

*CITY OF DOWNEY PUBLIC FACILITIES  
FINANCING CORPORATION*

*JUNE 30, 2012*

***Financial Statements***

CITY OF DOWNEY PUBLIC FACILITIES  
FINANCING CORPORATION

COMPONENT UNIT  
FINANCIAL STATEMENTS

WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2012

WHITE NELSON DIEHL EVANS LLP

WNDP

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

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June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
City of Downey Public Facilities  
Financing Corporation  
Downey, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Downey Public Facilities Financing Corporation (the Corporation), (a component unit of the City of Downey, California), as of and for the year ended June 30, 2012, which collectively comprise the Corporation's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Corporation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic 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 and each major fund of the City of Downey Public Facilities Financing Corporation as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, identified as required supplementary information in the table of contents, is not a required part of the basic financial statements but is 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 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 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*White Nelson Dick Evans LLP*

Irvine, California  
February 20, 2013

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

This section of the Corporation's annual financial report presents our analysis of the Corporation's financial performance during the fiscal year that ended on June 30, 2012. Please read it in conjunction with the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The Corporation's net assets decreased by \$15,614, which is equal to the amortization of deferred bond charges.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The management's discussion and analysis is intended to serve as an introduction to the City of Downey Public Facilities Financing Corporation's basic financial statements. The Corporation's basic financial statements consist of two components: (1) financial statements and (2) notes to the basic financial statements.

**BASIC FINANCIAL STATEMENTS**

The financial statements of the Corporation report information about the Corporation using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the Corporation's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Corporation's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the revenues and expenses of the Corporation.

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**FINANCIAL ANALYSIS OF THE CORPORATION**

Our analysis of the Corporation begins on page 6 of the financial statements. One of the most important questions asked about the Corporation's finances is "is the Corporation, as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Corporation's activities in a way that will help answer this question. These two statements report the net assets of the Corporation and changes in them. You can think of the Corporation's net assets - the difference between assets and liabilities - as one way to measure financial health or financial position. Over time, increases or decreases in the Corporation's net assets are one indicator of whether its financial health is improving or deteriorating. Since the Corporation is a financing entity, all of the revenues and principal collected is used to pay the interest and principal on the Bonds resulting in no change in fund balances.

**NET ASSETS**

To begin our analysis a summary of the Corporation's Statement of Net Assets is presented in Table 1.

TABLE 1  
Condensed Statements of Net Assets

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Total Percent Change
Current assets	\$ 1,086,103	\$ 1,102,469	\$ (16,366)	(1.48)%
Leases receivable	6,780,135	7,120,135	(340,000)	(4.78)%
Total Assets	<u>7,866,238</u>	<u>8,222,604</u>	<u>(356,366)</u>	<u>(4.33)%</u>
Current liabilities	496,718	486,545	10,173	2.09%
Long-term liabilities	7,150,310	7,501,235	(350,925)	(4.68)%
Total Liabilities	<u>7,647,028</u>	<u>7,987,780</u>	<u>(340,752)</u>	<u>(4.27)%</u>
Total Net Assets	<u>\$ 219,210</u>	<u>\$ 234,824</u>	<u>\$ (15,614)</u>	<u>(6.65)%</u>

As can be seen from the table above, total assets decreased \$356,366 to \$7,866,238 in fiscal year 2012, down from \$8,222,604 in fiscal year 2011. This decrease is the result of using proceeds from the net investment in direct financing lease for principal payments on certificates of participation.

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(CONTINUED)

June 30, 2012

**REVENUES, EXPENSES AND CHANGES IN ASSETS**

TABLE 2  
Condensed Statements of Activities

	Fiscal Year 2012	Fiscal Year 2011	Dollar Change	Total Percent Change
Revenues	\$ 362,583	\$ 364,615	\$ (2,032)	(.56) %
Expenses	378,197	380,229	(2,032)	(.53) %
Change in Net Assets	(15,614)	(15,614)	(0)	(0.00) %
Beginning Net Assets	234,824	250,438	(15,614)	(6.23) %
Ending Net Assets	\$ 219,210	\$ 234,824	\$ (15,614)	(6.65) %

The interest revenue of \$362,583 was used to pay the interest owed on the bonds and other related costs.

**BUDGETARY HIGHLIGHTS**

The Corporation's Board of Directors is not required to adopt a budget.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - The Corporation does not own any capital assets.

Long-Term Debt - At year end, the Corporation had \$7,500,310 in long-term debt, down from \$7,841,235 in fiscal year 2011, for a decrease of \$340,925. The decrease is the net effect of the payment of principal during the fiscal year 2012. More detailed information about the Corporation's long-term debt is presented on pages 16 and 17 in the Notes to Basic Financial Statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the money it receives. If you have questions about the report or need additional financial information, please contact the City of Downey's Department of Finance, 11111 Brookshire Avenue, Downey, California, 90241.

See independent auditors' report.

**BASIC FINANCIAL STATEMENTS**

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS

RESTRICTED ASSETS:

Cash and investments held by fiscal agent	\$ 709,865
Certificate issue costs (net of accumulated amortization)	229,520
Accrued interest receivable	146,718
Leases receivable	<u>6,780,135</u>
<b>TOTAL RESTRICTED ASSETS</b>	<b><u>7,866,238</u></b>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Accrued interest payable	146,718
Current portion of Certificates of Participation	<u>350,000</u>

TOTAL CURRENT LIABILITIES PAYABLE  
FROM RESTRICTED ASSETS

496,718

LONG-TERM LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Certificates of Participation	<u>7,150,310</u>
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TOTAL LIABILITIES PAYABLE FROM RESTRICTED ASSETS

7,647,028

TOTAL NET ASSETS - RESTRICTED FOR DEBT SERVICE

\$ 219,210

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

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

STATEMENT OF ACTIVITIES

For the year ended June 30, 2012

<b>EXPENSES:</b>	
Interest	\$ 361,658
Amortization	<u>16,539</u>
<b>TOTAL EXPENSES</b>	<u>378,197</u>
<b>GENERAL REVENUES:</b>	
Interest on lease payments	<u>362,583</u>
<b>TOTAL REVENUES</b>	<u>362,583</u>
<b>CHANGE IN NET ASSETS</b>	(15,614)
<b>TOTAL NET ASSETS - JULY 1, 2011</b>	<u>234,824</u>
<b>TOTAL NET ASSETS - JUNE 30, 2012</b>	<u><u>\$ 219,210</u></u>

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

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2012

	2002 COP Lease Payment Fund	2002 COP Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments held by fiscal agent	\$ -	\$ 709,865	\$ 709,865
<b>FUND BALANCES</b>			
Restricted for debt service	\$ -	\$ 709,865	\$ 709,865

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

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

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

June 30, 2012

Fund balances for governmental funds	\$ 709,865
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Leases receivable, which are not considered to be available to finance current expenditures, are not reported in the governmental funds. For the Statement of Net Assets, this amount is accrued.	6,780,135
Interest receivable, which is not considered to be available to finance current expenditures, is not reported in the governmental fund. For the Statement of Net Assets, this amount is accrued.	146,718
Long-term liabilities applicable to the Corporation's 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, and the related deferred charges are reported in the Statement of Net Assets:	
Certificates of Participation	\$ (7,490,000)
Unamortized Certificate premium	(10,310)
Deferred charges for issuance costs	229,520
	<u>(7,270,790)</u>
Accrued liabilities in the Statement of Net Assets differ from the amounts reported in governmental funds due to accrued interest on the Certificates of Participation.	<u>(146,718)</u>
Net assets of governmental activities	<u>\$ 219,210</u>

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

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

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

For the year ended June 30, 2012

	2002 COP Lease Payment Fund	2002 COP Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>			
Lease payments received	\$ 702,410	\$ -	\$ 702,410
Investment income	-	-	-
<b>TOTAL REVENUES</b>	<b>702,410</b>	<b>-</b>	<b>702,410</b>
<b>EXPENDITURES:</b>			
Certificates of Participation:			
Interest payments	362,410	-	362,410
Principal payments	340,000	-	340,000
<b>TOTAL EXPENDITURES</b>	<b>702,410</b>	<b>-</b>	<b>702,410</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES - JULY 1, 2011</b>	<b>-</b>	<b>709,865</b>	<b>709,865</b>
<b>FUND BALANCES - JUNE 30, 2012</b>	<b>\$ -</b>	<b>\$ 709,865</b>	<b>\$ 709,865</b>

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

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

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

For the year ended June 30, 2012

Net Change in fund balances - total governmental funds	\$ -
Amounts reported for governmental activities in the Statement of Activities are different because:	
The payments on leases receivable received from the City of Downey provide current financial resources to governmental funds. These transactions, however, have no effect on net assets.	(340,000)
Investment earnings in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental fund. The following amount represents the change in accrued interest from the prior year.	173
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences in the treatment of long-term debt:	
Principal payments	\$ 340,000
Amortization of Certificate premium	925
Amortization of Issuance costs	<u>(16,539)</u>
	324,386
Accrued interest expense reported in the Statement of Activities does not require the use of current financial resources and therefore, is not reported as an expenditure in the governmental funds.	<u>(173)</u>
Change in net assets of governmental activities	<u>\$ (15,614)</u>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity:

The City of Downey Public Facilities Financing Corporation (the Corporation) is a non-profit public benefit corporation organized under the non-profit Public Benefit Corporation law of the State of California on June 1, 1981 for the purpose of financing and constructing public buildings and facilities for lease to the City of Downey. During the fiscal year 2004, the Corporation's name was changed from "The City of Downey Civic Center Corporation". All assets of the Corporation, after providing for all debts and obligations, are to be transferred to the City of Downey upon termination of the site lease.

The Corporation is a blended component unit of the City and, accordingly, is included in the comprehensive annual financial report of the City.

B. Basis of Presentation:

**Government-wide Financial Statements:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Corporation. For the most part, the effect of interfund activity has been removed from these statements. The governmental activities of the Corporation are supported by lease payments received from City of Downey.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. Direct expenditures 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. For the year ended June 30, 2012, the Corporation did not have any program revenues. Interest on lease payments received and other items not properly included among program revenues are reported instead as general revenues.

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation (Continued):

**Fund Financial Statements:**

The accounting system of the Corporation is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Corporation reports the following major governmental funds:

The 2002 COP Lease Payment Fund is used to account for lease payments received related to the 2002 Certificates of Participation. Funds required by the 2002 debt service funds are transferred from this fund in compliance with provisions of the bond indenture.

The 2002 COP Debt Service Fund is used to account for the accumulation and holding of resources for, and the payment of the 2002 Certificates of Participation and interest when due. Revenue sources are transfers from the revenue fund and interest earned on investments.

C. Measurement Focus and Basis of Accounting:

**Measurement Focus:**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements.

The government-wide Statement of Net Assets and the Statement of Activities are reported using the economic resources measurement focus. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the government are reported.

The governmental fund financial statements are reported using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balances (net current assets) are considered 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.

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

**C. Measurement Focus and Basis of Accounting (Continued):**

**Measurement Focus (Continued):**

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

**Basis of Accounting:**

Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide Statement of Net Assets and Statement of Activities are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Revenues, expenditures, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The governmental fund financial statements are reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. For this purpose, the Corporation considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

**D. 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/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF DOWNNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

**2. CASH AND INVESTMENTS:**

**Cash and Investments:**

Cash and investments held by the Corporation were comprised of the following at June 30, 2012:

	<u>Fair Value</u>
Cash and Investments Held by Fiscal Agent:	
Open Ended Money Market Mutual Funds	<u>\$ 709,865</u>

Investments are stated at their fair value which represents the quoted or stated market value.

**Investments Authorized by Debt Agreements:**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the Corporation's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk and concentration of risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	No Limitation	No Limitation	No Limitation
United States Government Sponsored Agency Securities	No Limitation	No Limitation	No Limitation
State Obligations or Political Subdivision of States	No Limitation	No Limitation	No Limitation
Bank Time Deposits	30/360 days	No Limitation	\$ 100,000
Bankers Acceptances	360 days	No Limitation	\$ 100,000
Repurchase Agreements	No Limitation	No Limitation	No Limitation
Corporate Commercial Paper	270 days	No Limitation	No Limitation
Taxable United States Government Money Market Mutual Funds	No Limitation	No Limitation	No Limitation
Investment Agreements	No Limitation	No Limitation	No Limitation

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

3. CASH AND INVESTMENTS (CONTINUED):

**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 Corporation 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 as necessary to provide the cash flow and liquidity needed for operations. The Corporation's investment in money market mutual funds is available on demand.

**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. The Corporation's investments consist of money market mutual funds, which are rated AAA by Standard and Poor's.

4. LEASE RECEIVABLE:

In 2002, the Corporation issued the 2002 Certificates of Participation to provide funds to the City of Downey for improvements on certain facilities and refund certain outstanding long-term debt owed by the City. For the use of the facilities, the City agrees to pay the Corporation lease payments in an amount sufficient to pay the principal and interest coming due on the Certificates of Participation. The balance of the lease receivable from the City at June 30, 2012 of \$6,780,135 is the difference between the outstanding principal balance on the 2002 Certificates of Participation and available funds in the lease payment and debt service funds.

5. CERTIFICATES OF PARTICIPATION:

The changes in certificates of participation for the year ended June 30, 2012 were as follows:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Due Within One Year
2002 Certificates of Participation	\$ 7,830,000	\$ -	\$ (340,000)	\$ 7,490,000	\$ 350,000
Add deferred Certificate premium	11,235	-	(925)	10,310	-
Total Certificates of Participation	\$ 7,841,235	\$ -	\$ (340,925)	\$ 7,500,310	\$ 350,000

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

4. CERTIFICATES OF PARTICIPATION (CONTINUED):

**2002 Certificates of Participation:**

The 2002 Certificates of Participation, consisting of \$7,045,000 serial certificates and \$2,865,000 of term certificates, are in denominations of \$5,000. The serial certificates are payable in annual installments ranging from \$270,000 to \$495,000 through August 1, 2022. The term certificates are due on August 1, 2027. Serial certificates maturing on or after August 1, 2012 are subject to call for prepayment prior to their respective stated maturities, at the option of the Corporation, at prices ranging from 100% to 102% of the principal amount of the certificates. Interest is payable semiannually on February 1 and August 1, with rates ranging from 3.0% to 5.02%. At June 30, 2012, bonds outstanding were \$7,490,000.

The Certificates are payable from the Lease Payments receivable from the City to the Corporation as rental for the real property and improvements thereon constituting the Rio Hondo Country Club, and from amounts on deposit in certain funds and accounts established by the 2002 Lease Agreement.

Future debt service requirements on these certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 350,000	\$ 349,035	\$ 699,035
2014	365,000	334,552	699,552
2015	380,000	318,995	698,995
2016	395,000	302,230	697,230
2017-2021	2,170,000	1,219,248	3,389,248
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	7,490,000	3,231,310	10,721,310
Add premium	<u>10,310</u>	-	<u>10,310</u>
Balance at June 30, 2012	<u>\$ 7,500,310</u>	<u>\$ 3,231,310</u>	<u>\$ 10,731,620</u>

See independent auditors' report.

CITY OF DOWNEY PUBLIC FACILITIES FINANCING CORPORATION

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2012

4. SUBSEQUENT EVENTS:

In preparing the financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 20, 2013, the date the financial statements were available to be issued.