

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2011

City of Downey, California



CITY OF DOWNEY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by:

Department of Finance

John Michicoff
Finance Director

CITY OF DOWNEY

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CITY OF DOWNEY

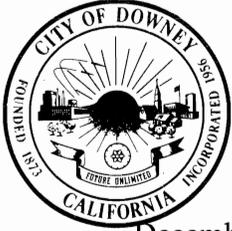
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INTRODUCTORY SECTION





City of Downey

FUTURE UNLIMITED

December 27, 2011

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, 2011. 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.

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

PROFILE OF THE GOVERNMENT

The City of Downey, located twelve miles southeast of the City of Los Angeles 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 113,715 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 special districts, the County of Los Angeles and its related agencies have not met the established criteria for inclusion in the reporting entity; they have been excluded from this report.

ECONOMIC CONDITION AND OUTLOOK

The U.S. economy reached bottom in June 2009, officially ending the recession. The ensuing upturn has continued for six quarters through 2009 and 2010. By fourth quarter 2010, Gross Domestic Product (GDP) had regained all of the territory lost during the recession. In August

2011, the Federal Reserve pledged to control the short-term interest rate to nearly zero until mid-2013. While consumers felt more confident about their prospects, retail sales in the city turned up in 2010 after being hit hard by the 2008-2009 recession. In November 2011, the unadjusted unemployment rate for the City was 9.3% which is slightly higher than the national unemployment rate of 8.6% but lower than the State unemployment rate of 11.3%. It is anticipated that unemployment rates will continue at painfully high levels during 2011 and 2012, though they should gradually decline. With the concern of State budget deficit and high unemployment rate, the City continues to be conservative in our forecasting posture. With City Council's commitment to make the most of the City resource for the benefit of the entire community, the staff exercises wise fiscal management and seeks economic development that builds Downey's revenue base by bringing more jobs and businesses to the City.

MAJOR INITIATIVES

For the Year. The City continued its efforts in the revitalization of the former NASA property. The Tierra Luna specific plan was revised to reflect a refined retail and office development. The City continued to move forward with the Tierra Luna Marketplace development project.

Furthermore, the Community Development Commission has made progress to revitalize the downtown. The approved Downtown Specific Plan will guide the future revitalization of the downtown area to provide opportunities for new retail restaurant, and residential uses. The Commission supported the initial step in developing a Downtown Property-owners Business Improvement District that is expected to provide property owners with the opportunity to create special downtown activities. With the Commission's economic incentive, a two-story, 17,715 square foot Porto's Bakery and Café was opened in November 2010. Along the Firestone commercial corridor, an economic incentive was provided to a Dodge dealer to create new jobs and to expand an exciting new Fiat dealership in the community. The City encumbered Community Development Block Grant – Recovery Act Program (CDBG-R) to add a new water line and create a new 100-space downtown parking lot. The City also supported a restaurant and retail revitalization plan that provided additional restaurants and retailers within the Firestone corridor. The Commission continued a market research project to determine the identity and marketing strengths of the City as a community.

The City implemented Wi-Fi internet access at Downey City Library and offered the patrons free Wi-Fi during library hours. The City also contracted out the management of the Downey Theatre to enhance the City's cultural services. A dog park was built in Rio San Gabriel Park for the community.

The following noticeable street improvement projects were either completed or commenced in the current year: \$1.1 million in City-wide resurfacing project; \$1.8 million for Downey Avenue pavement rehabilitation project; \$1.2 million in Paramount Boulevard pavement rehabilitation project; \$1.4 million in Imperial Highway traffic throughput and safety enhancement projects; and \$6.2 million in Lakewood Boulevard improvement project – Phase 2 and Phase 3.

Future Initiatives. The city is involved in numerous economic development projects. Under regional planning and transportation, a civic center master plan that includes a transit study of the DowneyLink is underway to enhance opportunities to revitalize the city's civic center area. The plan will provide new opportunities for civic center land use and transit strategies. Porto's Bakery is nearing final rehabilitation of a five story office building and parking garage. The downtown area revitalization continues with the Downey Gateway project that will bring additional restaurants and specialty eateries to the area and to enhance the project, the city will be revitalizing an underutilized street to create more parking. Moreover, the City continues with an affordable housing plan at the former Verizon and Avenue Theater site. The City plans to take the opportunity to develop the vacant lots at two former auto dealer sites - the intersection of Lakewood and Gallatin and Florence and Studebaker. The Commission plans to further develop the Downtown Property-owners Business Improvement District and continue the market research that will identify strengths of the community.

In December 2011, the City's Planning Commission was presented with preliminary plans for the Tierra Luna Market Place project. The project covers 77 acres and calls for two "big box" style retail stores, 13 junior anchor retail stores a 16-screen movie theatre, up to 300,000 square feet of modern office space, a 150-room hotel, four stand-alone restaurants, a food court, gym, a new fire station and more. After hearing public input, the Planning Commission unanimously approved the preliminary plans. The plans are expected to be presented to the City Council in early 2012. Although the complete financial impact will not be know for several years to come, never-the-less, it should be of significant benefit to both the City's revenue stream and the services provided to the community.

Street pavement, safety enhancement, and traffic flow improvements will continue throughout the city. Both of Lakewood Boulevard improvement project and Firestone Boulevard rehabilitation project are the most significant street improvements. It is expected to greatly enhance the appearance of Lakewood Boulevard and Firestone Boulevard; provide for a more pedestrian-friendly environment; and improve traffic flow and safety. Through various Federal and State grants, the City has plans for rehabilitating and improving the City's facilities, including the upgrading of the HVAC system in the Theatre and the City Library, construction of Discovery Park activity center, expanding the capabilities of the Fire department's communication center, and undergoing a complete landscaping replacement in Treasure Island Park.

FINANCIAL INFORMATION

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

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a

control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As part of our internal control evaluation, the City contracts with an outside independent public accounting firm to complete a special audit, which is called a single audit, to comply with certain federal government regulations. During this audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs as well as to determine that the government has complied with applicable laws and regulations. The results of the government's single audit for the fiscal year ended June 30, 2010 provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations. The single audit for the current fiscal year is in progress; however, the City fully anticipates that there will also be no instances of material weaknesses in the internal controls.

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

Debt Administration. The City of Downey has no general obligation debt. However, the City does have two revenue bond issues and one tax allocation bond issue. The City uses various trustees as its paying agents for all bonds and coupons. The City deposits with the trustee, according to agreement, principal and interest requirements as appropriate.

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

<u>Principal Issue</u>	<u>Trustee</u>	<u>Outstanding</u>
Downey Public Facilities Financing Corporation: 2002 Certificates of Participation	U.S. Bank	\$ 7,830,000
Downey Community Development Commission: 1997 Refunding Tax Allocation Bonds	U.S. Bank	7,425,000

California Statewide Communities

Development Authority:

2005 Pension Obligation Bonds

Wells Fargo Trust Services

19,925,000

Note 9, of the Notes to Basic Financial Statements, presents more detailed information about these debt issues.

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

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

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

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

The City is self-insured for a substantial part of its operation. Workers' Compensation, employee health benefits, and general liability are managed on a self-insured basis. The City contracts with third-party administrators to process claims and help manage these programs. In addition, the City is a member of the Independent Cities Risk Management Authority (ICRMA) to better manage its risk exposure and predictability of costs. A schedule of self-insured retention and limits of insurance coverage at June 30, 2011 is included in Note 9 of the Notes to Basic Financial Statements.

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

Relevant Financial Policies.

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

Note 11, of the Notes to Basic Financial Statements, presents more detailed information about the five new categories of fund balances – non-spendable, restricted, committed, assigned and unassigned fund balances.

OTHER INFORMATION

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

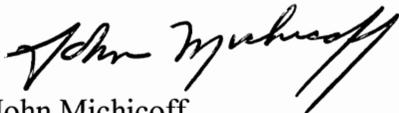
Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement Award. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Downey for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments. The preparation 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. Additionally, I want to thank and acknowledge the efforts of the City's audit firm White Nelson Diehl Evans, 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

Luis H. Marquez, Mayor

Roger C. Brossmer, Mayor Pro Tem

**David R. Gafin
Council Member**

**Mario A. Guerra
Council Member**

**Fernando Vasquez
Council Member**

APPOINTED OFFICIALS

Yvette M. Abich-Garcia – City Attorney

City Clerk

MANAGEMENT TEAM

Gerald M. Caton, City Manager

Gilbert Livas, Assistant City Manager

**Rick Esteves
Chief of Police**

**Lonald Croom
Fire Chief**

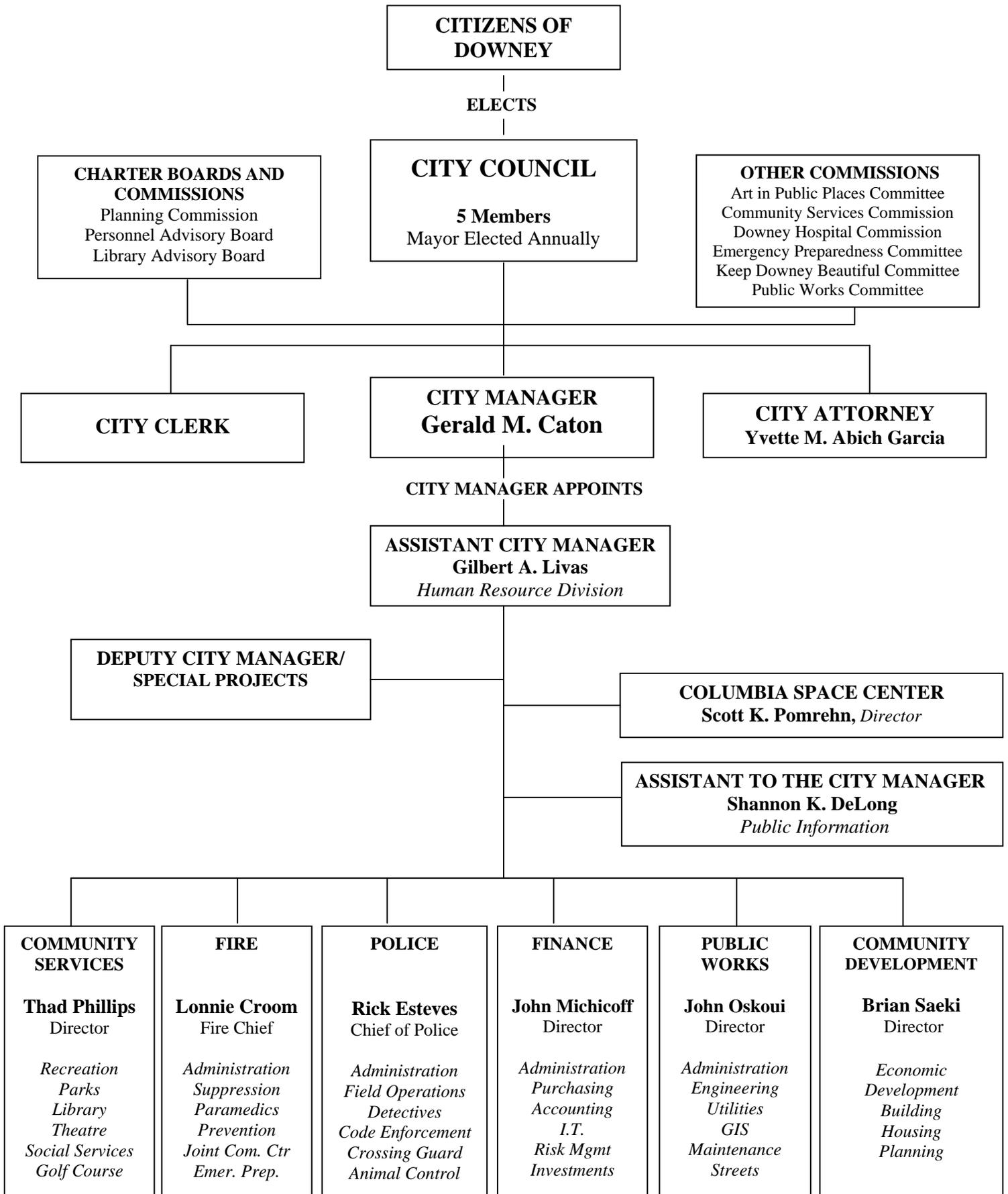
**John Michicoff
Director of Finance**

**John Oskoui
Director of Public Works**

**Brian Saeki
Director of Community Development**

**Thad Phillips
Director of Community Services**

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, 2010

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



Linda C. Danison

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

City Council Members
City of Downey
Downey, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Downey, California, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Downey's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11, the City has implemented the provisions of Governmental Accounting Standards Board Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011.

As explained further in Note 17, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

In accordance with Government Auditing Standards, we have also issued our report dated December 27, 2011 on our consideration of the City of Downey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

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

White Nelson Diehl Evans LLP

December 27, 2011
Irvine, California

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Downey (the 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, 2011. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide

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

	Total Governmental and Business-type Activities				
	June 30, 2011	June 30, 2010	Amount Increase (Decrease)	Percent Increase (Decrease)	
Assets	\$ 376,504	\$ 385,362	\$ (8,858)	-2.30%	
Liabilities	100,120	94,064	6,056	6.44%	
Total Net Assets	276,384	291,298	(14,914)	-5.12%	
Unrestricted Net Assets	13,826	35,772	(21,946)	-61.35%	
Long Term Obligations	78,330	75,106	3,224	4.29%	
Program Revenues	40,566	36,932	3,634	9.84%	
Taxes	53,264	54,278	(1,014)	-1.87%	
Other General Revenues	4,737	6,731	(1,994)	-29.62%	
Expenses	113,481	106,126	7,355	6.93%	

- The assets of the City exceeded its liabilities as of June 30, 2011 by \$276.4 million. Of this amount, \$13.8 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors; however, expenditure restrictions apply to the grant funds and much of the business-type and capital project funds.
- The City's total net assets decreased by \$14.9 million, or 5.12%. Of this, \$7.6 million is attributable to governmental activities and the net expense of \$7.3 million from operations of business-type activities.
- The City's total long-term liabilities, including such items as bonds, notes, and accrued self-insured claims, increased \$3.2 million or 4.29% during the current fiscal year. This increase is primarily due to the acquisition of two fire pumpers and advances from County of Los Angeles.

Fund based

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$35.1 million, a decrease of \$6.3 million in comparison with the prior year.

See independent auditors' report

Fund based (Continued)

- At the end of the current fiscal year, unassigned fund balance for General Fund was \$10.1 million, which equates to 14.82% of the total General Fund expenditures.
- For the General Fund, actual revenues (inflows) of \$61.3 million are \$2.8 million more than final budgeted revenues of \$58.5 million. This variance is mainly due to an increase in charge for services (\$2.0 million) and taxes (\$864 thousand) offsetting the decreases in license and permits (\$163 thousand) and investment and rental income (\$176 thousand).
- General Fund expenditures (outflows) for the current year were \$68.0 million. This was \$1.8 million less than the final budgeted expenditures of \$69.8 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 (\$1.8 million), Community development (\$1.0 million) and Community services (\$643 thousand).

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The City maintains several individual governmental funds, organized by their type (Special Revenue, 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, and 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. A budgetary comparison is provided for each of the City's governmental funds to demonstrate compliance with their budgets. However, budgetary comparison statements are not presented for the Debt Service Funds because budgets are not adopted for these funds.

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net 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 \$234.6 million for governmental activities and \$41.8 million for business-type activities for a total of \$276.4 million at the close of the most recent fiscal year.

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

NET ASSETS					
(amounts expressed in thousands)					
		Governmental Activities			
				Amount	Percent
				Increase	Increase
		June 30, 2011	June 30, 2010	(Decrease)	(Decrease)
ASSETS					
Current and other assets	\$	118,410	\$ 130,487	\$ (12,077)	-9.26%
Capital assets		206,473	194,868	11,605	5.96%
Total assets		324,883	325,355	(472)	-0.15%
LIABILITIES					
Other liabilities		19,875	16,247	3,628	22.33%
Long-term liabilities		70,451	66,942	3,509	5.24%
Total liabilities		90,326	83,189	7,137	8.58%
NET ASSETS					
Invested in capital assets, net of related debt		188,044	177,580	10,464	5.89%
Restricted		35,023	39,029	(4,006)	-10.26%
Unrestricted		11,490	25,557	(14,067)	-55.04%
Total net assets	\$	234,557	\$ 242,166	\$ (7,609)	-3.14%

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	Business-type Activities			
			Amount	Percent
	June 30, 2011	June 30, 2010	Increase (Decrease)	Increase (Decrease)
ASSETS				
Current and other assets	\$ 9,173	\$ 16,753	\$ (7,580)	-45.25%
Capital assets	42,448	43,254	(806)	-1.86%
Total assets	51,621	60,007	(8,386)	-13.98%
LIABILITIES				
Other liabilities	1,915	2,711	(796)	-29.36%
Long-term liabilities	7,879	8,164	(285)	-3.49%
Total liabilities	9,794	10,875	(1,081)	-9.94%
NET ASSETS				
Invested in capital assets, net of related debt	35,675	35,211	464	1.32%
Restricted	3,816	3,706	110	2.97%
Unrestricted	2,336	10,215	(7,879)	-77.13%
Total net assets	\$ 41,827	\$ 49,132	\$ (7,305)	-14.87%

By far, the largest portion of the City's total net assets (80.9%) reflects its investment in capital assets (i.e., infrastructure, land, buildings, machinery and equipment), net of related debt used to acquire those assets that are still outstanding. The City uses these assets to provide services to citizens; consequently, they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets invested in capital assets net of related debt from governmental activities increased \$10.5 million, or 5.89%. This increase was primarily due to improvements made to the City's buildings, land acquisition for city facilities, and road infrastructure.

An additional portion of the City's net assets (\$35.0 million for governmental activities and \$3.8 million for business type activities) represents resources that are subject to external restrictions in how they may be used. These amounts represent 14.1% of total net assets. The restricted net assets from governmental activities decreased by \$4.0 million, or 10.26%. The decrease was primarily due to funding capital improvement projects. The restricted net assets from business activities increased slightly \$110 thousand, or 2.97%.

The unrestricted net assets (\$11.5 million for governmental activities and \$2.3 million for business-type activities) represent 4.9% and 5.6% of net assets for governmental activities and business-type activities, respectively. The unrestricted net assets for governmental activities decreased by \$14.1 million (or 55.0%) mainly due to overall decrease in general and program revenues. Unrestricted net assets for business activities decreased by \$7.9 million, or 77.1%. The decrease was for the land acquisition for city yard project.

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CHANGE IN NET ASSETS

(amounts expressed in thousands)

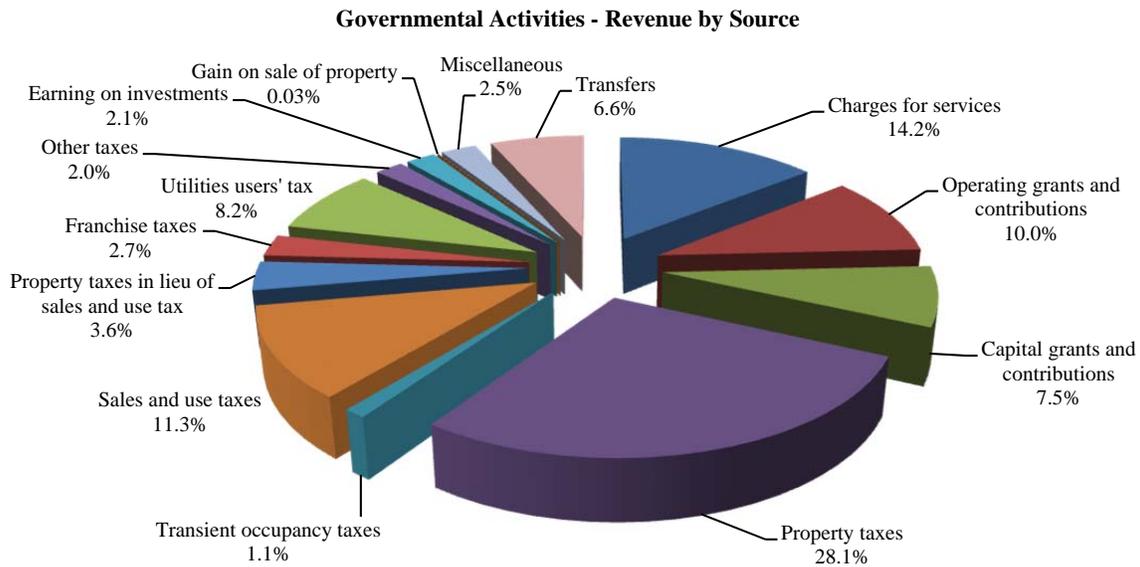
	Governmental Activities		Amount	Percent
	2011	2010	Increase	Increase
			(Decrease)	(Decrease)
REVENUES:				
Program revenues:				
Charges for services	\$ 12,331	\$ 11,181	\$ 1,150	10.3%
Operating grants and contributions	8,689	7,060	1,629	23.1%
Capital grants and contributions	6,500	7,528	(1,028)	-13.7%
General revenues:				
Taxes				
Property taxes	24,347	25,938	(1,591)	-6.1%
Transient occupancy taxes	991	936	55	5.9%
Sales and use taxes	9,845	8,942	903	10.1%
Property taxes in lieu of sales and use tax	3,144	3,180	(36)	-1.1%
Franchise taxes	2,340	2,201	139	6.3%
Utilities users' tax	7,094	7,471	(377)	-5.0%
Other taxes	1,742	1,536	206	13.4%
Earning on investments	1,817	3,671	(1,854)	-50.5%
Gain/(Loss) on sale of property	25	38	(13)	-34.2%
Miscellaneous	2,171	1,938	233	12.0%
Total revenues	81,036	81,620	(584)	-0.7%
EXPENSES:				
Program activities:				
General government	7,594	7,588	6	0.1%
Public safety	50,482	46,420	4,062	8.8%
Public works	5,849	8,013	(2,164)	-27.0%
Community services	9,041	8,420	621	7.4%
Community development	13,825	10,543	3,282	31.1%
Unallocated infrastructure depreciation	5,481	5,064	417	8.2%
Interest on long term debt	2,130	1,933	197	10.2%
Total expenses	94,402	87,981	6,421	7.3%
Excess of revenues over expenses	(13,366)	(6,361)	(7,005)	110.1%
Transfers	5,757	4,961	796	16.0%
Change in net assets	\$ (7,609)	\$ (1,400)	\$ (6,209)	443.5%

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Business-type Activities

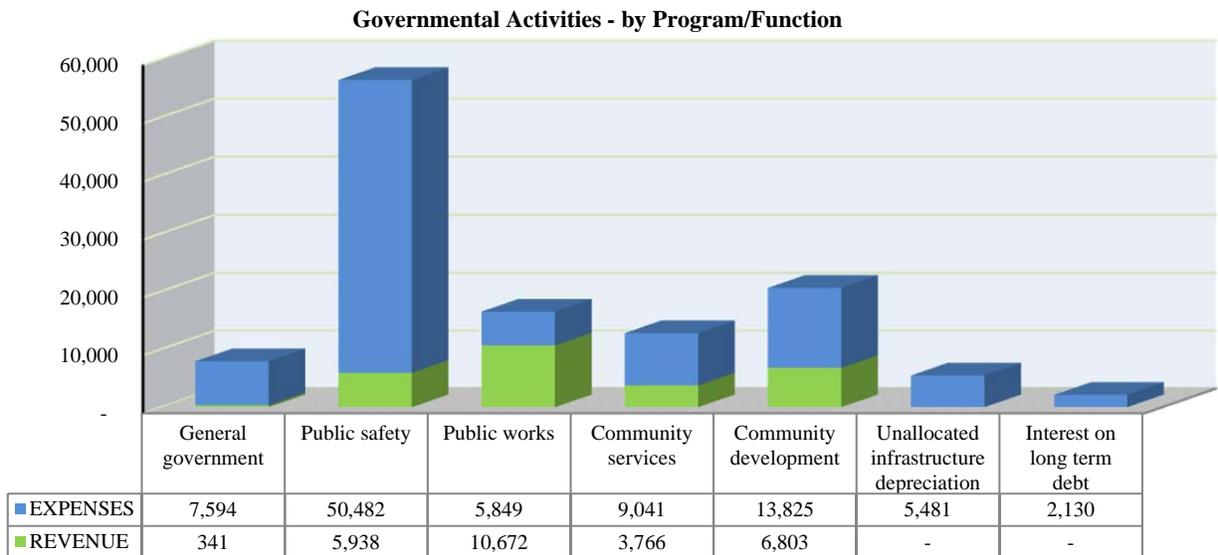
	2011	2010	Amount Increase (Decrease)	Percent Increase (Decrease)
REVENUES:				
Program revenues:				
Charges for services	\$ 11,042	\$ 11,163	\$ (121)	-1.1%
Capital grants and contributions	2,004	-	2,004	
General revenues:				
Taxes				
Sales and use taxes	3,761	4,074	(313)	-7.7%
Earning on investments	451	1,022	(571)	-55.9%
Gain/(Loss) on sale of property	2	2	-	0.0%
Miscellaneous	271	60	211	351.7%
Total revenues	17,531	16,321	1,210	7.4%
EXPENSES:				
Program activities:				
Water	10,432	11,829	(1,397)	-11.8%
Golf	2,693	2,847	(154)	-5.4%
Transit	5,954	3,469	2,485	71.6%
Total expenses	19,079	18,145	934	5.1%
Excess of revenues over expenses	(1,548)	(1,824)	276	-15.1%
Transfers	(5,757)	(4,961)	(796)	16.0%
Change in net assets	\$ (7,305)	\$ (6,785)	\$ (520)	7.7%

Governmental Activities. The most significant revenues, including transfers, of the governmental activities are taxes (57.0%), which included property taxes (28.1%), sales and use taxes (11.3%), and other taxes (17.6%). Program revenues are 31.7% of the total revenues of the governmental activities, which includes charges for services (14.2%), operating grants and contributions (10.0%) and capital grants and contributions (7.5%). The remaining 11.3% of total revenues is comprised of earnings on investments, miscellaneous revenue, transfers, and gain on sale of property.

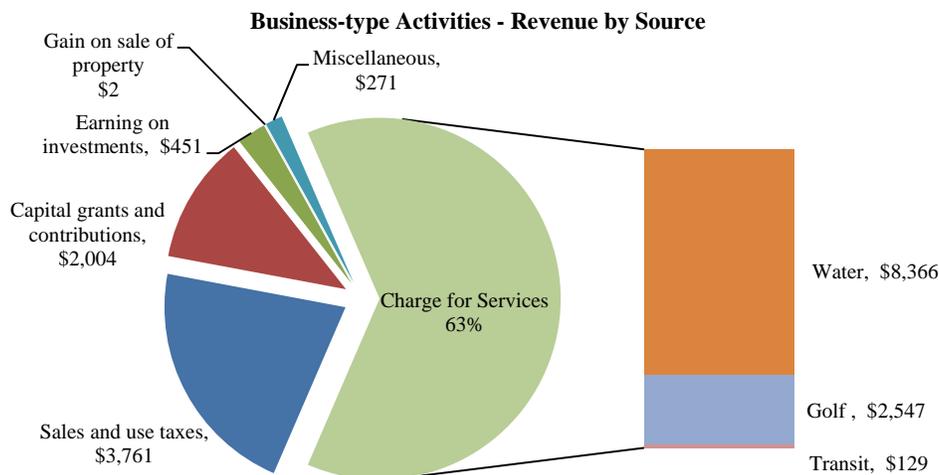


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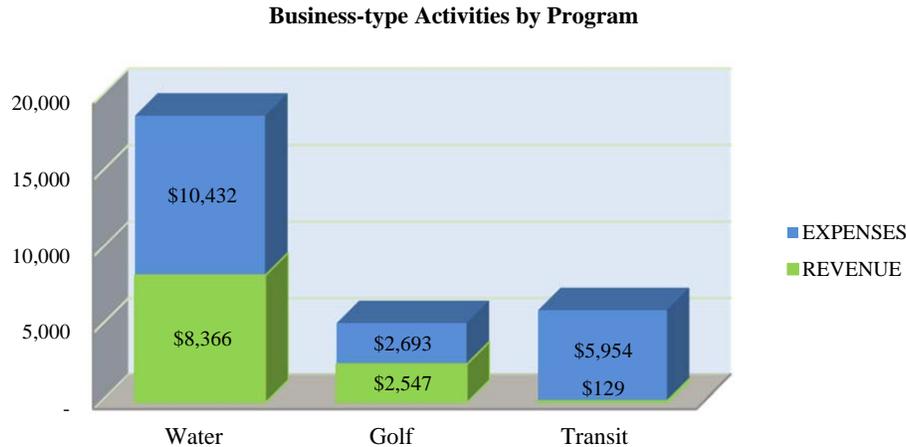
Public safety expenses, which include police and fire service, are the most significant of all governmental expenses at 53.5%. Thereafter, community services (9.6%), community development (14.6%), public works (6.2%), general government (8.0%), unallocated infrastructure depreciation (6.0%), interest on long term debt (2.3%).



Business-type activities. Business-type activities decreased the City's net assets by \$7,305. The most significant revenue generated was from charges for services (63.0%). The balance of revenues is from sales and use taxes (21.5%), capital grants and contribution (11.4%), earning on investments (2.6%) and miscellaneous revenue (1.5%). Of the charges for services revenue, the most significant revenues generated were from the sales of water and related services (\$8,366). The second significant revenue is the revenue generated by users of the golf course (\$2,547). The balance (\$129) is attributable to transit pass sales for the city operated transit services.



Water related expenses were also the most significant program at \$10,432 or 54.7% of total operating expenses. The transit program was next with expenses of \$5,954 (31.2%) followed by the golf course operation with expenses of \$2,693 (14.1%).



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$35,119, a net decrease of \$6,326 over the prior year. The change is the result of decreases in the fund balances of the General Fund and other governmental funds offset by increases in the Firestone Debt Service Fund and the Housing Capital Project Fund. Approximately 7% of the total fund balances is unassigned fund balance which is available for appropriation. The remaining 93% are not available resource because they are either nonspendable or have already been committed for as follows: 1) Land held for resale (\$3,598), 2) Advances and prepaid expenses (\$6,500), 3) Debt service (\$4,922), 4) low and moderate income housing capital projects (\$4,848), 5) various capital projects (4,373) and 6) special revenue purposes (\$8,574).

The General Fund is the chief operating fund of the City. Of the total fund balance, the net unassigned fund balance is \$10,070, down approximately \$2,285 from the previous fiscal year's net unreserved fund balance of \$12,355. It is a result of decline in overall revenue, the acquisition of land and increased operating costs.

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

General Fund Revenues and Other Financing Sources
June 30, 2010 and 2011
(amounts expressed in thousand)

	2011 Actual	Percent of Total	2010 Actual	Percent of Total	Amount Increase (Decrease)
REVENUES:					
Taxes	\$ 44,849	64.5%	\$ 45,223	68.1%	\$ (374)
Licenses and permits	1,107	1.6%	1,269	1.9%	(162)
Fines and forfeitures	1,552	2.2%	1,803	2.7%	(251)
Investment and rental	3,272	4.7%	4,326	6.5%	(1,054)
Intergovernmental revenue	2,538	3.7%	2,249	3.4%	289
Charges for services	5,535	8.0%	6,092	9.2%	(557)
Other revenue	2,416	3.5%	2,572	3.9%	(156)
Total Revenues	<u>61,269</u>	<u>88.2%</u>	<u>63,534</u>	<u>95.6%</u>	<u>(2,265)</u>
Other financing sources	8,210	11.8%	2,897	4.4%	5,313
Total Revenues & Other Finance Sources	<u>\$ 69,479</u>	<u>100.0%</u>	<u>\$ 66,431</u>	<u>100.0%</u>	<u>\$ 3,048</u>

The General Fund's total revenues decreased by \$2,265, or 3.6%, from the previous fiscal year's total revenue of \$63,534. All revenue categories declined except intergovernmental revenue. The revenue categories with significant decreases were Investment and rental (\$1,054), Charges for services (\$557), and Taxes (\$374).

The General Fund's actual revenues of \$61,269 are \$2,799 more than final budgeted revenues of \$58,470 due to positive variances in taxes, fine and forfeitures, charges for services, other revenue of \$864, \$64, \$1,957, and \$266, respectively offset by negative variances in license and permits of \$163, investment and rental of \$176, and intergovernmental revenue of \$13. The 2010-11 adopted budget resolution contains a provision, which allows for the transfer of these excess General Fund revenues to the Employee Benefit Fund, or vice versa to satisfy future requirements.

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

General Fund Expenditures and Other Financing Uses

June 30, 2010 and 2011

(amounts expressed in thousand)

	2011 Actual	Percent of Total	2010 Actual	Percent of Total	Amount Increase (Decrease)
General government:					
Legislation	\$ 292	0.4%	\$ 275	0.4%	\$ 17
City attorney	180	0.3%	378	0.6%	(198)
City clerk	370	0.5%	351	0.5%	19
City management	1,177	1.6%	940	1.4%	237
Finance	4,376	6.1%	4,116	6.0%	260
Public safety:					
Police	28,192	39.3%	27,872	41.0%	320
Animal control	-	0.0%	308	0.5%	(308)
Fire	16,783	23.4%	16,591	24.4%	192
Public works	5,324	7.4%	5,422	8.0%	(98)
Community service	6,356	8.9%	6,475	9.5%	(119)
Community development	1,990	2.8%	2,176	3.2%	(186)
Capital Outlay	2,400	3.3%	-	0.0%	2,400
Debt Service:					
Interest and fiscal charges	511	0.7%	485	0.7%	26
Total Expenditures	<u>67,951</u>	<u>94.7%</u>	<u>65,389</u>	<u>96.1%</u>	<u>2,562</u>
Other financing uses					
	3,820	5.3%	2,663	3.9%	1,157
Total Expenditures & Other Finance Uses	<u>\$ 71,771</u>	<u>100.0%</u>	<u>\$ 68,052</u>	<u>100.0%</u>	<u>\$ 3,719</u>

The General Fund's total expenditures increased \$2,562 or 3.9%, from the previous fiscal year's total expenditures of \$65,389. All departments' expenditures increased except the expenditures in city attorney, animal control, public works, community service, and community development department. The significant increase in total expenditure is primarily due to the land purchase and minor projects.

The General Fund's actual expenditures were less than the final budget. Of the total final appropriations (\$69,782), approximately 2.6% or \$1,831 went unspent. This savings is the result of various cost cutting measures, such as a hiring freeze and a delay of new capital outlay purchases. In response to an anticipated revenue shortfall, the management actively maintained service levels in a prudent and efficient manner and searched for available grant funds. There was only one expenditure center with unfavorable variance - General government - Legislation (\$23).

Transfers out of the General Fund were \$2,736 more than the final budget. It mainly supported several capital improvement projects.

The Firestone Debt Service Fund has a total deficit net fund balance of \$5,554. Of that amount, \$662 is restricted for the payment of debt service for Downey Community Development Commission. The net increase of \$1,165 in fund balance during the current year in the Debt Service Fund was mainly due to a property transferred from the Commission to the City as a repayment for the city loan.

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The Housing Capital Project Fund has a total fund balance of \$8,446 all of which is nonspendable or restricted for the affordable housing capital projects. Almost half of the total fund balances, \$3,598, is non-spendable and committed for the land held for resale. The Housing Capital Project Fund actual revenue of \$2,321 exceeded final budgeted revenue of \$1,927 by \$394. The taxes, intergovernmental revenue and other revenue have the favorable variances of, \$17, \$435, and \$29, respectively. They offset the unfavorable variances from the investment and rental (\$87). Moreover, the actual expenditure of \$1,940 is much less than the final budget amount of \$7,146 which results in a saving of \$5,206.

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 decreased \$4,741 as a result of transfer out to support capital projects and land acquisition (\$4,230) and the depreciation for capital assets (\$565).

The Golf Fund's net assets decreased \$704 during the current fiscal year. The operating income decreased \$78 from the previous fiscal year's net operating income of \$2,625. The decrease in Golf Fund's net asset is mostly attributable to the decline in golf revenue and the year-end transfer out to General Fund.

The Transit Fund's net assets decreased \$1,052 during the current fiscal year. Unlike the two other business-type activities, the Transit Fund receives most of its revenues from voter approved sales and use taxes. Sales and use taxes attributed to 62.7% of total transit revenues from all sources. For the current year, operating loss of \$3,596 was offset by the non-operating revenue, including taxes of \$3,761 and investment and rental of \$186. The decrease in Golf Fund's net asset is mostly attributable to the transfer to fund the major street improvement and city yard land acquisition.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets for its government and business-type activities at June 30, 2011 amounted to \$248,921, net of accumulated depreciation. This investment in capital assets includes land, projects in progress, buildings, equipment, fixtures and infrastructure. The total changes in the City's investment in capital assets resulted from many various projects, acquisitions and depreciation on assets located throughout the City.

	CAPITAL ASSETS					
	(net of accumulated depreciation)					
	Governmental activities		Business-activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 23,008	\$ 14,438	\$ 10,436	\$ 10,436	\$ 33,444	\$ 24,874
Projects in progress	12,899	11,512	-	-	12,899	11,512
Buildings	22,312	22,990	8,644	9,001	30,956	31,991
Land improvements	12,272	12,757	9,186	9,149	21,458	21,906
Machinery & equipment	6,701	6,635	692	885	7,393	7,520
Furniture & Fixtures	165	190	110	120	275	310
Infrastructure	129,116	126,346			129,116	126,346
Water sup and dist system			13,380	13,663	13,380	13,663
	\$ <u>206,473</u>	\$ <u>194,868</u>	\$ <u>42,448</u>	\$ <u>43,254</u>	\$ <u>248,921</u>	\$ <u>238,122</u>

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

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Long-term liabilities. The City's outstanding long-term liabilities including certificates of participation, bonds, a capital lease, advances, loans, compensated absences, and self-insurance totaled \$88,356. Of this, 90.5% (\$79,929) was in governmental activities and 9.5% (\$8,427) was in business-type activities. The governmental activities long-term liabilities increased \$4,079 from the increase in advances from County of Los Angeles (\$2,039), an increase in claims (\$1,216), an addition of \$880 in capital lease for new fire pumper trucks, an increase of \$372 in the combination of compensated absences and Federal loans.

LONG-TERM LIABILITIES

(amounts expressed in thousands)

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Bonds payable	\$ 27,186	\$ 27,614	\$ -	\$ -	\$ 27,186	\$ 27,614
Certificates of participation	-	-	7,729	8,043	7,729	8,043
Capital lease payable	1,199	319	-	-	1,199	319
Advances from County	17,338	15,299	-	-	17,338	15,299
Loans from Federal Gov	10,805	10,544	-	-	10,805	10,544
Compensated absences	14,301	14,190	698	643	14,999	14,833
Claims payable	9,100	7,884	-	-	9,100	7,884
Total long-term liabilities	\$ 79,929	\$ 75,850	\$ 8,427	\$ 8,686	\$ 88,356	\$ 84,536

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

While the U.S. economic recovery was progressing slowly, weakness in housing market continues to affect financial service sector and construction industry. The California's unemployment rate remains above 10 percent. The State facing budget deficit crisis has attempted to eliminate the Redevelopment Agencies and divert related property tax to the state and local school district.

The City's total General Fund revenues are projected to increase 3.74% from 2010-11 budget amounts. Below is a closer look at two key General Fund revenue resources.

- Sales and use taxes revenue is projected to be a strong revenue source for the City. The City's 2011-12 adopted budget anticipates a conservative economic growth with an increase of 19.8% from last year's budget amount.

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 2011-12 budget reflects \$3.3 million 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.

- The City's median single family home price in June 2011 was \$345 thousand, down 6.76% from the home price in June 2010. As residential home value continues to decline, the city's property tax revenue anticipates a decrease of 5.3% in 2011-12 budget.

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The City's 2011-12 budget includes appropriations for on-going City general and public safety services, economic development, capital projects such as improvements on Lakewood Boulevard, Firestone Boulevard, operating Columbia Memorial Space Science Learning Center and the specific plan for Downey Studio property and Downtown area. The fiscal year 2012 adopted budget consists of operating budget (\$99.3 million) and capital budget (\$44.8 million). The total budget amount decreased \$3.3 million, or 2.3% from the last fiscal year's \$147.5 million budget.

Due to the recession, the City continues to freeze non-essential position hiring, defer the replacement of equipment and capital projects, reduce programs, and reduce General Fund contribution to maintain operating equipment in fiscal year 2011-12. With the implementation of various cost cutting measures and a 7% reduction in the City's workforce, the City projects to use \$2.4 million in General Fund reserves in 2011-12.

In addition, as part of the budget adoption process, the City annually reviews all of its fees for services to ensure, when possible, fees collected fully support the cost of providing City services. These fees for services are exempted from the Proposition 26 voter requirement and the City council retains authority to set fee levels. For fiscal year 2012, the City kept 554 fees unchanged, increased 44 fees, deleted 6 fees and created 58 new fees. The largest number of new fees is for the Columbia Memorial Space Science Learning Center. Moreover, due to the new management service agreement of the Theatre, the additional service based fees are established. The City's fee resolution covers fees that generate \$9.4 million for all city funds (\$6.2 million in the General Fund). The proposed changes are projected to increase total fee revenues by approximately \$257 thousand.

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, 2011

(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 62,269	\$ 6,808	\$ 69,077
Receivables, net of allowance:			
Taxes	7,107	1	7,108
Accounts	2,162	1,345	3,507
Interest	514	38	552
Loans	8,254	-	8,254
Notes	946	-	946
Internal balances	3,770	(3,770)	-
Prepaid expense	17,587	-	17,587
Due from other governments and entities	1,741	595	2,336
Restricted assets:			
Cash and investments	9,374	3,106	12,480
Cash and investments with fiscal agents	662	710	1,372
Land held for resale	3,598	-	3,598
Inventories	266	94	360
Deferred bond issuance costs	160	246	406
Capital assets, not depreciated	35,907	10,436	46,343
Capital assets, net of accumulated depreciation	170,566	32,012	202,578
TOTAL ASSETS	324,883	51,621	376,504
LIABILITIES:			
Accounts payable and accrued liabilities	9,845	1,017	10,862
Deposits	6	134	140
Interest payable	279	147	426
Retention payable	-	69	69
Unearned revenue	267	-	267
Noncurrent liabilities:			
Due within one year	9,478	548	10,026
Due in more than one year	70,451	7,879	78,330
TOTAL LIABILITIES	90,326	9,794	100,120
NET ASSETS:			
Invested in capital assets, net of related debt	188,044	35,675	223,719
Restricted for:			
Community development	16,699	-	16,699
Public works	6,294	-	6,294
Debt service	12,030	3,816	15,846
Unrestricted	11,490	2,336	13,826
TOTAL NET ASSETS	\$ 234,557	\$ 41,827	\$ 276,384

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

CITY OF DOWNEY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2011
(amounts expressed in thousands)

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 7,594	\$ 190	\$ 151	\$ -
Public safety	50,482	4,014	1,924	-
Public works	5,849	2,134	2,038	6,500
Community services	9,041	2,187	1,579	-
Community development	13,825	3,806	2,997	-
Unallocated infrastructure depreciation	5,481	-	-	-
Interest on long term debt	2,130	-	-	-
Total governmental activities	<u>94,402</u>	<u>12,331</u>	<u>8,689</u>	<u>6,500</u>
Business-type activities:				
Water	10,432	8,366	-	-
Golf	2,693	2,547	-	-
Transit	5,954	129	-	2,004
Total business-type activities	<u>19,079</u>	<u>11,042</u>	<u>-</u>	<u>2,004</u>
Total	<u>\$ 113,481</u>	<u>\$ 23,373</u>	<u>\$ 8,689</u>	<u>\$ 8,504</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy taxes
- Sales and use taxes
- Property taxes in lieu of sales and use tax
- Franchise taxes
- Utility users tax
- Other taxes
- Earning on investments
- Gain on sale of property
- Miscellaneous

Transfers

Total general revenues and transfers

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
\$ (7,253)	\$ -	\$ (7,253)
(44,544)	-	(44,544)
4,823	-	4,823
(5,275)	-	(5,275)
(7,022)	-	(7,022)
(5,481)	-	(5,481)
(2,130)	-	(2,130)
<u>(66,882)</u>	<u>-</u>	<u>(66,882)</u>
-	(2,066)	(2,066)
-	(146)	(146)
-	(3,821)	(3,821)
<u>-</u>	<u>(6,033)</u>	<u>(6,033)</u>
(66,882)	(6,033)	(72,915)
24,347	-	24,347
991	-	991
9,845	3,761	13,606
3,144	-	3,144
2,340	-	2,340
7,094	-	7,094
1,742	-	1,742
1,817	451	2,268
25	2	27
2,171	271	2,442
5,757	(5,757)	-
<u>59,273</u>	<u>(1,272)</u>	<u>58,001</u>
(7,609)	(7,305)	(14,914)
<u>242,166</u>	<u>49,132</u>	<u>291,298</u>
<u>\$ 234,557</u>	<u>\$ 41,827</u>	<u>\$ 276,384</u>

CITY OF DOWNEY

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

(amounts expressed in thousands)

	General Fund	Firestone Debt Service Fund
ASSETS		
ASSETS:		
Cash and investments	\$ 10,348	\$ 540
Receivables:		
Taxes	4,171	699
Accounts	1,458	8
Interest	245	-
Loans	-	-
Notes	-	-
Inventory	-	-
Prepaid expenses	-	-
Due from other governments and entities	809	-
Due from other funds	381	184
Restricted assets:		
Cash and investments	4,260	-
Cash and investments with fiscal agent	-	662
Advances to other funds	6,497	-
Land held for resale	-	-
	\$ 28,169	\$ 2,093
TOTAL ASSETS		
	\$ 28,169	\$ 2,093
LIABILITIES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 6,152	\$ -
Due to other funds	32	-
Due from other funds	-	-
Deposits	-	-
Advances from other funds	-	7,647
Deferred revenue	1,158	-
	7,342	7,647
TOTAL LIABILITIES		
	7,342	7,647
FUND BALANCES (DEFICIT):		
Nonspendable	6,497	-
Restricted	4,260	662
Committed	-	-
Assigned	-	-
Unassigned	10,070	(6,216)
	20,827	(5,554)
TOTAL FUND BALANCES (DEFICIT)		
	20,827	(5,554)
TOTAL LIABILITIES AND FUND BALANCES		
	\$ 28,169	\$ 2,093

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

Housing Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,548	\$ 12,484	\$ 26,920
50	2,187	7,107
-	694	2,160
17	22	284
7,479	775	8,254
946	-	946
-	19	19
-	3	3
286	646	1,741
-	76	641
70	204	4,534
-	-	662
-	-	6,497
3,598	-	3,598
<u>\$ 15,994</u>	<u>\$ 17,110</u>	<u>\$ 63,366</u>
\$ 66	\$ 2,823	\$ 9,041
-	609	641
3	3	6
-	1,500	9,147
7,479	775	9,412
<u>7,548</u>	<u>5,710</u>	<u>28,247</u>
3,598	3	10,098
4,848	7,327	17,097
-	-	-
-	5,620	5,620
-	(1,550)	2,304
<u>8,446</u>	<u>11,400</u>	<u>35,119</u>
<u>\$ 15,994</u>	<u>\$ 17,110</u>	<u>\$ 63,366</u>

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CITY OF DOWNEY

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

June 30, 2011
(amounts expressed in thousands)

Fund balances - total governmental funds	\$	35,119
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		199,771
Long-term receivables are not available to pay for current-period expenditures and accordingly are deferred in the governmental funds.		9,145
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:		27,569
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:		
Tax allocation bonds payable	\$	(7,424)
Advances from County of Los Angeles		(17,338)
Loans payable		(10,805)
Claims payable		(1,531)
		<u>(37,098)</u>
Accrued liabilities in the Statement of Net Assets differ from amounts reported in governmental funds due to accrued interest on long term debt.		(179)
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, 2011 is:		<u>230</u>
Net assets of governmental activities	\$	<u><u>234,557</u></u>

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

CITY OF DOWNEY

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

For the year ended June 30, 2011
(amounts expressed in thousands)

	General Fund	Firestone Debt Service Fund
REVENUES:		
Taxes	\$ 44,849	\$ 2,829
License and permits	1,107	-
Fines and forfeitures	1,552	-
Investment and rental	3,272	38
Intergovernmental revenue	2,538	-
Charges for services	5,535	-
Other revenue	2,416	19
Sale of property	-	-
TOTAL REVENUES	61,269	2,886
EXPENDITURES:		
Current:		
General government	6,395	-
Public safety	44,975	-
Public works	5,324	-
Community services	6,356	-
Community development	1,990	1,346
Capital outlay	2,400	-
Debt service:		
Principal retirement	-	250
Interest and fiscal charges	511	1,439
TOTAL EXPENDITURES	67,951	3,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,682)	(149)
OTHER FINANCING SOURCES (USES):		
Transfers in	7,699	2,200
Transfers out	(3,820)	(1,800)
Issuance of debt	511	914
TOTAL OTHER FINANCING SOURCES (USES)	4,390	1,314
NET CHANGE IN FUND BALANCES	(2,292)	1,165
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	23,119	(6,719)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 20,827	\$ (5,554)

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

Housing Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 942	\$ 1,184	\$ 49,804
-	-	1,107
-	-	1,552
21	29	3,360
1,229	8,125	11,892
-	3,205	8,740
129	541	3,105
-	2,400	2,400
<u>2,321</u>	<u>15,484</u>	<u>81,960</u>
-	170	6,565
-	256	45,231
-	1,972	7,296
-	1,437	7,793
1,940	9,135	14,411
-	10,076	12,476
-	250	500
-	320	2,270
<u>1,940</u>	<u>23,616</u>	<u>96,542</u>
<u>381</u>	<u>(8,132)</u>	<u>(14,582)</u>
-	6,588	16,487
-	(4,036)	(9,656)
-	-	1,425
-	<u>2,552</u>	<u>8,256</u>
381	(5,580)	(6,326)
<u>8,065</u>	<u>16,980</u>	<u>41,445</u>
<u>\$ 8,446</u>	<u>\$ 11,400</u>	<u>\$ 35,119</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, 2011
(amounts expressed in thousands)

Net change in fund balances - total governmental funds		\$	(6,326)
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital expenditures exceeded depreciation expense in the current period:			
Capital expenditures	\$	18,361	
Depreciation expense		(6,823)	11,538
		<hr/>	
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.			558
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.			(11,323)
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	\$	500	
Proceeds from loans from County of Los Angeles		(925)	
Accrued interest expense added to loan from County of Los Angeles		(1,125)	
Accretion on loan from Federal Government		(500)	
Claims payable		(155)	(2,205)
		<hr/>	
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			8
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	\$	18	
Accrued sales and use tax		123	141
		<hr/>	
Change in net assets of governmental activities		\$	<u>(7,609)</u>

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

CITY OF DOWNEY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS

June 30, 2011
 (amounts expressed in thousands)

		Business-type Activities Enterprise Funds	
		Water Fund	Golf Fund
ASSETS		<u> </u>	<u> </u>
CURRENT ASSETS:			
Cash and investments		\$ 380	\$ 1,719
Accounts receivable		1,345	-
Interest receivable		-	8
Taxes receivable		-	-
Due from other governments and entities		25	20
Advances to other funds		-	-
Inventories		62	32
Restricted assets:			
Cash and investments		1,291	1,815
Cash and investments with fiscal agent		-	710
		<u> </u>	<u> </u>
TOTAL CURRENT ASSETS		<u>3,103</u>	<u>4,304</u>
NONCURRENT ASSETS:			
Prepaid pension expense		-	-
Bond issuance costs		-	246
Capital Assets (Net of Accumulated Depreciation):			
Land		8,272	-
Land improvements		-	9,171
Buildings and improvements		11	6,239
Furniture and fixtures		110	-
Machinery and equipment		49	236
Water supply and distribution plant		13,380	-
		<u> </u>	<u> </u>
TOTAL NONCURRENT ASSETS		<u>21,822</u>	<u>15,892</u>
TOTAL ASSETS		<u>24,925</u>	<u>20,196</u>

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities -
Transit Fund	Totals Enterprise Funds	Internal Service Funds
\$ 4,709	\$ 6,808	\$ 35,349
-	1,345	2
30	38	-
1	1	-
550	595	-
-	-	2,650
-	94	247
-	3,106	4,840
-	710	-
<u>5,290</u>	<u>12,697</u>	<u>43,088</u>
-	-	17,584
-	246	160
2,164	10,436	-
15	9,186	-
2,394	8,644	-
-	110	-
407	692	6,702
-	13,380	-
<u>4,980</u>	<u>42,694</u>	<u>24,446</u>
<u>10,270</u>	<u>55,391</u>	<u>67,534</u>

CITY OF DOWNEY

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 (CONTINUED)

June 30, 2011

(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	\$ 516	\$ 182
Deposits	84	50
Interest payable	-	147
Compensated absences	184	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
Certificates of participation	-	340
	784	719
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Retention payable	-	-
	-	-
TOTAL CURRENT LIABILITIES	784	719
NONCURRENT LIABILITIES:		
Compensated absences	438	-
Claims payable	-	-
Capital lease payable	-	-
Pension obligation bonds	-	-
Certificates of participation	-	7,389
	438	7,389
TOTAL LIABILITIES	1,222	8,108
NET ASSETS:		
Invested in capital assets, net of related debt	21,822	8,873
Restricted for debt service	1,291	2,525
Unrestricted	590	690
	23,703	12,088
TOTAL NET ASSETS	\$ 23,703	\$ 12,088

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	
\$ 319	\$ 1,017	\$ 1,825
-	134	-
-	147	100
24	208	4,316
-	-	3,272
-	-	174
-	-	235
-	340	-
343	1,846	9,922
69	69	-
412	1,915	9,922
52	490	9,985
-	-	3,276
-	-	1,025
-	-	19,527
-	7,389	-
52	7,879	33,813
464	9,794	43,735
4,980	35,675	5,503
-	3,816	4,840
4,826	6,106	13,456
<u>\$ 9,806</u>	45,597	<u>\$ 23,799</u>
	(3,770)	
	<u>\$ 41,827</u>	

CITY OF DOWNEY

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

For the year ended June 30, 2011
 (amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
	<u> </u>	<u> </u>
OPERATING REVENUES:		
Charges for services:		
Water sales	\$ 8,365	\$ -
Golf fees	-	2,546
Bus fares	-	-
Other services	-	1
Miscellaneous	271	-
TOTAL OPERATING REVENUES	<u>8,636</u>	<u>2,547</u>
OPERATING EXPENSES:		
Purchased water	3,976	-
Maintenance and operations	1,571	1,903
General and administrative	3,741	-
Employee benefits	-	-
Amortization	-	17
Depreciation	565	368
TOTAL OPERATING EXPENSES	<u>9,853</u>	<u>2,288</u>
OPERATING INCOME (LOSS)	<u>(1,217)</u>	<u>259</u>
NONOPERATING REVENUES (EXPENSES):		
Taxes	-	-
Investment and rental	25	240
Interest expense	-	(376)
Gain/(loss) on sale of capital assets	2	(24)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>27</u>	<u>(160)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(1,190)	99
TRANSFERS IN	679	-
TRANSFERS OUT	(4,230)	(803)
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	(4,741)	(704)
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>28,444</u>	<u>12,792</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 23,703</u>	<u>\$ 12,088</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 -
Transit Fund	Totals Enterprise Funds	Internal Service Funds
\$ -	\$ 8,365	\$ -
-	2,546	-
129	129	-
-	1	25,001
2,004	2,275	1,011
<u>2,133</u>	<u>13,316</u>	<u>26,012</u>
-	3,976	-
5,518	8,992	997
-	3,741	428
-	-	29,361
-	17	7
211	1,144	1,845
<u>5,729</u>	<u>17,870</u>	<u>32,638</u>
<u>(3,596)</u>	<u>(4,554)</u>	<u>(6,626)</u>
3,761	3,761	-
186	451	852
-	(376)	(1,253)
-	(22)	25
<u>3,947</u>	<u>3,814</u>	<u>(376)</u>
351	(740)	(7,002)
3,300	3,979	20
(4,703)	(9,736)	(5,273)
	-	124
<u>(1,052)</u>	<u>(6,497)</u>	<u>(12,131)</u>
<u>10,858</u>		<u>35,930</u>
<u>\$ 9,806</u>		<u>\$ 23,799</u>
	(808)	
	<u>\$ (7,305)</u>	

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the year ended June 30, 2011
(amounts expressed in thousands)

	Business-type Activities Enterprise Funds	
	Water Fund	Golf Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	\$ 8,475	\$ 2,549
Receipts from user departments	-	-
Payment to suppliers	(6,940)	(1,857)
Payment to employees	(2,763)	(39)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,228)	653
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash received from other funds	679	-
Cash paid to other funds	(4,230)	(803)
Principal paid	-	-
Interest paid	-	-
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(3,551)	(803)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(252)	(162)
Proceeds from sale of capital assets	-	69
Capital contributions	-	-
Taxes received	-	-
Principal paid on debt	-	(325)
Interest paid on debt	-	(375)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(252)	(793)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	48	246
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,983)	(697)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	6,654	4,941
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,671	\$ 4,244

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	
\$ 2,132	\$ 13,156	\$ 26,030
(5,041)	(13,838)	(22,297)
(831)	(3,633)	(5,957)
<u>(3,740)</u>	<u>(4,315)</u>	<u>(2,224)</u>
3,300	3,979	20
(4,703)	(9,736)	(5,273)
-	-	(185)
-	-	(1,195)
<u>(1,403)</u>	<u>(5,757)</u>	<u>(6,633)</u>
(16)	(430)	(1,885)
-	69	-
-	-	124
3,927	3,927	-
-	(325)	880
-	(375)	(52)
<u>3,911</u>	<u>2,866</u>	<u>(933)</u>
<u>182</u>	<u>476</u>	<u>853</u>
(1,050)	(6,730)	(8,937)
<u>5,759</u>	<u>17,354</u>	<u>49,126</u>
<u>\$ 4,709</u>	<u>\$ 10,624</u>	<u>\$ 40,189</u>

(Continued)

CITY OF DOWNEY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 (CONTINUED)

For the year ended June 30, 2011
 (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)	\$ (1,217)	\$ 259
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	565	385
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(150)	-
(Increase) decrease in due from other governments and entities	(24)	2
(Increase) decrease in inventories	7	-
(Increase) decrease in prepaid expenses	-	-
Increase (decrease) in accounts payable and accrued liabilities	(475)	7
Increase (decrease) in deposit payable	13	-
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in claims payable	-	-
Increase (decrease) in compensated absences	53	-
	<u>\$ (1,228)</u>	<u>\$ 653</u>
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
 CASH AND CASH EQUIVALENTS - FINANCIAL STATEMENT CLASSIFICATION:		
Current assets	\$ 380	\$ 1,719
Restricted assets	1,291	2,525
	<u>1,671</u>	<u>4,244</u>
 TOTAL CASH AND CASH EQUIVALENTS FINANCIAL STATEMENT CLASSIFICATION	<u>\$ 1,671</u>	<u>\$ 4,244</u>

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

Business-type Activities Enterprise Funds (Continued)		Governmental Activities - Internal Service Funds
Transit Fund	Totals Enterprise Funds	
\$ (3,596)	\$ (4,554)	\$ (6,626)
211	1,161	1,852
-	(150)	26
-	(22)	-
-	7	20
-	-	574
(357)	(825)	863
-	13	-
-	-	-
-	-	956
2	55	111
<u>\$ (3,740)</u>	<u>\$ (4,315)</u>	<u>\$ (2,224)</u>
\$ 4,709	\$ 6,808	\$ 35,349
-	3,816	4,840
<u>\$ 4,709</u>	<u>\$ 10,624</u>	<u>\$ 40,189</u>

CITY OF DOWNEY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2011

(amounts expressed in thousands)

ASSETS:

Cash and investments (Note 3)	\$ 8,586
Receivables	<u>130</u>

TOTAL ASSETS	<u>\$ 8,716</u>
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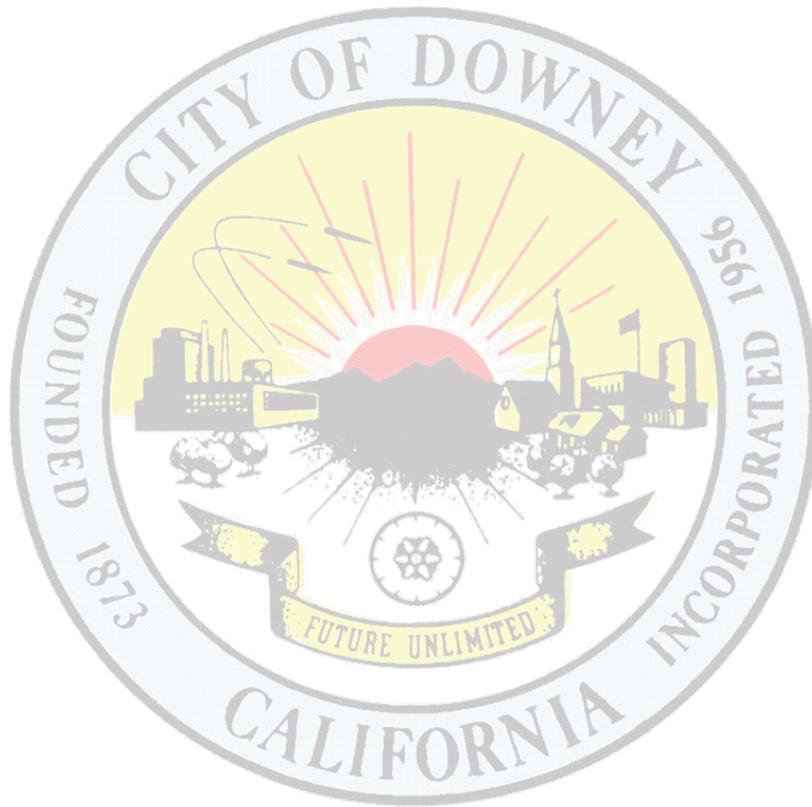
LIABILITIES:

Accounts payable and accrued liabilities	\$ 598
Deposits payable	<u>8,118</u>

TOTAL LIABILITIES	<u>\$ 8,716</u>
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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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Reporting Entity

The accounting policies of the City conform to accounting principles generally accepted in the United States of America, as applicable to governments. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization, if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Included within the City of Downey financial reporting entity are: the Community Development Commission of the City of Downey (the Commission), the City of Downey Water Facilities Corporation, and the City of Downey Public Facilities Financing Corporation (the Corporations). The Commission and the Corporations are separate legal entities which are included in the City's report because the City Council serves as the governing body for these component units.

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

The 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 activities of the Commission are reported in the governmental fund financial statements as debt service and capital projects funds.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Description of the Reporting Entity (Continued)

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 activities of the Corporation are reported in the proprietary fund financial statements as part of the golf enterprise fund.

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.

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 14), which are not considered part of the reporting entity and the City does not exercise primary oversight responsibilities for their operations.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

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

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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Statements of Net Assets. Operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 Governmental Accounting Standards Board (GASB) Statements.

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 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 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, 2011

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. Agency funds are custodial in nature and do not involve measurement of results of operations.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Classifications (Continued)

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

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

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

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

Public Works Department includes maintenance and engineering divisions.

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

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

E. Cash and Investments

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

F. Accounts Receivable

The City extends credit to customers in the normal course of operations. The City accounts for potential losses in accounts receivable utilizing the allowance method. The City has provided an allowance for uncollectible accounts of \$50,852 at June 30, 2011. Management evaluates all accounts receivable and if it is determined that they are uncollectible they are written off as a bad debt expense.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Inventories and Land Held for Resale

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

H. 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.

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, 2011.

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

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Compensated Absences

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

J. Claims and Judgments

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

K. Statement of Cash Flows

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

L. Use of Estimates

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 2 - PROPERTY TAXES

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

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

NOTE 3 - CASH AND INVESTMENTS

A. Cash and Investments

Cash and investments at June 30, 2011 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	\$ 69,077	\$ 8,586	\$ 77,663
Restricted assets:			
Cash and investments	12,480	-	12,480
Cash and investments with fiscal agents	<u>1,372</u>	<u>-</u>	<u>1,372</u>
	<u>\$ 82,929</u>	<u>\$ 8,586</u>	<u>\$ 91,515</u>

Cash and investments at June 30, 2011 consisted of the following (in thousands):

Demand accounts	\$ 5,236
Petty cash	4
Investments	<u>86,275</u>
Total Cash and Investments	<u>\$ 91,515</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

C. Investments Authorized by Debt Agreements

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

D. Disclosures Relating to Interest Rate Risk

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

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	Over 60 Months	
United States Treasury Notes	\$ 2,010	\$ 8,110	\$ -	\$ 12,051	\$ 22,171
United States Government Sponsored Agency Securities:					
FHLMC	-	-	6,037	-	6,037
FHLB	-	2,117	4,001	-	6,118
FNMA	-	5,309	11,236	-	16,545
FFCB	-	-	2,024	-	2,024
Medium-Term Corporate Notes	4,093	6,353	-	-	10,446
Money Market Mutual Funds	8,223	-	-	-	8,223
Local Agency Investment Funds	13,339	-	-	-	13,339
Held by Bond Trustee:					
Money Market Mutual Funds	729	-	-	-	729
Investment Agreements	-	-	-	643	643
	<u>\$ 28,394</u>	<u>\$ 21,889</u>	<u>\$ 23,298</u>	<u>\$ 12,694</u>	<u>\$ 86,275</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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, 2011	Minimum Legal Rating (1)	Not Required to be Rated	AAA	Other	Unrated
United States Treasury Notes	\$ 22,171	N/A	\$ 22,171	\$ -	\$ -	\$ -
United States Government Sponsored Agency Securities:						
FHLMC	6,037	N/A	-	6,037	-	-
FHLB	6,118	N/A	-	6,118	-	-
FNMA	16,545	N/A	-	16,545	-	-
FFCB	2,024	N/A	-	2,024	-	-
Medium-term Corporate Notes	10,446	A	-	-	10,446	-
Money Market Mutual Funds	8,223	AAA	-	8,223	-	-
Local Agency Investment Funds	13,339	N/A	-	-	-	13,339
Held by Bond Trustee:						
Money Market Mutual Funds	729	AAA	-	729	-	-
Investment Agreements	643	N/A	-	-	-	643
TOTAL	<u>\$ 86,275</u>		<u>\$ 22,171</u>	<u>\$ 39,676</u>	<u>\$ 10,446</u>	<u>\$ 13,982</u>

N/A - Not Applicable

The actual ratings for the Medium Term Corporate Notes (MTN) are as follows:

Other:	
A	\$ 6,284
A-	2,050
BBB+	<u>2,112</u>
	<u>\$ 10,446</u>

(1) Requirement is applicable at the time of investment purchase. All investments at June 30, 2011 were in compliance with the minimum legal rating requirement at time of purchase.

Subsequent to June 30, 2011, Standard and Poor's reduced the rating of the United States Government Sponsored Agency Securities from AAA to AA+.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

F. Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Investment</u>
Federal Home Loan Mortgage Corporation	United States Government Sponsored Agency Securities	\$ 6,037	7.00 %
Federal Home Loan Bank	United States Government Sponsored Agency Securities	6,118	7.09 %
Federal National Mortgage Association	United States Government Sponsored Agency Securities	16,545	19.18 %

G. Custodial Credit Risk

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

At June 30, 2011, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

H. Investment in State Investment Pool

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

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

As of June 30, 2011, amounts due from/to other funds were as follows (in thousands):

Due to General Fund from:		
Other Governmental Funds	\$	381
Due to Firestone Debt Service Fund from:		
Other Governmental Funds		184
Due to Other Governmental Funds from:		
General Fund		32
Other Governmental Funds		44
	\$	<u>641</u>

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

As of June 30, 2011, amounts advanced to and from other funds were as follows (in thousands):

Advances from General Fund to:		
Firestone Debt Service Fund	\$	4,997
Other Governmental Funds		1,500
Advances from Employee Benefits		
Internal Service Fund to:		
Firestone Debt Service Fund		2,650
	\$	<u>9,147</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.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Interfund transfers at June 30, 2011 consisted of the following (in thousands):

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 3,141
	Water Enterprise Fund	679
Firestone Debt Service Fund	Other Governmental Funds	1,800
Other Governmental Funds	General Fund	1,017
	Firestone Debt Service Fund	2,200
	Other Governmental Funds	799
	Internal Service Funds	20
Water Enterprise Fund	General Fund	606
	Other Governmental Funds	324
	Transit Enterprise Fund	3,300
Golf Enterprise Fund	General Fund	803
Transit Enterprise Fund	Other Governmental Funds	524
Internal Service Funds	General Fund	5,273
		<u>\$ 20,486</u>

The General Fund transferred \$3,141,000 to Other Governmental Funds to provide for capital and debt service expenditures. The General Fund transferred \$679,000 to the Water Enterprise Fund to cover deficit.

The Water and Golf Enterprise Funds transferred \$606,000 and \$803,000 to the General Fund, respectively, to reimburse the General Fund for certain program, administrative and overhead expenditures. The Water Enterprise Fund and the Transit Enterprise Fund transferred \$324,000 and \$524,000, respectively, to Other Governmental Funds to provide funding for capital expenditures.

Other Governmental Funds transferred \$1,017,000 to the General Fund (a) \$87,000 for various street related programs expenditures and (b) \$ 930,000 to the General Fund to provide for infrastructure and street maintenance reimbursement. Other Governmental Funds also transferred \$799,000 Other Governmental Funds to provide for capital improvement projects.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

The Water Enterprise Fund transferred \$3,300,000 to the Transit Enterprise Fund to provide funding for purchases of City yard.

The Employee Benefits Internal Service Fund transferred \$5,273,000 to the General Fund pursuant to budget resolutions adopted by Council.

NOTE 5 - LAND HELD FOR RESALE

As of June 30, 2011, the Downey Community Development Commission had acquired properties for redevelopment purposes for resale to developers at a capitalized cost of \$3,598,000.

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 \$8,254,000 at June 30, 2011.

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, 2011

NOTE 8 - CAPITAL ASSETS

A summary of changes in the Governmental Activities capital assets at June 30, 2011 is as follows (in thousands):

	Balances at June 30, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balances at June 30, <u>2011</u>
Capital assets, not being depreciated:				
Land and improvements	\$ 14,438	\$ 8,570	\$ -	\$ 23,008
Projects in progress	<u>11,512</u>	<u>9,695</u>	<u>(8,308)</u>	<u>12,899</u>
Total capital assets, not being depreciated	<u>25,950</u>	<u>18,265</u>	<u>(8,308)</u>	<u>35,907</u>
Capital assets, being depreciated:				
Buildings	37,238	66	-	37,304
Land improvements	18,767	88	-	18,855
Equipment	22,724	1,750	(604)	23,870
Furniture and fixtures	299	-	-	299
Infrastructure	<u>262,302</u>	<u>8,251</u>	<u>-</u>	<u>270,553</u>
Total capital assets, being depreciated	<u>341,330</u>	<u>10,155</u>	<u>(604)</u>	<u>350,881</u>
Less accumulated depreciation for:				
Buildings	(14,248)	(744)	-	(14,992)
Land improvements	(6,010)	(573)	-	(6,583)
Equipment	(16,089)	(1,870)	790	(17,169)
Furniture and fixtures	(109)	(25)	-	(134)
Infrastructure	<u>(135,956)</u>	<u>(5,481)</u>	<u>-</u>	<u>(141,437)</u>
Total accumulated depreciation	<u>(172,412)</u>	<u>(8,693)</u>	<u>790</u>	<u>(180,315)</u>
Total capital assets being depreciated, net	<u>168,918</u>	<u>1,462</u>	<u>186</u>	<u>170,566</u>
Governmental activities capital assets, net	<u>\$ 194,868</u>	<u>\$ 19,727</u>	<u>\$ (8,122)</u>	<u>\$ 206,473</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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	\$ 428
Public Safety	197
Public Works	41
Community Services	676
Internal Service Funds depreciation charges to program	1,870
Allocated depreciation	<u>3,212</u>
Unallocated infrastructure depreciation	<u>5,481</u>
Total depreciation expense -governmental activities	<u>\$ 8,693</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2011 is as follows (in thousands):

	WATER FUND			
	<u>Balances at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 8,272	\$ -	\$ -	\$ 8,272
Capital assets, being depreciated:				
Buildings and improvements	217	-	-	217
Furniture and fixtures	324	-	-	324
Machinery and equipment	323	-	-	323
Water supply and distribution system	<u>28,701</u>	<u>252</u>	-	<u>28,953</u>
Total capital assets being depreciated	<u>29,565</u>	<u>252</u>	-	<u>29,817</u>
Less accumulated depreciation for:				
Buildings and improvements	(202)	(4)	-	(206)
Furniture and fixtures	(204)	(10)	-	(214)
Machinery and equipment	(258)	(16)	-	(274)
Water supply and distribution system	<u>(15,038)</u>	<u>(535)</u>	-	<u>(15,573)</u>
Total accumulated depreciation	<u>(15,702)</u>	<u>(565)</u>	-	<u>(16,267)</u>
Total capital assets being depreciated, net	<u>13,863</u>	<u>(313)</u>	-	<u>13,550</u>
Water Fund capital assets, net	<u>\$ 22,135</u>	<u>\$ (313)</u>	<u>\$ -</u>	<u>\$ 21,822</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 8 - CAPITAL ASSETS (CONTINUED)

A summary of changes in the Business-type Activities capital assets at June 30, 2011 is as follows (in thousands) (Continued):

	GOLF FUND			
	<u>Balances at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2011</u>
Capital assets, being depreciated:				
Land improvements	\$ 10,687	\$ 56	\$ -	\$ 10,743
Buildings and improvements	8,217	-	-	8,217
Machinery and equipment	<u>572</u>	<u>106</u>	<u>(113)</u>	<u>565</u>
Total capital assets being depreciated	<u>19,476</u>	<u>162</u>	<u>(113)</u>	<u>19,525</u>
Less accumulated depreciation for:				
Land improvements	(1,554)	(18)	-	(1,572)
Buildings and improvements	(1,684)	(294)	-	(1,978)
Machinery and equipment	<u>(294)</u>	<u>(56)</u>	<u>21</u>	<u>(329)</u>
Total accumulated depreciation	<u>(3,532)</u>	<u>(368)</u>	<u>21</u>	<u>(3,879)</u>
Golf Fund capital assets, net	<u>\$ 15,944</u>	<u>\$ (206)</u>	<u>\$ (92)</u>	<u>\$ 15,646</u>
	TRANSIT FUND			
	<u>Balances at June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances at June 30, 2011</u>
Capital assets, not being depreciated:				
Land	\$ 2,164	\$ -	\$ -	\$ 2,164
Capital assets, being depreciated:				
Land improvements	277	-	-	277
Buildings and improvements	2,973	-	-	2,973
Machinery and equipment	<u>949</u>	<u>16</u>	<u>-</u>	<u>965</u>
Total capital assets being depreciated	<u>4,199</u>	<u>16</u>	<u>-</u>	<u>4,215</u>
Less accumulated depreciation for:				
Land improvements	(261)	(1)	-	(262)
Buildings and improvements	(520)	(59)	-	(579)
Machinery and equipment	<u>(407)</u>	<u>(151)</u>	<u>-</u>	<u>(558)</u>
Total accumulated depreciation	<u>(1,188)</u>	<u>(211)</u>	<u>-</u>	<u>(1,399)</u>
Total capital assets, being depreciated	<u>3,011</u>	<u>(195)</u>	<u>-</u>	<u>2,816</u>
Transit Fund capital assets, net	<u>\$ 5,175</u>	<u>\$ (195)</u>	<u>\$ -</u>	<u>\$ 4,980</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES

Noted below is a summary of changes in long-term liabilities for the year ended June 30, 2011 (in thousands):

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Amount Due Within One Year
Governmental Activities:					
Bonds payable	\$ 27,785	\$ -	\$ (435)	\$ 27,350	\$ 445
Less deferred charges:					
Bond discount	(171)	-	7	(164)	-
Total bonds payable	27,614	-	(428)	27,186	445
Capital lease payable	319	1,048	(168)	1,199	174
Advances from County	15,299	2,039	-	17,338	-
Loans from Federal					
Government	10,544	511	(250)	10,805	250
Compensated absences	14,190	3,621	(3,510)	14,301	4,316
Claims payable	7,884	7,136	(5,920)	9,100	4,293
Total governmental activities long-term liabilities	<u>\$ 75,850</u>	<u>\$ 14,355</u>	<u>\$ (10,276)</u>	<u>\$ 79,929</u>	<u>\$ 9,478</u>
Business-type Activities:					
Compensated absences	\$ 643	\$ 236	\$ (181)	\$ 698	\$ 208
Golf Course Certificates of Participation	8,155	-	(325)	7,830	340
Add (less) deferred changes:					
Bond premium	12	-	(1)	11	-
Loss on refunding	(124)	-	12	(112)	-
Total business-type activities long-term liabilities	<u>\$ 8,686</u>	<u>\$ 236</u>	<u>\$ (495)</u>	<u>\$ 8,427</u>	<u>\$ 548</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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, 2011 is \$7,425,000.

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>
2012	\$ 260,000	\$ 373,363	\$ 633,363
2013	275,000	359,987	634,987
2014	290,000	345,681	635,681
2015	305,000	330,435	635,435
2016	320,000	314,420	634,420
2017 - 2021	1,855,000	1,303,159	3,158,159
2022 - 2026	2,380,000	763,113	3,143,113
2027 - 2029	<u>1,740,000</u>	<u>136,837</u>	<u>1,876,837</u>
Total	<u>\$ 7,425,000</u>	<u>\$ 3,926,995</u>	<u>\$ 11,351,995</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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>
2012	\$ 235,000	\$ 998,806	\$ 1,233,806
2013	280,000	987,949	1,267,949
2014	335,000	974,957	1,309,957
2015	395,000	959,045	1,354,045
2016	460,000	940,184	1,400,184
2017 - 2021	3,425,000	4,293,509	7,718,509
2022 - 2026	4,700,000	3,245,234	7,945,234
2027 - 2031	5,455,000	2,062,681	7,517,681
2032 - 2034	<u>4,640,000</u>	<u>485,172</u>	<u>5,125,172</u>
	19,925,000	14,947,537	34,872,537
Less deferred charges on refunding	<u>(163,500)</u>	<u>-</u>	<u>(163,500)</u>
Total	<u>\$ 19,761,500</u>	<u>\$ 14,947,537</u>	<u>\$ 34,709,037</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Capital Lease Payable

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Equipment	\$ 1,956,931
Less: accumulated depreciation	<u>(255,454)</u>
	<u>\$ 1,701,477</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2012	\$ 218,885
2013	218,885
2014	218,885
2015	130,561
2016	130,561
2017 - 2020	<u>522,244</u>
Total minimum lease payments	1,440,021
Less: amounts representing interest	<u>(240,609)</u>
Present value of minimum lease payments	<u>\$ 1,199,412</u>

Advances from County

As part of the City's redevelopment program, the City and County of Los Angeles have entered into a tax increment pass-through deferral agreement. This agreement specifies that the City will defer the payment of all current tax increment pass-through due to the County, until some future date, when certain conditions are met. Until that time, the County will charge 7% interest on the outstanding deferral amount. During the year pass-through agreement amounts owed to the County totaling \$915,000 were deferred. Interest of \$1,124,000 was also accrued during the year on the outstanding deferral amount still owing. The amount owed the County, including accrued interest, at June 30, 2011 was \$17,338,000.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Loans from Federal Government

As part of the City's redevelopment program, the City received a Section 108 Loan from the United States Department of Housing and Urban Development. The payment schedule as of June 30, 2011 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 250,000	\$ 44,062	\$ 294,062
2013	250,000	31,875	281,875
2014	250,000	19,325	269,325
2015	<u>250,000</u>	<u>6,488</u>	<u>256,488</u>
Total	<u>\$ 1,000,000</u>	<u>\$ 101,750</u>	<u>\$ 1,101,750</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 \$9,805,000 as of June 30, 2011.

Compensated Absences

For the fiscal year ended June 30, 2011, compensated absences are as follows (in thousands):

	<u>Total</u>
Vacation	\$ 3,686
Sick Leave	9,482
Compensatory Time	<u>1,831</u>
Total	<u>\$ 14,999</u>
Amount reported in governmental activities	\$ 14,301
Amount reported in business-type activities	<u>698</u>
	<u>\$ 14,999</u>

The compensated absences are predominantly associated with the General fund.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Claims Payable (Self-Insurance)

The City has three types of claims it has to manage and account for. The City is a member of Independent Cities Risk Management Authority (ICRMA), an Authority that provides liability insurance for several California Cities, and employs independent claims administrators to accomplish this task. The 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

Changes in the workers' compensation, employee health benefits, and general liability outstanding claims liability for the fiscal years ended June 30, 2010 and 2011 were as follows:

	<u>Claims Payable Balance June 30, 2009</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Current Year Payments</u>	<u>Claims Payable Balance June 30, 2010</u>
Workers' Compensation	\$ 5,819,000	\$ 127,000	\$ 1,383,000	\$ 4,563,000
Employee Health Benefits	957,000	4,189,000	4,117,000	1,029,000
General Liability	1,598,000	1,261,000	567,000	2,292,000

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Governmental Activities (Continued)

Claims Payable (Self-Insurance) (Continued)

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, 2011, in the opinion of the City Attorney, the City had no other material claims which would require loss provision in the financial statements.

Business-type 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, 2011, bonds outstanding were \$7,830,000.

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 9 - LONG-TERM LIABILITIES (CONTINUED)

Business-type Activities (Continued)

2002 Golf Course Certificates of Participation (Continued)

Future debt service requirements on these certificates are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 340,000	\$ 362,410	\$ 702,410
2013	350,000	349,035	699,035
2014	365,000	334,553	699,553
2015	380,000	318,995	698,995
2016	395,000	302,230	697,230
2017-2021	2,170,000	1,219,250	3,389,250
2022-2026	2,600,000	645,000	3,245,000
2027-2028	<u>1,230,000</u>	<u>62,250</u>	<u>1,292,250</u>
Subtotal	7,830,000	3,593,723	11,423,723
Add (less) deferred amounts:			
Bond premium	11,233	-	11,233
Loss on refunding	<u>(112,367)</u>	<u>-</u>	<u>(112,367)</u>
Total	<u>\$ 7,728,866</u>	<u>\$ 3,593,723</u>	<u>\$ 11,322,589</u>

NOTE 10 - UNEARNED/DEFERRED REVENUE

Deferred revenue consists of \$8,254,000 in deferred loan payments from participants in the City's housing program (see Note 6) and \$1,158,000 in long-term receivables.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 11 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2011. The fund balances reported on the fund statements now consist of the following categories:

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

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

Committed Fund Balance - This classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned Fund Balance - This classification includes amounts to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

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

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

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 11 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The City's governmental fund balances at June 30, 2011 are tabulated (in thousands) below.

	General Fund	Firestone Debt Service Fund	Housing Capital Projects Fund	Other Governmental Fund	Totals
Nonspendable:					
Land held for resale	\$ -	\$ -	\$ 3,598	\$ -	\$ 3,598
Advances	6,497	-	-	-	6,497
Prepaid expenses	-	-	-	3	3
Restricted for:					
Debt service	4,260	662	-	-	4,922
Low and moderate income housing	-	-	4,848	-	4,848
Special revenue purposes	-	-	-	6,958	6,958
Capital projects	-	-	-	369	369
Assigned:					
Special revenue purposes	-	-	-	1,616	1,616
Capital projects	-	-	-	4,004	4,004
Unassigned	<u>10,070</u>	<u>(6,216)</u>	<u>-</u>	<u>(1,550)</u>	<u>2,304</u>
	<u>\$ 20,827</u>	<u>\$ (5,554)</u>	<u>\$ 8,446</u>	<u>\$ 11,400</u>	<u>\$ 35,119</u>

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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.

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, 2011 were 12.566% for non-safety employees and 21.869% for safety employees. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Costs

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

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 2,223	\$ 4,347	\$ 6,570
Interest on net pension asset	(156)	(525)	(681)
Adjustment to annual required contribution	<u>288</u>	<u>967</u>	<u>1,255</u>
Annual pension cost	2,355	4,789	7,144
Contributions made	<u>(2,223)</u>	<u>(4,347)</u>	<u>(6,570)</u>
Decrease in net pension asset	132	442	574
Net pension asset - beginning of year	<u>(4,171)</u>	<u>(13,987)</u>	<u>(18,158)</u>
Net pension asset - end of year	<u>\$ (4,039)</u>	<u>\$ (13,545)</u>	<u>\$ (17,584)</u>

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

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Annual Pension Costs (Continued)

The required contribution was determined as part of the June 30, 2008, 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 was 24 years and 20 years for the Miscellaneous Plan and Safety Plan, respectively.

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 1,712	94%	\$ (4,288)
June 30, 2010	2,018	94%	(4,171)
June 30, 2011	2,355	94%	(4,039)

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

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 3,446	90%	\$ (14,380)
June 30, 2010	4,225	91%	(13,987)
June 30, 2011	4,789	91%	(13,545)

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 12 - CITY EMPLOYEE RETIREMENT PLAN (CONTINUED)

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the miscellaneous and safety plans were 84.9% and 85.2% funded, respectively. The actuarial accrued liability for benefits were \$136,593,097 and \$266,382,9907, respectively and the actuarial value of assets were \$116,015,449 and \$226,906,534, respectively, resulting in unfunded actuarial accrued liabilities (UAAL) of \$20,577,648 and \$39,476,373, respectively. The covered payrolls (annual payroll of active employees covered by the plan) were \$17,140,908 and \$21,389,693, respectively, and the ratios of the UAAL to the covered payrolls were 120.1% and 184.6%, respectively.

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

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

In connection with the retirement benefits for employees described in Note 12, the City provides post-retirement medical benefits to retirees. The Plan is a single employer plan. These benefits are available to employees who retire with the City with at least 10 years of service or those who satisfy certain disability requirements. The retiree is entitled to participate in the City sponsored medical plan and the City contributes up to \$98.00 (\$270 for sworn police and fire employees) per month toward the premium for employee only coverage under the City sponsored medical plans. A surviving spouse may continue coverage after the retiree's death, but does so entirely at his or her own expense or receives medical reimbursement payment on a quarterly basis for the cost of alternate medical insurance up to the amount of the retiree medical annuity in effect. The Plan does not issue a publicly available financial report.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City, City council, and/or the employee associations. Currently, contributions are not required from plan members. During the fiscal year ended June 30, 2011, the City elected to fund 100% of the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC for fiscal year 2010-11 was \$1,609,657.

Annual OPEB Cost

The required contribution for the fiscal year 2011 was determined as part of the July 1, 2010, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included: (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increase of 3.25%, and (c) medical plan premium cost will increase at a rate ranging from 5% to 9.5%. The City's unfunded actuarial accrued liability will be amortized as a level percentage of pay over closed period of 30 years.

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

Three-Year Trend Information

For fiscal year 2011, the City's annual OPEB cost (expense) of \$1,609,657 was equal to the ARC plus interest, less amortization or net OPEB asset.

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>
6/30/09	\$ 2,140,585	100%	\$ 455,955
6/30/10	2,117,021	78%	-
6/30/11	1,609,657	100%	-

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 13 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Funded Status and Funding Progress

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

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

NOTE 14 - JOINT VENTURES

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

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

Joint Fire Dispatching Center. In this joint venture, the City operates as a cooperative program with the cities of Santa Fe Springs and Compton. The City receives all calls for fire emergency services and dispatches fire units for the three-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, 2011

NOTE 14 - JOINT VENTURES (CONTINUED)

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

NOTE 15 - MORTGAGE REVENUE BONDS

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

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

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

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

The above debt issues are special obligations of the respective Housing Finance Agencies and are payable solely from payments made on mortgage loans and are secured by a pledge of such mortgage loans. Neither the faith and credit nor the taxing power of the City of Downey have been pledged to the payment of the bonds. Accordingly, 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, 2011

NOTE 16 - 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	\$	23
Capital outlay		2,400
Debt Service:		
Interest and fiscal charges		511

Other Special Revenue Funds:

CDBG - Community development		561
Grants - Public safety		174

Other Capital Projects Fund:

Firestone Redevelopment - Community development		1,691
Woodruff Redevelopment - Community development		298

Deficit Fund Balances

The following funds reported a deficit fund balance at June 30, 2011 (in thousands):

Major Fund:

Firestone Debt Service Fund	\$	5,554
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Other Special Revenue Funds:

Grants		31
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Other Debt Service Fund:

Woodruff Industrial Project Redevelopment		1,519
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The deficits will be eliminated through the receipt of future tax increment revenues and grant revenues.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

NOTE 17 - RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 29, 2011, the Governor of the State of California signed Assembly Bills 1x 26 and 27 as part of the State's budget package. Assembly Bill 1x 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill 1x 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program each City would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly Bill 1x 26 indicates that the City "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Downey intends to use available monies of its redevelopment agency for this purpose and the City and Commission have approved a reimbursement agreement to accomplish that objective. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the state legislature.

Assembly Bill 1x 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill 1x 26.

In the event that Assembly Bill 1x 26 is upheld, the interagency receivable recognized by funds of the City that had previously loaned or advanced funds to the redevelopment agency may become uncollectible resulting in a loss recognized by such funds. The City might additionally be impacted if reimbursements previously paid by the redevelopment agency to the City for shared administrative services are reduced or eliminated.

The League of California Cities and the California Redevelopment Association (CRA) filed a lawsuit on July 18, 2011 on behalf of cities, counties and redevelopment agencies petitioning the California Supreme Court to overturn Assembly Bills 1x 26 and 27 on the grounds that these bills violate the California Constitution. On August 11, 2011, the California Supreme Court issued a stay of all of Assembly Bill 1x 27 and most of Assembly Bill 1x 26. The California Supreme Court stated in its order that "the briefing schedule is designed to facilitate oral argument as early as possible in 2011, and a decision before January 15, 2012". A second order issued by the California Supreme Court on August 17, 2011 indicated that certain provisions of Assembly Bills 1x 26 and 27 were still in effect and not affected by its previous stay, including requirements to file an appeal of the determination of the community remittance payment by August 15, the requirement to adopt an Enforceable Obligations Payment Schedule (EOPS) by August 29, 2011, and the requirement to prepare a preliminary draft of the initial Recognized Obligation Payment Schedule (ROPS) by September 30, 2011.

See independent auditors' report.

CITY OF DOWNEY

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2011

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

Because the stay provide by Assembly Bill 1x 26 only affects enforcement, each agency must adopt an EOPS and draft ROPS prior to September 30, as required by the statute. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlement; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill 1x 26.

On August 23, 2011 and September 13, 2011, City Urgency Ordinance No. 11-289 and Regular Ordinance No. 11-290, respectively, were adopted, indicating that the City will comply with the Voluntary Alternative Redevelopment Program in order to permit the continued existence and operation of the Commission, in the event Assembly Bills 1x 26 and/or 27 are upheld as constitutional. The initial payment by the City is \$1,281,573 with on half due on January 15, 2012 and the other half due May 15, 2012. Thereafter, an estimated payment will be due annually. The amounts to be paid after fiscal year 2012-13 have yet to be determined by the State Legislature. The semi-annual payments will be due on January 15 and May 15 of each year and would increase or decrease with changes in tax increment. Additionally, an increased amount would be due to schools if any "new debt" is incurred. Assembly Bill 1x 27 allows a one-year reprieve on the agency's obligation to contribute 20% of tax increment to the low and moderate income housing fund so as to permit the Commission to assemble sufficient funds to make its initial payments. Failure to make these payments would require agencies to be terminated under the provisions of Assembly Bill 1x 26.

Management believes that the Commission will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of ligation surrounding the actions of the state. In the event that Assembly Bill 1x 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies and to reduce their funding.

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DOWNEY

SCHEDULES OF FUNDING PROGRESS

For the year ended June 30, 2011

**CITY EMPLOYEE RETIREMENT PLAN
MISCELLANEOUS PLAN**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
06/30/08	\$ 114,969,740	\$ 108,139,895	\$ 6,829,845	94.06%	\$ 16,680,690	40.94%
06/30/09	131,017,182	111,905,234	19,111,948	85.41%	17,361,583	110.08%
06/30/10	136,593,097	116,015,449	20,577,648	84.94%	17,140,908	120.05%

**CITY EMPLOYEE RETIREMENT PLAN
SAFETY PLAN**

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
06/30/08	\$ 232,876,640	\$ 213,039,464	\$ 19,837,176	91.48%	\$ 18,744,474	105.83%
06/30/09	252,532,361	219,370,271	33,162,090	86.87%	21,348,540	155.34%
06/30/10	266,382,907	226,906,534	39,476,373	85.18%	21,389,693	184.56%

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

See independent auditors' report.

CITY OF DOWNEY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 43,985	\$ 43,985	\$ 44,849	\$ 864
Licenses and permits	1,270	1,270	1,107	(163)
Fines and forfeitures	1,488	1,488	1,552	64
Investment and rental	3,448	3,448	3,272	(176)
Intergovernmental revenue	2,432	2,551	2,538	(13)
Charges for services	3,578	3,578	5,535	1,957
Other revenue	2,150	2,150	2,416	266
TOTAL REVENUES	<u>58,351</u>	<u>58,470</u>	<u>61,269</u>	<u>2,799</u>
EXPENDITURES:				
Current:				
General government:				
Legislation	263	269	292	(23)
City attorney	285	431	180	251
City clerk	470	470	370	100
City management	613	1,178	1,177	1
Finance	4,517	4,517	4,376	141
Public safety:				
Police	30,023	30,023	28,192	1,831
Animal control	330	-	-	-
Fire	17,002	17,002	16,783	219
Public works	5,857	5,857	5,324	533
Community services	6,711	6,999	6,356	643
Community development	2,236	3,036	1,990	1,046
Capital outlay	-	-	2,400	(2,400)
Debt service:				
Interest and fiscal charges	-	-	511	(511)
TOTAL EXPENDITURES	<u>68,307</u>	<u>69,782</u>	<u>67,951</u>	<u>1,831</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,956)</u>	<u>(11,312)</u>	<u>(6,682)</u>	<u>4,630</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,594	2,601	7,699	5,098
Transfers out	(1,049)	(1,084)	(3,820)	(2,736)
Issuance of debt	-	-	511	511
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,545</u>	<u>1,517</u>	<u>4,390</u>	<u>2,873</u>
NET CHANGE IN FUND BALANCE	(8,411)	(9,795)	(2,292)	7,503
FUND BALANCE - BEGINNING OF YEAR	<u>23,119</u>	<u>23,119</u>	<u>23,119</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 14,708</u>	<u>\$ 13,324</u>	<u>\$ 20,827</u>	<u>\$ 7,503</u>

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

CITY OF DOWNEY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2011

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, 2011 increased budgeted expenditures from \$132,198,806 as adopted in the original budget, to \$139,296,015.

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

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

See independent auditors’ report.

OTHER MAJOR FUND

The Other Major Fund accounts 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.

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.

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, 2011
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 925	\$ 925	\$ 942	\$ 17
Investment and rental	108	108	21	(87)
Intergovernmental revenue	794	794	1,229	435
Other revenue	100	100	129	29
TOTAL REVENUES	1,927	1,927	2,321	394
EXPENDITURES:				
Current:				
Community development	2,133	7,146	1,940	5,206
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(206)	(5,219)	381	5,600
FUND BALANCE - BEGINNING OF YEAR	8,065	8,065	8,065	-
FUND BALANCE - END OF YEAR	\$ 7,859	\$ 2,846	\$ 8,446	\$ 5,600

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, Other Debt Service Fund, 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, 2011

(amounts expressed in thousands)

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
ASSETS				
Cash and investments	\$ 8,030	\$ -	\$ 4,454	\$ 12,484
Receivables:				
Taxes	1,979	208	-	2,187
Accounts	694	-	-	694
Interest	21	1	-	22
Loans	775	-	-	775
Inventory	19	-	-	19
Prepaid expenses	-	-	3	3
Due from other governments and entities	605	-	41	646
Due from other funds	32	-	44	76
Restricted assets:				
Cash and investments	204	-	-	204
Land held for resale	-	-	-	-
	<u>\$ 12,359</u>	<u>\$ 209</u>	<u>\$ 4,542</u>	<u>\$ 17,110</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2,660	\$ -	\$ 163	\$ 2,823
Due to other funds	381	228	-	609
Deposits	-	-	3	3
Advances from other funds	-	1,500	-	1,500
Deferred revenue	775	-	-	775
	<u>3,816</u>	<u>1,728</u>	<u>166</u>	<u>5,710</u>
FUND BALANCES (DEFICIT):				
Nonspendable	-	-	3	3
Restricted	6,958	-	369	7,327
Committed	-	-	-	-
Assigned	1,616	-	4,004	5,620
Unassigned	<u>(31)</u>	<u>(1,519)</u>	<u>-</u>	<u>(1,550)</u>
	<u>8,543</u>	<u>(1,519)</u>	<u>4,376</u>	<u>11,400</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,359</u>	<u>\$ 209</u>	<u>\$ 4,542</u>	<u>\$ 17,110</u>

See independent auditors' report.

CITY OF DOWNEY

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

For the year ended June 30, 2011
(amounts expressed in thousands)

	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Total
REVENUES:				
Taxes	\$ 347	\$ 837	\$ -	\$ 1,184
Investment and rental	71	5	(47)	29
Intergovernmental revenue	8,046	-	79	8,125
Charges for services	3,205	-	-	3,205
Other revenue	531	-	10	541
Sale of property	-	-	2,400	2,400
	<u>12,200</u>	<u>842</u>	<u>2,442</u>	<u>15,484</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
General government	170	-	-	170
Public safety	256	-	-	256
Public works	1,972	-	-	1,972
Community services	1,437	-	-	1,437
Community development	3,153	446	5,536	9,135
Capital outlay	7,583	-	2,493	10,076
Debt service:				
Principal retirement	250	-	-	250
Interest and fiscal charges	56	264	-	320
	<u>14,877</u>	<u>710</u>	<u>8,029</u>	<u>23,616</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(2,677)</u>	<u>132</u>	<u>(5,587)</u>	<u>(8,132)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,122	200	4,266	6,588
Transfers out	(1,636)	-	(2,400)	(4,036)
	<u>486</u>	<u>200</u>	<u>1,866</u>	<u>2,552</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES				
	<u>(2,191)</u>	<u>332</u>	<u>(3,721)</u>	<u>(5,580)</u>
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR				
	<u>10,734</u>	<u>(1,851)</u>	<u>8,097</u>	<u>16,980</u>
FUND BALANCES (DEFICIT) - END OF YEAR				
	<u>\$ 8,543</u>	<u>\$ (1,519)</u>	<u>\$ 4,376</u>	<u>\$ 11,400</u>

See independent auditors' report.

OTHER SPECIAL REVENUE FUNDS

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

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

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

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

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

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, 2011

(amounts expressed in thousands)

	<u>Waste Reduction</u>	<u>Street Lighting</u>	<u>Gas Tax</u>
ASSETS			
Cash and investments	\$ 323	\$ 1,837	\$ 3,636
Receivables:			
Taxes	-	62	1,814
Accounts	26	26	543
Interest	2	9	7
Loans	-	-	-
Inventory	-	-	-
Due from other governments and entities	30	-	11
Due from other funds	-	-	-
Restricted assets:			
Cash and investments	-	-	-
	<u>381</u>	<u>1,934</u>	<u>6,011</u>
TOTAL ASSETS	<u>\$ 381</u>	<u>\$ 1,934</u>	<u>\$ 6,011</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 24	\$ 172	\$ 2,164
Due to other funds	-	-	-
Deferred revenue	-	-	-
	<u>24</u>	<u>172</u>	<u>2,164</u>
TOTAL LIABILITIES	<u>24</u>	<u>172</u>	<u>2,164</u>
FUND BALANCES (DEFICIT):			
Restricted	357	1,762	3,847
Assigned	-	-	-
Unassigned	-	-	-
	<u>357</u>	<u>1,762</u>	<u>3,847</u>
TOTAL FUND BALANCES (DEFICIT)	<u>357</u>	<u>1,762</u>	<u>3,847</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 381</u>	<u>\$ 1,934</u>	<u>\$ 6,011</u>

See independent auditors' report.

<u>CDBG</u>	<u>Sewer and Storm Drain</u>	<u>CATV Public Access</u>	<u>Air Quality</u>	<u>Grants</u>	<u>Totals</u>
\$ -	\$ 1,542	\$ 62	\$ 630	\$ -	\$ 8,030
-	103	-	-	-	1,979
92	7	-	-	-	694
-	-	-	3	-	21
775	-	-	-	-	775
-	-	-	-	19	19
446	-	-	28	90	605
-	-	-	32	-	32
204	-	-	-	-	204
<u>\$ 1,517</u>	<u>\$ 1,652</u>	<u>\$ 62</u>	<u>\$ 693</u>	<u>\$ 109</u>	<u>\$ 12,359</u>
\$ 103	\$ 93	\$ 5	\$ 8	\$ 91	\$ 2,660
332	-	-	-	49	381
775	-	-	-	-	775
<u>1,210</u>	<u>93</u>	<u>5</u>	<u>8</u>	<u>140</u>	<u>3,816</u>
307	-	-	685	-	6,958
-	1,559	57	-	-	1,616
-	-	-	-	(31)	(31)
<u>307</u>	<u>1,559</u>	<u>57</u>	<u>685</u>	<u>(31)</u>	<u>8,543</u>
<u>\$ 1,517</u>	<u>\$ 1,652</u>	<u>\$ 62</u>	<u>\$ 693</u>	<u>\$ 109</u>	<u>\$ 12,359</u>

CITY OF DOWNEY

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

For the year ended June 30, 2011
(amounts expressed in thousands)

	Waste Reduction	Street Lighting	Gas Tax
REVENUES:			
Taxes	\$ -	\$ 347	\$ -
Investment and rental	6	29	(6)
Intergovernmental revenue	90	-	5,107
Charges for services	410	1,179	-
Other revenue	3	-	385
	<u>509</u>	<u>1,555</u>	<u>5,486</u>
TOTAL REVENUES			
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	281	-	-
Community services	231	-	-
Community development	-	1,662	-
Capital outlay	-	-	7,337
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
	<u>512</u>	<u>1,662</u>	<u>7,337</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3)</u>	<u>(107)</u>	<u>(1,851)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	162	-	524
Transfers out	-	-	(1,529)
	<u>162</u>	<u>-</u>	<u>(1,005)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	159	(107)	(2,856)
FUND BALANCES - BEGINNING OF YEAR	<u>198</u>	<u>1,869</u>	<u>6,703</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 357</u>	<u>\$ 1,762</u>	<u>\$ 3,847</u>

See independent auditors' report.

<u>CDBG</u>	<u>Sewer and Storm Drain</u>	<u>CATV Public Access</u>	<u>Air Quality</u>	<u>Grants</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 347
-	29	1	11	1	71
2,012	-	-	169	668	8,046
-	1,515	-	-	101	3,205
-	-	-	-	143	531
<u>2,012</u>	<u>1,544</u>	<u>1</u>	<u>180</u>	<u>913</u>	<u>12,200</u>
-	-	170	-	-	170
-	-	-	-	256	256
-	1,366	-	184	141	1,972
-	-	-	-	1,206	1,437
1,491	-	-	-	-	3,153
171	22	-	-	53	7,583
250	-	-	-	-	250
56	-	-	-	-	56
<u>1,968</u>	<u>1,388</u>	<u>170</u>	<u>184</u>	<u>1,656</u>	<u>14,877</u>
<u>44</u>	<u>156</u>	<u>(169)</u>	<u>(4)</u>	<u>(743)</u>	<u>(2,677)</u>
-	794	219	-	423	2,122
(87)	-	-	-	(20)	(1,636)
<u>(87)</u>	<u>794</u>	<u>219</u>	<u>-</u>	<u>403</u>	<u>486</u>
(43)	950	50	(4)	(340)	(2,191)
<u>350</u>	<u>609</u>	<u>7</u>	<u>689</u>	<u>309</u>	<u>10,734</u>
<u>\$ 307</u>	<u>\$ 1,559</u>	<u>\$ 57</u>	<u>\$ 685</u>	<u>\$ (31)</u>	<u>\$ 8,543</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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 6	\$ 6
Intergovernmental revenue	50	50	90	40
Charges for services	400	400	410	10
Other revenue	2	2	3	1
	<u>452</u>	<u>452</u>	<u>509</u>	<u>57</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Public works	333	333	281	52
Community services	270	270	231	39
	<u>603</u>	<u>603</u>	<u>512</u>	<u>91</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(151)	(151)	(3)	148
OTHER FINANCING SOURCES:				
Transfers in	-	162	162	-
	<u>(151)</u>	<u>11</u>	<u>159</u>	<u>148</u>
NET CHANGE IN FUND BALANCE				
FUND BALANCE - BEGINNING OF YEAR	198	198	198	-
	<u>47</u>	<u>209</u>	<u>357</u>	<u>148</u>
FUND BALANCE - END OF YEAR				

See independent auditors' report.

CITY OF DOWNEY

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

STREET LIGHTING SPECIAL REVENUE FUND

For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ 347	\$ 347
Investment and rental	30	30	29	(1)
Charges for services	1,567	1,567	1,179	(388)
TOTAL REVENUES	1,597	1,597	1,555	(42)
EXPENDITURES:				
Current:				
Community development	1,673	1,673	1,662	11
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(76)	(76)	(107)	(31)
FUND BALANCE - BEGINNING OF YEAR	1,869	1,869	1,869	-
FUND BALANCE - END OF YEAR	\$ 1,793	\$ 1,793	\$ 1,762	\$ (31)

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 130	\$ 130	\$ (6)	\$ (136)
Intergovernmental revenue	16,747	16,747	5,107	(11,640)
Other revenue	-	-	385	385
TOTAL REVENUES	16,877	16,877	5,486	(11,391)
EXPENDITURES:				
Capital outlay	22,507	24,271	7,337	16,934
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,630)	(7,394)	(1,851)	5,543
OTHER FINANCING SOURCES (USES):				
Transfers in	-	84	524	440
Transfers out	(1,546)	(1,546)	(1,529)	17
TOTAL OTHER FINANCING SOURCES (USES)	(1,546)	(1,462)	(1,005)	457
NET CHANGE IN FUND BALANCE	(7,176)	(8,856)	(2,856)	6,000
FUND BALANCE - BEGINNING OF YEAR	6,703	6,703	6,703	-
FUND BALANCE - END OF YEAR	\$ (473)	\$ (2,153)	\$ 3,847	\$ 6,000

See independent auditors' report.

CITY OF DOWNEY

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

CDBG SPECIAL REVENUE FUND

For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 1	\$ 1	\$ -	\$ (1)
Intergovernmental revenue	3,785	1,595	2,012	417
Other revenue	45	1,845	-	(1,845)
TOTAL REVENUES	3,831	3,441	2,012	(1,429)
EXPENDITURES:				
Current:				
Community services	306	2,000	-	2,000
Community development	930	930	1,491	(561)
Capital outlay	-	507	171	336
Debt service:				
Principal retirement	250	250	250	-
Interest and fiscal charges	56	56	56	-
TOTAL EXPENDITURES	1,542	3,743	1,968	1,775
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,289	(302)	44	346
OTHER FINANCING USES:				
Transfers out	-	(295)	(87)	208
NET CHANGE IN FUND BALANCE	2,289	(597)	(43)	554
FUND BALANCE - BEGINNING OF YEAR	350	350	350	-
FUND BALANCE - END OF YEAR	\$ 2,639	\$ (247)	\$ 307	\$ 554

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 29	\$ 29
Charges for services	1,800	1,800	1,515	(285)
TOTAL REVENUES	1,800	1,800	1,544	(256)
EXPENDITURES:				
Current:				
Public works	1,687	2,172	1,366	806
Capital outlay	-	657	22	635
TOTAL EXPENDITURES	1,687	2,829	1,388	1,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	113	(1,029)	156	1,185
OTHER FINANCING SOURCES:				
Transfers in	477	931	794	(137)
NET CHANGE IN FUND BALANCE	590	(98)	950	1,048
FUND BALANCE - BEGINNING OF YEAR	609	609	609	-
FUND BALANCE - END OF YEAR	\$ 1,199	\$ 511	\$ 1,559	\$ 1,048

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 1	\$ 1
EXPENDITURES:				
Current:				
General government	219	220	170	50
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(219)	(220)	(169)	51
OTHER FINANCING SOURCES:				
Transfers in	219	219	219	-
NET CHANGE IN FUND BALANCE	-	(1)	50	51
FUND BALANCE - BEGINNING OF YEAR	7	7	7	-
FUND BALANCE - END OF YEAR	<u>\$ 7</u>	<u>\$ 6</u>	<u>\$ 57</u>	<u>\$ 51</u>

See independent auditors' report.

CITY OF DOWNEY

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

AIR QUALITY SPECIAL REVENUE FUND

For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 5	\$ 5	\$ 11	\$ 6
Intergovernmental revenue	266	261	169	(92)
TOTAL REVENUES	271	266	180	(86)
EXPENDITURES:				
Current:				
Public works	222	223	184	39
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	49	43	(4)	(47)
FUND BALANCE - BEGINNING OF YEAR	689	689	689	-
FUND BALANCE - END OF YEAR	\$ 738	\$ 732	\$ 685	\$ (47)

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 1	\$ 1
Intergovernmental revenue	871	953	668	(285)
Charges for services	20	20	101	81
Other revenue	200	205	143	(62)
TOTAL REVENUES	1,091	1,178	913	(265)
EXPENDITURES:				
Current:				
Public safety	-	82	256	(174)
Public works	-	150	141	9
Community services	837	1,332	1,206	126
Capital outlay	-	242	53	189
TOTAL EXPENDITURES	837	1,806	1,656	150
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	254	(628)	(743)	(115)
OTHER FINANCING SOURCES (USES):				
Transfers in	634	634	423	(211)
Transfers out	-	-	(20)	(20)
TOTAL OTHER FINANCING SOURCES (USES)	634	634	403	(231)
NET CHANGE IN FUND BALANCE	888	6	(340)	(346)
FUND BALANCE - BEGINNING OF YEAR	309	309	309	-
FUND BALANCE (DEFICIT) - END OF YEAR	\$ 1,197	\$ 315	\$ (31)	\$ (346)

See independent auditors' report.

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OTHER DEBT SERVICE FUND

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.

CITY OF DOWNEY
BALANCE SHEET
OTHER DEBT SERVICE FUND

June 30, 2011
(amounts expressed in thousands)

	ASSETS	Woodruff Industrial Project <u>Redevelopment</u>
Receivables:		
Taxes		\$ 208
Interest		<u>1</u>
 TOTAL ASSETS		 <u>\$ 209</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Due to other funds		\$ 228
Advances from other funds		<u>1,500</u>
 TOTAL LIABILITIES		 1,728
FUND BALANCE (DEFICIT):		
Unassigned		<u>(1,519)</u>
 TOTAL LIABILITIES AND FUND BALANCE		 <u>\$ 209</u>

See independent auditors' report.

CITY OF DOWNEY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER DEBT SERVICE FUND

For the year ended June 30, 2011
(amounts expressed in thousands)

	Woodruff Industrial Project Redevelopment
REVENUES:	
Taxes	\$ 837
Investment and rental	5
TOTAL REVENUES	<u>842</u>
EXPENDITURES:	
Current:	
Community development	446
Debt service:	
Interest and fiscal charges	<u>264</u>
TOTAL EXPENDITURES	<u>710</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	132
OTHER FINANCING SOURCES:	
Transfers in	<u>200</u>
NET CHANGE IN FUND BALANCE	332
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>(1,851)</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (1,519)</u></u>

See independent auditors' report.

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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.

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

CITY OF DOWNEY

COMBINING BALANCE SHEET
OTHER CAPITAL PROJECTS FUNDS

June 30, 2011

(amounts expressed in thousands)

	Firestone Redevelopment	Woodruff Redevelopment	City	Totals
ASSETS				
Cash and investments	\$ 418	\$ -	\$ 4,036	\$ 4,454
Prepaid expenses	3	-	-	3
Due from other governments and entities	-	-	41	41
Due from other funds	-	44	-	44
TOTAL ASSETS	\$ 421	\$ 44	\$ 4,077	\$ 4,542
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 90	\$ -	\$ 73	\$ 163
Deposits	3	-	-	3
TOTAL LIABILITIES	93	-	73	166
FUND BALANCES:				
Nonspendable	3	-	-	3
Restricted	325	44	-	369
Assigned	-	-	4,004	4,004
TOTAL FUND BALANCES	328	44	4,004	4,376
TOTAL LIABILITIES AND FUND BALANCES	\$ 421	\$ 44	\$ 4,077	\$ 4,542

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, 2011
(amounts expressed in thousands)

	Firestone Redevelopment	Woodruff Redevelopment	City	Totals
REVENUES:				
Investment and rental	\$ (56)	\$ 6	\$ 3	\$ (47)
Intergovernmental revenue	-	-	79	79
Other revenue	10	-	-	10
Sale of property	2,400	-	-	2,400
TOTAL REVENUES	2,354	6	82	2,442
EXPENDITURES:				
Current:				
Community development	5,238	298	-	5,536
Capital outlay	-	-	2,493	2,493
TOTAL EXPENDITURES	5,238	298	2,493	8,029
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,884)	(292)	(2,411)	(5,587)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,800	-	2,466	4,266
Transfers out	(2,400)	-	-	(2,400)
TOTAL OTHER FINANCING SOURCES (USES)	(600)	-	2,466	1,866
NET CHANGE IN FUND BALANCES	(3,484)	(292)	55	(3,721)
FUND BALANCES - BEGINNING OF YEAR	3,812	336	3,949	8,097
FUND BALANCES - END OF YEAR	\$ 328	\$ 44	\$ 4,004	\$ 4,376

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, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 8	\$ 8	\$ (56)	\$ (64)
Intergovernmental revenue	1,800	1,800	-	(1,800)
Sale of property	-	-	2,400	2,400
Other revenue	35	35	10	(25)
	<u>1,843</u>	<u>1,843</u>	<u>2,354</u>	<u>511</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Community development	<u>3,547</u>	<u>3,547</u>	<u>5,238</u>	<u>(1,691)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,704)</u>	<u>(1,704)</u>	<u>(2,884)</u>	<u>(1,180)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	1,800	1,800
Transfers out	<u>-</u>	<u>-</u>	<u>(2,400)</u>	<u>(2,400)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(600)</u>	<u>(600)</u>
NET CHANGE IN FUND BALANCE	(1,704)	(1,704)	(3,484)	(1,780)
FUND BALANCE - BEGINNING OF YEAR	<u>3,812</u>	<u>3,812</u>	<u>3,812</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,108</u>	<u>\$ 2,108</u>	<u>\$ 328</u>	<u>\$ (1,780)</u>

See independent auditors' report.

CITY OF DOWNEY

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

WOODRUFF REDEVELOPMENT CAPITAL PROJECTS FUND

For the year ended June 30, 2011
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ -	\$ -	\$ 6	6
EXPENDITURES:				
Current:				
Community development	-	-	298	(298)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(292)	(292)
FUND BALANCE - BEGINNING OF YEAR	336	336	336	-
FUND BALANCE - END OF YEAR	\$ 336	\$ 336	\$ 44	\$ (292)

See independent auditors' report.

CITY OF DOWNEY

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

CITY CAPITAL PROJECTS FUND

For the year ended June 30, 2011
(amount expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Investment and rental	\$ 14	\$ 14	\$ 3	\$ (11)
Intergovernmental revenue	1,014	1,014	79	(935)
Other revenue	-	-	-	-
TOTAL REVENUES	1,028	1,028	82	(946)
EXPENDITURES:				
Capital outlay	372	4,581	2,493	2,088
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	656	(3,553)	(2,411)	1,142
OTHER FINANCING SOURCES:				
Transfers in	94	159	2,466	2,307
NET CHANGE IN FUND BALANCE	750	(3,394)	55	3,449
FUND BALANCE - BEGINNING OF YEAR	3,949	3,949	3,949	-
FUND BALANCE - END OF YEAR	\$ 4,699	\$ 555	\$ 4,004	\$ 3,449

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, 2011

(amounts expressed in thousands)

ASSETS	Employee Benefits	Equipment	Totals
CURRENT ASSETS:			
Cash and investments	\$ 34,567	\$ 782	\$ 35,349
Accounts receivable	2	-	2
Advances to other funds	2,650	-	2,650
Inventories	-	247	247
Restricted assets:			
Cash and investments	2,420	2,420	4,840
TOTAL CURRENT ASSETS	<u>39,639</u>	<u>3,449</u>	<u>43,088</u>
NONCURRENT ASSETS:			
Prepaid pension expense	17,584	-	17,584
Bond issuance costs	160	-	160
Capital Assets (Net of Accumulated Depreciation):			
Machinery and equipment	-	6,702	6,702
TOTAL NONCURRENT ASSETS	<u>17,744</u>	<u>6,702</u>	<u>24,446</u>
TOTAL ASSETS	<u>57,383</u>	<u>10,151</u>	<u>67,534</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	1,534	291	1,825
Interest payable	86	14	100
Compensated absences	4,316	-	4,316
Claims payable	3,272	-	3,272
Capital lease payable	-	174	174
Pension obligation bonds	235	-	235
TOTAL CURRENT LIABILITIES	<u>9,443</u>	<u>479</u>	<u>9,922</u>
NONCURRENT LIABILITIES:			
Compensated absences	9,985	-	9,985
Claims payable	3,276	-	3,276
Capital lease payable	-	1,025	1,025
Pension obligation bonds	19,527	-	19,527
TOTAL NONCURRENT LIABILITIES	<u>32,788</u>	<u>1,025</u>	<u>33,813</u>
TOTAL LIABILITIES	<u>42,231</u>	<u>1,504</u>	<u>43,735</u>
NET ASSETS:			
Invested in capital assets, net of related debt	-	5,503	5,503
Restricted for debt service	2,420	2,420	4,840
Unrestricted	12,732	724	13,456
TOTAL NET ASSETS	<u>\$ 15,152</u>	<u>\$ 8,647</u>	<u>\$ 23,799</u>

See independent auditors' report.

CITY OF DOWNEY

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

For the year ended June 30, 2011
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
OPERATING REVENUES:			
Charges for services	\$ 23,529	\$ 1,472	\$ 25,001
Miscellaneous	1,009	2	1,011
TOTAL OPERATING REVENUES	24,538	1,474	26,012
OPERATING EXPENSES:			
Maintenance and operations	-	997	997
General and administration	-	428	428
Employee benefits	29,361	-	29,361
Amortization	7	-	7
Depreciation	-	1,845	1,845
TOTAL OPERATING EXPENSES	29,368	3,270	32,638
OPERATING LOSS	(4,830)	(1,796)	(6,626)
NONOPERATING REVENUES (EXPENSES):			
Investment and rental	766	86	852
Interest expense	(1,201)	(52)	(1,253)
Gain on sale of capital assets	-	25	25
TOTAL NONOPERATING REVENUES (EXPENSES)	(435)	59	(376)
NET LOSS BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(5,265)	(1,737)	(7,002)
TRANSFERS IN	-	20	20
TRANSFERS OUT	(5,273)	-	(5,273)
CAPITAL CONTRIBUTIONS	-	124	124
CHANGE IN NET ASSETS	(10,538)	(1,593)	(12,131)
TOTAL NET ASSETS - BEGINNING OF YEAR	25,690	10,240	35,930
TOTAL NET ASSETS - END OF YEAR	\$ 15,152	\$ 8,647	\$ 23,799

See independent auditors' report.

CITY OF DOWNEY

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the year ended June 30, 2011
(amounts expressed in thousands)

	Employee Benefits	Equipment	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from user departments	\$ 24,530	\$ 1,500	\$ 26,030
Payment to suppliers	(21,570)	(727)	(22,297)
Payment to employees	(5,416)	(541)	(5,957)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(2,456)</u>	<u>232</u>	<u>(2,224)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	20	20
Cash paid to other funds	(5,273)	-	(5,273)
Principal paid	(185)	-	(185)
Interest paid	(1,195)	-	(1,195)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(6,653)</u>	<u>20</u>	<u>(6,633)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(1,885)	(1,885)
Capital contributions	-	124	124
Principal paid on debt	-	880	880
Interest paid on debt	-	(52)	(52)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(933)</u>	<u>(933)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received	<u>767</u>	<u>86</u>	<u>853</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,342)	(595)	(8,937)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>45,329</u>	<u>3,797</u>	<u>49,126</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 36,987</u>	<u>\$ 3,202</u>	<u>\$ 40,189</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (4,830)	\$ (1,796)	\$ (6,626)
Depreciation and amortization	7	1,845	1,852
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(2)	28	26
(Increase) decrease in inventories	-	20	20
(Increase) decrease in prepaid expenses	574	-	574
Increase (decrease) in accounts payable and accrued liabilities	728	135	863
Increase (decrease) in claims payable	956	-	956
Increase (decrease) in compensated absences payable	111	-	111
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,456)</u>	<u>\$ 232</u>	<u>\$ (2,224)</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, 2011

(amounts expressed in thousands)

	Special Deposits	Cemetery District	1913 Act Bond Fund
ASSETS			
Cash and investments	\$ 6,442	\$ 150	\$ 117
Receivables	24	9	1
TOTAL ASSETS	\$ 6,466	\$ 159	\$ 118
LIABILITIES			
LIABILITIES:			
Accounts payable and accrued liabilities	\$ 76	\$ 2	\$ -
Deposits payable	6,390	157	118
TOTAL LIABILITIES	\$ 6,466	\$ 159	\$ 118

See independent auditors' report.

Elm Vista	Columbia Memorial Space Learning Center Foundation	SEAACA	Totals
\$ 2	\$ 6	\$ 1,869	\$ 8,586
<u>3</u>		<u>93</u>	<u>130</u>
<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 1,962</u>	<u>\$ 8,716</u>
\$ 5	\$ -	\$ 515	\$ 598
<u>-</u>	<u>6</u>	<u>1,447</u>	<u>8,118</u>
<u>\$ 5</u>	<u>\$ 6</u>	<u>\$ 1,962</u>	<u>\$ 8,716</u>

CITY OF DOWNEY

COMBINING STATEMENT OF CHANGES IN
FIDUCIARY ASSETS AND LIABILITIES

For the year ended June 30, 2011
(amounts expressed in thousands)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
SPECIAL DEPOSITS				
ASSETS:				
Cash and investments	\$ 6,580	\$ 10,302	\$ 10,440	\$ 6,442
Receivables	19	24	19	24
TOTAL ASSETS	\$ 6,599	\$ 10,326	\$ 10,459	\$ 6,466
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 106	\$ 6,048	\$ 6,078	\$ 76
Deposits payable	6,493	4,014	4,117	6,390
TOTAL LIABILITIES	\$ 6,599	\$ 10,062	\$ 10,195	\$ 6,466
CEMETERY DISTRICT				
ASSETS:				
Cash and investments	\$ 144	\$ 100	\$ 94	\$ 150
Receivables	9	1	1	9
TOTAL ASSETS	\$ 153	\$ 101	\$ 95	\$ 159
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 2	\$ 64	\$ 64	\$ 2
Deposits payable	151	91	85	157
TOTAL LIABILITIES	\$ 153	\$ 155	\$ 149	\$ 159
1913 ACT BOND FUND				
ASSETS:				
Cash and investments	\$ 115	\$ 3	\$ 1	\$ 117
Receivables	1	1	1	1
TOTAL ASSETS	\$ 116	\$ 4	\$ 2	\$ 118
LIABILITIES:				
Deposits payable	\$ 116	\$ 2	\$ -	\$ 118
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)

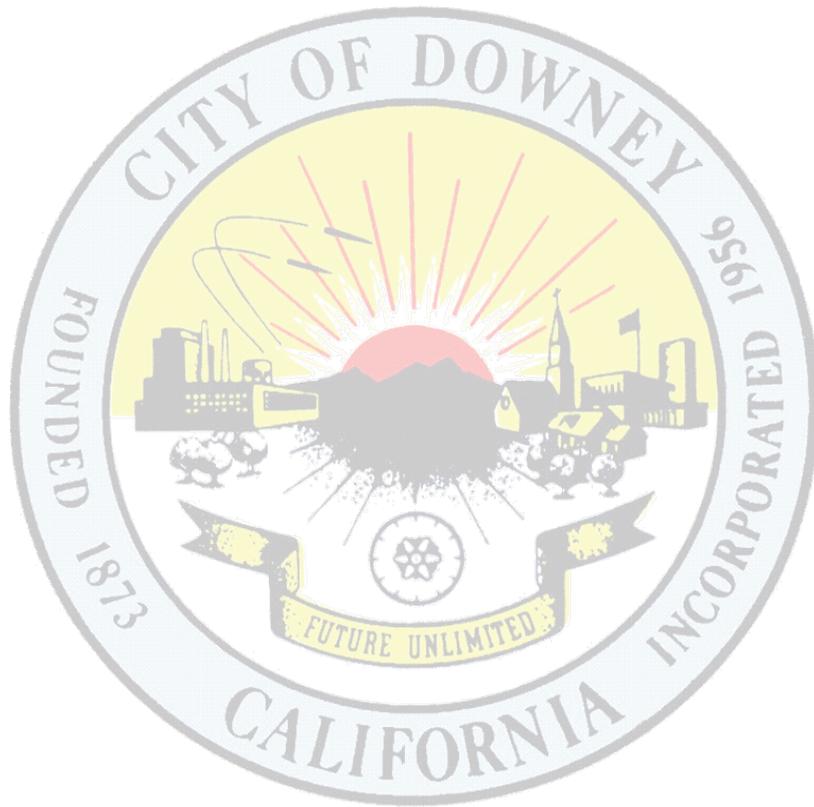
For the year ended June 30, 2011
(amounts expressed in thousands)

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
COLUMBIA MEMORIAL SPACE LEARNING CENTER FOUNDATION				
ASSETS:				
Cash and investments	\$ 6	\$ -	\$ -	\$ 6
LIABILITIES:				
Deposits payable	\$ 6	\$ -	\$ -	\$ 6
SEAACA				
ASSETS:				
Cash and investments	\$ 1,461	\$ 6,018	\$ 5,610	\$ 1,869
Receivables	1,571	1,556	3,034	93
TOTAL ASSETS	<u>\$ 3,032</u>	<u>\$ 7,574</u>	<u>\$ 8,644</u>	<u>\$ 1,962</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 612	\$ 6,180	\$ 6,277	\$ 515
Deposits payable	2,420	-	973	1,447
TOTAL LIABILITIES	<u>\$ 3,032</u>	<u>\$ 6,180</u>	<u>\$ 7,250</u>	<u>\$ 1,962</u>
TOTAL - ALL AGENCY FUNDS				
ASSETS:				
Cash and investments	\$ 8,308	\$ 16,423	\$ 16,145	\$ 8,586
Receivables	1,603	1,582	3,055	130
TOTAL ASSETS	<u>\$ 9,911</u>	<u>\$ 18,005</u>	<u>\$ 19,200</u>	<u>\$ 8,716</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 725	\$ 12,292	\$ 12,419	\$ 598
Deposits payable	9,186	4,107	5,175	8,118
TOTAL LIABILITIES	<u>\$ 9,911</u>	<u>\$ 16,399</u>	<u>\$ 17,594</u>	<u>\$ 8,716</u>

See independent auditors' report.

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STATISTICAL SECTION



DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2011

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	124 - 133
<u>Revenue Capacity</u> - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	134 - 140
<u>Debt Capacity</u> - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	139 - 144
<u>Demographic and Economic Information</u> - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	145 - 146
<u>Operating Information</u> - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	147 - 149

CITY OF DOWNEY

NET ASSETS BY COMPONENT
(amounts expressed in thousands)

Last Nine Fiscal Years
(accrual basis of accounting)

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

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

CITY OF DOWNEY

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

Last Nine 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	583	1,293	(431)	(1,102)
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	2007-08	2008-09	2009-10	2010-11
\$ 6,100	\$ 5,891	\$ 4,881	\$ 7,588	\$ 7,594
42,379	43,510	45,314	46,420	50,482
8,466	7,460	7,450	8,013	5,849
7,903	9,390	9,220	8,420	9,041
6,556	8,898	8,732	10,543	13,825
4,772	4,806	4,965	5,064	5,481
1,801	1,823	1,859	1,933	2,130
<u>77,977</u>	<u>81,778</u>	<u>82,421</u>	<u>87,981</u>	<u>94,402</u>
8,852	10,121	9,739	11,829	10,432
2,745	2,765	2,699	2,847	2,693
2,634	2,939	3,486	3,469	5,954
<u>14,231</u>	<u>15,825</u>	<u>15,924</u>	<u>18,145</u>	<u>19,079</u>
<u>\$ 92,208</u>	<u>\$ 97,603</u>	<u>\$ 98,345</u>	<u>\$ 106,126</u>	<u>\$ 113,481</u>
\$ 150	\$ 134	\$ 154	\$ 162	\$ 190
4,156	4,202	4,161	4,951	4,014
2,236	2,247	2,273	2,410	2,134
2,904	2,516	2,536	2,078	2,187
2,701	3,795	2,277	1,580	3,806
7,409	7,965	7,499	7,060	8,689
3,676	3,623	7,634	7,528	6,500
<u>23,232</u>	<u>24,482</u>	<u>26,534</u>	<u>25,769</u>	<u>27,520</u>
9,543	9,078	8,782	8,408	8,366
2,944	2,938	2,780	2,625	2,547
7	121	130	130	129
-	-	762	-	2,004
<u>12,494</u>	<u>12,137</u>	<u>12,454</u>	<u>11,163</u>	<u>13,046</u>
<u>\$ 35,726</u>	<u>\$ 36,619</u>	<u>\$ 38,988</u>	<u>\$ 36,932</u>	<u>\$ 40,566</u>
\$ (54,745)	\$ (57,296)	\$ (55,887)	\$ (62,212)	\$ (66,882)
(1,737)	(3,688)	(3,470)	(6,982)	(6,033)
<u>\$ (56,482)</u>	<u>\$ (60,984)</u>	<u>\$ (59,357)</u>	<u>\$ (69,194)</u>	<u>\$ (72,915)</u>

CITY OF DOWNEY

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

Last Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year			
	2002-03	2003-04	2004-05	2005-06
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Property taxes, levied for general purposes	\$ 10,247	\$ 11,059	\$ 16,668	\$ 19,813
Transient occupancy taxes	781	814	863	1,022
Sales taxes and use taxes	13,271	12,922	10,475	11,372
Property taxes in lieu of sales and use tax	-	-	3,511	3,819
Franchise taxes	1,887	1,952	1,985	2,076
Utility users tax	5,965	-	-	-
Other taxes	-	13,957	8,873	8,574
Business operation tax	988	-	-	-
Motor vehicle taxes	6,282	-	-	-
Earning on investments	5,281	81	3,265	2,070
Gain (loss) on sale of capital assets	(149)	8,396	1,549	-
Miscellaneous	2,052	1,482	1,616	7,459
Transfers	1,201	1,474	1,341	3,530
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	2007-08	2008-09	2009-10	2010-11			
\$	22,726	\$	23,974	\$	25,561	\$	25,938	\$	24,347
	1,085		1,050		934		936		991
	12,996		11,706		9,675		8,942		9,845
	3,989		3,856		3,444		3,180		3,144
	2,168		2,142		2,276		2,201		2,340
	-		8,002		7,677		7,471		7,094
	9,489		1,819		1,632		1,536		1,742
	-		-		-		-		-
	-		-		-		-		-
	5,405		5,973		4,889		3,671		1,817
	-		24		49		38		25
	4,126		1,443		1,491		1,938		2,171
	1,720		4,761		2,304		4,961		5,757
	<u>63,704</u>		<u>64,750</u>		<u>59,932</u>		<u>60,812</u>		<u>59,273</u>
	3,330		3,310		3,004		4,074		3,761
	1,371		1,580		1,436		1,022		451
	-		28		(28)		2		2
	-		2,012		-		60		271
	<u>(1,720)</u>		<u>(4,761)</u>		<u>(2,304)</u>		<u>(4,961)</u>		<u>(5,757)</u>
	<u>2,981</u>		<u>2,169</u>		<u>2,108</u>		<u>197</u>		<u>(1,272)</u>
\$	<u>66,685</u>	\$	<u>66,919</u>	\$	<u>62,040</u>	\$	<u>61,009</u>	\$	<u>58,001</u>
\$	8,959	\$	7,454	\$	4,045	\$	(1,400)	\$	(7,609)
	<u>1,244</u>		<u>(1,519)</u>		<u>(1,362)</u>		<u>(6,785)</u>		<u>(7,305)</u>
\$	<u>10,203</u>	\$	<u>5,935</u>	\$	<u>2,683</u>	\$	<u>(8,185)</u>	\$	<u>(14,914)</u>

CITY OF DOWNEY

FUND BALANCES OF GOVERNMENTAL FUNDS
(amounts expressed in thousands)

Last Nine Fiscal Years
(modified accrual basis of accounting)

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

Note: GASB 54 was implement in 2011, prior year's have no comparable data

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

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

CITY OF DOWNEY

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

Last Nine 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 nine years of data for this schedule.

Source: Finance Department, City of Downey

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

CITY OF DOWNEY

ASSESSED VALUATION
(amounts expressed in thousands)

Last Ten Fiscal Years

Fiscal Year	Secured	Public Utilities	Less Exemptions	Net Total Secured	Unsecured	Less Exemptions	Net Total Unsecured	Net Total Unsecured and Secured	Percent Increase (Decrease)
2001-02	\$ 4,994,720	\$ 2,210	\$ 70,792	\$ 4,926,138	\$ 318,705	\$ 87,533	\$ 231,172	\$ 5,157,310	n/a
2002-03	5,289,560	963	86,492	5,204,031	251,512	37,603	213,909	5,417,940	5.1
2003-04	5,718,335	995	73,582	5,645,748	278,562	68,544	210,018	5,855,766	8.1
2004-05	6,162,620	1,057	97,880	6,065,797	267,325	66,568	200,757	6,266,554	7.0
2005-06	6,880,678	1,036	83,406	6,798,308	261,287	57,661	203,626	7,001,934	11.7
2006-07	7,679,717	984	120,776	7,559,925	324,711	110,373	214,338	7,774,263	11.0
2007-08	8,513,613	830	267,374	8,247,069	334,761	103,999	230,762	8,477,831	9.0
2008-09	9,159,784	1,172	459,270	8,701,686	333,002	88,819	244,183	8,945,869	5.5
2009-10	8,841,370	830	490,116	8,352,084	394,365	151,075	243,290	8,595,374	(3.9)
2010-11	8,759,484	830	494,685	8,265,629	330,020	98,691	231,329	8,496,958	(1.1)

Note: Homeowner expemptions are not included in total exemptions.

CITY OF DOWNEY

ASSESSED VALUE OF TAXABLE PROPERTY
(amounts expressed in thousands)

Last Ten Fiscal Years

Category	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Residential	\$ 3,957,302	\$ 4,198,381	\$ 4,560,216	\$ 4,957,588	\$ 5,533,446	\$ 6,186,672	\$ 6,816,124	\$ 7,147,505	\$ 6,695,739	\$ 6,603,986
Commercial	592,253	623,835	680,932	704,305	774,652	873,724	919,334	1,004,451	1,048,645	1,048,624
Industrial	232,192	248,715	243,328	253,864	288,420	303,635	308,835	336,253	369,515	372,651
Government owned	-	-	-	-	-	109	-	-	-	-
Institutional	46,835	29,854	45,214	36,441	39,116	37,176	41,827	42,987	47,219	46,807
Miscellaneous	3,501	4,431	7,102	12	12	12	12	12	13	13
Recreational	17,898	22,568	28,986	27,639	23,017	26,408	24,413	25,322	25,189	25,080
Vacant Land	10,557	8,410	12,485	15,672	37,473	31,804	56,814	39,879	22,582	26,544
SBE Nonunitary	2,210	963	995	1,058	1,036	984	830	1,172	830	830
Possessory Int.	63,390	66,875	66,491	69,220	101,136	99,401	78,879	79,303	117,054	115,856
Unsecured	231,172	213,908	210,018	200,757	203,626	214,338	230,763	244,182	243,290	231,329
Exempt	-	-	-	-	-	-	-	-	-	-
Unknown	-	22	-	-	-	-	-	24,802	25,298	25,238
TOTALS	\$ 5,157,310	\$ 5,417,962	\$ 5,855,767	\$ 6,266,556	\$ 7,001,934	\$ 7,774,263	\$ 8,477,831	\$ 8,945,868	\$ 8,595,374	\$ 8,496,958
Total Direct Rate	0.1739%	0.1727%	0.1723%	0.1728%	0.1772%	0.1786%	0.1779%	0.1805%	0.1952%	0.1851%

Note: Exempt values are not included in Total.

CITY OF DOWNEY

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

Last Ten Fiscal Years

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Basic Levy 1										
City of Downey Tax District 1	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.13970	0.13970	0.13970
Cerritos Community College District	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02625	0.02620
Childrens Institutional Tuition Fund	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291	0.00291
County Sanitation District No. 2 Operating	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01395	0.01394
County School Service Fund-Downey	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743	0.00743
County School Service	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146	0.00146
Development Ctr For Handicapped Minors	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052	0.00052
Downey Cemetery District	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089	0.00089
Downey Unified School District	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21536	0.21540
Educational Augmentation Fund Impound	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16308	0.16310
Educational Revenue Augmentation	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07154	0.07340	0.07340	0.07340
Great L.A. County Vector Control Dist	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039	0.00039
L. A. County Accum Cap Outlay	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012	0.00012
L. A. County Fire	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768	0.00768
L. A. County Flood Ctrl Drain Imp Dist Maint	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183	0.00183
L. A. County Flood Ctrl Maintenance	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035	0.01035
L. A. County General	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33481	0.33450	0.33450	0.33450
Water Replenishment District of Southern Calif	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018	0.00018
Total Basic Levy Rate	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Cerritos Community College Dist	0.00000	0.00000	0.00000	0.01908	0.02424	0.02392	0.01071	0.00994	0.01854	0.02677
Compton Community College Dist	0.00000	0.00000	0.02714	0.00396	0.02051	0.01975	0.01763	0.01262	0.01296	0.01487
County Detention Facilities 1987 Debt	0.00113	0.00103	0.00099	0.00092	0.00080	0.00066	0.00000	0.00000	0.00000	0.00000
Downey Unified School District	0.03233	0.03103	0.05130	0.06564	0.07719	0.06148	0.07569	0.05790	0.06507	0.07018
LA Community College District	0.01600	0.01460	0.01986	0.01810	0.01429	0.02146	0.00879	0.02212	0.02311	0.04031
LA County Flood Control	0.00107	0.00088	0.00046	0.00025	0.00005	0.00005	0.00000	0.00000	0.00000	0.00000
Little Lake City School District	0.02773	0.06882	0.06094	0.05313	0.03994	0.03483	0.07499	0.07360	0.07233	0.07647
Los Angeles Unified School District	0.04813	0.03697	0.07715	0.08884	0.08435	0.10681	0.12334	0.12478	0.15181	0.18695
Metropolitan Water District	0.00770	0.00670	0.00610	0.00580	0.00520	0.00470	0.00450	0.00430	0.00430	0.00370
Montebello Unified School District	0.04369	0.03983	0.04076	0.04172	0.07054	0.06731	0.06681	0.08063	0.09673	0.09792
Norwalk-La Mirada Unified	0.00000	0.00000	0.05560	0.05316	0.05368	0.05036	0.05226	0.06271	0.06110	0.06197
Rio Hondo Community College Dist	0.00000	0.00000	0.00000	0.02170	0.01802	0.01469	0.01369	0.02320	0.02714	0.03439
Whittier Union High School Dist	0.02926	0.02631	0.03793	0.03085	0.04489	0.08918	0.04359	0.03728	0.04224	0.04239
Total Voter Approved Rate	0.20704	0.22617	0.37823	0.40315	0.45370	0.49520	0.49200	0.50908	0.57533	0.65592
TOTAL DIRECT & OVERLAPPING ² TAX RATE	1.20704	1.22617	1.37823	1.40315	1.45370	1.49520	1.49200	1.50908	1.57533	1.65592
Rate producing Revenue for City and Redevelopment Agency (RDA)										
City General Fund Direct Rate 3	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.14125	0.13973	0.13973	0.13973
RDA Incremental Rate 4	1.00990	1.00861	1.00755	1.00697	1.00604	1.00541	1.00450	1.00430	1.00430	1.00370
Total Direct Rate	0.17394	0.17266	0.17234	0.17281	0.17722	0.17864	0.17786	0.18053	0.19517	0.18514

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

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

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

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

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

Source: HdL Coren & Cone, L. A. County Assessor 2001/02 - 2010/11 Tax Rate Table

CITY OF DOWNEY

PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

Taxpayer	2010-11		2001-02	
	Taxable Assessed Value	% of Total City Taxable Assessed Value	Taxable Assessed Value	% of Total City Taxable Assessed Value
Gary L. Ball Trust	\$ 101,760,651	1.20%	\$ 72,055,996	1.40%
Coca Cola Bottling Company of Los Angeles	79,161,567	0.93%	76,303,590	1.48%
Macerich Stonewood Limited Partnership	53,690,074	0.63%	45,762,287	0.89%
Fremont Rancho Limited	49,868,540	0.59%	35,268,144	0.68%
Kaiser Foundation Health Plan	46,758,885	0.55%	34,544,755	0.67%
Downey Landing LLC	46,635,438	0.55%	20,202,225	0.39%
PRC Multi-Family LLC	30,801,877	0.36%	-	0.00%
RLJ II-EM Downey	28,619,000	0.34%	-	0.00%
RIF IV-Cornerstone LLC	24,709,000	0.29%	-	0.00%
Jesus and Marlene B. Garcia Trust	22,849,249	0.27%	-	0.00%
Sanwa Jutaku Company Limited	-	0.00%	31,495,871	0.61%
Norbert Gehr Trust	-	0.00%	25,881,450	0.50%
Andrews Rancho Del Norte	-	0.00%	16,797,750	0.33%
N O-Ring Corporation	-	0.00%	12,995,408	0.25%
	<u>\$ 484,854,281</u>	<u>5.71%</u>	<u>\$ 371,307,476</u>	<u>7.20%</u>

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

CITY OF DOWNEY

PROPERTY TAX LEVIES AND COLLECTIONS
(amounts expressed in thousands)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Collections in Subsequent Years</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections</u>
2001-02	\$ 6,505	\$ 6,412	98.57	\$ 93	\$ 6,505	100.00
2002-03	6,942	6,684	96.28	258	6,942	100.00
2003-04	7,533	7,459	99.02	74	7,533	100.00
2004-05	8,079	8,079	100.00	-	8,079	100.00
2005-06	8,707	8,707	100.00	-	8,707	100.00
2006-07	9,762	9,762	100.00	-	9,762	100.00
2007-08	11,844	11,394	96.20	450	11,844	100.00
2008-09	12,497	11,501	92.03	996	12,497	100.00
2009-10	12,008	11,842	98.62	166	11,842	98.62
2010-11	11,870	10,934	92.11	(1)	10,934	92.11

(1) Information not available

CITY OF DOWNEY

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

Last Nine Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	Percentage of Personal 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	14.60%	\$ 560
2003-04	8,950	6,075	37,653	52,678	9,910	135	10,045	62,723	13.90%	556
2004-05	29,189	4,990	41,526	75,705	9,640	214	9,854	85,559	17.80%	758
2005-06	28,906	3,850	44,676	77,432	9,360	257	9,617	87,049	17.00%	770
2006-07	28,618	2,650	46,213	77,481	9,070	323	9,393	86,874	16.10%	765
2007-08	28,315	1,365	48,486	78,166	8,775	383	9,158	87,324	15.80%	769
2008-09	27,987	-	46,595	74,582	8,470	497	8,967	83,549	15.20%	739
2009-10	27,614	-	48,236	75,850	8,155	531	8,686	84,536	15.00%	743
2010-11	27,186	-	52,743	79,929	7,830	597	8,427	88,356	Not Available	788

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

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
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%
2007-08	113,607	8,477,831	-	-	-	0.0%	0.0%
2008-09	113,053	8,945,869	-	-	-	0.0%	0.0%
2009-10	113,715	8,595,374	-	-	-	0.0%	0.0%
2010-11	112,103	8,496,958	-	-	-	0.0%	0.0%

Source: Finance Department, City of Downey

CITY OF DOWNEY

SCHEDULE OF DIRECT AND OVERLAPPING DEBT

June 30, 2011

City Assessed Valuation	\$ 8,496,958,359
Redevelopment Agency Incremental Valuation	515,504,138
Total Assessed Valuation	<u>\$ 7,981,454,221</u>

	Gross Bonded Debt Balance 6/30/2011	Percent Applicable to City of Downey	Net Bonded Debt
Metropolitan Water District*	\$ 107,259,876	0.940	\$ 1,008,057
Little Lake City SD DS 2000 Series B	450,000	3.549	15,969
Little Lake City SD DS 2005 Ref. Bond	7,485,000	3.549	265,623
Little Lake City SD DS 2006 & 2010 (QSCBS)	16,369,901	3.549	580,925
Whittier Union HSD DS 2005 Refunding Bonds	82,472,133	0.573	472,155
Whittier UN High DS 2008 Ser 2009A	38,001,949	0.574	217,950
Cerritos CC DS 2004 Series 2004A	2,930,000	23.655	693,081
Cerritos CC DS 2005 Refunding Bonds	22,358,702	23.655	5,288,868
Cerritos CCD DS 2004 Series 2006	30,645,000	23.655	7,248,961
Cerritos CCD 2004 Ser 2009C	53,635,000	23.655	12,687,159
Compton CCD DS 2002 Series A	35,500,000	0.740	262,531
Compton Comm College Dist 2002 Ser 2008A	14,355,000	0.740	106,158
L.A. CCD DS 2001 Ser-A	10,590,000	0.003	300
L.A. CCD DS 2003 Series B	71,760,000	0.003	2,030
L.A. CCD DS 2003 Taxable Series 2004B	17,935,000	0.003	507
L.A. CCD DS 2001 Taxable Series 2004A	74,760,000	0.003	2,115
LACC DS Refunding 2001 Series 2005A	431,075,000	0.003	12,193
LA CCD DS 2001x 2006 Series B	382,830,000	0.003	10,829
LA CCD DS 2003, 2006 Series C	292,480,000	0.003	8,273
LACC DS 2001, 2008 Ser E-1	276,500,000	0.003	7,821
LACC DS 2001, 2008 Taxable Ser E-2	2,420,000	0.003	68
LACC DS 2003, 2008 Ser F-1	344,915,000	0.003	9,756
LACC DS 2003, 2008 Taxable Ser F-2	6,480,000	0.003	183
LACC DS 2008, 2009 Taxable Ser A	350,000,000	0.003	9,900
LACC DS 2008, 2009 Taxable Ser B	75,000,000	0.003	2,121
LACC Debt 2008, 2010 Tax Series D	175,000,000	0.003	4,951
LACC Debt 2010 Tax Ser E (BABS)	900,000,000	0.003	25,460
LACC DS 2008, 2010 Series C	125,000,000	0.003	3,536
Rio Hondo Comm College Dist Ser 2004A	6,945,000	0.365	25,347
Rio Hondo Comm College Dist 2005 Refunding Bond	44,601,005	0.365	162,781
Rio Hondo CC DS 2009 & 2010 Series	125,037,824	0.365	456,354
Downey Unified DS 1996 Series C	135,000	91.464	123,476
Downey Unified SD Refunding 1999 Series A	6,690,256	91.464	6,119,157
Downey Unified SD 1996 Series E	35,000	91.464	32,012
Downey USD DS 2002 Series A	5,950,000	91.464	5,442,091
Downey USD DS 2002 Series B	5,010,000	91.464	4,582,332
Downey Unified DS 2002 Series C	17,400,000	91.464	15,914,687
Downey USD DS 2006 Refunding Bonds	9,340,000	91.464	8,542,711
Downey Unif DS 2007 & 2011 Ref Bds	32,740,000	91.464	29,945,221
Montebello Unified DS 1998 Series 98	10,679,698	0.127	13,596
Montebello Unified SD DS 98 Series 99	7,712,854	0.127	9,819
Montebello USD DS 1998 Series 2001	3,282,827	0.127	4,179
Montebello USD DS 1998 Series 2004	9,090,273	0.127	11,573
Montebello Unified DS 1998 Series 2002	11,730,999	0.127	14,935
Montebello Unified DS 2004 Series 2005	25,955,000	0.127	33,043
Montebello Unif DS 2004 Ser 2008	32,900,000	0.127	41,885
Montebello Unified DS 2004 Series 2009	33,000,000	0.127	42,012
Montebello Unified 2010 Refunding Bonds	15,770,000	0.127	20,077
Total Overlapping Debt repaid through voter-approved property tax indebtedness			\$ 100,484,768
City Direct Debt			<u>21,508,117</u>
Total Direct and Overlapping Debt			<u>\$ 121,992,885</u>

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

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

Source: HdL Coren & Cone, Los Angeles County Assessor and Auditor Combined 2010/11 Lien Date Tax Rolls

CITY OF DOWNEY

SCHEDULE OF LEGAL DEBT MARGIN
(amounts expressed in thousands)

Last Ten Fiscal Years

	Fiscal Year									
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Assessed Valuation	\$ 5,157,311	\$ 5,417,940	\$ 5,855,766	\$ 6,266,555	\$ 7,002,394	\$ 7,774,263	\$ 8,477,831	\$ 8,945,869	\$ 8,595,374	\$ 8,496,958
Charter Debt Limited (15% of Assessed Valuation)	773,597	812,691	878,365	939,983	1,050,359	1,166,139	1,271,675	1,341,880	1,289,306	1,274,544
Amount of debt applicable to debt limit	-	-	-	-	-	-	-	-	-	-
Legal Debt Margin	<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>	<u>\$ 1,271,675</u>	<u>\$ 1,341,880</u>	<u>\$ 1,289,306</u>	<u>\$ 1,274,544</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	
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	-	-	-	-
2007-08	11,786	10,054	1,732	-	-	-	-
2008-09	9,318	9,731	(413)	-	-	-	-
2009-10	8,798	10,344	(1,546)	-	-	-	-
2010-11	8,745	9,853	(1,108)	-	-	-	-

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	
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
2007-08	3,459	2,350	1,109	295	406	701	1.58
2008-09	3,977	2,296	1,681	305	397	702	2.39
2009-10	2,654	2,432	222	315	386	701	0.32
2010-11	2,547	2,288	259	325	375	700	0.37

Source: Finance Department, City of Downey

CITY OF DOWNEY

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population ¹	Calif. Metropolitan Personal Income (in thousands) ²	Calif. Metropolitan Per Capita Personal Income ²	Unemployment Rate ³
2002	110,441	427,366,135	33,824	5.7%
2003	111,687	444,695,102	34,967	5.9%
2004	112,817	468,524,444	36,705	5.5%
2005	112,938	496,595,325	38,915	4.3%
2006	113,063	536,322,566	42,185	3.8%
2007	113,587	553,812,984	43,633	4.0%
2008	113,607	567,707,034	44,462	5.8%
2009	113,053	550,831,747	42,784	9.1%
2010	113,715	565,365,000	44,070	9.9%
2011	112,103 *	Not Available	Not Available	10.0%

Sources:

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

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

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

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

* The provisional population estimates for January 1, 2011 incorporates 2010 census counts.

CITY OF DOWNEY

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago

Employer	2010-11		2001-02		
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment	
Kaiser Permanente	4,500	8.5	-		
Downey Unified School District	1,851	3.5	900		
Stonewood Shopping Center	2,100	4.0	1,177		
Rancho Los Amigos Medical Center	1,410	2.7	1,600		
Coca-Cola Bottling Company	920	1.7	795		N O T
Downey Regional Medical Center	955	1.8	1,300		A V
Office of Education, County of Los Angeles	900	1.7	800		A I L
Lakewood Park Health Center	325	0.6	-		A B
All American Home Center	180	0.3	-		L E
Porto's Bakery	190	0.4	-		
Internal Service Dept., County of Los Angeles	-	-	723		
Kirk Paper Company	250	0.5	-		
Xpedit Paper	-	-	484		

Source: City of Downey, Community Development Department

CITY OF DOWNEY

FULL-TIME AND PART-TIME CITY EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
General government	33	33	32	32	33	33	37	38	36	36
Police	166	167	167	166	169	169	179	201 (1)	193	190
Fire	86	87	87	86	85	85	86	92	91	90
Parks and recreation	337	335	339	338	338	338	368 (2)	383 (2)	370	383
Public works	83	83	83	81	81	81	82	87	82	83
Community development	30	30	31	32	34	34	32	30	33	28
Total	<u>735</u>	<u>735</u>	<u>739</u>	<u>735</u>	<u>740</u>	<u>740</u>	<u>784</u>	<u>831</u>	<u>805</u>	<u>810</u>

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

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

CITY OF DOWNEY
OPERATING INDICATORS

Last Ten Fiscal Years

	Fiscal Year									
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Police:										
Number of arrests	4,667	4,785	3,351	4,228	4,402	4,984	4,519	4,437	4,663	4,194
Number of collision reports issued	901	861	1,272	1,596	1,601	1,473	1,402	1,311	1,143	1,080
Number of traffic citations issued	40,741	47,981	45,611	42,479	41,499	47,508	43,188	42,078	40,871	36,595
Number of reported crimes & incidents	13,891	12,297	13,933	14,129	14,139	15,016	13,543	13,294	13,230	12,814
Fire:										
Number of emergency incidents	5,086	5,057	5,700	5,413	5,474	5,451	5,983	6,021	6,126	6,554
Number of fire & other incidents	2,892	2,710	2,683	2,344	2,530	2,567	1,881	1,136	1,384	1,160
Number of special services and other incidents	n/a	n/a	n/a	n/a	n/a	n/a	n/a	535	297	422
Number of traffic accidents	312	265	350	350	540	752	735	715	747	784
Parks and recreation:										
Number of general park attendance	436,000	506,374	499,576	445,984	513,059	676,731	520,340	929,974	935,457	982,229
Number of participants in theatre	40,000	40,000	40,000	41,000	41,000	40,738	54,114	38,891	42,882	40,385
Number of library attendance	387,656	423,177	428,561	400,700	371,445	359,502	397,002	413,510	416,605	446,970
Public works:										
Engineering (CIP related improvement):										
Street striping (no. of lineal ft)	n/a	n/a	n/a	n/a	29,866	39,005	45,148	27,600	27,000	108,187
Asphalt replacement (no. of tons)	n/a	n/a	n/a	n/a	15,947	21,506	3,944	7,981	34,000	47,017
Trees planted (each)	n/a	n/a	n/a	n/a	108	444	434	372	127	291
Trees removed (each)	n/a	n/a	n/a	n/a	10	20	5	13	62	75
Maintenance:										
Pavement markings (square feet)	n/a	n/a	n/a	n/a	84,170	59,201	80,365	102,651	42,638	57,844
Street striping (no. of lineal ft)	n/a	n/a	n/a	n/a	368,109	375,471	191,707	501,357	272,266	67,706
Asphalt repair (no. of tons)	400	400	500	550	575	587	466	508	428	505
Graffiti removed (square feet)	200,000	277,658	380,000	516,093	503,704	627,970	755,485	719,661	685,482	728,954
Trees trimmed (each)	10,208	11,349	5,550	9,503	7,697	8,870	9,870	6,288	7,100	8,122
Trees planted (each)	240	296	769	718	434	200	239	155	241	177
Trees removed (each)	290	263	159	227	350	234	320	199	494	470
Vehicles serviced - Preventative	152	216	310	265	326	441	469	575	694	830
Vehicles serviced - Repairs (each)	545	655	683	541	397	597	612	498	911	617
Water:										
Number of customers	22,339	22,910	22,955	22,955	22,734	22,356	22,806	22,421	22,249	22,788
Annual supply (acre feet)	18,347	17,643	18,925	17,571	18,043	19,313	18,402	17,973	16,953	16,402
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	187	187	198	187	18	18	25	12	95
Vector coating applied to sewer manholes	n/a	n/a	n/a	n/a	1,750	1,818	1,920	2,000	1,000	1,000
Golf course:										
Golf rounds played	74,159	66,744	65,449	64,784	70,071	68,980	67,050	64,105	62,154	60,703

CITY OF DOWNEY

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year									
	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
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	102	102	115	115	115	115	115	115	115
No. of street lights	5,072	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430	5,430
Water										
Number of active water wells	20	20	20	20	20	20	20	20	20	20
Number of reservoirs	1	1	1	1	1	1	1	1	1	1
Miles of lines & mains	315	320	320	320	263	263	263	263	263	263
Sewer										
Miles of sanitary sewer	187	187	187	187	187	187	187	187	187	187
Sewer lift station	2	2	2	2	2	2	2	2	2	2
Culture and Recreation										
Number of parks	11	11	11	11	11	11	11	12	12	12
Number of community centers	1	1	1	1	1	1	1	1	1	1
Number of golf course	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole	1-18-hole

Source: Finance Department, City of Downey