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,910	\$ 1,012
CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Current assets	\$ 10,720	\$ 2,837
Restricted assets	884	1,971
TOTAL CASH AND CASH EQUIVALENTS FINANCIAL STATEMENT CLASSIFICATION	\$ 11,604	\$ 4,808

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ (2,574)	\$ (1,082)	\$ (3,330)
165	1,177	1,949
-	(57)	(9)
-	(31)	-
-	(82)	(19)
-	-	340
-	523	(87)
-	-	(1,010)
-	-	276
(10)	55	475
<u>\$ (2,419)</u>	<u>\$ 503</u>	<u>\$ (1,415)</u>
\$ 7,213	\$ 20,770	\$ 47,243
-	2,855	3,369
<u>\$ 7,213</u>	<u>\$ 23,625</u>	<u>\$ 50,612</u>

CITY OF DOWNEY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2007

(amounts expressed in thousands)

ASSETS:

Cash and investments (Note 3)	\$	6,984
Receivables		<u>1,023</u>
TOTAL ASSETS	\$	<u><u>8,007</u></u>

LIABILITIES:

Accounts payable and accrued liabilities	\$	524
Deposits payable		<u>7,483</u>
TOTAL LIABILITIES	\$	<u><u>8,007</u></u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The basic financial statements of the City of Downey include the activities of the City and the commissions, authorities and non-profit corporations, described below, which are component units of the City.

The City of Downey was incorporated in 1956 under the General Laws of the State of California. The City 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 Community Development Commission of the City of Downey was established in January 1976 pursuant to the California Community Redevelopment Laws. The Commission's initial project area consisted of four sub-areas. Two are located in the central downtown area, one in the eastern portion of the City, and one in the southern portion of the City. The objectives of the redevelopment project are the elimination and prevention of blight, the improvement and/or construction of public facilities, roads and other public improvements, and the attraction and facilitation of new developments within the project area for purposes of increasing the City's residential, commercial and industrial resources.

The 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 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 criteria used in determining the scope of the reporting entity are based on the provisions of Government Accounting Standards Board (GASB) Statement 14. 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 provides a financial benefit or imposes a financial burden on the City. Separate financial statements of the Commission and the Corporations may be obtained at City Hall.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (Continued)

The Commission and the Corporations have been accounted for as “blended” component units of the City. Despite being legally separate, the Commission and the Corporations are so intertwined with the City that they are, in substance, part of the City’s operations. Accordingly, the balances and transactions of the Commission and the Corporations are reported within the funds of the City. The following specific criteria were used in determining that the Commission and Corporations are blended component units.

- The members of the City Council also act as the governing body of the Commission and the Corporations.
- The Commission and the Corporations are managed by employees of the City. A portion of the City’s salary and overhead expenses are billed to the Commission each year.
- The City and Commission are financially interdependent. The City makes loans to the Commission to use for redevelopment purposes. Available property tax revenues of the Commission are used to repay the loans from the City.

The City is a participant in two joint ventures (see Note 13), which are not considered part of the reporting entity and the City does not exercise primary oversight responsibilities for their operations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. 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. For the most part, the effect of interfund activity has been removed from these statements.

See independent auditors’ report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the City's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and other funds in the aggregate for governmental and enterprise funds. Fiduciary statements, even though excluded from the government-wide financial statements includes financial information that primarily represent assets held by the City in a custodial capacity for individuals or other organizations.

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

All governmental and business-type activities and enterprise funds of the City follow Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

D. Fund Classifications

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

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

The CDBG Special Revenue 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.

The Firestone Debt Service Fund is used to account for tax increment revenues, bond proceeds required to be set aside for future debt service and interest related to Firestone Development Project area.

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

The Housing Capital Projects Fund is used to account for restricted financial resources to be used to increase the supply of available low-and moderate-income housing.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Classifications (Continued)

The City reports the following major enterprise funds:

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

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

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

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

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

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

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

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

The Agency Funds are used to account for money and property held by the City as trustee, agent or custodian.

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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Classifications (Continued)

Departmental Classifications (Continued)

Police Department includes police operations.

Fire Department includes fire and paramedic operations.

Public Works Department includes maintenance and engineering divisions.

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

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

E. Cash and Investments

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

F. Inventories and Land Held for Resale

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

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

G. Capital Assets

Capital assets (including infrastructure) 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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

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, 2007.

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 Fund. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the respective balance sheet.

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

H. 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.

I. Claims and Judgments

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. 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.

K. Use of Estimates

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

NOTE 2 - PROPERTY TAXES

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS

A. Cash and Investments

Cash and investments at June 30, 2007 are classified in the accompanying financial statements as follows (in thousands):

	Government Wide Statement of Net Assets	Fiduciary Fund Statement of Assets and Liabilities	Total
Unrestricted assets:			
Cash and investments	\$ 108,491	\$ 6,984	\$ 115,475
Restricted assets:			
Cash and investments	8,617	-	8,617
Cash and investments with fiscal agents	<u>5,420</u>	<u>-</u>	<u>5,420</u>
	<u>\$ 122,528</u>	<u>\$ 6,984</u>	<u>\$ 129,512</u>

Cash and investments at June 30, 2007 consisted of the following (in thousands):

Demand accounts	\$ 4,596
Petty cash	5
Investments	<u>124,911</u>
 Total Cash and Investments	 <u>\$ 129,512</u>

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Bills, Bonds and Notes	5 years	None	None
U.S. Government Sponsored Enterprise Securities	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
Local Agency Bonds	5 years	None	None

C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. Investments authorized for funds held by bond trustee include, U.S. Treasury Obligations, U.S. Government Sponsored Enterprise Securities, Certificates of Deposits, Commercial Paper, Local Agency Bonds, Bankers' Acceptances, Money Market Mutual Funds, Investment Contracts 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 Banker's Acceptance and Certificates of Deposits which are limited to one year and 270 days, respectively.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

D. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>			<u>Total</u>
	<u>12 Months or Less</u>	<u>13 - 24 Months</u>	<u>25 - 60 Months</u>	
U.S. Treasury Notes	\$ -	\$ -	\$ 8,198	\$ 8,198
U.S. Government Sponsored				
Enterprise Securities:				
FHLMC	3,813	977	12,913	17,703
FHLB	9,946	12,896	18,862	41,704
FNMA	1,965	3,981	9,956	15,902
Medium-Term Corporate Notes	11,821	4,880	5,904	22,605
Money Market Mutual Funds	157	-	-	157
Local Agency Investment Funds	15,828	-	-	15,828
Held by Bond Trustee:				
Money Market Mutual Funds	138	-	-	138
Federal Agency Securities	695	-	-	695
Investment Agreements	-	1,338	643	1,981
	<u>\$ 44,363</u>	<u>\$ 24,072</u>	<u>\$ 56,476</u>	<u>\$ 124,911</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required, at the time of purchase, by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, as reported by Standard and Poor's, as of year end for each investment type (in thousands):

Investment Type	Total as of June 30, 2007	Minimum Legal Rating (1)	Not Required to be Rated	AA, AA+				
				AAA	AA-	A, A+, A-	BB	Unrated
U.S. Treasury Notes	\$ 8,198	N/A	\$ 8,198	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government Sponsored								
Enterprise Securities:								
FHLMC	17,703	AAA	-	17,703	-	-	-	-
FHLB	41,704	AAA	-	41,704	-	-	-	-
FNMA	15,902	AAA	-	15,902	-	-	-	-
Medium-term Corporate Notes	22,605	A	-	-	7,842	12,777	1,986	-
Money Market Mutual Funds	157	AAA	-	157	-	-	-	-
Local Agency Investment Funds	15,828	N/A	-	-	-	-	-	15,828
Held by Bond Trustee:								
Money Market Mutual Funds	138	AAA	-	138	-	-	-	-
Federal Agency Securities	695	AAA	-	695	-	-	-	-
Investment Agreements	1,981	N/A	-	-	-	-	-	1,981
TOTAL	\$ 124,911		\$ 8,198	\$ 76,299	\$ 7,842	\$ 12,777	\$ 1,986	\$ 17,809

N/A - Not Applicable

(1) Requirement is applicable at the time of investment purchase.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

F. Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Investment</u>
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	\$ 17,703	14.50 %
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	41,704	34.16 %
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	15,902	13.02 %

G. Custodial Credit Risk

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

G. Custodial Credit Risk (Continued)

At June 30, 2007, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation up to \$100,000 and the remaining balance of the deposits were collateralized under California Law.

H. Investment in State Investment Pool

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

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

As of June 30, 2007, amounts due from/to other funds were as follows (in thousands):

Due to General Fund from:		
CDBG Special Revenue Fund	\$	2,169
Other Governmental Funds		1
Water Enterprise Fund		1
Golf Enterprise Fund		2
 Due to Other Governmental Funds from:		
General Fund		<u>31</u>
		<u>\$ 2,204</u>

The amount loaned by the General Fund to the Other Governmental Funds is to provide a short-term loan to fund operations of the various funds.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)

As of June 30, 2007, amounts advanced to and from other funds were as follows (in thousands):

Advances from General Fund to:		
Firestone Debt Service Fund	\$	4,550
Other Governmental Funds		1,750
Advances from Employee Benefits		
Internal Service Fund to:		
Firestone Debt Service Fund		<u>2,650</u>
	\$	<u>8,950</u>

The advances from the General Fund and Employee Benefit Internal Service Fund to the Firestone Debt Service Fund are to provide for operations of the Community Development Commission.

Interfund transfers at June 30, 2007 consisted of the following (in thousands):

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	City Capital Projects Funds	\$ 825
	Other Governmental Funds	2,751
	Internal Service Funds	8,052
CDBG Special Revenue Fund	General Fund	121
Firestone Debt Service Fund	Other Governmental Funds	1,000
Other Governmental Funds	General Fund	830
	City Capital Project Fund	14
	Other Governmental Funds	149
Water Enterprise Fund	General Fund	506
	City Capital Projects Fund	466
	Other Governmental Funds	43
Golf Enterprise Fund	General Fund	381
Transit Enterprise Fund	Other Governmental Funds	324
Internal Service Funds	Other Governmental Funds	<u>3,243</u>
		<u>\$ 18,705</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (CONTINUED)

The General Fund transferred \$825,000 to the City Capital Projects Fund and \$2,751,000 to Other Governmental Funds to provide for capital and debt service expenditures, respectively.

The Water and Golf Funds transferred \$506,000 and \$381,000 to the General Fund, respectively, to reimburse the General Fund for certain program, administrative and overhead expenditures. The Water Enterprise Fund transferred \$466,000 to the City Capital Projects Fund to provide for capital expenditures. Other Governmental Funds transferred \$830,000 to the General Fund for various street related programs expenditures.

NOTE 5 - LAND HELD FOR RESALE

As of June 30, 2007, the Downey Community Development Commission had acquired properties for redevelopment purposes for resale to developers at a capitalized cost of \$3,909,000.

NOTE 6 - LOANS RECEIVABLE

The City has provided deferred-payment rehabilitation loans to qualifying low-income households in connection with the CDBG Home Investment Partnership and Redevelopment Agency housing rehabilitation programs. Due to the long-term nature of the loans, the City has recorded deferred revenue as an offset to loans receivable which totaled \$5,092,000 at June 30, 2007.

NOTE 7 - DEFERRED COMPENSATION PLAN

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

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 8 - CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2007 is as follows (in thousands):

	Balances at June 30, 2006	Additions	Deletions	Balances at June 30, 2007
Capital assets, not being depreciated:				
Land and Improvements	\$ 13,125	\$ 226	\$ -	\$ 13,351
Projects in progress	<u>19,306</u>	<u>7,998</u>	<u>(36)</u>	<u>27,268</u>
Total capital assets, not being depreciated	<u>32,431</u>	<u>8,224</u>	<u>(36)</u>	<u>40,619</u>
Capital assets, being depreciated:				
Buildings	28,220	41	-	28,261
Land improvements	9,305	6	-	9,311
Equipment	20,813	2,188	(1,507)	21,494
Furniture and fixtures	175	10	-	185
Infrastructure	<u>231,422</u>	<u>30</u>	<u>-</u>	<u>231,452</u>
Total capital assets, being depreciated	<u>289,935</u>	<u>2,275</u>	<u>(1,507)</u>	<u>290,703</u>
Less accumulated depreciation for:				
Buildings	(11,937)	(564)	-	(12,501)
Land improvements	(4,489)	(372)	-	(4,861)
Equipment	(13,940)	(1,942)	820	(15,062)
Furniture and fixtures	(10)	(24)	-	(34)
Infrastructure	<u>(116,350)</u>	<u>(4,772)</u>	<u>-</u>	<u>(121,122)</u>
Total accumulated depreciation	<u>(146,726)</u>	<u>(7,674)</u>	<u>820</u>	<u>(153,580)</u>
Total capital assets being depreciated, net	<u>143,209</u>	<u>(5,399)</u>	<u>(687)</u>	<u>137,123</u>
Governmental activities capital assets, net	<u>\$ 175,640</u>	<u>\$ 2,825</u>	<u>\$ (723)</u>	<u>\$ 177,742</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 8 - CAPITAL ASSETS (CONTINUED)

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

General Government	\$ 306
Public Safety	141
Public Works	29
Community Services	484
Internal Service Funds depreciation charges to program	<u>1,942</u>
Allocated depreciation	2,902
Unallocated infrastructure depreciation	<u>4,772</u>
Total depreciation expense -governmental activities	<u><u>\$ 7,674</u></u>

A summary of changes in the Business-type Activities capital assets at June 30, 2007 is as follows (in thousands):

	WATER FUND			
	<u>Balances at June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2007</u>
Capital assets, not being depreciated:				
Land	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,272</u>
Capital assets, being depreciated:				
Buildings and improvements	217	-	-	217
Furniture and fixtures	324	-	-	324
Machinery and equipment	287	36	-	323
Water supply and distribution system	<u>27,145</u>	<u>638</u>	<u>-</u>	<u>27,783</u>
Total capital assets being depreciated	<u>27,973</u>	<u>674</u>	<u>-</u>	<u>28,647</u>
Less accumulated depreciation for:				
Buildings and improvements	(187)	(4)	-	(191)
Furniture and fixtures	(154)	(16)	-	(170)
Machinery and equipment	(91)	(40)	-	(131)
Water supply and distribution system	<u>(13,008)</u>	<u>(541)</u>	<u>-</u>	<u>(13,549)</u>
Total accumulated depreciation	<u>(13,440)</u>	<u>(601)</u>	<u>-</u>	<u>(14,041)</u>
Total capital assets being depreciated, net	<u>14,533</u>	<u>73</u>	<u>-</u>	<u>14,606</u>
Water Fund capital assets, net	<u><u>\$ 22,805</u></u>	<u><u>\$ 73</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,878</u></u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 8 - CAPITAL ASSETS (CONTINUED)

A summary of changes in the Business-type Activities capital assets at June 30, 2007 is as follows (in thousands) (Continued):

GOLF FUND				
	Balances at June 30, 2006	Additions	Deletions	Balances at June 30, 2007
Capital assets, being depreciated:				
Land improvements	\$ 10,611	\$ 30	\$ -	\$ 10,641
Buildings and improvements	8,123	40	-	8,163
Machinery and equipment	405	74	(65)	414
Total capital assets being depreciated	<u>19,139</u>	<u>144</u>	<u>(65)</u>	<u>19,218</u>
Less accumulated depreciation for:				
Land improvements	(1,495)	(13)	-	(1,508)
Buildings and improvements	(489)	(292)	-	(781)
Machinery and equipment	(236)	(89)	65	(260)
Total accumulated depreciation	<u>(2,220)</u>	<u>(394)</u>	<u>65</u>	<u>(2,549)</u>
Golf Fund capital assets, net	<u>\$ 16,919</u>	<u>\$ (250)</u>	<u>\$ -</u>	<u>\$ 16,669</u>
TRANSIT FUND				
	Balances at June 30, 2006	Additions	Deletions	Balances at June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 1,653	\$ 511	\$ -	\$ 2,164
Capital assets, being depreciated:				
Land improvements	277	-	-	277
Buildings and improvements	2,973	-	-	2,973
Machinery and equipment	593	32	-	625
Total capital assets being depreciated	<u>3,843</u>	<u>32</u>	<u>-</u>	<u>3,875</u>
Less accumulated depreciation for:				
Land improvements	(241)	(17)	-	(258)
Buildings and improvements	(282)	(59)	-	(341)
Machinery and equipment	(311)	(89)	-	(400)
Total accumulated depreciation	<u>(834)</u>	<u>(165)</u>	<u>-</u>	<u>(999)</u>
Total capital assets, being depreciated	<u>3,009</u>	<u>(133)</u>	<u>-</u>	<u>2,876</u>
Transit Fund capital assets, net	<u>\$ 4,662</u>	<u>\$ 378</u>	<u>\$ -</u>	<u>\$ 5,040</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES

Noted below is a summary of changes in long-term liabilities for the year ended June 30, 2007 (in thousands):

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amount Due Within One Year
Governmental Activities:					
Bonds payable	\$ 29,105	\$ -	\$ (295)	\$ 28,810	\$ 310
Less deferred charges:					
Bond discount	(199)	-	8	(191)	-
Total bonds payable	28,906	-	(287)	28,619	310
Certificates of Participation	3,850	-	(1,200)	2,650	1,285
Capital lease payable	588	-	(63)	525	66
Advances from County	8,338	1,617	-	9,955	-
Loans from Federal					
Government	10,032	413	(390)	10,055	390
Compensated absences	10,620	3,489	(3,014)	11,095	3,696
Claims payable	10,747	5,274	(5,680)	10,341	5,704
Retiree health benefits	4,351	160	(270)	4,241	155
Total governmental activities long-term liabilities	<u>\$ 77,432</u>	<u>\$ 10,953</u>	<u>\$ (10,904)</u>	<u>\$ 77,481</u>	<u>\$ 11,606</u>
Business-type Activities:					
Compensated absences	\$ 413	\$ 192	\$ (137)	\$ 468	\$ 160
Golf Course Certificates of Participation	9,360	-	(290)	9,070	295
Add (less) deferred amounts:					
Bond premium	16	-	(1)	15	-
Loss on refunding	(172)	-	12	(160)	-
Total business-type activities long-term liabilities	<u>\$ 9,617</u>	<u>\$ 192</u>	<u>\$ (416)</u>	<u>\$ 9,393</u>	<u>\$ 455</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities:

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, 2007 is \$8,350,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 215,000	\$ 418,463	\$ 633,463
2009	225,000	408,450	633,450
2010	235,000	397,694	632,694
2011	250,000	385,988	635,988
2012	260,000	373,363	633,363
2013 - 2017	1,525,000	1,648,156	3,173,156
2018 - 2022	1,950,000	1,205,656	3,155,656
2023 - 2027	2,500,000	638,063	3,138,063
2028 - 2029	<u>1,190,000</u>	<u>61,756</u>	<u>1,251,756</u>
Total	<u>\$ 8,350,000</u>	<u>\$ 5,537,589</u>	<u>\$ 13,887,589</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued):

Bonds Payable (Continued)

2005 Pension Obligation Bonds

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 95,000	\$ 1,022,767	\$ 1,117,767
2009	110,000	1,018,663	1,128,663
2010	145,000	1,013,823	1,158,823
2011	185,000	1,007,298	1,192,298
2012	235,000	998,806	1,233,806
2013 - 2017	2,000,000	4,779,847	6,779,847
2018 - 2022	3,845,000	4,125,103	7,970,103
2023 - 2027	4,645,000	3,009,056	7,654,056
2028 - 2032	5,975,000	1,785,404	7,760,404
2033 - 2034	<u>3,225,000</u>	<u>249,321</u>	<u>3,474,321</u>
	20,460,000	19,010,088	39,470,088
Less deferred charges on refunding	<u>(191,935)</u>	<u>-</u>	<u>(191,935)</u>
Total	<u>\$ 20,268,065</u>	<u>\$ 19,010,088</u>	<u>\$ 39,278,153</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued):

1996 Civic Center Refunding Certificates of Participation

On May 29, 1996, the City issued \$13,375,000 in Refunding Certificates of Participation with an average interest rate of 5.68% to refund \$13,085,000 of outstanding 1986 Certificates of Participation with an average rate of 6.50%. The balance outstanding at June 30, 2007 is \$2,650,000. Bank of New York serves as trustee for payment of principal and interest.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,285,000	\$ 172,250	\$ 1,457,250
2009	1,365,000	88,725	1,453,725
	<u>\$ 2,650,000</u>	<u>\$ 260,975</u>	<u>\$ 2,910,975</u>

Capital Lease Payable

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 806,560
Less: accumulated depreciation	(46,886)
	<u>\$ 759,674</u>

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

Year Ending <u>June 30,</u>	<u>Governmental Activities</u>
2008	\$ 88,324
2009	88,324
2010	88,324
2011	88,324
2012	88,324
2013 - 2014	176,648
Total minimum lease payments	618,268
Less: amounts representing interest	(93,006)
Present value of minimum lease payments	<u>\$ 525,262</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued):

Advances from County

As part of the City's redevelopment program, the City and County of Los Angeles have entered into a tax increment pass-through deferral agreement. This agreement specifies that the City will defer the payment of all current tax increment pass-through due to the County, until some future date, when certain conditions are met. Until that time, the County will charge 7% interest on the outstanding deferral amount. During the year pass-through agreement amounts owed to the County totaling \$973,000 were deferred. Interest of \$644,000 was also accrued during the year on the outstanding deferral amount still owing. The amount owed the County, including accrued interest, at June 30, 2007 was \$9,956,000.

Loans from Federal Government

As part of the City's redevelopment program, the City received a Section 108 Loan from the U.S. Department of Housing and Urban Development. The payment schedule as of June 30, 2007 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 390,000	\$ 91,343	\$ 481,343
2009	250,000	77,275	327,275
2010	250,000	66,875	316,875
2011	250,000	55,763	305,763
2012	250,000	44,062	294,062
2013 - 2015	<u>750,000</u>	<u>57,689</u>	<u>807,689</u>
Total	<u>\$ 2,140,000</u>	<u>\$ 393,007</u>	<u>\$ 2,533,007</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 \$7,915,000 as of June 30, 2007.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued):

Compensated Absences

For the fiscal year ended June 30, 2007, compensated absences are as follows (in thousands):

	<u>Total</u>
Vacation	\$ 2,849
Sick Leave	7,140
Compensatory Time	<u>1,574</u>
Total	<u>\$ 11,563</u>
Amount reported in governmental activities	\$ 11,095
Amount reported in business-type activities	<u>468</u>
	<u>\$ 11,563</u>

The compensated absences are predominantly associated with the General fund.

Claims Payable (Self-Insurance)

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued):

Claims Payable (Self-Insurance) (Continued)

Changes in the workers' compensation, employee health benefits, and general liability outstanding claims liability for the fiscal years ended June 30, 2006 and 2007 were as follows:

	Claims Payable Balance <u>June 30, 2005</u>	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance <u>June 30, 2006</u>
Workers' Compensation	\$ 5,739,000	\$ 3,310,000	\$ 1,507,000	\$ 7,542,000
Employee Health Benefits	798,000	3,699,000	3,597,000	900,000
General Liability	3,030,000	(447,000)	278,000	2,305,000

	Claims Payable Balance <u>June 30, 2006</u>	Current Year Claims and Changes in Estimates	Current Year Payments	Claims Payable Balance <u>June 30, 2007</u>
Workers' Compensation	\$ 7,542,000	\$ 704,000	\$ 1,408,000	\$ 6,838,000
Employee Health Benefits	900,000	4,011,000	3,931,000	980,000
General Liability	2,305,000	559,000	341,000	2,523,000

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

At June 30, 2007, in the opinion of the City Attorney, the City had no other material claims which would require loss provision in the financial statements.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued):

Retiree Health Benefits

In addition to providing pension benefits, the City, in the year ended June 30, 1987, under the terms of a labor agreement with its employees, started to provide certain health care benefits for certain retired employees. In order to be eligible, the employee must retire from the City with a minimum of ten years of service. As of June 30, 2007, 189 employees had a minimum of ten years of service. The benefit is a City contribution of \$98 per month toward the cost of health insurance. The estimated future cost of such benefits are being accrued in the Employee Benefit Internal Service Fund over the working lives of eligible employees. As of June 30, 2007, 175 retired employees receive this benefit. The actual payments for the fiscal year ended June 30, 2007 were \$154,000, which is equal to the City's annual required contribution.

Also, as part of the agreement, upon retirement, retirees may choose to apply unused sick leave to offset their portion of health premiums.

Accrued costs at June 30, 2007 totaled \$4,241,000, which consists of estimated future cost of \$3,934,000 and sick leave benefit liability of \$307,000.

The estimated future cost was calculated using the following assumptions:

Actuarial cost method:	Entry age normal
Interest rate assumption:	6%
Projected salary increase assumption:	3%
Health inflation rate	4%

Business-type Activities:

2002 Golf Course Certificates of Participation

The 2002 Certificates of Participation, consisting of \$7,045,000 serial certificates and \$2,865,000 of term certificates, were issued by the City of Downey Public Facilities Financing Corporation. The proceeds were used to refund in advance the 1970 and 1993 bond issues and for improvements to the facilities. The serial certificates are payable in annual installments ranging from \$270,000 to \$495,000 through August 1, 2022. The term certificates are due on August 1, 2027. Serial certificates maturing on or after August 1, 2012 are subject to call for prepayment prior to their respective stated maturities, at the option of the Corporation, at prices ranging from 100% to 102% of the principal amount of the certificates. Interest is payable semiannually on February 1 and August 1, with rates ranging from 3.0% to 5.02%. At June 30, 2007, bonds outstanding were \$9,070,000.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities (Continued):

2002 Golf Course Certificates of Participation (Continued)

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

Future debt service requirements on these certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 295,000	\$ 406,335	\$ 701,335
2009	305,000	396,954	701,954
2010	315,000	386,485	701,485
2011	325,000	374,879	699,879
2012	340,000	362,410	702,410
2013-2017	1,905,000	1,589,015	3,494,015
2018-2022	2,225,000	1,114,798	3,339,798
2023-2027	2,730,000	511,750	3,241,750
2028	<u>630,000</u>	<u>15,750</u>	<u>645,750</u>
Subtotal	9,070,000	5,158,376	14,228,376
Add (less) deferred amounts:			
Bond premium	14,937	-	14,937
Loss on refunding	<u>(160,302)</u>	<u>-</u>	<u>(160,302)</u>
Total	<u>\$ 8,924,635</u>	<u>\$ 5,158,376</u>	<u>\$ 14,083,011</u>

NOTE 10 - DEFERRED REVENUE

Deferred revenue consists of \$5,092,000 in deferred loan payments from participants in the City's housing program (see Note 6), \$10,000 in long-term notes receivable, \$21,000 in grant/advances, \$488,000 in unearned fees, and \$1,197,000 in long-term receivables.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 11 - FUND BALANCE RESERVES

A city may establish “reserves” of fund equity to segregate fund balances which are not appropriate for expenditure in future periods, or which are legally set aside for a specific purpose.

The City’s reserves at June 30, 2007 are tabulated (in thousands) below, followed by explanations as to the nature and purpose of each reserve.

	General Fund	CDBG Special Revenue Fund	Firestone Debt Service Fund	City Capital Projects Fund	Housing Capital Projects Fund	Other Governmental Funds
Encumbrances	\$ 974	\$ 2,604	\$ -	\$ 2,023	\$ -	\$ 10,244
Park In Lieu	-	-	-	397	-	-
Capital Projects	725	-	-	186	-	-
Debt Service	-	-	644	-	-	1,427
Building Replacement	-	-	-	359	-	-
Land Held for Resale	-	-	-	-	1,051	2,858
Housing	-	-	-	-	5,474	-
Workers’ Compensation	15	-	-	-	-	-
Advances to the Commission	6,300	-	-	-	-	-
Total Reserves	\$ 8,014	\$ 2,604	\$ 644	\$ 2,965	\$ 6,525	\$ 14,529

A. Reserved for Encumbrances

Amounts reserved for encumbrances are commitments for materials and services on purchase orders and contracts that are unperformed.

B. Reserved for Park In Lieu

Amounts reserved for park projects. Funds collected from developer.

C. Reserved for Capital Projects

Amounts reserved for future, unspecified capital projects.

D. Reserved for Debt Service

These are reserves representing assets held by various trustees pursuant to bond covenants.

See independent auditors’ report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 11 - FUND BALANCE RESERVES (CONTINUED)

E. Reserved for Building Replacement

Amounts reserved to finance replacement project for City buildings.

F. Reserved for Land Held for Resale

This is a reserve to reflect that land held for resale by the Community Development Commission is not "available" as a spendable resource.

G. Reserved for Housing

These funds represent that portion of redevelopment tax increment revenue that must be set aside for housing programs.

H. Reserved for Workers' Compensation

Amount reserved to future workers' compensation liabilities.

I. Reserved for Advances to the Commission

This reserve is provided to indicate that amounts advanced to the Community Development Commission are not available as a spendable source to meet expenditures of the current year.

NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN

Plan Description

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

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, 2007 were 9.730% for non-safety employees and 18.630% 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 to the current year were as follows (in thousands):

Annual required contribution	\$ 7,231
Interest on net pension asset	(744)
Adjustment to annual required contribution	<u>1,083</u>
Annual pension cost	7,570
Contributions made	<u>(7,231)</u>
Decrease in net pension asset	339
Net pension asset - beginning of year	<u>(19,851)</u>
Net pension asset - end of year	<u><u>\$ (19,512)</u></u>

The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of 7.75% a year (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members and 3.25% to 13.15% for safety members, (c) inflation of 3.00%, (d) payroll growth of 3.25% and (e) individual salary growth based on a merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of 0.25%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). The Plans' initial unfunded liabilities are amortized over a closed period that depends on the Plans' date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20 year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the Plans' accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period. The remaining amortization period at June 30, 2003 was 15 years and 32 years for the Miscellaneous Plan and Safety Plan, respectively.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Three –year Trend Information for PERS (\$ amounts in thousands)

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2005	\$ 6,846	100%	\$ (20,141)
June 30, 2006	8,003	96%	(19,851)
June 30, 2007	7,570	96%	(19,512)

Required Supplementary Information (\$ amounts in thousands)

	<u>Pension Actuarial Asset Value</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Actuarial Liability as Percentage of Covered Payroll</u>
2004	\$ 235,591	\$ 264,409	\$ 28,818	89.1 %	\$ 28,376	101.6 %
2005	270,092	282,185	12,093	95.7 %	30,347	39.8 %
2006	286,203	295,892	9,689	96.7 %	30,242	32.0 %

NOTE 13 - JOINT VENTURES

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

The first joint venture is the 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.

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 14 - MORTGAGE REVENUE BONDS

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

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

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

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2007

NOTE 15 - OTHER REQUIRED DISCLOSURES

Expenditures in Excess of Appropriations

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

General Fund:

General Government:

Legislation	\$	18
Public Safety:		
Animal control		39
Public works		773
Debt service		413

CDBG Special Revenue Fund:

Community development		105
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Special Revenue Fund:

Grants - Public safety		51
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Capital Projects Fund:

Woodruff Redevelopment - Community development		143
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Deficit Fund Balances

The following funds reported a deficit fund balance at June 30, 2007 (in thousands):

Debt Service Funds:

Firestone	\$	4,706
Woodruff Industrial Project Redevelopment		1,305

The deficits will be eliminated through the receipt of future tax increment revenues and grant revenues.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUNDFor the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES:				
Taxes	\$ 44,468	\$ 44,468	\$ 48,203	\$ 3,735
Licenses and permits	1,761	1,761	2,147	386
Fines and forfeitures	1,771	1,771	1,911	140
Investment and rental	4,388	4,388	5,848	1,460
Intergovernmental revenue	1,450	1,488	2,266	778
Charges for services	3,143	3,299	6,114	2,815
Other revenue	2,220	2,220	2,315	95
TOTAL REVENUES	59,201	59,395	68,804	9,409
EXPENDITURES:				
Current:				
General government:				
Legislation	216	228	246	(18)
City attorney	267	267	229	38
City clerk	394	394	353	41
City management	421	421	414	7
Finance	3,820	3,820	3,537	283
Public safety:				
Police	25,343	25,343	23,933	1,410
Animal control	298	298	337	(39)
Fire	15,284	15,326	15,234	92
Public works	4,406	4,406	5,179	(773)
Community services	6,261	7,126	6,443	683
Community development	5,362	3,944	2,691	1,253
Debt service:				
Interest and fiscal charges	-	-	413	(413)
TOTAL EXPENDITURES	62,072	61,573	59,009	2,564
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,871)	(2,178)	9,795	11,973
OTHER FINANCING SOURCES (USES):				
Transfers in	2,404	2,402	1,838	(564)
Transfers out	(2,578)	(5,188)	(11,628)	(6,440)
Issuance of debt	-	-	413	413
TOTAL OTHER FINANCING SOURCES (USES)	(174)	(2,786)	(9,377)	(6,591)
NET CHANGE IN FUND BALANCE	(3,045)	(4,964)	418	5,382
FUND BALANCE - BEGINNING OF YEAR	23,044	23,044	23,044	-
FUND BALANCE - END OF YEAR	\$ 19,999	\$ 18,080	\$ 23,462	\$ 5,382

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

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE

CDBG SPECIAL REVENUE FUND

For the year ended June 30, 2007

(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 1	\$ 1	\$ 103	\$ 102
Intergovernmental revenue	2,708	2,708	2,683	(25)
Other revenue	10	10	31	21
TOTAL REVENUES	2,719	2,719	2,817	98
EXPENDITURES:				
Current:				
Community development	1,614	1,115	1,220	(105)
Capital outlay	3,286	6,150	2,239	3,911
Debt service:				
Principal retirement	-	390	390	-
Interest and fiscal charges	-	109	109	-
TOTAL EXPENDITURES	4,900	7,764	3,958	3,806
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,181)	(5,045)	(1,141)	3,904
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,516	-	(1,516)
Transfers out	(309)	(309)	(121)	188
TOTAL OTHER FINANCING SOURCES (USES)	(309)	1,207	(121)	(1,328)
NET CHANGE IN FUND BALANCE	(2,490)	(3,838)	(1,262)	2,576
FUND BALANCE - BEGINNING OF YEAR	1,939	1,939	1,939	-
FUND BALANCE - END OF YEAR	\$ (551)	\$ (1,899)	\$ 677	\$ 2,576

See independent auditors' report.

CITY OF DOWNEY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

NOTE 1 - BUDGETARY DATA

The City is required by its charter to adopt an annual budget on or before June 30th for the ensuing fiscal year. From the effective date of the budget, the proposed expenditures become appropriations to the various City departments. This "appropriated budget" covers substantially all City expenditures, with the exception of debt service on bonds, which expenditures constitute legally authorized "non-appropriated budget." There are no significant non-budgeted activities. The City Council passes various amendments to the budget during the year. Supplementary appropriations for the year ended June 30, 2007 increased budgeted expenditures from \$128,706,297 as adopted in the original budget, to \$188,952,000.

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

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

OTHER MAJOR FUNDS

Other major funds account for financial resources to be used for City projects and restricted financial resources to be used to increase supply of available low-and moderate-income housing.

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

Housing Capital Projects Fund is used to account for restricted financial resources to be used to increase the supply of available low-and moderate-income housing.

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CITY OF DOWNEY

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

CITY CAPITAL PROJECTS FUND

For the year ended June 30, 2007
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 139	\$ 139	\$ 136	\$ (3)
Intergovernmental revenue	4,572	4,572	-	(4,572)
Other revenue	936	936	683	(253)
TOTAL REVENUES	5,647	5,647	819	(4,828)
EXPENDITURES:				
Capital outlay	10,812	12,766	2,985	9,781
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,165)	(7,119)	(2,166)	4,953
OTHER FINANCING SOURCES:				
Transfers in	968	1,976	1,305	(671)
NET CHANGE IN FUND BALANCE	(4,197)	(5,143)	(861)	4,282
FUND BALANCE - BEGINNING OF YEAR	7,619	7,619	7,619	-
FUND BALANCE - END OF YEAR	\$ 3,422	\$ 2,476	\$ 6,758	\$ 4,282

See independent auditors' report.

CITY OF DOWNEY

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

HOUSING CAPITAL PROJECTS FUND

For the year ended June 30, 2007
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 753	\$ 753	\$ 773	\$ 20
Investment and rental	125	125	210	85
Intergovernmental revenue	789	789	915	126
Other revenue	90	90	246	156
TOTAL REVENUES	1,757	1,757	2,144	387
EXPENDITURES:				
Current:				
Community development	2,411	2,406	1,511	895
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(654)	(649)	633	1,282
FUND BALANCE - BEGINNING OF YEAR	5,892	5,892	5,892	-
FUND BALANCE - END OF YEAR	\$ 5,238	\$ 5,243	\$ 6,525	\$ 1,282

See independent auditors' report.

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, Debt Service Funds, Other Capital Projects Funds, Internal Service Funds and Agency Funds.

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CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

June 30, 2007

(amounts expressed in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS				
Cash and investments	\$ 17,124	\$ 253	\$ 725	\$ 18,102
Receivables:				
Taxes	47	190	-	237
Accounts	49	-	-	49
Interest	112	43	8	163
Notes	-	-	10	10
Due from other governments and entities	219	-	-	219
Due from other funds	31	-	-	31
Restricted assets:				
Cash and investments with fiscal agents	-	1,386	-	1,386
Land held for resale	-	-	2,858	2,858
TOTAL ASSETS	\$ 17,582	\$ 1,872	\$ 3,601	\$ 23,055
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 1,597	\$ -	\$ 83	\$ 1,680
Due to other funds	1	-	-	1
Advance from other funds	-	1,750	-	1,750
Deferred revenue	21	-	10	31
TOTAL LIABILITIES	1,619	1,750	93	3,462
FUND BALANCES:				
Reserved for:				
Encumbrances	10,204	-	40	10,244
Debt service	-	1,427	-	1,427
Land held for resale	-	-	2,858	2,858
Unreserved reported in:				
Special revenue funds	5,759	-	-	5,759
Debt service funds	-	(1,305)	-	(1,305)
Capital projects funds	-	-	610	610
TOTAL FUND BALANCES	15,963	122	3,508	19,593
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,582	\$ 1,872	\$ 3,601	\$ 23,055

See independent auditors' report.

CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 347	\$ 349	\$ -	\$ 696
Investment and rental	431	104	75	610
Intergovernmental revenue	3,506	-	-	3,506
Charges for services	1,690	-	-	1,690
Other revenue	54	-	48	102
TOTAL REVENUES	6,028	453	123	6,604
EXPENDITURES:				
Current:				
General government	126	-	-	126
Public safety	51	-	-	51
Public works	2,723	-	-	2,723
Community services	326	-	-	326
Community development	-	224	1,054	1,278
Capital outlay	3,881	-	-	3,881
Debt service:				
Principal retirement	-	1,200	-	1,200
Interest and fiscal charges	-	450	-	450
TOTAL EXPENDITURES	7,107	1,874	1,054	10,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,079)	(1,421)	(931)	(3,431)
OTHER FINANCING SOURCES (USES):				
Transfers in	5,002	1,358	1,150	7,510
Transfers out	(843)	(150)	-	(993)
Issuance of debt	-	163	-	163
TOTAL OTHER FINANCING SOURCES (USES)	4,159	1,371	1,150	6,680
NET CHANGE IN FUND BALANCES	3,080	(50)	219	3,249
FUND BALANCES - BEGINNING OF YEAR	12,883	172	3,289	16,344
FUND BALANCES - END OF YEAR	\$ 15,963	\$ 122	\$ 3,508	\$ 19,593

See independent auditors' report.

OTHER SPECIAL REVENUE FUNDS

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

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

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.

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.

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

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

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

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

CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER SPECIAL REVENUE FUNDS

June 30, 2007
(amounts expressed in thousands)

	Waste Reduction	Gas Tax	Street Lighting
ASSETS			
Cash and investments	\$ 69	\$ 5,981	\$ 1,778
Receivables:			
Taxes	-	-	47
Accounts	28	-	19
Interest	-	83	23
Due from other governments and entities	-	74	-
Due from other funds	-	-	-
	-	-	-
TOTAL ASSETS	\$ 97	\$ 6,138	\$ 1,867
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 25	\$ 875	\$ 121
Due to other funds	1	-	-
Deferred revenue	-	-	-
	-	-	-
TOTAL LIABILITIES	26	875	121
FUND BALANCES:			
Reserved:			
Encumbrances	22	2,767	4
Unreserved:			
Designated:			
Special revenue purposes	49	2,496	1,742
	49	2,496	1,742
TOTAL FUND BALANCES	71	5,263	1,746
TOTAL LIABILITIES AND FUND BALANCES	\$ 97	\$ 6,138	\$ 1,867

See independent auditors' report.

<u>Sewer and Storm Drain</u>	<u>CATV Public Access</u>	<u>Air Quality</u>	<u>Grants</u>	<u>Totals</u>
\$ 610	\$ 3	\$ 476	\$ 8,207	\$ 17,124
-	-	-	-	47
2	-	-	-	49
-	-	6	-	112
-	-	42	103	219
-	-	31	-	31
<u>\$ 612</u>	<u>\$ 3</u>	<u>\$ 555</u>	<u>\$ 8,310</u>	<u>\$ 17,582</u>

\$ 202	\$ 2	\$ 1	\$ 371	\$ 1,597
-	-	-	-	1
-	-	-	21	21
<u>202</u>	<u>2</u>	<u>1</u>	<u>392</u>	<u>1,619</u>

399	-	-	7,012	10,204
<u>11</u>	<u>1</u>	<u>554</u>	<u>906</u>	<u>5,759</u>
<u>410</u>	<u>1</u>	<u>554</u>	<u>7,918</u>	<u>15,963</u>
<u>\$ 612</u>	<u>\$ 3</u>	<u>\$ 555</u>	<u>\$ 8,310</u>	<u>\$ 17,582</u>

CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

	Waste Reduction	Gas Tax	Street Lighting
REVENUES:			
Taxes	\$ -	\$ -	\$ 347
Investment and rental	-	341	72
Intergovernmental revenue	3	3,155	-
Charges for services	407	-	1,148
Other revenue	2	-	-
	<u>412</u>	<u>3,496</u>	<u>1,567</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	299	-	1,341
Community services	165	-	-
Capital outlay	-	3,158	-
	<u>464</u>	<u>3,158</u>	<u>1,341</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(52)</u>	<u>338</u>	<u>226</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	70	324	-
Transfers out	-	(830)	-
	<u>70</u>	<u>(506)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	18	(168)	226
FUND BALANCES - BEGINNING OF YEAR	<u>53</u>	<u>5,431</u>	<u>1,520</u>
FUND BALANCES - END OF YEAR	<u>\$ 71</u>	<u>\$ 5,263</u>	<u>\$ 1,746</u>

See independent auditors' report.

<u>Sewer and Storm Drain</u>	<u>CATV Public Access</u>	<u>Air Quality</u>	<u>Grants</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 347
-	(4)	21	1	431
32	-	136	180	3,506
135	-	-	-	1,690
52	-	-	-	54
<u>219</u>	<u>(4)</u>	<u>157</u>	<u>181</u>	<u>6,028</u>
-	126	-	-	126
-	-	-	51	51
988	-	95	-	2,723
-	-	-	161	326
337	-	-	386	3,881
<u>1,325</u>	<u>126</u>	<u>95</u>	<u>598</u>	<u>7,107</u>
<u>(1,106)</u>	<u>(130)</u>	<u>62</u>	<u>(417)</u>	<u>(1,079)</u>
1,031	80	-	3,497	5,002
-	-	-	(13)	(843)
<u>1,031</u>	<u>80</u>	<u>-</u>	<u>3,484</u>	<u>4,159</u>
(75)	(50)	62	3,067	3,080
<u>485</u>	<u>51</u>	<u>492</u>	<u>4,851</u>	<u>12,883</u>
<u>\$ 410</u>	<u>\$ 1</u>	<u>\$ 554</u>	<u>\$ 7,918</u>	<u>\$ 15,963</u>

CITY OF DOWNEY

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

WASTE REDUCTION SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 3	\$ 3	\$ -	\$ (3)
Intergovernmental revenue	60	60	3	(57)
Charges for services	390	390	407	17
Other revenue	1	1	2	1
TOTAL REVENUES	<u>454</u>	<u>454</u>	<u>412</u>	<u>(42)</u>
EXPENDITURES:				
Current:				
Public works	320	332	299	33
Community development	<u>178</u>	<u>178</u>	<u>165</u>	<u>13</u>
TOTAL EXPENDITURES	<u>498</u>	<u>510</u>	<u>464</u>	<u>46</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44)	(56)	(52)	4
OTHER FINANCING SOURCES:				
Transfers in	<u>70</u>	<u>70</u>	<u>70</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	26	14	18	4
FUND BALANCE - BEGINNING OF YEAR	<u>53</u>	<u>53</u>	<u>53</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 79</u>	<u>\$ 67</u>	<u>\$ 71</u>	<u>\$ 4</u>

See independent auditors' report.

CITY OF DOWNEY

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

GAS TAX SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 75	\$ 75	\$ 341	\$ 266
Intergovernmental revenue	4,373	4,373	3,155	(1,218)
TOTAL REVENUES	4,448	4,448	3,496	(952)
EXPENDITURES:				
Capital outlay	5,807	8,875	3,158	5,717
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,359)	(4,427)	338	4,765
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,500	324	(1,176)
Transfers out	(830)	(830)	(830)	-
TOTAL OTHER FINANCING SOURCES (USES)	(830)	670	(506)	(1,176)
NET CHANGE IN FUND BALANCE	(2,189)	(3,757)	(168)	3,589
FUND BALANCE - BEGINNING OF YEAR	5,431	5,431	5,431	-
FUND BALANCE - END OF YEAR	\$ 3,242	\$ 1,674	\$ 5,263	\$ 3,589

See independent auditors' report.

CITY OF DOWNEY

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

STREET LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 347	\$ 347
Investment and rental	35	35	72	37
Charges for services	1,517	1,517	1,148	(369)
TOTAL REVENUES	1,552	1,552	1,567	15
EXPENDITURES:				
Current:				
Public works	1,370	1,370	1,341	29
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	182	182	226	44
FUND BALANCE - BEGINNING OF YEAR	1,520	1,520	1,520	-
FUND BALANCE - END OF YEAR	\$ 1,702	\$ 1,702	\$ 1,746	\$ 44

See independent auditors' report.

CITY OF DOWNEY

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

SEWER AND STORM DRAIN SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 32	\$ 32
Charges for services	120	120	135	15
Other revenue	-	-	52	52
	<u>120</u>	<u>120</u>	<u>219</u>	<u>99</u>
EXPENDITURES:				
Current:				
Public works	1,052	1,052	988	64
Capital outlay	<u>685</u>	<u>785</u>	<u>337</u>	<u>448</u>
TOTAL EXPENDITURES	<u>1,737</u>	<u>1,837</u>	<u>1,325</u>	<u>512</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,617)	(1,717)	(1,106)	611
OTHER FINANCING SOURCES:				
Transfers in	<u>1,012</u>	<u>1,277</u>	<u>1,031</u>	<u>(246)</u>
NET CHANGE IN FUND BALANCE	(605)	(440)	(75)	365
FUND BALANCE - BEGINNING OF YEAR	<u>485</u>	<u>485</u>	<u>485</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (120)</u>	<u>\$ 45</u>	<u>\$ 410</u>	<u>\$ 365</u>

See independent auditors' report.

CITY OF DOWNEY

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

CATV PUBLIC ACCESS SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 4	\$ 4	\$ (4)	\$ (8)
EXPENDITURES:				
Current:				
General government	151	151	126	25
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(147)	(147)	(130)	17
OTHER FINANCING SOURCES:				
Transfers in	80	80	80	-
NET CHANGE IN FUND BALANCE	(67)	(67)	(50)	17
FUND BALANCE - BEGINNING OF YEAR	51	51	51	-
FUND BALANCE - END OF YEAR	\$ (16)	\$ (16)	\$ 1	\$ 17

See independent auditors' report.

CITY OF DOWNEY

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

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 21	\$ 21
Intergovernmental revenue	-	-	136	136
TOTAL REVENUES	-	-	157	157
EXPENDITURES:				
Current:				
Public works	101	101	95	6
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(101)	(101)	62	163
FUND BALANCE - BEGINNING OF YEAR	492	492	492	-
FUND BALANCE - END OF YEAR	\$ 391	\$ 391	\$ 554	\$ 163

See independent auditors' report.

CITY OF DOWNEY

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

GRANTS SPECIAL REVENUE FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 1	\$ 1
Intergovernmental revenue	625	625	180	(445)
Other revenue	-	1,010	-	(1,010)
TOTAL REVENUES	625	1,635	181	(1,454)
EXPENDITURES:				
Current:				
Public safety	-	-	51	(51)
Community services	-	1,397	161	1,236
Capital outlay	625	8,778	386	8,392
TOTAL EXPENDITURES	625	10,175	598	9,577
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(8,540)	(417)	8,123
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,651	3,497	(154)
Transfers out	-	-	(13)	(13)
TOTAL OTHER FINANCING SOURCES (USES)	-	3,651	3,484	(167)
NET CHANGE IN FUND BALANCE	-	(4,889)	3,067	7,956
FUND BALANCE - BEGINNING OF YEAR	4,851	4,851	4,851	-
FUND BALANCE - END OF YEAR	\$ 4,851	\$ (38)	\$ 7,918	\$ 7,956

See independent auditors' report.

OTHER DEBT SERVICE FUNDS

Downey Civic Center Fund is used to account for the debt payments made on the Civic Center Bonds.

Woodruff Industrial Project Redevelopment Fund is used to account for tax increment revenue from the Woodruff Industrial Project redevelopment project area. This revenue is used for the repayment of debt.

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CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER DEBT SERVICE FUNDS

June 30, 2007
(amounts expressed in thousands)

	Downey Civic Center	Woodruff Industrial Project Redevelopment	Totals
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ -	\$ 253	\$ 253
Receivables:			
Taxes	-	190	190
Interest	41	2	43
Restricted assets:			
Cash and investments with fiscal agents	<u>1,386</u>	<u>-</u>	<u>1,386</u>
TOTAL ASSETS	<u><u>\$ 1,427</u></u>	<u><u>\$ 445</u></u>	<u><u>\$ 1,872</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Advance from other funds	<u>\$ -</u>	<u>\$ 1,750</u>	<u>\$ 1,750</u>
FUND BALANCES (DEFICIT):			
Reserved:			
Debt service	1,427	-	1,427
Unreserved - undesignated	<u>-</u>	<u>(1,305)</u>	<u>(1,305)</u>
TOTAL FUND BALANCES (DEFICIT)	<u>1,427</u>	<u>(1,305)</u>	<u>122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,427</u></u>	<u><u>\$ 445</u></u>	<u><u>\$ 1,872</u></u>

See independent auditors' report.

CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

	Downey Civic Center	Woodruff Industrial Project Redevelopment	Totals
REVENUES:			
Taxes	\$ -	\$ 349	\$ 349
Investment and rental	94	10	104
TOTAL REVENUES	94	359	453
EXPENDITURES:			
Community development	-	224	224
Debt service:			
Principal retirement	1,200	-	1,200
Interest and fiscal charges	250	200	450
TOTAL EXPENDITURES	1,450	424	1,874
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,356)	(65)	(1,421)
OTHER FINANCING SOURCES (USES):			
Transfers in	1,358	-	1,358
Transfers out	-	(150)	(150)
Issuance of debt	-	163	163
TOTAL OTHER FINANCING SOURCES (USES)	1,358	13	1,371
NET CHANGE IN FUND BALANCES	2	(52)	(50)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	1,425	(1,253)	172
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,427	\$ (1,305)	\$ 122

See independent auditors' report.

OTHER CAPITAL PROJECTS FUNDS

Firestone Redevelopment Fund is used to account for the administration, capital projects and land transactions of the City's Firestone Boulevard Redevelopment Project Area.

Woodruff Redevelopment Fund is used to account for the administration, capital projects and land transactions of the City's Woodruff Industrial Redevelopment Project Area.

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CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER CAPITAL PROJECTS FUNDS

June 30, 2007
(amounts expressed in thousands)

	Firestone Redevelopment	Woodruff Redevelopment	Totals
ASSETS			
Cash and investments	\$ 512	\$ 213	\$ 725
Receivables:			
Interest	4	4	8
Notes	10	-	10
Land held for resale	2,858	-	2,858
 TOTAL ASSETS	 \$ 3,384	 \$ 217	 \$ 3,601
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 83	\$ -	\$ 83
Deferred revenue	10	-	10
 TOTAL LIABILITIES	 93	 -	 93
FUND BALANCES:			
Reserved:			
Encumbrances	40	-	40
Land held for resale	2,858	-	2,858
Unreserved - undesignated	393	217	610
 TOTAL FUND BALANCES	 3,291	 217	 3,508
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 3,384	 \$ 217	 \$ 3,601

See independent auditors' report.

CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

	Firestone Redevelopment	Woodruff Redevelopment	Totals
REVENUES:			
Investment and rental	\$ 62	\$ 13	\$ 75
Other revenue	48	-	48
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	110	13	123
EXPENDITURES:			
Current:			
Community development	911	143	1,054
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(801)	(130)	(931)
OTHER FINANCING SOURCES:			
Transfers in	1,000	150	1,150
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	199	20	219
FUND BALANCES - BEGINNING OF YEAR	3,092	197	3,289
	<hr/>	<hr/>	<hr/>
FUND BALANCES - END OF YEAR	<u>\$ 3,291</u>	<u>\$ 217</u>	<u>\$ 3,508</u>

See independent auditors' report.

CITY OF DOWNEY

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

FIRESTONE REDEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 113	\$ 113	\$ 62	\$ (51)
Other	48	48	48	-
TOTAL REVENUES	161	161	110	(51)
EXPENDITURES:				
Current:				
Community development	1,276	1,374	911	463
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,115)	(1,213)	(801)	412
OTHER FINANCING SOURCES:				
Transfers in	1,100	1,100	1,000	(100)
NET CHANGE IN FUND BALANCE	(15)	(113)	199	312
FUND BALANCE - BEGINNING OF YEAR	3,092	3,092	3,092	-
FUND BALANCE - END OF YEAR	\$ 3,077	\$ 2,979	\$ 3,291	\$ 312

See independent auditors' report.

CITY OF DOWNEY

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

WOODRUFF REDEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2007
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 13	\$ 13
EXPENDITURES:				
Current:				
Community development	-	-	143	(143)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(130)	(130)
OTHER FINANCING SOURCES:				
Transfers in	-	-	150	150
NET CHANGE IN FUND BALANCE	-	-	20	20
FUND BALANCE - BEGINNING OF YEAR	197	197	197	-
FUND BALANCE - END OF YEAR	<u>\$ 197</u>	<u>\$ 197</u>	<u>\$ 217</u>	<u>\$ 20</u>

See independent auditors' report.

INTERNAL SERVICE FUNDS

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

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

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

CITY OF DOWNEY

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2007

(amounts expressed in thousands)

ASSETS	Employee Benefits	Equipment	Totals
CURRENT ASSETS:			
Cash and investments	\$ 42,662	\$ 4,581	\$ 47,243
Accounts receivable	4	30	34
Advances to other funds	2,650	-	2,650
Inventories	-	73	73
Restricted assets:			
Cash and investments	1,657	1,657	3,314
Cash and investments with fiscal agent	55	-	55
TOTAL CURRENT ASSETS	47,028	6,341	53,369
NONCURRENT ASSETS:			
Prepaid pension expense	19,512	-	19,512
Bond issuance costs	187	-	187
Capital Assets (Net of Accumulated Depreciation):			
Machinery and equipment	-	6,431	6,431
TOTAL NONCURRENT ASSETS	19,699	6,431	26,130
TOTAL ASSETS	66,727	12,772	79,499
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	315	241	556
Interest payable	86	22	108
Retiree health benefits payable	155	-	155
Compensated absences	3,696	-	3,696
Claims payable	3,715	-	3,715
Capital lease payable	-	66	66
Pension obligation bonds	95	-	95
TOTAL CURRENT LIABILITIES	8,062	329	8,391
NONCURRENT LIABILITIES:			
Retiree health benefits payable	4,086	-	4,086
Compensated absences	7,399	-	7,399
Claims payable	4,103	-	4,103
Capital lease payable	-	459	459
Pension obligation bonds	20,174	-	20,174
TOTAL NONCURRENT LIABILITIES	35,762	459	36,221
TOTAL LIABILITIES	43,824	788	44,612
NET ASSETS:			
Invested in capital assets, net of related debt	-	5,906	5,906
Unrestricted	22,903	6,078	28,981
TOTAL NET ASSETS	\$ 22,903	\$ 11,984	\$ 34,887

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDSFor the year ended June 30, 2007
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
OPERATING REVENUES:			
Charges for services	\$ 20,588	\$ 2,739	\$ 23,327
Miscellaneous	965	-	965
TOTAL OPERATING REVENUES	21,553	2,739	24,292
OPERATING EXPENSES:			
Maintenance and operations	-	3,158	3,158
General and administration	-	314	314
Employee benefits	22,201	-	22,201
Amortization	7	-	7
Depreciation	-	1,942	1,942
TOTAL OPERATING EXPENSES	22,208	5,414	27,622
OPERATING LOSS	(655)	(2,675)	(3,330)
NONOPERATING REVENUES (EXPENSES):			
Grant revenue	-	2,549	2,549
Investment and rental	876	99	975
Interest expense	(1,033)	(22)	(1,055)
Loss on sale of capital assets	-	(548)	(548)
TOTAL NONOPERATING REVENUES (EXPENSES)	(157)	2,078	1,921
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(812)	(597)	(1,409)
TRANSFERS IN	8,052	-	8,052
TRANSFERS OUT	(3,243)	-	(3,243)
CAPITAL CONTRIBUTIONS	-	313	313
CHANGE IN NET ASSETS	3,997	(284)	3,713
TOTAL NET ASSETS - BEGINNING OF YEAR	18,906	12,268	31,174
TOTAL NET ASSETS - END OF YEAR	\$ 22,903	\$ 11,984	\$ 34,887

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2007
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from user departments	\$ 21,549	\$ 2,734	\$ 24,283
Payment to suppliers	(16,104)	(2,907)	(19,011)
Payment to employees	(6,198)	(489)	(6,687)
NET CASH USED BY OPERATING ACTIVITIES	<u>(753)</u>	<u>(662)</u>	<u>(1,415)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	8,052	-	8,052
Cash paid to other funds	(3,243)	-	(3,243)
Principal paid	(85)	-	(85)
Interest paid	(1,026)	-	(1,026)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,698</u>	<u>-</u>	<u>3,698</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(2,188)	(2,188)
Proceeds from sale of capital assets	-	140	140
Interest paid on debt	-	(25)	(25)
Capital contributions	-	313	313
Grant received	-	2,549	2,549
Principal paid on debt	-	(63)	(63)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>726</u>	<u>726</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	876	99	975
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,821	163	3,984
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	40,553	6,075	46,628
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 44,374</u>	<u>\$ 6,238</u>	<u>\$ 50,612</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	\$ (655)	\$ (2,675)	\$ (3,330)
Depreciation and amortization	7	1,942	1,949
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(4)	(5)	(9)
(Increase) decrease in inventories	-	(19)	(19)
(Increase) decrease in prepaid expense	340	-	340
Increase (decrease) in accounts payable and accrued liabilities	(182)	95	(87)
Increase (decrease) in retiree health payable	(1,010)	-	(1,010)
Increase (decrease) in claims payable	276	-	276
Increase (decrease) in compensated absences payable	475	-	475
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (753)</u>	<u>\$ (662)</u>	<u>\$ (1,415)</u>

See independent auditors' report.

AGENCY FUNDS

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

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

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

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

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

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

CITY OF DOWNEY

COMBINING STATEMENT OF FIDUCIARY
ASSETS AND LIABILITIES

June 30, 2007

(amounts expressed in thousands)

	Special Deposits	Cemetery District	1913 Act Bond Fund
ASSETS			
Cash and investments	\$ 5,961	\$ -	\$ 101
Receivables	56	6	1
TOTAL ASSETS	\$ 6,017	\$ 6	\$ 102
LIABILITIES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 49	\$ 6	\$ -
Deposits payable	5,968	-	102
TOTAL LIABILITIES	\$ 6,017	\$ 6	\$ 102

See independent auditors' report.

Elm Vista	Columbia Memorial Space Learning Center Foundation	SEAACA	Totals
\$ 2	\$ 6	\$ 914	\$ 6,984
3	-	957	1,023
<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 1,871</u>	<u>\$ 8,007</u>
\$ 5	\$ -	\$ 464	\$ 524
-	6	1,407	7,483
<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 1,871</u>	<u>\$ 8,007</u>

CITY OF DOWNEY

COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES

For the year ended June 30, 2007
(amounts expressed in thousands)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
SPECIAL DEPOSITS				
ASSETS:				
Cash and investments	\$ 6,185	\$ 5,385	\$ 5,609	\$ 5,961
Receivables	46	56	46	56
TOTAL ASSETS	\$ 6,231	\$ 5,441	\$ 5,655	\$ 6,017
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 41	\$ 1,920	\$ 1,912	\$ 49
Deposits payable	6,190	5,651	5,873	5,968
TOTAL LIABILITIES	\$ 6,231	\$ 7,571	\$ 7,785	\$ 6,017
CEMETERY DISTRICT				
ASSETS:				
Receivables	\$ 4	\$ 5	\$ 3	\$ 6
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 4	\$ 2	\$ -	\$ 6
1913 ACT BOND FUND				
ASSETS:				
Cash and investments	\$ 96	\$ 5	\$ -	\$ 101
Receivables	1	1	1	1
TOTAL ASSETS	\$ 97	\$ 6	\$ 1	\$ 102
LIABILITIES:				
Deposits payable	\$ 97	\$ 6	\$ 1	\$ 102
ELM VISTA				
ASSETS:				
Cash and investments	\$ 2	\$ -	\$ -	\$ 2
Receivables	3	-	-	3
TOTAL ASSETS	\$ 5	\$ -	\$ -	\$ 5
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 5	\$ -	\$ -	\$ 5

See independent auditors' report.

(Continued)

CITY OF DOWNEY

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

For the year ended June 30, 2007
(amounts expressed in thousands)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
COLUMBIA MEMORIAL SPACE LEARNING CENTER				
ASSETS:				
Cash and investments	\$ 5	\$ 1	\$ -	\$ 6
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 5	\$ 1	\$ -	\$ 6
SEAACA				
ASSETS:				
Cash and investments	\$ 789	\$ 6,759	\$ 6,634	\$ 914
Receivables	1,373	3,088	3,504	957
TOTAL ASSETS	\$ 2,162	\$ 9,847	\$ 10,138	\$ 1,871
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 349	\$ 7,205	\$ 7,090	\$ 464
Deposits payable	1,813	1,259	1,665	1,407
TOTAL LIABILITIES	\$ 2,162	\$ 8,464	\$ 8,755	\$ 1,871
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 7,077	\$ 12,150	\$ 12,243	\$ 6,984
Receivable	1,427	3,150	3,554	1,023
TOTAL ASSETS	\$ 8,504	\$ 15,300	\$ 15,797	\$ 8,007
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 399	\$ 9,127	\$ 9,002	\$ 524
Deposits payable	8,105	6,917	7,539	7,483
TOTAL LIABILITIES	\$ 8,504	\$ 16,044	\$ 16,541	\$ 8,007

See independent auditors' report.

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STATISTICAL SECTION

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2007

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.	120 - 129
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	130 - 134
<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.	135 - 140
<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.	141 - 142
<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.	143 - 145

CITY OF DOWNEY

NET ASSETS BY COMPONENT
(amounts expressed in thousands)

Last Five Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year

2006-07

\$ 154,423
31,468
46,856

232,747

35,662

-

22,903

58,565

190,085

31,468

69,759

\$ 291,312

CITY OF DOWNEY

CHANGES IN NET ASSETS - EXPENSES AND PROGRAM REVENUES

(amounts expressed in thousands)

Last Five Fiscal Years
(accrual basis of accounting)

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

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

Information prior to the implementation of GASB 34 is not available.

Source: Finance Department, City of Downey

Fiscal Year

2006-07

\$ 6,100
42,379
8,466
7,903
6,556
4,772
1,801
77,977

8,852
2,745
2,634
14,231

\$ 92,208

\$ 150
4,156
2,236
2,904
2,701
7,409
3,676

23,232

9,543
2,944
7
-

12,494

\$ 35,726

\$ (54,745)
(1,737)

\$ (56,482)

CITY OF DOWNEY

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

Last Five Fiscal Years
(accrual basis of accounting)

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

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

Fiscal Year

2006-07

\$ 22,726
1,085
12,996
3,989
2,168
9,489
-
-
-
5,405
-
4,126
1,720

63,704

3,330
1,371
-
-
(1,720)

2,981

\$ 66,685

\$ 8,959
1,244

\$ 10,203

CITY OF DOWNEY

FUND BALANCES OF GOVERNMENTAL FUNDS
(amounts expressed in thousands)

Last Five Fiscal Years
(modified accrual basis of accounting)

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

The City of Downey has elected to show only five years of data for this schedule.

Fiscal Year

2006-07

\$ 8,014
15,448

\$ 23,462

\$ 27,267

3,832
(6,655)
4,403

\$ 28,847

CITY OF DOWNEY

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

Last Five Fiscal Years
(modified accrual basis of accounting)

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

The City of Downey has elected to show only five years of data for this schedule.

Source: Finance Department, City of Downey

Fiscal Year
2006-07

\$	52,682
	2,147
	1,911
	7,002
	9,370
	7,804
	3,416
	<u>84,332</u>
	4,905
	39,555
	7,902
	6,769
	7,589
	-
	9,105
	1,800
	2,370
	<u>79,995</u>
	<u>4,337</u>
	10,653
	(13,742)
	-
	-
	1,386
	-
	<u>(1,703)</u>
	2,634
	<u>49,675</u>
\$	<u>52,309</u>

5.21%

CITY OF DOWNEY

ASSESSED VALUATION
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Secured			Unsecured			Net Total		Percent Increase (Decrease)
	Secured	Public Utilities	Less Exemptions	Secured	Unsecured	Less Exemptions	Unsecured	and Secured	
1997-98	\$ 4,402,710	\$ 2,736	\$ 185,874	\$ 4,219,572	\$ 267,164	\$ 26,564	\$ 240,600	\$ 4,460,172	1.4
1998-99	4,502,648	2,780	198,812	4,306,616	286,842	27,945	258,897	4,565,513	2.4
1999-00	4,583,866	2,675	162,973	4,423,568	247,841	268	247,573	4,671,141	2.3
2000-01	4,714,619	2,190	77,526	4,639,283	248,440	29,029	219,411	4,858,694	4.0
2001-02	4,994,720	2,210	70,792	4,926,138	318,705	87,533	231,172	5,157,310	6.1
2002-03	5,289,560	963	86,492	5,204,031	251,512	37,603	213,909	5,417,940	5.1
2003-04	5,718,335	995	73,582	5,645,748	278,562	68,544	210,018	5,855,766	8.1
2004-05	6,162,620	1,057	97,880	6,065,797	267,325	66,568	200,757	6,266,554	7.0
2005-06	6,880,678	1,036	83,406	6,798,308	261,287	57,661	203,626	7,001,934	11.7
2006-07	7,679,717	984	120,776	7,559,925	324,711	110,373	214,338	7,774,263	11.0

Exemptions include Homeowners and Business Inventory Exemptions.

CITY OF DOWNEY

ASSESSED VALUE OF TAXABLE PROPERTY
(amounts expressed in thousands)

Last Ten Fiscal Years

Category	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Residential	\$ 3,311,814	\$ 3,388,338	\$3,495,146	\$3,669,647	\$ 3,945,644	\$ 4,188,365	\$ 4,549,637	\$4,943,763	\$ 5,520,668	\$ 6,166,427
Commercial	567,345	583,178	592,546	607,101	591,267	616,149	674,123	697,370	767,578	866,508
Industrial	181,779	186,062	195,429	216,454	229,982	246,460	241,028	251,521	285,442	303,035
Government	147									109
Institutional	21,339	21,811	23,622	37,180	46,835	29,854	45,214	36,441	37,942	35,979
Miscellaneous	337	344	1,650	1,683	3,501	4,431	7,102	12	12	12
Recreational	11,310	8,168	8,207	8,456	17,898	22,568	28,986	27,639	23,017	26,408
Vacant Land	23,571	20,724	22,662	34,459	22,146	18,355	22,991	29,424	50,204	51,513
SBE Nonunitary	2,736	2,780	2,675	2,190	2,210	964	995	1,057	1,036	984
Possessory Int.	97,086	92,814	79,440	59,878	63,390	66,875	66,491	69,220	101,136	99,401
Unsecured	240,540	258,897	247,573	219,410	231,172	213,908	210,018	200,757	203,626	214,338
Exempt	(74,160)	(74,328)	(74,577)	(72,806)	(86,676)	(75,216)	(75,415)	(75,405)	(74,632)	(75,495)
Unknown	2,110	2,397	2,192	2,236	3,266	10,012	9,181	9,352	11,732	9,548
TOTALS	\$ 4,460,114	\$ 4,565,513	\$4,671,142	\$4,858,694	\$ 5,157,311	\$ 5,417,941	\$ 5,855,766	\$6,266,556	\$ 7,002,393	\$ 7,774,262
Total Direct Rate	0.1850%	0.1860%	0.1909%	0.1800%	0.1816%	0.1804%	0.1802%	0.1806%	0.1852%	0.1853%

Note: Exempt values are not included in Total.

Source: HdL Coren & Cone, L.A. County Assessor 1997/98 - 2006/07 Combined Tax Rolls

CITY OF DOWNEY

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

Last Ten Fiscal Years

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Rate producing Revenue for City and Redevelopment Agency										
City General Fund Direct Rate	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125
RDA Incremental Rate	0.01270	0.01230	0.01210	0.01170	0.00990	0.00860	0.00760	0.00700	0.00600	0.00600
Total Direct Rate	0.15395	0.15355	0.15335	0.15295	0.15115	0.14985	0.14885	0.14825	0.14725	0.14725
Taxpayer Rates for Largest General Fund Tax Rate										
City of Downey Tax District 1	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125
Cerritos Community College District	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625
Childrens Institutional Tuition Fund	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291
County Sanitation District No. 2 Operating	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395
County School Service Fund-Downey	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743
County School Service	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146
Development Ctr For Handicapped Minors	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052
Downey Cemetery District	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089
Downey Unified School District	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536
Educational Augmentation Fund Impound	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308
Educational Revenue Augmentation	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154
Great L.A. County Vector Control Dist	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039
L. A. County Accum Cap Outlay	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012
L. A. County Fire	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768
L. A. County Flood Ctrl Drain Imp Dist Maint	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183
L. A. County Flood Ctrl Maintenance	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035
L. A. County General	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481
Water Replenishment District of Southern Calif	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018
Total Prop. 13 Rate	1.00000									
Central Basin MWD	0.00890	0.00890	0.00890	0.00880	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470
Cerritos Comm College 2004 Ser A Debt Svc	-	-	-	-	-	-	-	0.01908	0.01279	0.01964
Cerritos Comm College 2005 Ref. Bonds Debt Svc	-	-	-	-	-	-	-	-	0.01144	0.00429
Detention Facilities 1987 Debt Svc.	0.00158	0.00145	0.00143	0.00130	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066
Downey Unif SD 1996 Ser E Debt Svc.	-	-	-	-	0.01230	0.01081	0.00951	0.00860	0.00760	0.00694
Downey Unif SD 1996 Ser D Debt Svc.	-	-	0.00450	0.00384	0.00351	0.00330	0.00319	0.00287	0.00252	0.00225
Downey Unif SD Ref Bond 1999 Ser A Debt Svc.	-	-	0.01318	0.01291	0.01103	0.01168	0.01025	0.00929	0.00809	0.00799
Downey Unif SD 1996 Ser A Debt Svc.	0.00470	0.00395	-	-	-	-	-	-	-	-
Downey Unif SD 1996 Ser B Debt Svc.	0.01153	0.00943	-	-	-	-	-	-	-	-
Downey Unif SD 1996 Ser C Debt Svc.	-	0.00766	0.00608	0.00605	0.00549	0.00524	0.00497	0.00442	0.00394	0.00354
Downey Unif SD 2002 Ser C Debt Svc.	-	-	-	-	-	-	-	-	0.02073	0.01082
Downey Unif SD 2002 Ser A Debt Svc.	-	-	-	-	-	-	0.02337	0.01849	0.01529	0.01374
Downey Unif SD 2002 Ser B Debt Svc.	-	-	-	-	-	-	-	0.02198	0.01902	0.01620
Flood Con. Refunding Bonds 1993 Debt Svc.	0.00178	0.00145	0.00079	0.00064	0.00041	0.00026	0.00004	0.00003	0.00003	-
L. A. County Fld Ctrl Storm Drainage #4 Debt Svc	0.00042	0.00050	0.00097	0.00092	0.00066	0.00062	0.00043	0.00021	0.00002	0.00005
Total Voter Approved Rate	0.02891	0.03334	0.03585	0.03446	0.04223	0.03964	0.05885	0.09169	0.10747	0.09082
TOTAL TAX RATE	1.02891	1.03334	1.03585	1.03446	1.04223	1.03964	1.05885	1.09169	1.10747	1.09082

CITY OF DOWNEY

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	No. of Parcels	2006-07		1997-98	
		Taxable Assessed Value	% of Total City Taxable Assessed Value	Taxable Assessed Value	% of Total City Taxable Assessed Value
Sanwa Jutaku Company Limited *	4	\$ 34,728,625	0.50%	\$ 27,226,432	0.62%
Downey Community Hospital Foundation	1	22,844,294	0.33%	-	-
DRMC Properties Inc.	2	18,132,370	0.26%	-	-
Arizonian Apartment Co. L.P.	168	88,931,818	1.27%	-	-
Gary L. Ball Trust, Et. Al.	13	96,119,181	1.37%	-	-
Coca Cola Bottling Company of Los Angeles	3	80,874,190	1.16%	42,940,800	0.98%
Brookshire Partners	3	11,881,463	0.17%	8,590,985	0.20%
Downey Cinemas LLC/Showprop Downey	4	12,805,785	0.18%	-	-
PT Enterprises LLC	1	12,342,000	0.18%	-	-
Kaiser Foundation Health Plan	15	211,245,259	3.02%	-	-
Robinsons May	25	-	-	105,450,110	2.40%
Boeing North American	8	-	-	99,808,127	2.27%
Downey Land Company Limited	17	-	-	68,292,781	1.55%
Pacific Gulf Properties Inc.	3	-	-	11,000,000	0.25%
Toyota Motor Credit Corporation	1	-	-	10,423,363	0.24%
US Ordinance Company	3	-	-	12,644,229	0.29%
Morris & Frances Adnoff Trust	16	-	-	5,668,520	0.13%
		<u>\$ 589,904,985</u>	<u>8.42%</u>	<u>\$ 392,045,347</u>	<u>8.91%</u>

* 5 parcels in 1997-98

** 6 parcels in 1997-98

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

CITY OF DOWNEY

PROPERTY TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections</u>
1997-98	\$ 5,500	\$ 5,439	\$ 99	\$ 155	\$ 5,594	101.71
1998-99	5,643	5,582	98.92	174	5,756	102.00
1999-00	5,734	5,794	101.05	153	5,947	103.71
2000-01	6,141	6,045	98.44	105	6,150	100.15
2001-02	6,505	6,412	98.57	151	6,563	100.89
2002-03	6,942	6,684	96.28	313	6,997	100.79
2003-04	7,533	7,459	99.02	205	7,664	101.74
2004-05	8,079	8,306	102.81	212	8,518	105.43
2005-06	8,707	9,286	106.65	598	9,884	113.52
2006-07	9,762	10,592	108.50	64	10,656	109.16

Source: Finance Department, City of Downey

CITY OF DOWNEY

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

Last Five Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Assessed Value	Debt Per Capita
	Bonds	Certificates of Participation	Other	Total Governmental Activities	Certificates of Participation	Other	Total Business-type Activities			
2002-03	\$ 9,135	\$ 7,110	\$ 36,337	\$ 52,582	\$ 9,910	\$ -	\$ 9,910	\$ 62,492	1.15%	\$ 560
2003-04	8,950	6,075	37,653	52,678	9,910	135	10,045	62,723	1.07%	556
2004-05	29,189	4,990	41,526	75,705	9,640	214	9,854	85,559	1.37%	758
2005-06	28,906	3,850	44,676	77,432	9,360	257	9,617	87,049	1.24%	770
2006-07	28,618	2,650	46,213	77,481	9,070	323	9,393	86,874	1.12%	765

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

CITY OF DOWNEY

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
1997-98	99,684	\$ 4,460,172	\$ -	\$ -	\$ -	0.0%	0.0%
1998-99	101,095	4,565,513	-	-	-	0.0%	0.0%
1999-00	107,323	4,671,141	-	-	-	0.0%	0.0%
2000-01	108,729	4,858,694	-	-	-	0.0%	0.0%
2001-02	110,441	5,157,310	-	-	-	0.0%	0.0%
2002-03	111,687	5,417,940	-	-	-	0.0%	0.0%
2003-04	112,817	5,855,766	-	-	-	0.0%	0.0%
2004-05	112,938	6,266,554	-	-	-	0.0%	0.0%
2005-06	113,063	7,001,934	-	-	-	0.0%	0.0%
2006-07	113,587	7,774,263	-	-	-	0.0%	0.0%

Source: Finance Department, City of Downey

CITY OF DOWNEY

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

June 30, 2007

City Assessed Valuation	\$7,774,262,381
Redevelopment Agency Incremental Valuation	<u>385,586,136</u>
Total Assessed Valuation	<u><u>\$7,388,676,245</u></u>

	Gross Bonded Debt Balance 06/30/007	Percent Applicable to City of Downey	Net Bonded Debt
LA Co Flood Ctrl (Storm Drain Bd No. 4) Debt Svc	\$ 370,000	0.934	\$ 3,455
*Central Basin MWD 1114 Debt Svc	165,681,509	1.004	1,663,664
Little Lake City Elem SD 2000 Ser A Debt Svc	250,000	3.977	9,943
Little Lake City Elem SD 2000 Ser B Debt Svc	6,285,000	3.977	249,963
Little Lake County SD 2005 Refunding Bonds	8,630,000	3.977	343,226
Little Lake City Elem SD 2000 Ser C	9,000,000	3.977	357,942
Whittier Union High SD 2005 Refunding Bonds	97,492,133	0.641	625,181
Cerritos CCD 2004 Ser 2004 A Debt Svc	6,600,000	23.530	1,552,950
Cerritos CCD 2005 Refunding Bonds Debt Svc	24,745,994	23.530	5,822,620
Cerritos CCD 2004 Ser 2006 A Debt Svc	34,845,000	23.530	8,198,870
Compton Comm College Dist 2002 Ser A Debt Svc	38,325,000	0.767	294,045
LA City Community College 2001 Ser A Debt Svc	40,260,000	0.003	1,218
LA City Community College 2003 Ser B Debt Svc	27,774,898	0.003	840
LA City Community College 2003 Ser 2004 B Debt Svc	103,900,000	0.003	3,143
LA City Community College 2001 Ser 2004 B Debt Svc	82,000,000	0.003	2,481
LA City Community College Ref 2001 Ser 2005 A Debt Svc	433,540,000	0.003	13,116
LA City Community College 2001 Ser 2006 B Debt Svc	350,000,000	0.003	10,588
Rio Hondo Comm College Dist Refunding Bond	46,482,244	0.411	191,216
Rio Hondo Comm College Dist Ser 2004A	12,675,000	0.411	52,142
Downey Unified SD 2006 Debt Svc	20,825,000	91.036	18,958,290
Downey Unified SD 1996 Ser C Debt Svc	4,280,000	91.036	3,896,350
Downey Unified SD Refund Bds 1999 Ser A Debt Svc	7,810,256	91.036	7,110,161
Downey Unified SD 1996 Ser D Debt Svc	65,000	91.036	59,174
Downey Unified SD 1996 Ser E Debt Svc	1,930,000	91.036	1,756,999
Downey Unified SD 2002 Ser A Debt Svc	15,870,000	91.036	14,447,446
Downey Unified SD 2002 Ser B Debt Svc	7,185,000	91.036	6,540,952
Downey Unified SD 2002 Ser C Debt Svc	30,140,000	91.036	27,438,313
Montebello Unified SD 1998 Ser 98 Debt Svc	17,044,698	0.135	22,950
Montebello Unified SD 1998 Ser 99 Debt Svc	15,222,854	0.135	20,497
Montebello Unified SD 1998 Ser 2001 Debt Svc	14,357,827	0.135	19,333
Montebello Unified SD 1998 Ser 2004 Debt Svc	15,485,273	0.135	20,851
Montebello Unified SD 1998 Ser 2002 Debt Svc	15,426,849	0.135	20,772
Montebello Unified SD 2004 Ser 2005 Debt Svc	29,230,000	0.135	<u>39,358</u>
Total Overlapping Debt repaid through voter-approved property tax indebtedness			99,748,049
City Direct Debt			<u>40,164,782</u>
Total Direct and Overlapping Debt			<u><u>\$ 139,912,831</u></u>

Notes:

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

Source: HdL Coren & Cone, Los Angeles County Assessor Combined 2006/07 Lien Date Tax Rolls

CITY OF DOWNEY

SCHEDULE OF LEGAL DEBT MARGIN
(amounts expressed in thousands)

Last Ten Fiscal Years

	Fiscal Year									
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Assessed Valuation	\$ 4,460,112	\$4,565,513	\$4,671,141	\$ 4,858,694	\$ 5,157,311	\$ 5,417,940	\$ 5,855,766	\$ 6,266,555	\$ 7,002,394	\$ 7,774,263
Charter Debt Limited (15% of Assessed Valuation)	669,017	684,827	700,671	728,804	773,597	812,691	878,365	939,983	1,050,359	1,166,139
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<u>\$ 669,017</u>	<u>\$ 684,827</u>	<u>\$ 700,671</u>	<u>\$ 728,804</u>	<u>\$ 773,597</u>	<u>\$ 812,691</u>	<u>\$ 878,365</u>	<u>\$ 939,983</u>	<u>\$ 1,050,359</u>	<u>\$ 1,166,139</u>
Total Debt applicable to the limit as a percentage of debt limit	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

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

CITY OF DOWNEY

WATER LEASEHOLD MORTGAGE BOND COVERAGE
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Direct Operating Expenses	Net Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
1997-98	\$ 8,382	\$ 6,178	\$ 2,204	\$ 425	\$ 169	\$ 594	3.71
1998-99	10,689	6,790	3,899	450	132	582	6.70
1999-00	9,333	7,754	1,579	475	105	580	2.72
2000-01	9,633	7,706	1,927	500	77	577	3.34
2001-02	9,395	7,495	1,900	530	47	577	3.29
2002-03	9,727	7,647	2,080	560	16	576	3.61
2003-04	9,653	7,221	2,432	-	-	-	-
2004-05	9,329	7,177	2,152	-	-	-	-
2005-06	9,340	7,754	1,586	-	-	-	-
2006-07	10,167	8,676	1,491	-	-	-	-

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	
1997-98	\$ 3,248	\$ 1,861	\$ 1,387	\$ 285	\$ 424	\$ 709	1.96
1998-99	3,373	2,093	1,280	305	392	697	1.84
1999-00	3,501	2,221	1,280	325	368	693	1.85
2000-01	3,671	2,183	1,488	350	356	706	2.11
2001-02	3,509	2,283	1,226	370	312	682	1.80
2002-03	3,880	2,547	1,333	395	379	774	1.72
2003-04	3,218	1,795	1,423	-	436	436	3.26
2004-05	3,091	2,044	1,047	270	482	752	1.39
2005-06	2,993	2,085	908	280	429	709	1.28
2006-07	3,361	2,319	1,042	290	422	712	1.46

Source: Finance Department, City of Downey

CITY OF DOWNEY

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population ¹</u>	<u>Calif. Metropolitan Personal Income (in thousands)²</u>	<u>Calif. Metropolitan Per Capita Personal Income²</u>	<u>Unemployment Rate³</u>
1998	99,684	\$ 344,095,712	\$ 28,469	6.6%
1999	101,095	360,275,382	29,402	5.9%
2000	107,323	385,053,436	31,045	5.4%
2001	108,729	403,518,592	32,152	5.7%
2002	110,441	412,753,239	32,522	6.8%
2003	111,687	427,041,303	33,318	7.0%
2004	112,817	453,901,804	35,188	6.5%
2005	112,938	477,101,000	36,917	5.3%
2006	113,063	505,197,000	39,011	5.4%
2007	113,587	Not Available	Not Available	4.9%

Sources:

¹ State Department of Finance

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

³ State of California Employment Development Department (data shown is for the metropolitan area of L.A.-Long Beach-Glendale in June 2007)

CITY OF DOWNEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2006-07		1997-98	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Office of Education, County of Los Angeles	4,400		800	
Downey Unified School District	2,500	N	1,500	N
Stonewood Shopping Center	1,535	O	1,608	O
Rancho Los Amigos Hospital	1,400	T	2,600	T
Downey Regional Community Hospital	1,200		1,300	
Coca-Cola	795	A	-	A
Los Angeles County Library Department	450	V	-	V
CC3	410	A	-	A
Lakewood Park Health Center	350	I	-	I
All American Home Center	260	L	-	L
Rockwell International	-	A	3,250	A
Internal Service Dept., County of Los Angeles	-	B	723	B
Kirk Paper Company	-	L	484	L
General Telephone Company	-	E	453	E

Source: City of Downey, Community Development Department

CITY OF DOWNEY

FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General government	33	33	33	33	33	33	32	32	33	33
Police	164	164	164	165	166	167	167	166	169	169
Fire	87	86	87	87	86	87	87	86	85	85
Parks and recreation	230	328	328	336	337	335	339	338	338	338
Public works	81	84	84	83	83	83	83	81	81	81
Community development	29	29	29	29	30	30	31	32	34	34
Total	624	724	725	733	735	735	739	735	740	740

Source: Finance Department, City of Downey

CITY OF DOWNEY

OPERATING INDICATORS

Last Ten Fiscal Years

	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Police:										
Number of arrests	4,590	4,751	4,327	5,056	4,667	4,785	3,351	4,228	4,402	4,984
Number of collision reports issued	1,049	1,132	999	844	901	861	1,272	1,596	1,601	1,473
Number of traffic citations issued	40,364	39,701	45,050	45,462	40,741	47,981	45,611	42,479	41,499	47,508
Number of reported crimes & incidents	14,501	14,241	14,385	13,941	13,891	12,297	13,933	14,129	14,139	15,016
Fire:										
Number of emergency incidents	4,907	4,834	5,085	4,985	5,086	5,057	5,700	5,413	5,474	5,451
Number of fire & other incidents	2,920	2,910	2,783	2,545	2,892	2,710	2,683	2,344	2,530	2,567
Number of trauma incidents	172	164	152	152	183	175	165	170	156	167
Number of traffic accidents	333	351	312	344	312	265	350	350	540	752
Parks and recreation:										
Number of general park attendance	500,400	500,750	500,000	484,000	436,000	506,374	499,576	445,984	513,059	676,731
Number of participants in theatre	40,000	40,000	40,000	40,000	40,000	40,000	40,000	41,000	41,000	40,738
Number of library attendance	Not available	335,784	366,505	387,656	387,656	423,177	428,561	400,700	371,445	359,502
Public works:										
Street striping (no. of lineal ft)	400,000	295,858	375,000	400,000	400,000	401,000	339,169	453,757	368,109	375,471
Asphalt repair (no. of tons)	300	276	425	350	400	400	500	550	575	587
Water:										
Number of customers	23,000	23,000	23,000	23,080	22,339	22,910	22,955	22,955	22,734	22,356
Annual supply (acre feet)	15,915	16,680	18,069	18,306	18,347	17,643	18,925	17,571	18,043	19,313
Maximum Daily Capacity (thousands of gallons)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Sewer:										
Sewer main cleaned (no. of miles)	25	50	275	59	25	187	187	198	187	18
Golf course:										
Golf rounds played	77,349	81,421	82,857	78,830	74,159	66,744	65,449	64,784	70,071	Not available

CITY OF DOWNEY

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

<u>Function</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
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	80	80	80	80	80	102	102	115	115	115
No. of street lights	5,072	5,072	5,072	5,072	5,072	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	304	304	304	304	315	320	320	320	263	263
Sewer										
Miles of sanitary sewer	187	187	187	187	187	187	187	187	187	187
Culture and Recreation										
Number of parks	11	11	11	11	11	11	11	11	11	11
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of golf course	1-18-hole									

Source: Finance Department, City of Downey