

CITY OF ARTESIA, CALIFORNIA
BASIC FINANCIAL STATEMENTS
WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS
For the Year Ended June 30, 2013

Prepared by the Administrative Services Department

City of Artesia
Basic Financial Statements
For the year ended June 30, 2013

Table of Contents

	<u>Page Number</u>
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	5
Basic Financial Statements:	13
Government-wide Financial Statements:	15
Statement of Net Position	17
Statement of Activities and Changes in Net Position	18
Fund Financial Statements:	19
<i>Governmental Fund Financial Statements:</i>	21
Balance Sheet	22
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position	25
<i>Fiduciary Fund Financial Statements:</i>	27
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
Notes to Basic Financial Statements	31
Required Supplementary Information:	61
Schedule of Funding Progress:	
Other Post-Employment Benefits Plan	62
Budgetary Comparison Schedules:	
General Fund	63
State Gas Tax Special Revenue Fund	64
Hazard and Litigation Special Revenue Fund	65
Safe Route to School Special Revenue Fund	66
Note to Required Supplementary Information	67

City of Artesia
Basic Financial Statements
For the year ended June 30, 2013

Table of Contents, Continued

	<u>Page</u> <u>Number</u>
FINANCIAL SECTION (CONTINUED):	
Supplementary Information:	69
Non-Major Governmental Funds:	70
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	76
Schedules of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Parks and Recreation Grants Special Revenue Fund	80
LACMTA Special Revenue Fund	81
Proposition A Special Revenue Fund	82
Proposition C Special Revenue Fund	83
Air Quality Special Revenue Fund	84
Bicycle/Pedestrian Special Revenue Fund	85
California Beverage Recycling Special Revenue Fund	86
Artesia Lighting District Special Revenue Fund	87
Traffic Mitigation Fees Special Revenue Fund	88
Parking Impact Special Revenue Fund	89
Billboard Special Revenue Fund	90
C.O.P.S. Special Revenue Fund	91
Measure R Special Revenue Fund	92
Housing Authority Special Revenue Fund	93
Paid Parking Special Revenue Fund	94
MAP 21 Exchange Special Revenue Fund	95
Capital Projects - Capital Projects Fund	96
Agency Funds:	97
Combining Balance Sheet	98
Combining Statement of Changes in Assets and Liabilities	99

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
of the City of Artesia
Artesia, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Artesia, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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

As discussed in Notes 1C and 14 to the basic financial statements, the City has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2012-2013 due to the early adoption of Governmental Accounting Standards Board's Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". The adoption of this standard required retrospective application resulting in a \$475,602 reduction of previously reported net position of the Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

White Nelson Nick Evans LLP

Irvine, California
February 19, 2014

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Management's Discussion and Analysis

As management of the City of Artesia, we offer readers of the City of Artesia's financial statements this narrative overview and analysis of the financial activities of the City of Artesia for the fiscal year ended June 30, 2013.

Financial Highlights

- The assets of the City of Artesia exceeded its liabilities at the close of the fiscal year by \$17,975,970 (*net position*). Of this amount, there are \$1,522,408 of unrestricted net position available that may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,663,542. The increase is the result of an increase in operating grants, a decrease in property tax revenue, and decreases in public works, community development and interest on long-term debt expenditures.
- As of June 30, 2013, the City of Artesia's governmental funds reported combined ending fund balances of \$4,792,065, a decrease of \$125,790 in comparison with the prior year. Approximately 6% of this amount is non-spendable to indicate that it is not available because it has been utilized for purchase orders or contracts that were prepaid. Another 34% is restricted for specific uses. Approximately 29% is committed to paying future liability and workers compensation claims.
- As of June 30, 2013, the unassigned fund balance for the General Fund was \$1,798,957.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Artesia's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The 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 readers with a broad overview of the City of Artesia's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Artesia's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Artesia is improving or deteriorating.

The *statement of activities and changes in net position* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Artesia that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Artesia include general government, public safety, parks and recreation, public works and community development.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Artesia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental 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 the 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 governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Artesia maintains twenty-five individual governmental funds. 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 funds below, which are considered to be major funds:

- **General Fund**
- **State Gas Tax Special Revenue Fund**
- **Hazard and Litigation Special Revenue Fund**
- **Safe Route to School Special Revenue Fund**

Major funds are governmental or enterprise funds whose revenues, expenditures/expenses, assets or liabilities are at least 10% of corresponding totals for all governmental or enterprise funds and at least 5% of the corresponding total for all governmental and enterprise funds combined.

Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Artesia adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund, State Gas Tax Special Revenue Fund, Hazard and Litigation Special Revenue Fund and Safe Route to School Special Revenue Fund to demonstrate compliance with this budget.

Proprietary funds. The City of Artesia does not have any proprietary funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Artesia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Funds of the George Nelson Memorial and Senior Citizens and various other small projects are held as fiduciary funds. The Successor Agency to the Artesia Redevelopment Agency (ASA) is a public entity created by AB X1 26 (2012) and the City of Artesia effective February 1, 2012 to wind down the affairs of the former Artesia Redevelopment Agency.

See independent auditors' report.

Notes to the 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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2013, assets exceeded liabilities by \$17,975,970.

By far the largest portion of the City of Artesia's net position, \$14,667,103 represents resources invested in capital assets.

Governmental Activities Net Position		
	2013	2012
Current and other assets	\$ 6,344,958	\$ 6,838,102
Capital assets	14,905,836	13,497,818
Total assets	21,250,794	20,335,920
Long-term liabilities outstanding	2,226,148	2,497,610
Other liabilities	1,048,676	1,525,882
Total liabilities	3,274,824	4,023,492
Net position:		
Net investment in capital assets	14,667,103	13,497,818
Restricted	1,786,459	1,527,135
Unrestricted	1,522,408	1,287,475
Total net position	\$ 17,975,970	\$ 16,312,428

Of this amount, there are \$1,522,408 of unrestricted net position available that may be used to meet the government's ongoing obligations to citizens and creditors.

The government's net position increased by \$1,663,542. The increase is the result of an increase in operating grants, a decrease in property tax revenue, and decreases in public works, community development and interest on long-term debt expenditures. Both revenue increases and expense decreases are discussed in more detail in the following report sections.

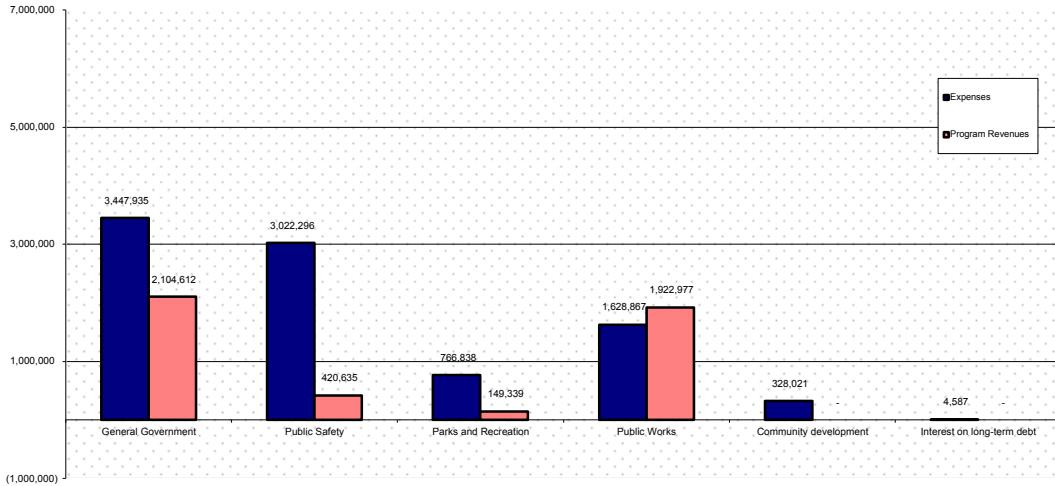
Governmental activities. Governmental activities decreased the City of Artesia's net position by \$1,663,542. Key elements of this increase are as follows:

Governmental Activities Change in Net Position

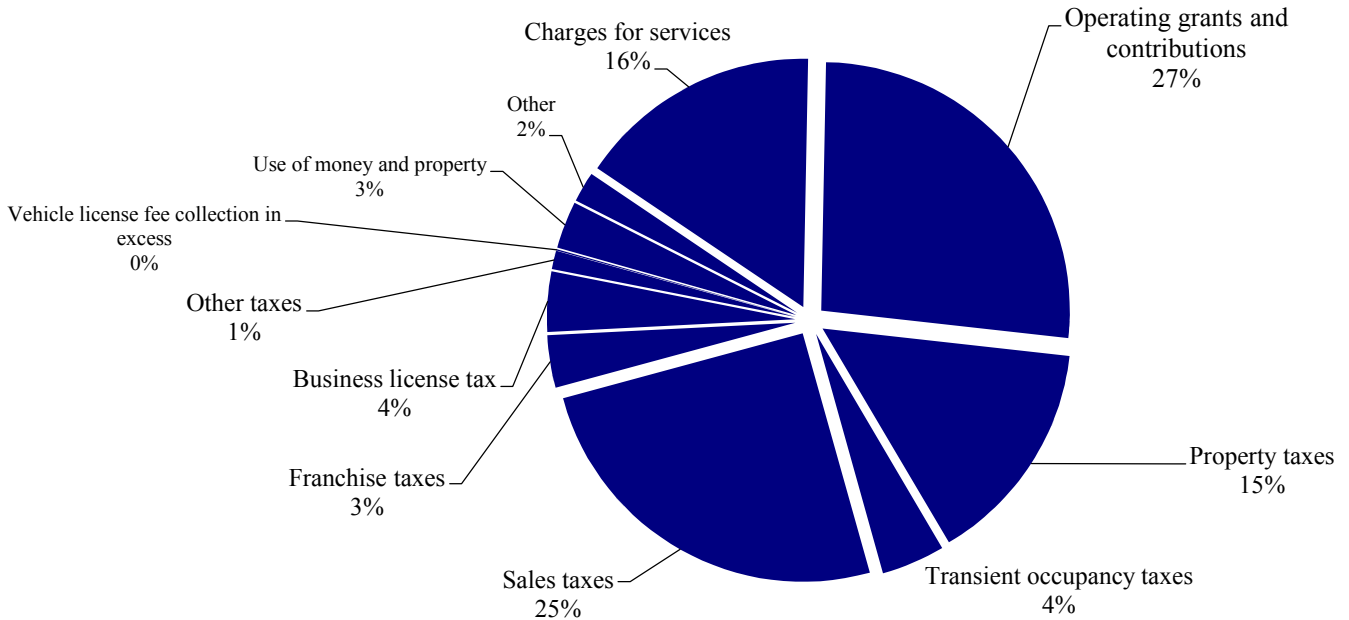
	<u>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,722,255	\$ 1,749,394
Operating grants and contributions	2,875,308	2,127,930
Capital grants and contributions	-	-
General revenues:		
Property taxes	1,601,017	2,345,984
Transient occupancy taxes	450,334	426,305
Sales taxes	2,729,358	2,557,794
Franchise taxes	369,843	369,695
Business license taxes	423,944	313,075
Other taxes	129,450	123,587
Motor vehicle in lieu-unrestricted	-	8,711
Vehicle license fee collection in excess	9,026	-
Use of money and property	336,232	481,177
Other	215,319	62,216
Total revenues	<u>10,862,086</u>	<u>10,565,868</u>
Expenses		
General government	3,447,935	3,459,101
Public safety	3,022,296	2,818,829
Parks and recreation	766,838	683,811
Public works	1,628,867	1,733,632
Community development	328,021	604,593
Interest on long-term debt	4,587	563,629
Total expenses	9,198,544	9,863,595
Change in net position before extraordinary item	1,663,542	702,273
Extraordinary gain	-	<u>621,834</u>
Change in net position	<u>\$ 1,663,542</u>	<u>\$ 1,324,107</u>

- Operating grants and contributions increased by \$747,378 or 35%. This is due to a grant from the Department of Transportation for a large street project.
- Property taxes decreased by \$744,967 or 32%. This is due to the dissolution of the Artesia Redevelopment Agency, a decreased amount of property taxes were received during this year.
- Public works expenditures decreased by \$104,765 or 6%. This decrease was due to a decrease in salaries and related expenditures.
- Community development expenditures decreased by \$276,572 or 46%. This is due to decreased expenditures for OPEB as well as compensated absences liability.
- Interest on long-term debt decreased by \$559,042 or 99% as a result of Artesia Redevelopment Agency being transferred to the private purpose trust fund, the Successor Agency as of February 1, 2012.

Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Financial Analysis of the Government's Funds

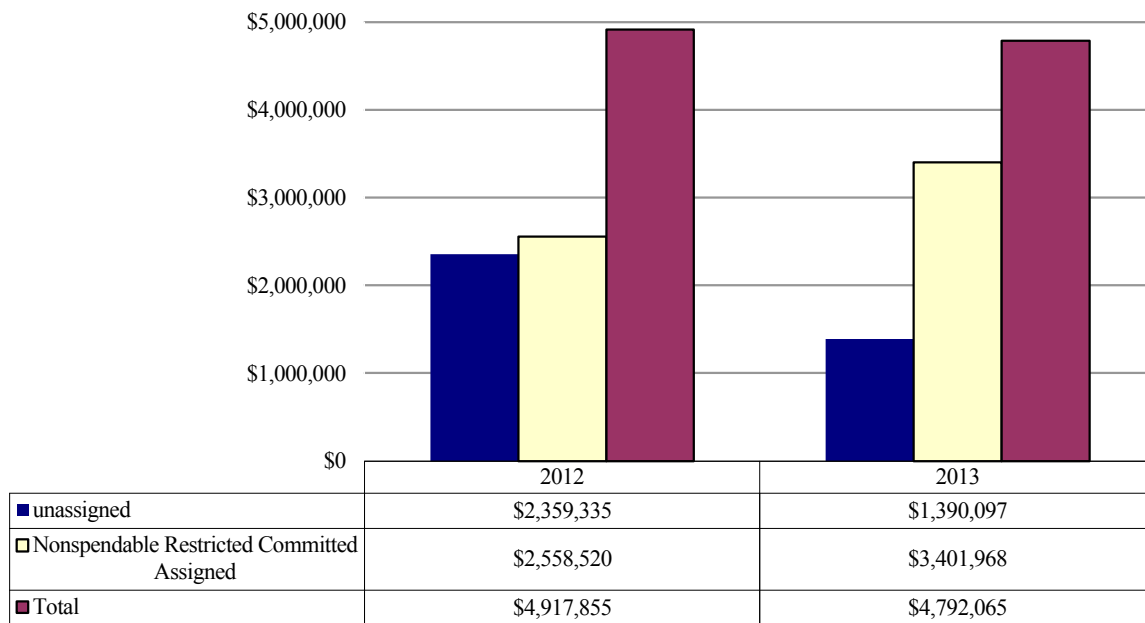
As noted earlier, the City of Artesia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Artesia'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 of Artesia's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

See independent auditors' report.

As of the end of the current fiscal year, the City of Artesia’s governmental funds reported combined ending fund balances of \$4,792,065, a decrease of \$125,790 in comparison with the prior year. Of this amount, there are \$1,390,097 unassigned net fund balance available for spending at the government's discretion. The remainder of fund balance is *nonspendable, restricted, committed or assigned* to indicate that it is not available for new spending as approximately 6% of this amount is non spendable to indicate that it is not available because it has been utilized for purchase orders or contracts that were prepaid; another 34% is restricted for specific uses; approximately 29% is committed to paying future liability and workers compensation claims; and another 2% is assigned for specific uses, with the remainder unassigned. Four funds qualify as major funds under the GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, reporting criteria: the General Fund, State Gas Tax Special Revenue Fund, Hazard and Litigation Special Revenue Fund and Safe Route to School Special Revenue Fund.

The following is a summary of fund balances of the governmental funds for fiscal years 2012-2013:



The General Fund is the chief operating fund of the City of Artesia. At the end of the current fiscal year, the total fund balance was \$3,487,178, with \$300,557 non-spendable for prepaid items and \$1,387,664 committed to paying future liability and workers compensation claims. Comparing both total and unassigned fund balances to total fund expenditures is a measure of the general fund’s liquidity. Unassigned fund balance represents 23% of the total general fund revenue and represents 22% of total general fund expenditures.

- The fund balance of the general fund decreased by \$195,310 during the fiscal year. An increase was anticipated through the budgetary process and benchmarked at \$1,817. However, due to combined revenue and expenditure activities for the fiscal year, the net effect resulted in a lower general fund reserve contribution.

The State Gas Tax Special Revenue Fund, Hazard and Litigation Special Revenue Fund and Safe Route to School Special Revenue Fund all qualify as major funds in 2012-13.

The State Gas Tax Special Revenue Fund increased by \$70,376 during the current fiscal year. This increase is attributable to excess revenues over expenditures during the current fiscal year.

The fund balance of the Hazard and Litigation Special Revenue Fund decreased by \$119,339. The decrease is attributed to the excess expenditures over revenues during the current fiscal year.

Safe Route to School Special Revenue Fund decreased by \$164,505. The decrease is attributed to the excess expenditures over revenues during the current fiscal year.

General Fund Budgetary Highlights

There was a \$307,779 difference between the original budget and the final amended budget for appropriations. Actual revenue was lower than the final budget by 1.6%.

Differences between the final appropriations and actual expenditures totaled \$68,302. The largest variances can be summarized as follows:

- General government expenditures were more than budget by \$327,144 due to Artesia Redevelopment Agency being dissolved and the General Fund bearing more of the operating expenditures of the City.
- Public works expenditures were less than budgeted by \$160,691 due to reduced salary costs.
- Expenditures in the Public safety category were less than budgeted by \$93,081 primarily due lower than anticipated general law enforcement costs.

Capital Asset and Debt Administration

Capital assets. The City of Artesia’s investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$14,905,836 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobile equipment, office furniture and equipment, other equipment, and infrastructure. The total increase in the City of Artesia’s capital assets (net of depreciation) for the 2012-13 fiscal years was \$1,408,018 or 10%. The following is a summary of capital assets (net of depreciation) as of June 30, 2013 and 2012:

	Capital Assets (net of depreciation)	
	2013	2012
Governmental activities		
Land	\$ 4,199,771	\$ 4,199,771
Buildings	1,041,731	1,080,403
Improvements other than buildings	353,709	400,907
Automobile equipment	93,294	110,368
Office furniture and equipment	4,272	8,001
Other equipment	541,006	326,378
Infrastructure	6,251,207	5,796,305
Construction in progress	2,420,846	1,575,685
Total governmental activities	\$ 14,905,836	\$ 13,497,818

Major capital asset events during the fiscal year included the following:

Governmental Activities

- Construction in progress – the Downtown project was continued.
- 29 pay station meters were purchased.

Additional information on the City's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Long-term Debt. At the end of the fiscal year, the City had total long-term debt outstanding of \$2,226,148.

Additional information on the City's long-term debt and other long-term liabilities can be found in note 5 of the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

- City retirement rates (CalPERS) will increase by .228 points for 2013/2014.
- Sales tax revenue has increased by 6.97% over 2011/2012. The projection for 2013/14 is estimated to increase 3% over 2012/13 actual.
- There is a new enterprise fund established for pay station parking in the downtown area. Presently, funds generated are supporting current operations. The City will be implementing pay station parking for the downtown area. Net revenues will be transferred to the General Fund to augment fiscal revenue sources.
- The City's Successor Agency will be progressing on finishing the bond projects of the former Redevelopment Agency for the Pioneer Downtown Revitalization and the Historical District.
- Increases to the City's contingency and designated reserves will continue to be a budget priority.

The City is continuing a priority of conservative fiscal management where an evaluation of expenses with potential reductions will be implemented for government efficiencies. Conversely, the City is actively pursuing other economic development programs to enhance the City's revenue resource structure.

Requests for Information

This financial report is designed to provide a general overview of the City of Artesia's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, 18747 Clarkdale Avenue, Artesia, CA 90701.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Artesia
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 4,684,431
Receivables:	
Accounts	1,294,772
Loan	57,723
Interest	7,475
Prepaid items	300,557
Capital assets:	
Nondepreciable assets	6,620,617
Depreciable assets, net	<u>8,285,219</u>
Total assets	<u>21,250,794</u>
LIABILITIES	
Accounts payable	968,106
Accrued liabilities	6,665
Unearned revenue	12,280
Deposits payable	61,625
Noncurrent liabilities:	
Due within one year	79,279
Due in more than one year	<u>2,146,869</u>
Total liabilities	<u>3,274,824</u>
NET POSITION	
Net investment in capital assets	14,667,103
Restricted for:	
Public safety	71,068
Street projects	1,446,878
Capital projects	159,847
Other purposes	108,666
Unrestricted	<u>1,522,408</u>
Total net position	<u><u>\$ 17,975,970</u></u>

City of Artesia
Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
General government	\$ 3,447,935	\$ 349,938	\$ 1,754,674	\$ -	\$ 2,104,612	\$ (1,343,323)
Public safety	3,022,296	320,635	100,000	-	420,635	(2,601,661)
Parks and recreation	766,838	50,469	98,870	-	149,339	(617,499)
Public works	1,628,867	1,001,213	921,764	-	1,922,977	294,110
Community development	328,021	-	-	-	-	(328,021)
Interest on long-term debt	4,587	-	-	-	-	(4,587)
Total governmental activities	<u>\$ 9,198,544</u>	<u>\$ 1,722,255</u>	<u>\$ 2,875,308</u>	<u>\$ -</u>	<u>\$ 4,597,563</u>	<u>(4,600,981)</u>
General revenues:						
Taxes:						
Property taxes, levied for general purpose						1,601,017
Transient occupancy taxes						450,334
Sales taxes						2,729,358
Franchise taxes						369,843
Business licenses taxes						423,944
Other taxes						129,450
Vehicle license fee collection in excess						9,026
Use of money and property						336,232
Other						215,319
Total general revenues						<u>6,264,523</u>
Change in net position						<u>1,663,542</u>
Net position - beginning of year						<u>16,312,428</u>
Net position - end of year						<u>\$ 17,975,970</u>

See independent auditors' report and notes to basic financial statements

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Fiduciary Fund Financial Statements

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**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

City of Artesia
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Special Revenue Funds			Non-Major Governmental Funds	Total Governmental Funds
		State Gas Tax	Hazard and Litigation	Safe Route to School		
ASSETS						
Cash and investments	\$ 3,032,862	\$ 743,741	\$ -	\$ -	\$ 907,828	\$ 4,684,431
Receivables:						
Accounts	609,018	39,934	177,855	230,791	237,174	1,294,772
Loan	-	-	-	-	57,723	57,723
Interest	7,475	-	-	-	-	7,475
Prepaid items	300,557	-	-	-	-	300,557
Due from other funds	377,824	-	-	-	-	377,824
Total assets	\$ 4,327,736	\$ 783,675	\$ 177,855	\$ 230,791	\$ 1,202,725	\$ 6,722,782
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 737,546	\$ 37,817	\$ 58,434	\$ 94,005	\$ 40,304	\$ 968,106
Accrued liabilities	5,245	-	-	-	1,420	6,665
Unearned revenues	12,280	-	-	-	57,723	70,003
Deposits payable	49,730	-	-	-	11,895	61,625
Due to other funds	-	-	117,545	136,785	123,494	377,824
Total liabilities	804,801	37,817	175,979	230,790	234,836	1,484,223
Deferred Inflows of Resources:						
Unavailable revenues	35,757	-	161,675	230,791	18,271	446,494
Fund Balances:						
Nonspendable:						
Prepaid items	300,557	-	-	-	-	300,557
Restricted for:						
Street projects	-	745,858	-	-	236,562	982,420
Transportation projects	-	-	-	-	449,469	449,469
Air quality projects	-	-	-	-	107,200	107,200
Public safety	-	-	-	-	71,068	71,068
At risk youth programs	-	-	-	-	1,466	1,466
Committed to:						
Liability/Workers compensation	87,664	-	-	-	-	87,664
Drainage to facilities or infrastructure	1,000,000	-	-	-	-	1,000,000
Accrued leave balances	75,000	-	-	-	-	75,000
2018 general plan update	50,000	-	-	-	-	50,000
Facility repairs and improvements	50,000	-	-	-	-	50,000
Vehicle/Equipment replacement	25,000	-	-	-	-	25,000
Measure M projects	100,000	-	-	-	-	100,000
Assigned to:						
Other capital projects	-	-	-	-	102,124	102,124
Unassigned	1,798,957	-	(159,799)	(230,790)	(18,271)	1,390,097
Total fund balances	3,487,178	745,858	(159,799)	(230,790)	949,618	4,792,065
Total liabilities, deferred inflows of resources and fund balances	\$ 4,327,736	\$ 783,675	\$ 177,855	\$ 230,791	\$ 1,202,725	\$ 6,722,782

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

City of Artesia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2013

Total Fund Balances - Total Governmental Funds	\$ 4,792,065
Amounts reported for governmental activities in the Statement of Net Position were different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds.	14,905,836
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.	
Compensated absences	(458,595)
Other postemployment benefits payable	(1,528,820)
Capital lease	(238,733)
Total long-term liabilities	(2,226,148)
Certain revenues were recorded as unavailable revenues in the governmental funds because they did not meet the revenue recognition criteria. However, they were treated as revenues in the Government-Wide Financial Statements.	504,217
Net Position of Governmental Activities	\$ 17,975,970

City of Artesia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	General Fund	Special Revenue Funds			Non-Major Governmental Funds	Total Governmental Funds
		State Gas Tax	Hazard and Litigation	Safe Route to School		
REVENUES:						
Taxes	\$ 4,904,994	\$ -	\$ -	\$ -	\$ 807,977	\$ 5,712,971
Licenses and permits	251,690	-	-	-	-	251,690
Intergovernmental	806,709	407,113	862,298	59,466	635,927	2,771,513
Charges for services	1,033,515	-	-	-	74,345	1,107,860
Use of money and property	251,667	1,364	-	-	73,174	326,205
Fines and forfeitures	318,726	-	-	-	-	318,726
Developer fees	42,539	-	-	-	-	42,539
Other revenues	205,814	10,000	-	-	4,916	220,730
Total revenues	7,815,654	418,477	862,298	59,466	1,596,339	10,752,234
EXPENDITURES:						
Current:						
General government	3,849,608	-	-	-	231,897	4,081,505
Public safety	2,820,107	-	-	-	169,370	2,989,477
Parks and recreation	600,608	-	-	-	10,335	610,943
Public works	638,045	335,141	-	32,390	229,407	1,234,983
Community development	130,256	-	-	-	197,765	328,021
Capital outlay	43,642	11,460	986,877	191,581	384,571	1,618,131
Debt service:						
Principal retirement	-	-	-	-	10,377	10,377
Interest and fiscal charges	-	-	-	-	4,587	4,587
Total expenditures	8,082,266	346,601	986,877	223,971	1,238,309	10,878,024
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(266,612)	71,876	(124,579)	(164,505)	358,030	(125,790)
OTHER FINANCING SOURCES (USES):						
Transfers in	98,870	-	5,240	-	29,185	133,295
Transfers out	(27,568)	(1,500)	-	-	(104,227)	(133,295)
Total other financing sources (uses)	71,302	(1,500)	5,240	-	(75,042)	-
NET CHANGE IN FUND BALANCES	(195,310)	70,376	(119,339)	(164,505)	282,988	(125,790)
FUND BALANCES (DEFICITS):						
Beginning of year	3,682,488	675,482	(40,460)	(66,285)	666,630	4,917,855
End of year	\$ 3,487,178	\$ 745,858	\$ (159,799)	\$ (230,790)	\$ 949,618	\$ 4,792,065

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

City of Artesia
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position
For the year ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (125,790)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Position, the cost of those assets was allocated over the estimated useful lives as depreciation expense.

This was the amount of capital assets recorded in the current period:

Capital outlay	1,633,331
Capital lease	249,110

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds. (474,423)

Compensated absences, other postemployment benefit, and claims were reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, they were not reported as an expenditure in the governmental funds.

Change in compensated absences	22,274
Change in other postemployment benefits	(243,634)
Change in claims payable	731,555
Change in capital lease	(238,733)

Certain revenues were recorded as unavailable revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Position under the full accrual basis. 109,852

Change in Net Position of Governmental Activities \$ 1,663,542

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**FIDUCIARY FUND
FINANCIAL STATEMENTS**

City of Artesia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 1,159,405	\$ 236,117
Receivables:		
Accounts	-	12,704
Interest	20,732	-
Restricted assets:		
Bond proceeds	6,085,347	-
Cash and investments with fiscal agents	1,140,588	-
Capital assets:		
Nondepreciable	2,480,714	-
Depreciable, net of accumulated depreciation	2,973,187	-
Total Assets	<u>13,859,973</u>	<u>\$ 248,821</u>
LIABILITIES:		
Accounts payable	99,258	\$ -
Deposits payable	-	248,821
Accrued interest	76,982	-
Long-term liabilities:		
Due within one year	200,000	-
Due in more than one year	15,095,244	-
Total liabilities	<u>15,471,484</u>	<u>\$ 248,821</u>
NET POSITION:		
Held in trust for other purposes	<u>(1,611,511)</u>	
Total net position for private purpose	<u>\$ (1,611,511)</u>	

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

City of Artesia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 1,259,925
Use of money and property	55,544
Total additions	<u>1,315,469</u>
DEDUCTIONS:	
Community development	119,797
Administrative expenses	250,000
Payment to county	538,184
Interest and fiscal charges	955,162
Total deductions	<u>1,863,143</u>
Change in net position	(547,674)
NET POSITION:	
Beginning of year, as restated	<u>(1,063,837)</u>
End of year	<u><u>\$ (1,611,511)</u></u>

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

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Artesia, California (City), have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Description of Reporting Entity

The City was incorporated on May 29, 1959, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City is governed by an elected five-member board. The accompanying financial statements present the City and its component units defined as legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the component unit and:
 - is able to impose its will on the component unit and/or
 - is in a relationship of financial benefit or burden with the component unit.
- The component unit is fiscally dependent upon the City.
- The financial statements of the City would be misleading if data from the component unit were omitted.

Artesia Housing Authority - The five members of the City Council serve as the governing body of the Housing Authority and exercise all rights, powers, duties and privileges of the Housing Authority. The Mayor serves as the Chairperson of the Housing Authority. The purpose of the Housing Authority is to prepare and execute plans for housing projects within the City.

Artesia Parking Authority - The five members of the City Council serve as the governing body of the Parking Authority and exercise all rights, powers, duties and privileges of the Parking Authority. The Mayor serves as the Chairperson of the Parking Authority. The purpose of the Parking Authority is to prepare and execute plans for parking projects within the City.

Separate financial statements are not prepared for the Housing Authority or the Parking Authority. These component units are included in the primary government because of the significance of their financial or operation relationship and they have the same governing body as the City.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. 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.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities for the City. Fiduciary activities of the City are not included in these statements.

Government-Wide Financial Statements

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. 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. Certain indirect costs are included in the program expenses reported for specific functions.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, including due to/from other funds and transfers in/out.

Fund Financial Statements

Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fund Financial Statements, Continued

Revenues are recorded when received in cash, except that revenues subject to accrual received soon enough after year-end such that they are available to finance expenditures of the current period (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues, and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Unavailable revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Unavailable revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the unavailable revenue is removed from the Balance Sheet and revenue is recognized.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences between the “*economic resources*” and “*current financial resources*” basis of accounting.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City's fiduciary funds represent a private purpose trust fund and agency funds. The private purpose trust fund is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting.

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The State Gas Tax Special Revenue Fund's primary function is to account for any street or road purpose including maintenance and construction, engineering and administration apportioned under the Streets and Highways Code of the State of California.
- The Hazard and Litigation Special Revenue Fund's primary function is to account for grant funding of Federal awarded highway transportation and safety improvement projects such as upgraded signage, painted traffic lanes, upgraded x-walks and markings, radar speed signs and handicapped ramps.
- The Safe Route to School Special Revenue Fund's primary function is to account for state awarded school traffic safety grants used for outreach to schools, public awareness programs, and sometimes infrastructure or equipment to facilitate safe routes to schools.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City also reports the following funds:

- The Special Revenue Funds are used to account for the revenues derived from specific revenue sources, which are usually required by law or administrative regulation to be account for in separate funds.
- The Capital Projects Fund is used to account for financial resources segregated for the development, construction, and improvement of City facilities.
- The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Artesia Redevelopment Agency.
- The Agency Fund is used to account for assets held by the City as an agent for individuals, private business and other governmental agencies.

C. New Accounting Pronouncements

Implemented

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

In fiscal year 2012-2013, the City early implemented GASB Statement No. 65, *“Items Previously Reported as Assets and Liabilities”*. This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Due to the early implementation of this statement, deferred bond costs, which should be recognized as an expense in the period incurred, were eliminated. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2012 by \$475,602 of the Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund, which is the amount of bond issue costs at July 1, 2012.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. New Accounting Pronouncements, Continued

Pending Accounting Standards

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

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the City, as well as for its component unit, are reported at fair value. The Local Agency Investment Fund (LAIF) operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Receivables and Payables, Continued

All account and property tax receivables are shown net of an allowance for uncollectibles. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due, and receivable within the current period and collected within the current period, or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Los Angeles collects property taxes for the City. Tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on the first of March each year and are delinquent on August 31.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been reported as nonspendable for amounts equal to the prepaid items in the fund level statements, since these amounts are not available for appropriation.

Capital Assets

Capital assets, which include property, buildings, vehicles, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Infrastructure assets have a capitalization threshold of \$5,000. Purchased or constructed capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	15 years
Vehicles and equipment	3 - 10 years
Infrastructure	25 years

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City does not have any applicable deferred outflows of resources.

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than 20 days of vacation time. Sick leave is payable when an employee is unable to work because of illness. Upon termination, an employee will be paid for any unused sick leave based upon 100% of the current wage rate in effect.

All vacation and sick leave pay is accrued when incurred in the Government-Wide Financial Statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid, if matured, out of the General Fund.

Long-Term Obligations

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Long-Term Obligations, Continued

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

Net Position Flow Assumptions

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

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

Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity, Continued

Fund Balances, Continued

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and the adoption of a formal resolution is required to establish a fund balance commitment.

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Administrative Services Director for that purpose.

Unassigned - This category is for any balances that have no restrictions placed upon them.

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned and unassigned fund balances are available, the City's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- Restricted
- Committed
- Assigned
- Unassigned

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS

As of June 30, 2013, cash and investments were reported in the accompanying financial statements as follows:

	Government Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 4,684,431	\$ 1,395,522	\$ 6,079,953
Restricted assets:			
Bond proceeds	-	6,085,347	6,085,347
Cash and investments held by fiscal agent	-	1,140,588	1,140,588
Total cash and investments	<u>\$ 4,684,431</u>	<u>\$ 8,621,457</u>	<u>\$ 13,305,888</u>

Cash and investments at June 30, 2013 consisted of the following:

Cash in hand (petty cash)	\$ 500
Demand Deposits	55,498
Cash and investments held by fiscal agent	1,140,588
Investments	<u>12,109,302</u>
Total cash and investments	<u>\$ 13,305,888</u>

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

The City's Investment Policy is reviewed and adopted by the City Council each year. Regarding allowable investment types, the investment policy is more conservative and restrictive than the investment vehicles authorized by Section 53600.5 of the California Government Code. Investment vehicles not specifically mentioned in the City's investment policy, are not authorized unless the policy is amended by the City Council or is approved as part of the provisions of the bond indentures. Investments are limited to:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Notes	5 years	None	None
United States Government Sponsored Agency Securities:			
Treasury Bills	52 weeks	None	None
Treasury Bonds	5 years	None	None
Certificates of Deposit	several years	30%	None
Passbook Savings Accounts	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	\$50,000,000	None
N/A - Not Applicable			

* - Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk and concentration of credit risk.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

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 City'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, credit risk, and concentration of credit 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	None	None	None
United States Government Sponsored			
Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Certificates of Deposit	None	None	None

N/A - Not Applicable

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.

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u>		
	<u>1 Year or Less</u>	<u>1 to 2 Years</u>	<u>Total</u>
Local Agency Investment Fund (LAIF)	\$ 12,109,302	\$ -	\$ 12,109,302
Held by Fiscal Agent:			
Certificates of deposit	-	1,107,171	1,107,171
Money market mutual funds	33,417	-	33,417
	<u>\$ 12,142,719</u>	<u>\$ 1,107,171</u>	<u>\$ 13,249,890</u>

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

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 by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standards and Poor, as of year end for each investment type:

Investment Type	Total as of June 30, 2013	Minimum Legal Rating	AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 12,109,302	N/A	\$ -	\$ 12,109,302
Held by Fiscal Agent:				
Certificates of deposit	1,107,171	N/A	-	1,107,171
Money market mutual funds	<u>33,417</u>	A	<u>992</u>	<u>32,425</u>
	<u>\$ 13,249,890</u>		<u>\$ 992</u>	<u>\$ 13,248,898</u>

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer; however, external investment pools are excluded from this requirement. At June 30, 2013, the City's investments were with LAIF.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2013, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California Law.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

2. CASH AND INVESTMENTS, Continued

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.

3. LOAN RECEIVABLE

In November 1989, the City entered into an agreement with the Southern California Water Company for the installation of a domestic water system in an Artesia service area. As part of this agreement, the City loaned the Southern California Water Company \$139,925 with no interest to be repaid over 40 years. At June 30, 2013 the outstanding loan receivable is \$57,723.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance at <u>July 1, 2012</u>	Additions	Deletions	Transfers (a)	Balance at <u>June 30, 2013</u>
Capital assets, not being depreciated:					
Land	\$ 4,199,771	\$ -	\$ -	\$ -	\$ 4,199,771
Construction in progress	<u>1,575,685</u>	<u>1,616,032</u>	<u>(770,871)</u>	-	<u>2,420,846</u>
Total capital assets, not being depreciated	<u>5,775,456</u>	<u>1,616,032</u>	<u>(770,871)</u>	-	<u>6,620,617</u>
Capital assets, being depreciated:					
Buildings	1,761,750	-	-	-	1,761,750
Improvements other than buildings	772,508	-	-	-	772,508
Automobile equipment	446,579	-	-	-	446,579
Office furniture and equipment	271,784	-	-	-	271,784
Other equipment	801,070	266,409	-	-	1,067,479
Infrastructure	<u>7,681,266</u>	<u>770,871</u>	-	-	<u>8,452,137</u>
Total capital assets, being depreciated	<u>11,734,957</u>	<u>1,037,280</u>	-	-	<u>12,772,237</u>
Less accumulated depreciation for:					
Buildings	(681,347)	(38,672)	-	-	(720,019)
Improvements other than buildings	(371,601)	(47,198)	-	-	(418,799)
Automobile equipment	(336,211)	(17,074)	-	-	(353,285)
Office furniture and equipment	(263,783)	(3,729)	-	-	(267,512)
Other equipment	(474,692)	(51,781)	-	-	(526,473)
Infrastructure	<u>(1,884,961)</u>	<u>(315,969)</u>	-	-	<u>(2,200,930)</u>
Total accumulated depreciation	<u>(4,012,595)</u>	<u>(474,423)</u>	-	-	<u>(4,487,018)</u>
Total capital assets, being depreciated, net	<u>7,722,362</u>	<u>562,857</u>	-	-	<u>8,285,219</u>
Total governmental activities capital assets, net	<u>\$ 13,497,818</u>	<u>\$ 2,178,889</u>	<u>\$ (770,871)</u>	<u>\$ -</u>	<u>\$ 14,905,836</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 27,000
Public works	322,219
Parks and recreation	106,396
Public safety	<u>18,808</u>
Total depreciation expense - governmental activities	<u>\$ 474,423</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

5. LONG-TERM DEBT

The following is a schedule of changes in long-term debt of the City for the fiscal year ended June 30, 2013:

	Balance at <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2013</u>	Due Within <u>One Year</u>	Due in More <u>Than One Year</u>
Compensated absences	\$ 480,869	\$ 409,818	\$ (432,092)	\$ 458,595	\$ 35,785	\$ 422,810
Capital lease	-	249,110	(10,377)	238,733	43,494	195,239
Claims payable (Note 10E)	731,555	-	(731,555)	-	-	-
Other post-employment benefits obligation (Note 9)	<u>1,285,186</u>	<u>448,633</u>	<u>(204,999)</u>	<u>1,528,820</u>	<u>-</u>	<u>1,528,820</u>
Total long-term debt	<u>\$ 2,497,610</u>	<u>\$ 1,107,561</u>	<u>\$ (1,379,023)</u>	<u>\$ 2,226,148</u>	<u>\$ 79,279</u>	<u>\$ 2,146,869</u>

Compensated Absences

The compensated absences payable has been accrued for governmental activities on the Government-Wide Financial Statements. Typically, the General Fund has been used to liquidate the liability for compensated absences. There is no fixed payment schedule to pay these liabilities. The total amount of compensated absences payable at June 30, 2013 was \$458,595.

Capital Lease

The City entered into a capital lease with CALE America, Inc. for parking meters. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date in the City's capital assets. The future minimum lease obligations and the net present value of these payments as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2014	\$ 59,856
2015	59,856
2016	59,856
2017	59,856
2018	<u>44,892</u>
Total minimum lease payments	284,316
Less: amounts representing interest	<u>(45,583)</u>
Present value of minimum lease payments	<u>\$ 238,733</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Other equipment	\$ 249,110
Less: accumulated depreciation	<u>(12,456)</u>
	<u>\$ 236,654</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2013, was as follows:

Due To / Due From Other Funds

At June 30, 2013, the City had the following due to/from other funds:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Hazard and Litigation Special Revenue Fund	General Fund	\$ 117,545
Safe Route to School Special Revenue Fund	General Fund	136,785
Non-major Governmental Funds	General Fund	123,494
		<u>\$ 377,824</u>

The above interfund balances resulted from temporary reclassifications made at June 30, 2013 to cover cash shortfalls.

Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 27,568
State Gas Tax Special Revenue Fund	Hazard and Litigation Special Revenue Fund	1,500
Non-major Governmental Funds	General Fund	98,870
	Hazard and Litigation Special Revenue Fund	3,740
	Non-major Governmental Funds	<u>1,617</u>
		<u>\$ 133,295</u>

The General Fund received transfers from the non-major Billboard Special Revenue Fund and Parks and Recreation Grants Special Revenue Fund for the purpose of expenditure offset. The General Fund provided matching funds to the non-major Artesia Lighting District Special Revenue Fund and Traffic Mitigation Fees Special Revenue Fund.

The State Gas Tax Fund transferred \$1,500 to the Hazard & Litigation Special Revenue Fund for the purpose of expenditure offset.

Non-major Governmental Funds - Paid Parking Special Revenue Fund provided funds to the Parking Impact Special Revenue Fund. The MAP 21 Exchange Special Revenue Fund transferred \$3,740 to the Hazard and Litigation Fund Special Revenue Fund.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

7. FUND BALANCES

At June 30, 2013, the following funds had deficit fund balances:

Major Special Revenue Funds:	
Hazard and Litigation	\$ (159,799)
Safe Route to School	(230,790)
Non-major Governmental Special Revenue Funds:	
LACMTA	(3,283)
Park and Recreation Grants	(14,988)

Each of the Special Revenue Funds with deficit fund balances receive funding through current programs and will be reimbursed once grant drawdown requests are approved by the granting agencies.

Excess of expenditures over appropriations occurred at individual departmental levels and major categories during the fiscal year 2013 as follows:

	<u>Actual</u> <u>Amounts</u>	<u>Budgeted</u> <u>Amounts</u>	<u>Excess</u> <u>Expenditures</u> <u>Over</u> <u>Appropriations</u>
Major Funds:			
General Fund - General government	\$ 3,849,608	\$ 3,522,464	\$ 327,144
General Fund - Capital outlay	43,642	-	43,642
General Fund - Transfers out	27,568	-	27,568
Safe Route to School - Public works	32,390	28,790	3,600
Safe Route to School - Capital outlay	191,581	59,679	131,902
Non-major Governmental Special Revenue Funds:			
Parks & Recreation Grants - Capital outlay	12,827	-	12,827
Proposition C - Public works	217,055	46,265	170,790
Bicycle/Pedestrian - Capital outlay	10,335	10,000	335
Measure R - Capital outlay	203,639	200,000	3,639
Paid Parking - Debt service:			
Principal retirement	10,377	-	10,377
Interest and fiscal charges	4,587	-	4,587
MAP 21 Exchange - Public works	4,480	-	4,480

Existing resources, including the unassigned fund balance was utilized to fund the excess expenditures over appropriations.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

8. RETIREMENT PLAN

Plan Description

The City's defined benefit pension plans (2% at 60 and 2.0% at 62), the Miscellaneous Plan for the City (Plan), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The City selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Contributions and Funding Policy

Participants of the Miscellaneous 2.0% at 60 Risk Pool Plan are required to contribute 7% of their annual covered salary, however, the City makes the contributions required of City employees on their behalf and for their account. The City is also required to contribute at an actuarially determined rate; the current rate is 8.510% for non-safety employees, of annual covered payroll.

Upon implementation of the California Employees' Pension Reform Act (PEPRA) on January 1, 2013, the CalPERS Miscellaneous 2.0% at 62 Risk Pool Plan was created and is open to all new employees who do not qualify for the 2.0% at 60 Risk Pool Plan.

Active plan members of Miscellaneous 2% at 62 Risk Pool are required to contribute 6.25% of their annual covered salary. The required employer contribution rate of the fiscal year ended June 30, 2013 for the Miscellaneous 2% at 62 Risk Pool was 6.25%. PEPRA does not allow the City to pay any portion of the employee required contribution on behalf of the employee.

The contribution requirements of plan members and the City are established and may be amended by CalPERS. Benefit provisions and all other requirements are established by State statute and benefit provided by the City through local ordinance or resolution. The contribution requirements of plan members and the City are established and may be amended by City Council. The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions are those adopted by the CalPERS Board of Administration. The City's covered payroll for CalPERS was \$1,572,000 for the year ended June 30, 2013.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>
6/30/11	7.107%	\$ 182,775	100%
6/30/12	8.094%	204,065	100%
6/30/13	8.510%	208,627	100%

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

8. RETIREMENT PLAN, Continued

Funded Status of Plan

The City's retirement plan for City employees is a part of the CalPERS risk pool for cities and other government entities that have fewer than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of funding progress for the City's Miscellaneous Plan employees is not available.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides retiree medical benefits under the CalPERS health plan, which provides medical insurance benefits to eligible retirees and their spouses in accordance with various labor agreements. Copies of the CalPERS' annual financial report may be obtained at CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a CalPERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 31 eligible active employees and 23 enrolled eligible retirees at June 30, 2013. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City and the City Council. The City must agree to make a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2013, the City contributed \$204,999 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined to provide a level of funding that, if paid on an ongoing basis, is projected to cover the normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

As of July 1, 2012, the most recent actuarial valuation, the Annual Required Contribution (ARC) for the year ended June 30, 2013, was \$471,548. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 471,548
Interest on net OPEB obligation	51,407
Adjustment to annual required contribution	<u>(74,322)</u>
Annual OPEB cost (expense)	448,633
Contributions made	<u>(204,999)</u>
Increase in net OPEB obligation	243,634
Net OPEB obligation - beginning of year	<u>1,285,186</u>
 Net OPEB obligation - end of year	 <u><u>\$ 1,528,820</u></u>

The City's annual OPEB cost, annual contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years are presented below.

Fiscal Year	Annual OPEB Cost	Actual Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 612,391	\$ 176,571	29%	\$ 885,995
6/30/2012	605,832	206,641	34%	1,285,186
6/30/2013	448,633	204,999	46%	1,528,820

Typically, the General Fund has been used to liquidate the liability for other post-employment benefits.

Funding Status and Progress

As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$4,781,131, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,781,131 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0 percent. The covered payroll (annual payroll of active employees covered by the plan) was \$1,380,343 and the ratio of the UAAL to covered payroll was 346.37%.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funding Status and Progress, Continued

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 future employment, mortality, and the healthcare cost trend. 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 the benefits.

Actuarial Methods and Assumptions

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 employer and plan members to 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 assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the projected unit credit method. The actuarial assumptions included a 4.0 percent investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and a 4.0 percent discount rate. The trend rates for medical and dental are 7.0 percent and 4.0 percent, respectively. The payroll increase is 3.0 percent. The UAAL is being amortized as a level percentage of projected payroll 20 years on an open basis.

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The City of Artesia is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION, Continued

B. Self-Insurance Programs of the Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. This initial funding is paid at the beginning of the coverage period. After the close of the coverage period, outstanding claims are valued. A retrospective deposit computation is then conducted annually thereafter until all claims incurred during the coverage period are closed on a pool-wide basis. This subsequent cost re-allocation among members based on actual claim development can result in adjustments of either refunds or additional deposits required.

The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on exposure (payroll) and experience (claims) relative to other members of the risk-sharing pool. Additional information regarding the cost allocation methodology is provided below.

Liability: In the liability program claims are pooled separately between police and non-police exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$750,000 up to the reinsurance attachment point of \$5 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$5 million to \$10 million are paid under a reinsurance contract subject to a \$2.5 million annual aggregate deductible. The \$2.5 million annual aggregate deductible is fully covered under a separate policy; as such no portion of it is retained by the Authority. Costs of covered claims from \$10 million to \$15 million are paid under two reinsurance contracts subject to a combined \$3 million annual aggregate deductible. The \$3.0 million annual aggregate deductible is fully retained by the Authority. (6) Costs of covered claims from \$15 million up to \$50 million are covered through excess insurance policies.

The overall coverage limit for each member including all layers of coverage is \$50 million per occurrence.

Costs of covered claims for subsidence losses are paid by reinsurance and excess insurance with a pooled sub-limit of \$25 million per occurrence. This \$35 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$10 million in reinsurance and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION, Continued

B. Self-Insurance Programs of the Authority, Continued

Workers' Compensation: In the workers' compensation program claims are pooled separately between public safety (police and fire) and non-public safety exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess of \$100,000 up to the reinsurance attachment point of \$2 million are distributed based on the outcome of cost allocation within the first and second loss layers. (5) Costs of covered claims from \$2 million up to statutory limits are paid under a reinsurance policy. Protection is provided per statutory liability under California Workers' Compensation Law.

Employer's Liability losses are pooled among members to \$2 million. Coverage from \$2 million to \$5 million is purchased as part of a reinsurance policy, and Employer's Liability losses from \$5 million to \$10 million are pooled among members.

C. Purchased Insurance

Property Insurance - The City of Artesia participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Artesia property is currently insured according to a schedule of covered property submitted by the City of Artesia to the Authority. City of Artesia property currently has all-risk property insurance protection in the amount of \$17,296,574. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance - The City of Artesia purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Artesia property currently has earthquake protection in the amount of \$15,517,195. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Crime Insurance - The City of Artesia purchases crime insurance coverage in the amount of \$1,000,000 with a \$2,500 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retrospective adjustments.

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2012-13.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION, Continued

E. Retrospective Deposit

The City opted to participate in the incentive program to pay in full the retrospective deposit balance at a discounted rate this year.

Following is a summary of retroactive deposit balance activity for the fiscal year ended June 30, 2013:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Claims payable:					
General Liability	\$ 731,555	\$ -	\$ (731,555)	\$ -	\$ -

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 28, 2011, Assembly Bills x1 26 (the "Dissolution Act") and x1 27 was enacted as part of the fiscal year 2011-12 state budget package which dissolved Redevelopment.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2013, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On August 29, 2012, the City elected to serve as the Successor Agency of the Artesia Redevelopment Agency.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Housing Authority elected on February 13, 2013 to serve as the Housing Successor Agency.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

The housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller, the California Department of Finance (the "DOF") and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The former redevelopment agency (Successor Agency) made payments totaling \$538,184 to the CAC as a result of the due diligence review.

The DOF issued a Finding of Completion on April 18, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. The Finding of Completion allowed the placement of loan agreements between the former redevelopment agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. Loan repayments could begin in the 2014-15 fiscal year as governed by the criteria in the health and code safety section.

The State Controller of the State of California has been directed to review the propriety of any transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2012. 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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES, Continued

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

12. SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency to the City of Artesia Redevelopment Agency on February 1, 2013 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance at</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 2,033,445	\$ -	\$ -	\$ 2,033,445
Construction in progress	<u>593,299</u>	<u>126,441</u>	<u>(272,471)</u>	<u>447,269</u>
Total capital assets, not being depreciated	<u>2,626,744</u>	<u>126,441</u>	<u>(272,471)</u>	<u>2,480,714</u>
Capital assets, being depreciated:				
Improvements other than buildings	27,274	-	-	27,274
Infrastructure	<u>2,794,465</u>	<u>272,469</u>	<u>-</u>	<u>3,066,934</u>
Total capital assets, being depreciated	<u>2,821,739</u>	<u>272,469</u>	<u>-</u>	<u>3,094,208</u>
Less accumulated depreciation for:				
Improvements other than buildings	(7,425)	(1,818)	-	(9,243)
Infrastructure	<u>-</u>	<u>(111,778)</u>	<u>-</u>	<u>(111,778)</u>
Total accumulated depreciation	<u>(7,425)</u>	<u>(113,596)</u>	<u>-</u>	<u>(121,021)</u>
Total capital assets, being depreciated, net	<u>2,814,314</u>	<u>158,873</u>	<u>-</u>	<u>2,973,187</u>
Total capital assets, net	<u>\$ 5,441,058</u>	<u>\$ 285,314</u>	<u>\$ (272,471)</u>	<u>\$ 5,453,901</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

12. SUCCESSOR AGENCY DISCLOSURES, Continued

Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2013 was as follows:

	Balance at		Balance at	Due Within	
	July 1, 2012	Additions	Deletions	June 30, 2013	One Year
2007 Tax Allocation Bonds	\$ 12,305,000	\$ -	\$ (135,000)	\$ 12,170,000	\$ 175,000
Less: Issuance discounts	(247,907)	-	8,151	(239,756)	-
2009 Housing Tax Allocation Bonds	<u>3,390,000</u>	-	<u>(25,000)</u>	<u>3,365,000</u>	<u>25,000</u>
Total long-term debt	<u>\$ 15,447,093</u>	<u>\$ -</u>	<u>\$ (151,849)</u>	<u>\$ 15,295,244</u>	<u>\$ 200,000</u>

2007 Tax Allocation Bonds

On December 5, 2007, the Agency issued \$12,920,000 in Tax Allocation Bonds for the purpose of financing certain redevelopment activities benefiting the Artesia Redevelopment Project Area in the City. The bonds mature annually on June 1, from 2008 to 2042, in amounts ranging from \$115,000 to \$600,000. \$4,821,725 is reserved to finance redevelopment projects that meet conditions as set forth in the Bond Indenture. The principal balance outstanding at June 30, 2013 was \$12,170,000.

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2013 was \$239,756.

The 2007 Tax Allocation Bonds are payable solely from taxes received by the Successor Agency on behalf of the former Redevelopment Agency. The total principal and interest remaining to be paid on the bonds was \$24,672,117. Principal and interest paid for the current year is \$805,625.

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2013, are as follows:

Year Ending			
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 175,000	\$ 664,685	\$ 839,685
2015	195,000	656,390	851,390
2016	205,000	646,925	851,925
2017	215,000	636,790	851,790
2018	225,000	626,020	851,020
2019 - 2023	1,315,000	2,942,416	4,257,416
2024 - 2028	1,705,000	2,549,006	4,254,006
2029 - 2033	2,230,000	2,023,565	4,253,565
2034 - 2038	2,925,000	1,331,670	4,256,670
2039 - 2042	<u>2,980,000</u>	<u>424,650</u>	<u>3,404,650</u>
Totals	<u>\$ 12,170,000</u>	<u>\$ 12,502,117</u>	<u>\$ 24,672,117</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

12. SUCCESSOR AGENCY DISCLOSURES, Continued

Long-Term Liabilities, Continued

2009 Tax Allocation Bonds

On June 30, 2009, the Agency issued \$3,470,000 in Housing Tax Allocation Bonds for the purpose of financing low and moderate income housing projects of the Agency. The bonds mature annually on June 1, from 2012 to 2046, in amounts ranging from \$40,000 to \$265,000. Interest is payable semiannually on June 1 and December 1, with a yield of 7.70%. The balance outstanding at June 30, 2013 was \$3,365,000.

The 2009 Tax Allocation Bonds are payable solely from the taxes received by the Successor Agency on behalf of the former Redevelopment Agency. The total principal and interest remaining to be paid on the bonds is \$9,353,675. Principal and interest paid for the current year was \$286,030.

The annual requirements to amortize the 2009 Housing Tax Allocation Bonds outstanding at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 25,000	\$ 259,105	\$ 284,105
2015	25,000	257,180	282,180
2016	30,000	255,255	285,255
2017	30,000	252,945	282,945
2018	35,000	250,635	285,635
2019 - 2023	210,000	1,210,055	1,420,055
2024 - 2028	300,000	1,116,500	1,416,500
2029 - 2033	435,000	981,365	1,416,365
2034 - 2038	630,000	785,785	1,415,785
2039 - 2033	910,000	503,580	1,413,580
2044 - 2046	735,000	116,270	851,270
Totals	<u>\$ 3,365,000</u>	<u>\$ 5,988,675</u>	<u>\$ 9,353,675</u>

Rebatable Arbitrage

The Successor Agency is obligated to calculate arbitrage rebates on all tax allocation bonds. At June 30, 2013, there was no rebatable arbitrage liability.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2013

13. COMMITMENTS AND CONTINGENCIES

A. Lawsuits

The City is presently involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize.

B. Federal and State Grant Programs

The City has received Federal and State grants for specific purposes that are subject to review and audit by the respective governments. Although such audits could result in expenditure disallowance under grant terms, any required reimbursements are not expected to be material.

C. Commitments

As of June 30, 2013, the City did not have any commitments and, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

14. RESTATEMENT OF NET POSITION

Net position for the fiduciary fund financial statements as of July 1, 2012 was restated as follows:

	<u>Private-Purpose Trust Fund</u>
Net position as previously reported as of June 30, 2012	\$ (588,775)
Reduction in net position to remove unamortized bond issuance costs for the implementation of GASB Statement 65.	<u>(475,062)</u>
Net position as restated July 1, 2012	<u>\$ (1,063,837)</u>

15. SUBSEQUENT EVENTS

Events occurring after June 30, 2013 have been evaluated for possible adjustments to the financial statements or disclosure as of February 19, 2014, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

City of Artesia
Schedule of Funding Progress
For the year ended June 30, 2013

OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/ (c)
7/1/2009	\$ -	\$ 4,870,630	\$ 4,870,630	0.00%	\$ 1,380,343	352.86%
7/1/2012	\$ -	\$ 4,781,131	\$ 4,781,131	0.00%	\$ 1,380,343	346.37%

City of Artesia
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 3,682,488	\$ 3,682,488	\$ 3,682,488	\$ -
Resources (inflows):				
Taxes	4,693,954	4,858,231	4,904,994	46,763
Licences and permits	9,600	8,515	251,690	243,175
Intergovernmental	1,039,000	977,481	806,709	(170,772)
Charges for services	1,023,062	1,030,677	1,033,515	2,838
Use of money and property	279,190	259,190	251,667	(7,523)
Fines and forfeitures	304,000	311,000	318,726	7,726
Developer fees	35,000	35,000	42,539	7,539
Other revenues	258,500	456,432	205,814	(250,618)
Transfers in	91,834	106,823	98,870	(7,953)
Amount available for appropriation	7,734,140	8,043,349	7,914,524	(128,825)
Charges to appropriations (outflows):				
Current:				
General government	3,348,644	3,522,464	3,849,608	(327,144)
Public safety	2,931,206	2,913,188	2,820,107	93,081
Parks and recreation	581,634	616,014	600,608	15,406
Public works	675,926	798,736	638,045	160,691
Community development	196,343	191,130	130,256	60,874
Capital outlay	-	-	43,642	(43,642)
Transfers out	-	-	27,568	(27,568)
Total charges to appropriations	7,733,753	8,041,532	8,109,834	(68,302)
Excess of resources over (under) charges to appropriations	387	1,817	(195,310)	(197,127)
Fund balance, June 30	\$ 3,682,875	\$ 3,684,305	\$ 3,487,178	\$ (197,127)

City of Artesia
Budgetary Comparison Schedule
State Gas Tax Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 675,482	\$ 675,482	\$ 675,482	\$ -
Resources (inflows):				
Intergovernmental	479,000	453,358	407,113	(46,245)
Use of money and property	-	1,000	1,364	364
Other revenues	-	-	10,000	10,000
Amount available for appropriation	479,000	454,358	418,477	(35,881)
Charges to appropriations (outflows):				
Current:				
Public works	261,640	535,371	335,141	200,230
Capital outlay	15,000	15,000	11,460	3,540
Transfers out	233,750	274,750	1,500	273,250
Total charges to appropriations	510,390	825,121	348,101	477,020
Excess of resources over (under) charges to appropriations	(31,390)	(370,763)	70,376	441,139
Fund balance, June 30	\$ 644,092	\$ 304,719	\$ 745,858	\$ 441,139

City of Artesia
Budgetary Comparison Schedule
Hazard and Litigation Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (40,460)	\$ (40,460)	\$ (40,460)	\$ -
Resources (inflows):				
Intergovernmental	1,407,890	1,782,150	862,298	(919,852)
Transfers in	42,000	87,740	5,240	(82,500)
Amount available for appropriation	1,449,890	1,869,890	867,538	(1,002,352)
Charges to appropriations (outflows):				
Capital outlay	1,449,890	1,829,430	986,877	842,553
Total charges to appropriations	1,449,890	1,829,430	986,877	842,553
Excess of resources over (under) charges to appropriations	-	40,460	(119,339)	(159,799)
Fund balance (deficit), June 30	\$ (40,460)	\$ -	\$ (159,799)	\$ (159,799)

City of Artesia
Budgetary Comparison Schedule
Safe Route to School Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (66,285)	\$ (66,285)	\$ (66,285)	\$ -
Resources (inflows):				
Intergovernmental	-	154,754	59,466	(95,288)
Amount available for appropriation	-	154,754	59,466	(95,288)
Charges to appropriations (outflows):				
Current:				
Public works	-	28,790	32,390	(3,600)
Capital outlay	-	59,679	191,581	(131,902)
Total charges to appropriations	-	88,469	223,971	(135,502)
Excess of resources over (under) charges to appropriations	-	66,285	(164,505)	(230,790)
Fund balance (deficit), June 30	\$ (66,285)	\$ -	\$ (230,790)	\$ (230,790)

City of Artesia
Note to Required Supplementary Information
For the year ended June 30, 2013

1. BUDGETARY INFORMATION

The City Council has the responsibility for adoption of the City's budget. Budgets are adopted for governmental funds. From the effective date of the budget, the City Manager is authorized to transfer funds from one major expenditure category to another within the same department and fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

All appropriations lapse at the end of the fiscal year to the extent that they have not been expended. Lease contracts entered into by the City are subject to annual review by the City Council; hence, they legally are one year contracts with an option to renew for another fiscal year.

Budget accounts reported for the governmental funds of the City are adopted on a basis consistent with GAAP.

General Budget Policies

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. The Council conducts public meetings prior to its adoption. The budget is prepared by fund, function and activity and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Supplemental appropriations, when required during the period, are also approved by the Council. Intradepartmental budget changes are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end, all operating budget appropriations lapse. During the year, several supplementary appropriations were necessary.

The City did not adopt a budget for the following Non-major Governmental Special Revenue Funds: (a) Federal STP-L, (b) Other Grants, (c) Hi-Tech Grant, or (d) Sheriff.

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Parks and Recreation Grants - To receive grant funds used to update and make park improvements not accounted in other funds.

Federal STP-L - To account for leftover County exchange of STPL monies for street related projects.

LACMTA - To account for CML-5355(023) South Street pedestrian and transit improvement project.

Proposition A - To account for the benefit of public transit such as dial-a-ride and recreation transportation programs.

Proposition C - To account for the benefit of public transit with expanded street maintenance and improvements such as traffic signal, marking and striping, median maintenance and matching dollars for street improvement grants.

Air Quality - To account for AB2766 Subvention Program funds to implement programs that reduce air pollution from motor vehicles.

Bicycle/Pedestrian - To account for Transportation Development Act (TDA) Article 3 Bicycle and Pedestrian funds allocated to local agencies on a per-capita basis. Funds may be used for design and construction of pedestrian and bicycle facilities and amenities (including wheelchair ramps).

California Beverage Recycling - To account for funds awarded by State to provide litter/recycling clean-up, education and community outreach.

Artesia Lighting District - To account for property tax direct assessments used for maintenance, operation, and repair of street lights and signal expenditures.

Traffic Mitigation Fees - To account for development fees to mitigate adverse impacts created by the development which affect traffic circulation and unacceptable levels of congestion.

Parking Impact - To account for off street parking in-lieu fees to finance the mitigation of adverse impacts created by the development which affect parking on the street.

Billboard - To account for city license fee on development agreement for 15 annual installments of double-sided Outdoor Advertising structure.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Other Grants - To account for miscellaneous other grants not required to be accounted for separately in their own fund.

Hi-Tech Grant - To account for a one-time funding used for the enhancement of law enforcement programs and equipment.

Sheriff - To account for the forfeiture and seizure assets collected in the City of Artesia by the contract policing agency and primarily used for law enforcement equipment and training.

C.O.P.S. Grant - To account for supplemental law enforcement services funding of frontline law enforcement and juvenile justice programs.

Measure R - To account for the engineering, administrative, traffic median, and parking overflow improvements of transportation services.

Housing Authority - To account for the maintenance, planning, and improvements of all low-moderate income housing assets to assist low and moderate income housing families and seniors.

Paid Parking - To account for city parking lot improvements, preferential parking permits, parking pay station income and related expenses of the parking program in and near the downtown business district.

MAP 21 Exchange - An exchange of City available Federal Surface Transportation Program-Local Funds (STP-L Funds) for like amount of Los Angeles County Metropolitan Transportation Authority (LACMTA Funds). These are flexible funds for transportation capital improvements that would normally qualify for the STP-L program.

CAPITAL PROJECTS FUND

Capital Projects - To account for funds received that have a broader discretionary use by the City Council for capital improvements.

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2013

	Special Revenue Funds			
	Parks and Recreation Grants	Federal STP-L	LACMTA	Proposition A
ASSETS				
Cash and investments	\$ -	\$ 58,458	\$ -	\$ 294,345
Receivables:				
Accounts	33,699	-	3,283	6,597
Loan	-	-	-	-
Total assets	\$ 33,699	\$ 58,458	\$ 3,283	\$ 300,942
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 12,816
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposit payable	-	-	-	-
Due to other funds	33,699	-	3,283	-
Total liabilities	33,699	-	3,283	12,816
Deferred Inflows of Resources:				
Unavailable revenues	14,988	-	3,283	-
Fund Balances (Deficits):				
Restricted for:				
Street projects	-	58,458	-	-
Transportation projects	-	-	-	288,126
Air quality projects	-	-	-	-
Public safety	-	-	-	-
At risk youth programs	-	-	-	-
Assigned to:				
Other capital projects	-	-	-	-
Unassigned	(14,988)	-	(3,283)	-
Total fund balances (deficits)	(14,988)	58,458	(3,283)	288,126
Total liabilities, deferred inflows or resources and fund balances	\$ 33,699	\$ 58,458	\$ 3,283	\$ 300,942

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Air Quality	Bicycle/ Pedestrian	California Beverage Recycling	Artesia Lighting District	Traffic Mitigation Fees	Parking Impact
\$ 67,640	\$ 80,131	\$ -	\$ 27,539	\$ -	\$ -	\$ 1,420
-	5,241	10,335	-	3,229	-	-
-	-	-	-	-	-	-
<u>\$ 67,640</u>	<u>\$ 85,372</u>	<u>\$ 10,335</u>	<u>\$ 27,539</u>	<u>\$ 3,229</u>	<u>\$ -</u>	<u>\$ 1,420</u>
\$ -	\$ 450	\$ 5,855	\$ 5,261	\$ -	\$ -	\$ -
-	-	-	-	-	-	1,420
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,480	-	3,229	-	-
-	450	10,335	5,261	3,229	-	1,420
-	-	-	-	-	-	-
-	-	-	-	-	-	-
67,640	-	-	-	-	-	-
-	84,922	-	22,278	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>67,640</u>	<u>84,922</u>	<u>-</u>	<u>22,278</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 67,640</u>	<u>\$ 85,372</u>	<u>\$ 10,335</u>	<u>\$ 27,539</u>	<u>\$ 3,229</u>	<u>\$ -</u>	<u>\$ 1,420</u>

(Continued)

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2013

	Special Revenue Funds (Continued)			
	Billboard	Other Grants	Hi-Tech Grant	Sheriff
ASSETS				
Cash and investments	\$ 1,466	\$ -	\$ 290	\$ 266
Receivables:				
Accounts	-	-	-	-
Loan	-	-	-	-
Total assets	\$ 1,466	\$ -	\$ 290	\$ 266
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Unearned revenues	-	-	-	-
Deposit payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred Inflows of Resources:				
Unavailable revenues	-	-	-	-
Fund Balances (Deficits):				
Restricted for:				
Street projects	-	-	-	-
Transportation projects	-	-	-	-
Air quality projects	-	-	-	-
Public safety	-	-	290	266
At risk youth programs	1,466	-	-	-
Assigned to:				
Other capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficits)	1,466	-	290	266
Total liabilities, deferred inflows or resources and fund balances	\$ 1,466	\$ -	\$ 290	\$ 266

See independent auditors' report.

Special Revenue Funds (Continued)					Capital Projects Fund	Total Non-Major Governmental Funds
C.O.P.S Grant	Measure R	Housing Authority	Paid Parking	MAP 21 Exchange	Capital Projects	
\$ 284	\$ 70,228	\$ 194,858	\$ 15,003	\$ -	\$ 95,900	\$ 907,828
-	-	-	-	168,566	6,224	237,174
-	-	-	-	-	57,723	57,723
<u>\$ 284</u>	<u>\$ 70,228</u>	<u>\$ 194,858</u>	<u>\$ 15,003</u>	<u>\$ 168,566</u>	<u>\$ 159,847</u>	<u>\$ 1,202,725</u>
\$ -	\$ -	\$ 4,859	\$ 6,583	\$ 4,480	\$ -	\$ 40,304
-	-	-	-	-	-	1,420
-	-	-	-	-	57,723	57,723
-	-	11,895	-	-	-	11,895
-	-	-	-	78,803	-	123,494
-	-	16,754	6,583	83,283	57,723	234,836
-	-	-	-	-	-	18,271
-	-	178,104	-	-	-	236,562
-	-	-	8,420	85,283	-	449,469
-	-	-	-	-	-	107,200
284	70,228	-	-	-	-	71,068
-	-	-	-	-	-	1,466
-	-	-	-	-	102,124	102,124
-	-	-	-	-	-	(18,271)
<u>284</u>	<u>70,228</u>	<u>178,104</u>	<u>8,420</u>	<u>85,283</u>	<u>102,124</u>	<u>949,618</u>
<u>\$ 284</u>	<u>\$ 70,228</u>	<u>\$ 194,858</u>	<u>\$ 15,003</u>	<u>\$ 168,566</u>	<u>\$ 159,847</u>	<u>\$ 1,202,725</u>

See independent auditors' report.

City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2013

	Special Revenue Funds			
	Parks and Recreation Grants	Federal STP-L	LACMTA	Proposition A
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 272,087
Intergovernmental	153,710	-	52,041	6,597
Charges for services	-	-	-	-
Use of money and property	-	-	-	522
Other revenues	-	-	-	-
Total revenues	<u>153,710</u>	<u>-</u>	<u>52,041</u>	<u>279,206</u>
EXPENDITURES:				
Current:				
General government	-	-	-	226,636
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	12,827	-	16,414	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>12,827</u>	<u>-</u>	<u>16,414</u>	<u>226,636</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>140,883</u>	<u>-</u>	<u>35,627</u>	<u>52,570</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(18,710)	-	-	-
Total other financing sources (uses)	<u>(18,710)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>122,173</u>	<u>-</u>	<u>35,627</u>	<u>52,570</u>
FUND BALANCES (DEFICITS):				
Beginning of year	(137,161)	58,458	(38,910)	235,556
End of year	<u>\$ (14,988)</u>	<u>\$ 58,458</u>	<u>\$ (3,283)</u>	<u>\$ 288,126</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Air Quality	Bicycle/ Pedestrian	California Beverage Recycling	Artesia Lighting District	Traffic Mitigation Fees	Parking Impact
\$ 225,893	\$ -	\$ -	\$ -	\$ 140,933	\$ -	\$ -
-	20,018	10,335	-	-	-	-
-	-	-	-	-	-	-
170	145	-	53	-	-	99
-	-	-	-	1,446	-	-
<u>226,063</u>	<u>20,163</u>	<u>10,335</u>	<u>53</u>	<u>142,379</u>	<u>-</u>	<u>99</u>
-	-	-	5,261	-	-	-
-	-	-	-	-	-	41,769
-	-	10,335	-	-	-	-
217,055	7,872	-	-	-	-	-
-	-	-	-	165,035	-	-
-	-	-	-	-	-	76,628
-	-	-	-	-	-	-
<u>217,055</u>	<u>7,872</u>	<u>10,335</u>	<u>5,261</u>	<u>165,035</u>	<u>-</u>	<u>118,397</u>
9,008	12,291	-	(5,208)	(22,656)	-	(118,298)
-	-	-	-	22,656	4,912	1,617
-	-	-	-	-	-	-
-	-	-	-	22,656	4,912	1,617
9,008	12,291	-	(5,208)	-	4,912	(116,681)
58,632	72,631	-	27,486	-	(4,912)	116,681
<u>\$ 67,640</u>	<u>\$ 84,922</u>	<u>\$ -</u>	<u>\$ 22,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2013

	Special Revenue Funds (Continued)			
	Billboard	Other Grants	Hi-Tech Grant	Sheriff
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	80,160	44,500	-	-
Charges for services	-	-	-	-
Use of money and property	125	-	-	3
Other revenues	-	-	-	-
Total revenues	80,285	44,500	-	3
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	2,363
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	2,363
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	80,285	44,500	-	(2,360)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(80,160)	-	-	-
Total other financing sources (uses)	(80,160)	-	-	-
NET CHANGE IN FUND BALANCES	125	44,500	-	(2,360)
FUND BALANCES (DEFICITS):				
Beginning of year	1,341	(44,500)	290	2,626
End of year	\$ 1,466	\$ -	\$ 290	\$ 266

See independent auditors' report.

Special Revenue Funds (Continued)					Capital Projects Fund	Total Non-Major Governmental Funds
C.O.P.S. Grant	Measure R	Housing Authority	Paid Parking	MAP 21 Exchange	Capital Projects	
\$ -	\$ 169,064	\$ -	\$ -	\$ -	\$ -	\$ 807,977
100,000	-	-	-	168,566	-	635,927
-	-	-	50,239	-	24,106	74,345
82	148	71,669	-	-	158	73,174
-	-	-	-	-	3,470	4,916
100,082	169,212	71,669	50,239	168,566	27,734	1,596,339
-	-	-	-	-	-	231,897
100,000	-	-	25,238	-	-	169,370
-	-	-	-	-	-	10,335
-	-	-	-	4,480	-	229,407
-	-	32,730	-	-	-	197,765
-	203,639	-	-	75,063	-	384,571
-	-	-	10,377	-	-	10,377
-	-	-	4,587	-	-	4,587
100,000	203,639	32,730	40,202	79,543	-	1,238,309
82	(34,427)	38,939	10,037	89,023	27,734	358,030
-	-	-	-	-	-	29,185
-	-	-	(1,617)	(3,740)	-	(104,227)
-	-	-	(1,617)	(3,740)	-	(75,042)
82	(34,427)	38,939	8,420	85,283	27,734	282,988
202	104,655	139,165	-	-	74,390	666,630
\$ 284	\$ 70,228	\$ 178,104	\$ 8,420	\$ 85,283	\$ 102,124	\$ 949,618

See independent auditors' report.

City of Artesia

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Parks and Recreation Grants Special Revenue Fund For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (137,161)	\$ (137,161)	\$ (137,161)	\$ -
Resources (inflows):				
Intergovernmental	-	137,161	153,710	16,549
Other revenues	29,334	18,710	-	(18,710)
Amount available for appropriation	29,334	155,871	153,710	(2,161)
Charges to appropriations (outflows):				
Capital outlay	-	-	12,827	(12,827)
Transfers out	29,334	18,710	18,710	-
Total charges to appropriations	29,334	18,710	31,537	(12,827)
Excess of resources over (under) charges to appropriations	-	137,161	122,173	(14,988)
Fund balance (deficit), June 30	\$ (137,161)	\$ -	\$ (14,988)	\$ (14,988)

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
LACMTA Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (38,910)	\$ (38,910)	\$ (38,910)	\$ -
Resources (inflows):				
Intergovernmental	923,250	923,250	52,041	(871,209)
Transfers in	242,750	242,750	-	(242,750)
Amount available for appropriation	1,166,000	1,166,000	52,041	(1,113,959)
Charges to appropriations (outflows):				
Capital outlay	1,166,000	16,414	16,414	-
Total charges to appropriations	1,166,000	16,414	16,414	-
Excess of resources over (under) charges to appropriations	-	1,149,586	35,627	(1,113,959)
Fund balance (deficit), June 30	\$ (38,910)	\$ 1,110,676	\$ (3,283)	\$ (1,113,959)

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Proposition A Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 235,556	\$ 235,556	\$ 235,556	\$ -
Resources (inflows):				
Taxes	242,000	242,000	272,087	30,087
Intergovernmental	6,500	6,500	6,597	97
Use of money and property	800	800	522	(278)
Amount available for appropriation	249,300	249,300	279,206	29,906
Charges to appropriations (outflows):				
Current:				
General government	245,073	249,099	226,636	22,463
Total charges to appropriations	245,073	249,099	226,636	22,463
Excess of resources over (under) charges to appropriations	4,227	201	52,570	52,369
Fund balance, June 30	\$ 239,783	\$ 235,757	\$ 288,126	\$ 52,369

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Proposition C Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 58,632	\$ 58,632	\$ 58,632	\$ -
Resources (inflows):				
Taxes	201,000	214,000	225,893	11,893
Use of money and property	300	300	170	(130)
Amount available for appropriation	201,300	214,300	226,063	11,763
Charges to appropriations (outflows):				
Current:				
Public works	43,958	46,265	217,055	(170,790)
Capital outlay	119,000	188,916	-	188,916
Transfer out	49,000	49,000	-	49,000
Total charges to appropriations	211,958	284,181	217,055	67,126
Excess of resources over (under) charges to appropriations	(10,658)	(69,881)	9,008	78,889
Fund balance, June 30	\$ 47,974	\$ (11,249)	\$ 67,640	\$ 78,889

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Air Quality Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 72,631	\$ 72,631	\$ 72,631	\$ -
Resources (inflows):				
Intergovernmental	19,000	19,000	20,018	1,018
Use of money and property	300	300	145	(155)
Amount available for appropriation	19,300	19,300	20,163	863
Charges to appropriations (outflows):				
Current:				
Public works	9,500	9,500	7,872	1,628
Transfers out	-	42,000	-	42,000
Total charges to appropriations	9,500	51,500	7,872	43,628
Excess of resources over (under) charges to appropriations	9,800	(32,200)	12,291	44,491
Fund balance, June 30	\$ 82,431	\$ 40,431	\$ 84,922	\$ 44,491

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Bicycle/Pedestrian Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	8,000	12,540	10,335	(2,205)
Amount available for appropriation	8,000	12,540	10,335	(2,205)
Charges to appropriations (outflows):				
Capital outlay	-	10,000	10,335	(335)
Total charges to appropriations	-	10,000	10,335	(335)
Excess of resources over (under) charges to appropriations	8,000	2,540	-	(2,540)
Fund balance, June 30	\$ 8,000	\$ 2,540	\$ -	\$ (2,540)

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
California Beverage Recycling Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 27,486	\$ 27,486	\$ 27,486	\$ -
Resources (inflows):				
Use of money and property	200	200	53	(147)
Amount available for appropriation	200	200	53	(147)
Charges to appropriations (outflows):				
Current:				
General government	-	7,500	5,261	2,239
Total charges to appropriations	-	7,500	5,261	2,239
Excess of resources over (under) charges to appropriations	200	(7,300)	(5,208)	2,092
Fund balance, June 30	\$ 27,686	\$ 20,186	\$ 22,278	\$ 2,092

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Artesia Lighting District Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	138,374	138,374	140,933	2,559
Intergovernmental	14,000	-	-	-
Other revenues	-	-	1,446	1,446
Transfers in	29,207	37,226	22,656	(14,570)
Amount available for appropriation	181,581	175,600	165,035	(10,565)
Charges to appropriations (outflows):				
Current:				
Community development	181,581	175,600	165,035	10,565
Total charges to appropriations	181,581	175,600	165,035	10,565
Excess of resources over (under) charges to appropriations	-	-	-	-
#REF!	\$ -	\$ -	\$ -	\$ -

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Traffic Mitigation Fees Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (4,912)	\$ (4,912)	\$ (4,912)	\$ -
Resources (inflows):				
Use of money and property	270	-	-	-
Transfers in	-	4,912	4,912	-
Amount available for appropriation	270	4,912	4,912	-
Fund balance, June 30	\$ (4,642)	\$ -	\$ -	\$ -

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Parking Impact Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 116,681	\$ 116,681	\$ 116,681	\$ -
Resources (inflows):				
Use of money and property	1,000	300	99	(201)
Transfers in	-	2,000	1,617	(383)
Amount available for appropriation	1,000	2,300	1,716	(584)
Charges to appropriations (outflows):				
Current:				
Public safety	40,000	42,276	41,769	507
Capital outlay	-	76,629	76,628	1
Total charges to appropriations	40,000	118,905	118,397	508
Excess of resources over (under) charges to appropriations	(39,000)	(116,605)	(116,681)	(76)
Fund balance, June 30	\$ 77,681	\$ 76	\$ -	\$ (76)

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Billboard Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,341	\$ 1,341	\$ 1,341	\$ -
Resources (inflows):				
Intergovernmental	60,000	80,160	80,160	-
Use of money and property	200	-	125	125
Amount available for appropriation	60,200	80,160	80,285	125
Charges to appropriations (outflows):				
Transfers out	61,000	80,160	80,160	-
Total charges to appropriations	61,000	80,160	80,160	-
Excess of resources over (under) charges to appropriations	(800)	-	125	125
Fund balance, June 30	\$ 541	\$ 1,341	\$ 1,466	\$ 125

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
C.O.P.S. Grant Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 202	\$ 202	\$ 202	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	82	82
Amount available for appropriation	100,000	100,000	100,082	82
Charges to appropriations (outflows):				
Current:				
Public safety	100,000	100,000	100,000	-
Total charges to appropriations	100,000	100,000	100,000	-
Excess of resources over (under) charges to appropriations	-	-	82	82
Fund balance, June 30	\$ 202	\$ 202	\$ 284	\$ 82

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Measure R Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 104,655	\$ 104,655	\$ 104,655	\$ -
Resources (inflows):				
Taxes	150,000	150,000	169,064	19,064
Use of money and property	-	-	148	148
Amount available for appropriation	150,000	150,000	169,212	19,212
Charges to appropriations (outflows):				
Current:				
Public works	50,000	45,000	-	45,000
Capital outlay	100,000	200,000	203,639	(3,639)
Total charges to appropriations	150,000	245,000	203,639	41,361
Excess of resources over (under) charges to appropriations	-	(95,000)	(34,427)	60,573
Fund balance, June 30	\$ 104,655	\$ 9,655	\$ 70,228	\$ 60,573

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Housing Authority Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 139,165	\$ 139,165	\$ 139,165	\$ -
Resources (inflows):				
Use of money and property	86,270	86,270	71,669	(14,601)
Amount available for appropriation	86,270	86,270	71,669	(14,601)
Charges to appropriations (outflows):				
Current:				
Community development	20,000	55,352	32,730	22,622
Total charges to appropriations	20,000	55,352	32,730	22,622
Excess of resources over (under) charges to appropriations	66,270	30,918	38,939	8,021
Fund balance, June 30	\$ 205,435	\$ 170,083	\$ 178,104	\$ 8,021

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Paid Parking Special Revenue Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Charges for services	-	44,671	50,239	5,568
Amount available for appropriation	-	44,671	50,239	5,568
Charges to appropriations (outflows):				
Current:				
Public safety	-	36,669	25,238	11,431
Debt service:				
Principal retirement	-	-	10,377	(10,377)
Interest and fiscal charges	-	-	4,587	(4,587)
Transfers out	-	2,000	1,617	383
Total charges to appropriations	-	38,669	41,819	(3,150)
Excess of resources over (under) charges to appropriations	-	6,002	8,420	2,418
Fund balance, June 30	\$ -	\$ 6,002	\$ 8,420	\$ 2,418

City of Artesia

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

MAP 21 Exchange Special Revenue Fund

For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	-	168,565	168,566	1
Amount available for appropriation	-	168,565	168,566	1
Charges to appropriations (outflows):				
Current:				
Public works	-	-	4,480	(4,480)
Capital outlay	-	75,063	75,063	-
Transfers out	-	3,740	3,740	-
Total charges to appropriations	-	78,803	83,283	(4,480)
Excess of resources over (under) charges to appropriations	-	89,762	85,283	(4,479)
Fund balance, June 30	\$ -	\$ 89,762	\$ 85,283	\$ (4,479)

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Projects - Capital Projects Fund
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 74,390	\$ 74,390	\$ 74,390	\$ -
Resources (inflows):				
Charges for services	16,000	16,000	24,106	8,106
Use of money and property	600	600	158	(442)
Other revenues	3,469	3,469	3,470	1
Amount available for appropriation	20,069	20,069	27,734	7,665
Fund balance, June 30	\$ 94,459	\$ 94,459	\$ 102,124	\$ 7,665

AGENCY FUNDS

City of Artesia
Combining Balance Sheet
All Agency Funds
June 30, 2013

	Trust and Agency	George Nelson Memorial	Senior Citizens	Total
ASSETS				
Cash and investments	\$ 227,862	\$ 2,420	\$ 5,835	\$ 236,117
Accounts receivable	12,704	-	-	12,704
Total assets	\$ 240,566	\$ 2,420	\$ 5,835	\$ 248,821
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deposits payable	240,566	2,420	5,835	248,821
Total liabilities	\$ 240,566	\$ 2,420	\$ 5,835	\$ 248,821

City of Artesia
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
June 30, 2013

	Balance July 1, 2012	Addition	Deductions	Balance June 30, 2013
Trust and Agency				
Assets:				
Cash and investments	\$ 228,010	\$ 201,804	\$ 201,952	\$ 227,862
Accounts receivable	4,082	12,704	4,082	12,704
Total assets	\$ 232,092	\$ 214,508	\$ 206,034	\$ 240,566
Liabilities:				
Account payable	\$ 1,457	\$ -	\$ 1,457	-
Deposits payable	230,635	214,508	204,577	240,566
Total liabilities	\$ 232,092	\$ 214,508	\$ 206,034	\$ 240,566
George Nelson Memorial				
Assets:				
Cash and investments	\$ 2,415	\$ 5	\$ -	\$ 2,420
Liabilities:				
Deposits payable	\$ 2,415	\$ 5	\$ -	\$ 2,420
Senior Citizens				
Assets:				
Cash and investments	\$ 5,824	\$ 11	\$ -	\$ 5,835
Liabilities:				
Deposits payable	\$ 5,824	\$ 11	\$ -	\$ 5,835
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 236,249	\$ 201,820	\$ 201,952	\$ 236,117
Accounts receivable	4,082	12,704	4,082	12,704
Total assets	\$ 240,331	\$ 214,524	\$ 206,034	\$ 248,821
Liabilities:				
Account payable	\$ 1,457	\$ -	\$ 1,457	-
Deposits payable	238,874	214,524	204,577	248,821
Total liabilities	\$ 240,331	\$ 214,524	\$ 206,034	\$ 248,821

See independent auditors' report.