



**City of Artesia,
California**

Comprehensive Annual Financial Report

Fiscal Year Ending June 30, 2014

www.cityofartesia.us

CITY OF ARTESIA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2014

Tony Lima, Mayor

Miguel Canales
Mayor Pro Tem

Sally Flowers
Council Member

Victor Manalo
Council Member



Ali Sajjad Taj
Council Member

William Rawlings, City Manager

City of Artesia
Basic Financial Statements
For the year ended June 30, 2014

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Letter of Transmittal	i
City Officials	ix
Organization Chart	x
FINANCIAL SECTION:	
Independent Auditors' Report	1
Management's Discussion and Analysis (Required Supplementary Information)	4
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
Safe Route to School Special Revenue Fund	65
LACMTA Special Revenue Fund	66
Note to Required Supplementary Information	67

City of Artesia
Basic Financial Statements
For the year ended June 30, 2014

Table of Contents, Continued

	<u>Page 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:	
State Gas Tax Special Revenue Fund	80
Parks and Recreation Grants 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
Hazard and Litigation Special Revenue Fund	88
Community Development Block Grant 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
Capital Projects - Capital Projects Fund	95
Agency Funds:	97
Combining Balance Sheet	98
Combining Statement of Changes in Assets and Liabilities	99

City of Artesia
Basic Financial Statements
For the year ended June 30, 2014

Table of Contents, Continued

	<u>Page Number</u>
STATISTICAL SECTION (UNAUDITED):	101
Description of Statistical Section Contents	103
Financial Trends:	
Net Position by Component - Last Ten Fiscal Years	104
Changes in Net Position - Last Ten Fiscal Years	105
Fund Balances of Governmental Funds - Last Ten Fiscal Years	107
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	108
General Governmental Tax Revenues by Source -Last Ten Fiscal Years	110
Revenue Capacity:	
Assessed Value of Taxable Property - Last Ten Fiscal Years	111
Assessed Value of Taxable Property by Use - Last Ten Fiscal Years	112
Property Tax Rates Direct and Overlapping Governments - Last Ten Fiscal Years	113
Principal Property Owners	114
Property Tax Levies and Collections - Last Ten Fiscal Years	115
Debt Capacity:	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	116
Ratios of Net General Bonded Debt Outstanding - Last Ten Fiscal Years	117
Direct and Overlapping Governmental Activities Bonded Debt	118
Legal Debt Margin Information - Last Ten Fiscal Years	119
Demographic and Economic Information:	
Demographic and Economic Statistics - Last Ten Fiscal Years	120
Principal Employers	121
Operating Information:	
Full-Time Equivalent City Government Employees by Function - Current Fiscal Year	122
Operating Indicators by Function - Current Fiscal Year	123
Capital Asset Statistics by Function - Current Fiscal Year	124

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THE CITY OF ARTESIA, CALIFORNIA

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"Service Builds Tomorrow's Progress"

December 18, 2014

Honorable Mayor and City Council
City of Artesia
Artesia, California

The Comprehensive Annual Financial Report of the City of Artesia (City), California, as of June 30, 2014 and for the year then ended, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial statements are the responsibility of the City's management. Completeness and reliability of the information contained in this report is based upon a comprehensive framework of internal controls that is established for this purpose. The costs of internal control should not exceed the anticipated benefits. The objective of internal controls is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Management's Discussion and Analysis (MD&A) interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variations in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City. MD&A complements this letter of transmittal and should be read in conjunction with it.

Independent Audit. City policy requires that its financial statements be audited by a certified public accountant. White Nelson Diehl Evans LLP, Certified Public Accountants and Consultants, have issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended June 30, 2014. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Not for Profit Organizations*. A separate single audit report includes the schedule of expenditures of federal awards, auditors' report on internal controls, and compliance with applicable laws and regulations.

Profile of the City of Artesia

The City is a mature, suburban city located nineteen miles southeast of downtown Los Angeles and 10 miles northeast of Long Beach. The City encompasses an area of approximately 1.6 square miles and is built out. There are three major retail areas, one industrial area, and an office park and high rise. The current population is 16,776 according to the State of California Department of Finance.

The City is a general law city, incorporated in 1959. The City Council is composed of five members elected biannually at large to four year alternating terms. The Mayor and Mayor Pro Tem are selected by the City Council.

The City has a Council/Manager form of government. The City Manager is appointed by the City Council to manage the daily affairs of the City and to implement policies established by the Council.

This report includes all the funds of the City. The City provides a full range of services including police (via a contract with the Los Angeles County Sheriff Department); construction and maintenance of arterials, streets and infrastructure; library and recreational services; public transportation; planning and economic development; housing; and administrative services. In addition to general municipal activities, the City provides refuse and recycling collection services via a private sector contract.

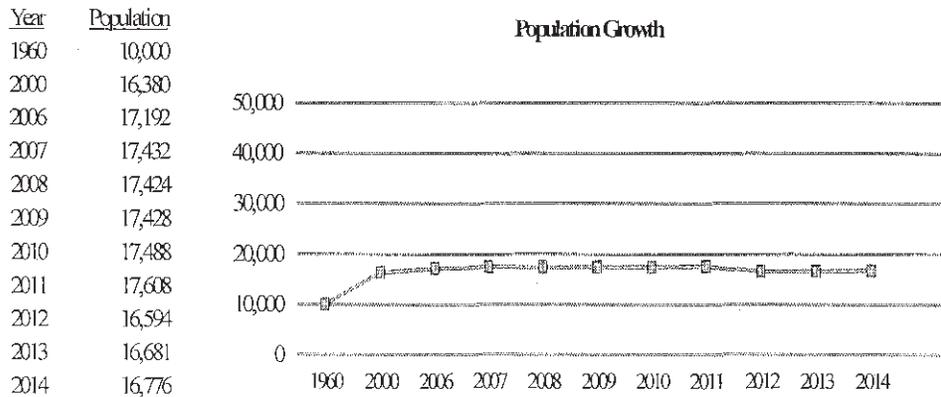
The Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, program (e.g., public safety), and activity (e.g., law enforcement). Department heads may transfer resources within each program as needed. The City Manager may appropriate resources up to \$7,500 from unbudgeted funds and up to \$30,000 from budgeted funds. Expenditures above these thresholds require approval from the City Council.

In accordance with the reporting entity definition of the Governmental Accounting Standards Board, the City has included the Artesia Parking Authority and the Artesia Housing Authority in the financial report. The resources and activities of the Successor agency to the City of Artesia Redevelopment Agency are reported in a separate Private-Purpose Trust Fund, which is also included in these financial statements.

Several state and county agencies and school districts provide services to the City, but do not meet the established criteria for inclusion, and accordingly are excluded from this report.

Economic Condition and Outlook

The prospects for the future of the City are good. The population has grown as follows:



Source: State of California Department of Finance

Much of the local development of the City before the 1950's was farm, orchard, or grazing lands. The City of Artesia incorporated on May 29, 1959 with the motto "Service Builds Tomorrow's Progress".

The character of the City is one where the majority of the land area within the city is developed with single-family homes built between the 1960s and 1980s. Apartments, townhomes and condominiums can also be found throughout the City. Commercial development is mainly located along Pioneer Boulevard, Artesia Boulevard and South Street, along with smaller neighborhood serving retail centers scattered within residential areas. The City's built-out nature presents opportunity for infill development and redevelopment to accommodate changing needs, market conditions, and demographics.

A key component of revenue for the City's economy is sales tax, supporting City government operations. During fiscal year 2013-14, the City experienced an increase of 9% in sales tax revenue over fiscal year 2012-13. The sales tax strength for fiscal year 2013-14 is primarily due to the point of sale in the Restaurants and Hotels major business group located in the City. The nearby Artesia and San Gabriel Freeways link the City to other areas of metropolitan Los Angeles and Orange County.

The City is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City for calendar years 2010 through October 2014:

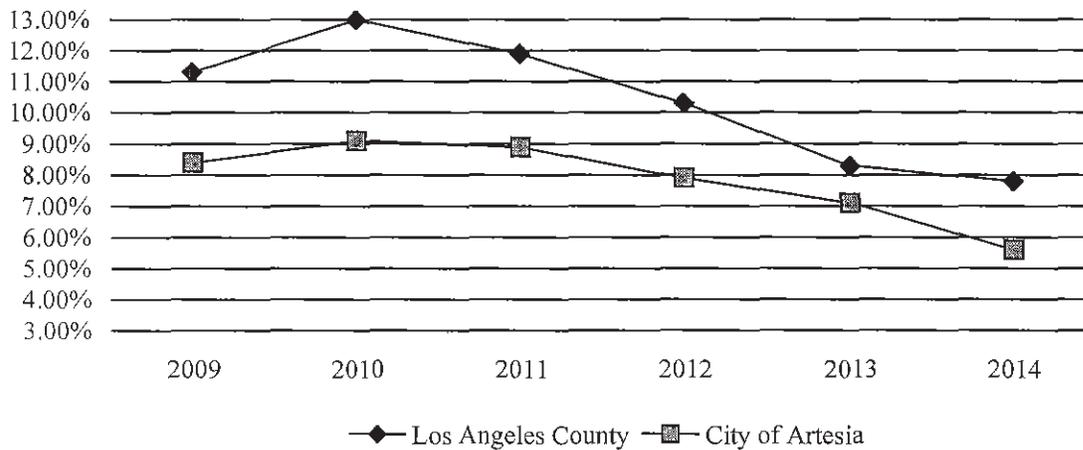
LOS ANGELES COUNTY AND CITY OF ARTESIA STATISTICAL AREA
 Civilian Labor Force, Employment, Unemployment and Unemployment Rate
 Annual Averages (000's) ⁽¹⁾

	2010		2011		2012		2013		2014	
	County	City								
Civilian Labor Force (2)	4,909	8.20	4,899	8.20	4,840	8.20	4,992	8.30	4,992	8.50
Employment	4,272	7.40	4,316	7.50	4,339	7.50	4,520	7.70	4,520	8.00
Unemployment	637	0.70	583	0.70	501	0.60	472	0.60	472	0.50
Unemployment Rate	13.00%	9.10%	11.90%	8.90%	10.30%	7.90%	9.50%	7.10%	9.50%	5.60%

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

**Unemployment Rate
 Artesia versus LA County**



Source: Labor Market Information Division of the California State Employment Development Department.
 The City's average unemployment rate has been consistently lower than the Los Angeles County area average.

Long-term financial planning and major initiatives

During the 2012/2013 fiscal year, a Resolution was adopted approving General Fund balance allocations. Six categories were identified and unassigned fund balances were committed:

- Contingency Reserve of \$1,000,000,
- Accrued Leave Reserve of \$75,000,
- General Plan Update Reserve of \$50,000,
- Facility Repairs and Improvements Reserve of \$50,000,
- Vehicle/Equipment Replacement Reserve of \$25,000,
- Measure M Reserve of \$100,000

Committed fund balances for fiscal year 2013/14 were increased by 25% or \$328,062. Of the six categories of committed fund balance, the Contingency Reserve was increased by \$401,250 and

represents 82% of the total committed fund balance. The new reserved balances for 2013/14 are as follows:

- Contingency Reserve of \$1,401,250,
- Accrued Leave Reserve of \$75,000,
- General Plan Update Reserve of \$50,000,
- Facility Repairs and Improvements Reserve of \$46,726,
- Vehicle/Equipment Replacement Reserve of \$27,750,
- Measure M Reserve of \$100,000

The Contingency Reserve fund balance requires four-fifths vote of City Council to expend monies from this allocation. Primary uses are for unforeseen expenditures such as damage to facilities or infrastructure or other financial calamity. The other categories of committed fund balance cover unanticipated operational and maintenance issues that arise during the budget year and require a simple majority vote by City Council.

Anticipated for fiscal year 2014/15 is an increase to the Contingency Reserve of \$600,000 bringing the total to \$2,001,250. An additional \$12,750 will be applied to the other dedicated reserves listed above.

Assignments of General Fund fund balances during fiscal year 2013/2014 allocated one-time monies for other programming priorities that support organizational development plans and preliminary planning activities. The aggregate resources set aside in these categories at the end of fiscal year 2013/2014 were \$326,375.

The City of Artesia received an unqualified (now called unmodified) opinion for the audit ending June 30, 2013. This means that the City's financial records and statements are fairly and appropriately presented, and in accordance with Generally Accepted Accounting Principles (GAAP). An unqualified opinion is the best possible audit outcome.

The Council adopted a Priorities List at midyear which included a plan to increase contingency reserves for the 2014/2015 budget. The Priorities List also outlines submitting a balanced budget without reducing funding levels, a new budget format with full cost allocation shared among all departments, and reducing the need for a larger cash flow balance sitting idle.

As part of the City Council approved Priorities List, other planning for long-term financial stability is addressed. The priority to increase revenues by developing an economic development plan will increase revenues to pay for increased service levels and improve quality of life for City residents, visitors, and merchants. An equally important priority, the City Management Team will implement an organizational development plan to improve the misalignment of current staff allocation with the staffing allocation required to meet the Council and community needs and goals, provide leadership development, succession planning, and skills/performance management.

Also, the key to the long term success of financial planning and major initiatives is the professionalism and proficiency of its management team as key problem solvers, innovators, and leaders of the City. They should be appropriately trained, encouraged, compensated and held accountable.

During fiscal year 2013/14, with the understanding that scarce resources are used as prudently and responsibly as possible, the Capital Improvement Plan was developed. In this Plan, the City of Artesia set in motion a written project list to address improvements of infrastructure by identifying a priority level of execution for each project. Priority levels for financial planning of the Capital Improvement Plan consider, in order of importance, public safety, revenue generation and quality of life, amenities, and maintenance.

As part of the Capital Improvement Plan, the Council envisioned revitalizing its Pioneer Boulevard downtown corridor, utilizing bond proceeds under an approved funding agreement between the Artesia Successor Agency (former Artesia Redevelopment Agency) and the City of Artesia. The project will complete the downtown area with a reduction of traffic lanes, enhancement of traffic and pedestrian safety devices, widened sidewalks, pedestrian-oriented promenade, new utilities and amenities, and reconfigured street parking.

In like manner above, utilizing a portion of the same bond proceeds, there is an approved funding agreement for the Historical District Recreation Area which is near the Pioneer Boulevard Downtown Revitalization project. The project improvements affect the MTA right of way between 183rd Street and 187th Street, a half mile length, by providing more access to recreational opportunities and facilities through the creation of a bike and pedestrian path, security lighting, play areas, an amphitheater, water fountains, game courts, open space, and amenities such as benches, drinking fountains, and water efficient landscaping.

As mentioned earlier, developing a plan to increase revenues and provide for quality of life has produced programs to benefit the commercial activities in the City of Artesia. The City will assist businesses through a pilot program called the Commercial Building Rehabilitation Program by offering financial incentives to business owners/merchants to improve their properties. Four elements of support would be architectural design services, sign replacement loan rebates, façade improvement loan rebates, and general property improvement loan rebates. The objective is to improve the physical appearance of commercial building facades to provide a pleasant and exciting family-oriented shopping district.

In addition, The City will promote new restaurant development in the City to encourage the type, level and quality of restaurants that will be beneficial to the City and its residents. The City may rebate a certain amount of the fees collected over a timeframe, 1-5 years, if the restaurant generates enough sales tax and business license tax revenue to offset the rebated amount within the timeframe. The program's focus is on national chain, sit-down/dine-in restaurants and includes those that create jobs for Artesia residents and produce sales tax to benefit essential City services.

Other major initiatives planned for the future, through preliminary planning, is consideration of the GASB 45 actuarial valuation report of the City's retiree health insurance program as of July 1, 2012. The present value of current and future benefits is estimated to be \$6,473,766. The unfunded "Accrued Liability" as of July 1, 2012 is \$4,781,131. The city must obtain actuarial valuations of its retiree health insurance program under GASB 43/45 not less frequently than once every three years. While the City is not required to modify its current pay-as-you-go funding practice, it does not address the unfunded benefit obligation to its current or future retirees. Rather, a portion of its long-term retiree benefit is left to be paid for at a later time. The City recognizes the need to create fiscal sustainability to honor current service commitments and

to meet financial obligations as they come due, without transferring financial obligations to future periods that do not result in commensurate benefits. As such, the final major initiative will be to move from the pay-as-you-go funding practice to a pre-funding approach. The idea is to start saving money for its future health benefits, much the same way retirement is planned and saved now so funds will be available tomorrow when the pensions are due.

Relevant financial policies

The City of Artesia has adopted a set of financial accounting policies. A resolution establishing purchasing policy limits, including purchasing policy limits for the City Manager, pursuant to the Artesia Municipal Code, took effect this fiscal year. Particularly relevant, is the pronouncement of specified purchasing limits without the prior approval of the City Council to improve speed and effectiveness of City operations. The policy requires itemization of those expenditures on the warrant register that have been authorized by the City Manager and reviewed and approved by the City Council on the next regular City Council meeting agenda.

Awards and Acknowledgments

The City will be applying for the Government Finance Officers Association (GFOA) award for a Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014 for the first time. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR.

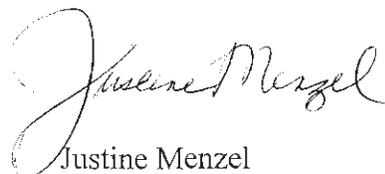
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR will meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit is also due to the Mayor and City Council of their support for maintaining the highest standards of professionalism in the management of the City of Artesia's finances.

Sincerely,



William Rawlings
City Manager



Justine Menzel
Deputy City Manager/Finance Officer

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CITY OF ARTESIA, CALIFORNIA
List of Principal Officials
2013-2014

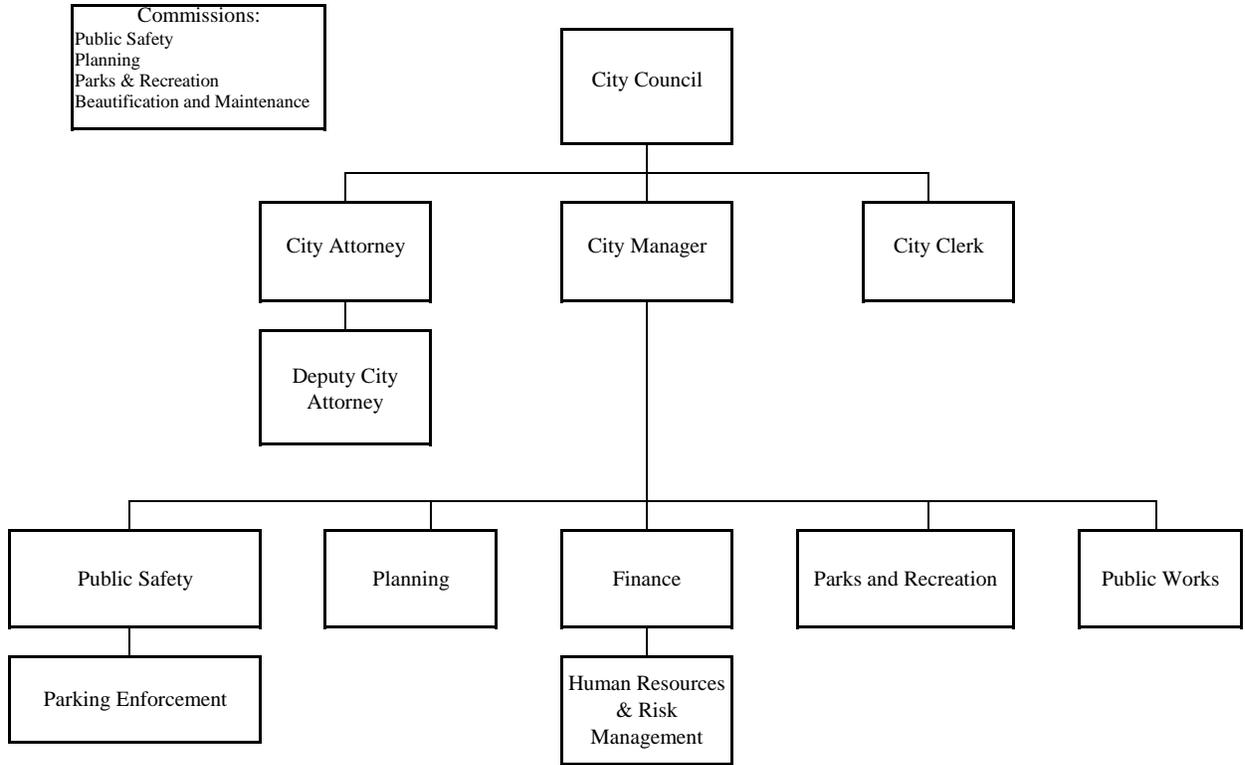
<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Tony Lima	November 2015
Mayor Pro Tem: Miguel Canales	November 2015
Council Members: Sally Flowers	November 2017
Victor Manalo	November 2017
Ali Sajjad Taj	November 2017

<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * William Rawlings	November 2013
City Attorney: * Kevin Ennis	July 1997
City Clerk/Treasurer: * Gloria Considine	March 2013
Police Chief: *** Buddy Goldman	August 2013
Fire Chief: ** Daryl L. Osby	February 2011
Public Works Director: Charles Burkhardt	February 2013
Parks and Recreation Superintendent: Melissa Gobas	July 2010
Planning Director: Okina Dor	June 2010
Finance Officer: Justine Menzel	March 2005

* Appointed by City Council
** Appointed by Los Angeles County Fire District
*** Appointed by Los Angeles County Sheriff Department

CITY OF ARTESIA, CALIFORNIA

Organizational Chart
June 30, 2014



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, 2014, and the related notes to the basic 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, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the 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.

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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, as listed in the table of contents, and statistical section are 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 Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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 Dick Evans LLP

Irvine, California
December 18, 2014

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, 2014.

Financial Highlights

- The assets of the City of Artesia exceeded its liabilities at the close of the fiscal year by \$26,476,269 (*net position*). Of this amount, there are \$6,351,742 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 \$8,558,022. The difference is the result of an increase in charges for services revenue and a contribution of bond project proceeds from the Artesia Successor Agency for the Pioneer Boulevard Downtown Improvement Project and the Historical District Recreation Area.
- As of June 30, 2014, the City of Artesia's governmental funds reported combined ending fund balances of \$10,145,540, an increase of \$5,353,475 in comparison with the prior year. Approximately 17% of this amount is committed to indicate that it is not available because it has committed for projects. Another 20% is restricted for specific uses.
- As of June 30, 2014, the unassigned fund balance for the General Fund was \$6,557,352.

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-three 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**
- **LACMTA 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 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, LACMTA Special Revenue Fund and Safe Route to School Special Revenue Fund to demonstrate compliance with these adopted budgets.

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 (2013) and the City of Artesia effective February 1, 2012 to wind down the affairs of the former Artesia Redevelopment Agency.

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, 2014, assets exceeded liabilities by \$26,476,269.

By far the largest portion of the City of Artesia’s net position, \$18,001,637 represents resources invested in capital assets.

Governmental Activities Net Position

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 12,078,612	\$ 6,344,958
Capital assets	<u>18,196,877</u>	<u>14,905,836</u>
Total assets	<u>30,275,489</u>	<u>21,250,794</u>
Long-term liabilities outstanding	2,448,027	2,226,148
Other liabilities	<u>1,351,193</u>	<u>1,048,676</u>
Total liabilities	<u>3,799,220</u>	<u>3,274,824</u>
Net position:		
Net investment in capital assets	18,001,637	14,667,103
Restricted	2,122,890	1,786,459
Unrestricted	<u>6,351,742</u>	<u>1,522,408</u>
Total net position	<u>\$ 26,476,269</u>	<u>\$ 17,975,970</u>

Of this amount, there is \$6,351,742 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 \$8,558,022. The increase is the result of an increase in charges for services revenue and a contribution of bond project proceeds from the Artesia Successor Agency for the Pioneer Boulevard Downtown Improvement Project and the Historical District Recreation Area. Both revenue increases and expense decreases are discussed in more detail in the following report sections.

Governmental activities. Governmental activities increased the City of Artesia’s net position by \$8,558,022. Key elements of this increase are as follows:

Governmental Activities Change in Net Position

	2014	2013
Revenues		
Program revenues:		
Charges for services	\$ 2,095,087	\$ 1,722,255
Operating grants and contributions	2,675,795	2,875,308
Capital grants and contributions	6,622,466	-
General revenues:		
Property taxes	1,645,258	1,601,017
Transient occupancy taxes	443,121	450,334
Sales taxes	2,938,867	2,729,358
Franchise taxes	390,601	369,843
Business license taxes	446,017	423,944
Other taxes	93,087	129,450
Vehicle license fee collection in excess	7,470	9,026
Use of money and property	335,972	336,232
Other	123,984	215,319
Total revenues	17,817,725	10,862,086
Expenses		
General government	3,321,825	3,447,935
Public safety	3,037,611	3,022,296
Parks and recreation	1,068,250	766,838
Public works	1,437,666	1,628,867
Community development	377,481	328,021
Interest on long-term debt	16,870	4,587
Total expenses	9,259,703	9,198,544
Change in net position	8,558,022	1,663,542

Charges for services increased by \$372,832 or 22%. This is due to the parking meters installed in the downtown operating for a full twelve month period.

Sales taxes increased by \$209,509 or 8%. This is due to the improvement in the economy and increased sales.

A reimbursement from bond project proceeds of the Artesia Successor Agency for the Pioneer Boulevard Downtown Improvement Project and the Historical District Recreation Area was \$4,589,021.

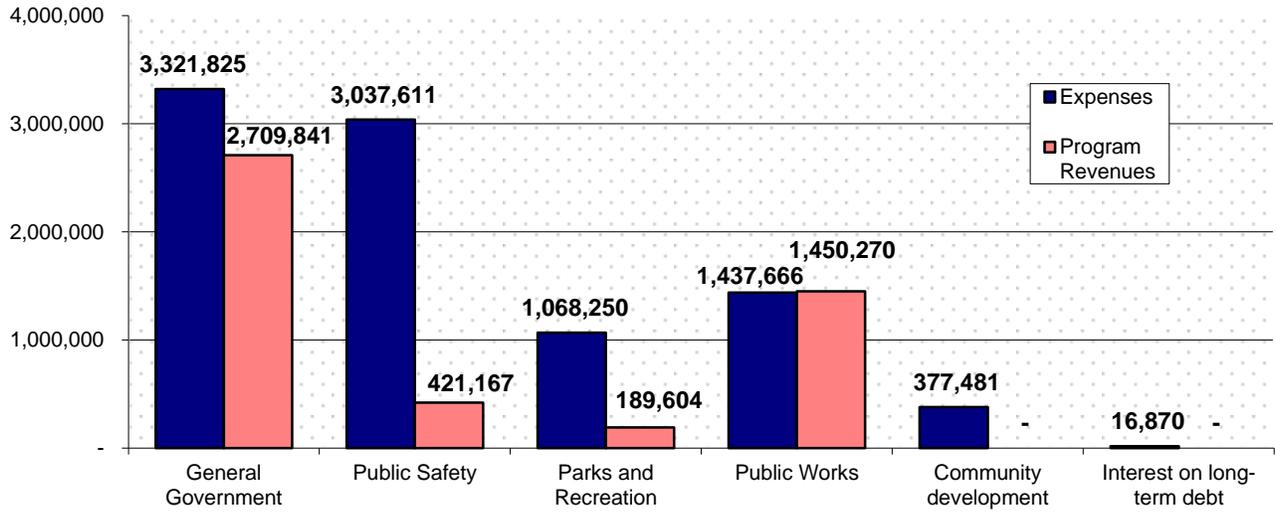
A capital contribution from the Artesia Successor Agency for land that was transferred to the City of \$2,033,445.

Parks and recreation expenditures increased by \$301,412 or 39%. This increase was due to the reclassification of Proposition A expenditures to the Parks and recreation function from the General government function as well as an increase in Community Development Block Grant expenditures during the year.

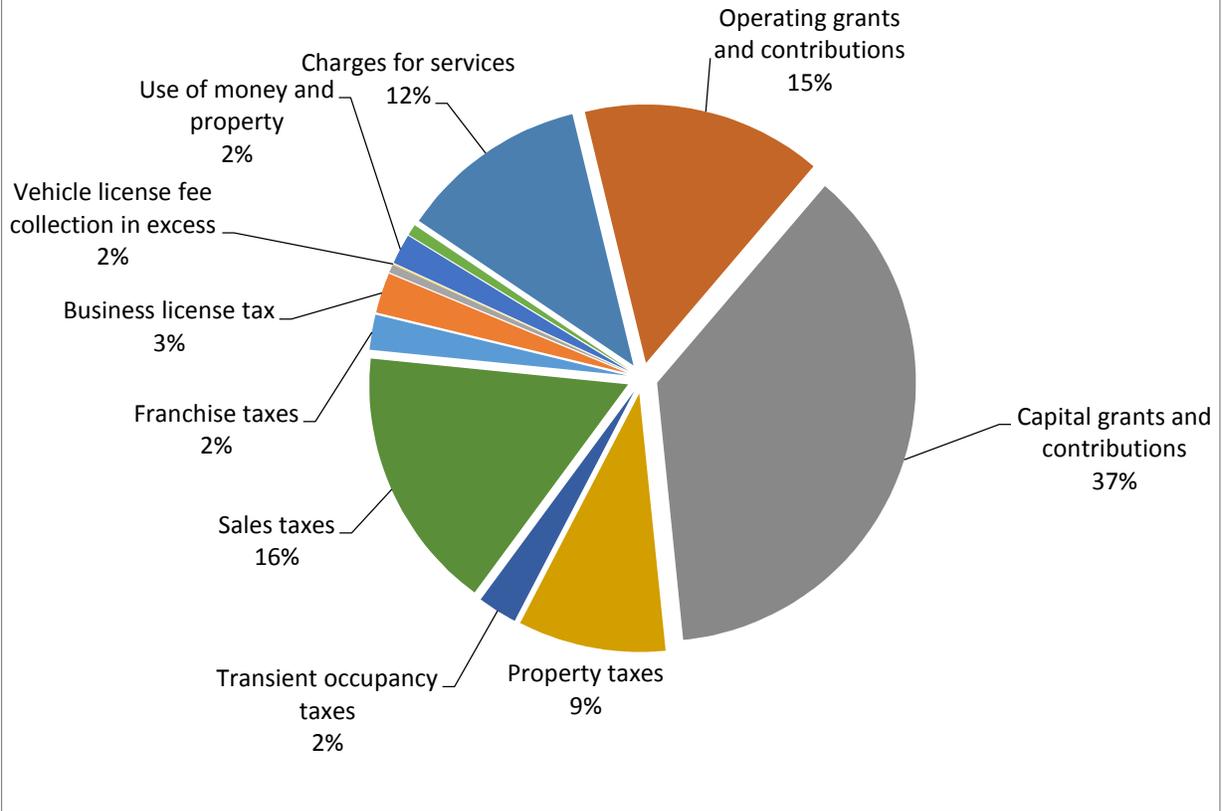
Public works expenditures decreased by \$191,201 or 12%. This is due to decreased expenditures in the Proposition C fund combined with an increase in depreciation expenditures on assets put into service in the prior year.

See independent auditors’ report.

Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



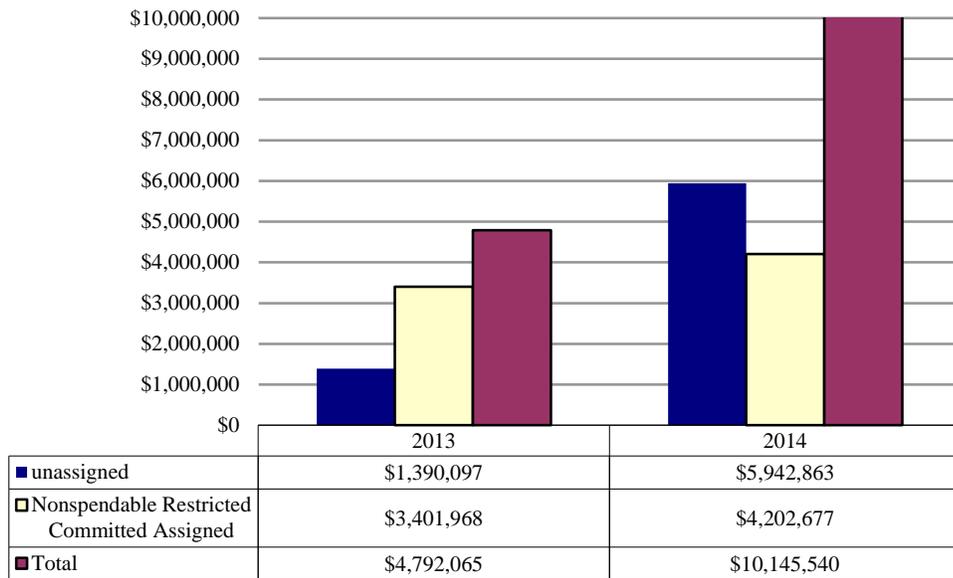
Financial Analysis of the Government’s Funds

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.

As of the end of the current fiscal year, the City of Artesia’s governmental funds reported combined ending fund balances of \$10,145,540 an increase of \$5,353,475 in comparison with the prior year. Of this amount, there is \$5,942,863 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. Approximately 17% of this amount is committed to indicate that it is not available because it has committed for projects. Another 20% is restricted for specific uses. Approximately 5% of this amount is assigned, which indicate that these amounts are not available because they are intended for specific uses designated by the City Council. The remainder of the fund balance is nonspendable, as they reflect prepaid items. Three 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, LACMTA 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 2013-2014:



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 \$8,645,939, with \$46,486 non-spendable for prepaid items and \$1,715,726 committed to funding future commitments and \$326,375 assigned for specific projects. Comparing both total and unassigned fund balances to total fund expenditures is a measure of the general fund’s liquidity. Unassigned fund balance represents 51% of the total general fund revenue and represents 84% of total general fund expenditures.

- The fund balance of the general fund increased by \$5,158,761 during the fiscal year. An increase was anticipated through the budgetary process and benchmarked at \$45,053. However, due to a contribution of bond project proceeds from the Artesia Successor Agency for the Pioneer Boulevard Downtown Improvement Project and the Historical District Recreation Area, the net effect resulted in a much greater general fund reserve contribution.

The LACMTA Special Revenue Fund and Safe Route to School Special Revenue Fund qualify as major funds in 2013-14.

The LACMTA Special Revenue Fund fund balance decreased by \$155,677 during the current fiscal year. This decrease is attributable to reimbursement revenues not covering all expenditures during the current fiscal year. It is expected that reimbursement will be received in the fiscal year ended June 30, 2015.

Safe Route to School Special Revenue Fund fund balance decreased by \$137,903. The decrease is attributed to the excess expenditures over revenues during the current fiscal year. It is expected that reimbursement will be received in the fiscal year ended June 30, 2015.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget for appropriations. Actual revenue, less transfers, was higher than the final budget by 62%.

Differences between the final appropriations and actual expenditures totaled \$154,333. The largest variances can be summarized as follows:

- General government expenditures were less than budget by \$516,414 due to lower than expected expenditures in General Operations as well as Finance due to a portion of administrative costs being borne by the Artesia Successor Agency.
- Public works expenditures were less than budgeted by \$92,967 due to lower than expected expenditures for the street light contribution and industrial waste.
- Capital outlay expenditures were more than budgeted by \$482,067 due to the Department of Finance approving (through the Recognized Obligation Payment Schedule) resumption of paying costs associated with the Pioneer Boulevard Downtown Revitalization and Historical District Recreation Area using bond proceeds, which was not budgeted.

Capital Asset and Debt Administration

Capital assets. The City of Artesia's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$18,196,877 (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 2013-14 fiscal years was \$3,291,041 or 22%. The following is a summary of capital assets (net of depreciation) as of June 30, 2014 and 2013:

	Capital Assets (net of depreciation)	
	2014	2013
Governmental activities		
Land	\$ 6,233,216	\$ 4,199,771
Buildings	1,005,325	1,041,731
Improvements other than buildings	306,508	353,709
Automobile equipment	77,891	93,294
Office furniture and equipment	2,886	4,272
Other equipment	487,615	541,006
Infrastructure	5,904,401	6,251,207
Construction in progress	4,179,035	2,420,846
Total governmental activities	\$ 18,196,877	\$ 14,905,836

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

Governmental Activities

- Land increased due to the transfer of property from the Artesia Successor Agency.
- Construction in progress - several street projects were continued.

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 \$2,448,027.

- Capital lease decreased by \$43,493 which were lease payments made.
- OPEB liability increased \$275,126 for the increase in future benefits payable.

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 decrease by 0.07 points for 2014/2015.
- General Fund Sales tax revenue has increased by 8.87% over 2013/2014. The projection for 2014/15 is estimated to increase 5.5% over 2013/14 actual.
- There is a new enterprise fund established for pay station parking in the downtown area. Presently, funds generated are supporting current operations and will be used to reimburse the City's General Fund for administrative and improvement cost recovery. The City has separated and identified two additional enterprise funds for fiscal year 2014/2015. These funds are Residential Refuse Service Fund and Street Light Maintenance District Fund. The 2014/2015 budget is redesigned and it now allocates the general operations department to other departments of the City for internal cost allocation purposes.
- 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, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 10,003,801
Receivables:	
Accounts	907,688
Loan	54,253
Interest	6,769
Prepaid items	46,486
Due from other governments	1,059,615
Capital assets:	
Nondepreciable assets	10,412,251
Depreciable assets, net	<u>7,784,626</u>
Total assets	<u>30,275,489</u>
LIABILITIES	
Accounts payable	1,188,870
Accrued liabilities	15,810
Unearned revenues	87,888
Deposits payable	58,625
Noncurrent liabilities:	
Due within one year	93,632
Due in more than one year	<u>2,354,395</u>
Total liabilities	<u>3,799,220</u>
NET POSITION	
Net investment in capital assets	18,001,637
Restricted for:	
Public safety	556
Street projects	1,658,799
Capital projects	130,847
Housing	206,362
Other purposes	126,326
Unrestricted	<u>6,351,742</u>
Total net position	<u>\$ 26,476,269</u>

See independent auditors' report and notes to basic financial statements

City of Artesia
Statement of Activities and Changes in Net Position
For the year ended June 30, 2014

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
Governmental activities:							
General government	\$ 3,321,825	\$ 494,057	\$ 2,215,784	\$ -	\$ 2,709,841	\$ (611,984)	
Public safety	3,037,611	321,167	100,000	-	421,167	(2,616,444)	
Parks and recreation	1,068,250	73,298	116,306	-	189,604	(878,646)	
Public works	1,437,666	1,206,565	243,705	-	1,450,270	12,604	
Community development	377,481	-	-	-	-	(377,481)	
Interest on long-term debt	16,870	-	-	-	-	(16,870)	
Reimbursement from successor agency	-	-	-	4,589,021	4,589,021	4,589,021	
Capital contribution from successor agency	-	-	-	2,033,445	2,033,445	2,033,445	
Total governmental activities	<u>\$ 9,259,703</u>	<u>\$ 2,095,087</u>	<u>\$ 2,675,795</u>	<u>\$ 6,622,466</u>	<u>\$ 11,393,348</u>	<u>2,133,645</u>	
General revenues:							
Taxes:							
Property taxes, levied for general purpose						1,645,258	
Transient occupancy taxes						443,121	
Sales taxes						2,938,867	
Franchise taxes						390,601	
Business licenses taxes						446,017	
Other taxes						93,087	
Vehicle license fee collection in excess						7,470	
Use of money and property						335,972	
Other						123,984	
Total general revenues						<u>6,424,377</u>	
Change in net position						<u>8,558,022</u>	
Net position - beginning of year, as restated						<u>17,918,247</u>	
Net position - end of year						<u>\$ 26,476,269</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, 2014

	Special Revenue Funds				Total Governmental Funds
	General Fund	Safe Route to School	LACMTA	Non-Major Governmental Funds	
ASSETS					
Cash and investments	\$ 7,643,107	\$ -	\$ -	\$ 2,360,694	\$ 10,003,801
Receivables:					
Accounts	829,083	-	-	78,605	907,688
Loan	-	-	-	54,253	54,253
Interest	6,769	-	-	-	6,769
Prepaid items	46,486	-	-	-	46,486
Due from other governments	-	368,693	551,614	139,308	1,059,615
Due from other funds	1,015,992	-	-	-	1,015,992
Total assets	\$ 9,541,437	\$ 368,693	\$ 551,614	\$ 2,632,860	\$ 13,094,604
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 800,911	\$ -	\$ 41,210	\$ 346,749	\$ 1,188,870
Accrued liabilities	14,222	-	-	1,588	15,810
Unearned revenues	33,635	-	-	54,253	87,888
Deposits payable	46,730	-	-	11,895	58,625
Due to other funds	-	368,693	551,614	95,685	1,015,992
Total liabilities	895,498	368,693	592,824	510,170	2,367,185
Deferred Inflows of Resources:					
Unavailable revenues	-	368,693	117,750	95,436	581,879
Fund Balances:					
Nonspendable:					
Prepaid items	46,486	-	-	-	46,486
Restricted for:					
Street projects	-	-	-	783,726	783,726
Transportation projects	-	-	-	866,273	866,273
Housing projects	-	-	-	206,362	206,362
Air quality projects	-	-	-	126,326	126,326
Public safety	-	-	-	556	556
Committed to:					
Contingency reserve	1,401,250	-	-	-	1,401,250
Accrued leave reserve	75,000	-	-	-	75,000
General plan reserve	60,000	-	-	-	60,000
Facility repairs and improvements	51,726	-	-	-	51,726
Vehicle and equipment replacement	27,750	-	-	-	27,750
Measure M projects	100,000	-	-	-	100,000
Assigned to:					
Organizational development plan	181,954	-	-	-	181,954
Preliminary planning; projects	26,000	-	-	-	26,000
Contract cities support	921	-	-	-	921
Water tower project	5,500	-	-	-	5,500
Business façade improvements	50,000	-	-	-	50,000
CERT training program	5,000	-	-	-	5,000
Specific plan development	50,000	-	-	-	50,000
Business improvement district	7,000	-	-	-	7,000
Other capital projects	-	-	-	130,847	130,847
Unassigned	6,557,352	(368,693)	(158,960)	(86,836)	5,942,863
Total fund balances	8,645,939	(368,693)	(158,960)	2,027,254	10,145,540
Total liabilities, deferred inflows of resources and fund balances	\$ 9,541,437	\$ 368,693	\$ 551,614	\$ 2,632,860	\$ 13,094,604

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, 2014

Total Fund Balances - Total Governmental Funds	\$ 10,145,540
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.	18,196,877
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.	
Compensated absences	(448,841)
Other post-employment benefits payable	(1,803,946)
Capital lease	(195,240)
Total long-term liabilities	(2,448,027)
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.	581,879
Net Position of Governmental Activities	\$ 26,476,269

City of Artesia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds				Total Governmental Funds
	General Fund	Safe Route to School	LACMTA	Non-Major Governmental Funds	
REVENUES:					
Taxes	\$ 5,165,427	\$ -	\$ -	\$ 832,642	\$ 5,998,069
Licenses and permits	372,566	-	-	-	372,566
Intergovernmental	830,564	39,210	601,664	1,035,324	2,506,762
Charges for services	1,071,276	-	-	261,584	1,332,860
Use of money and property	260,362	-	-	69,755	330,117
Fines and forfeitures	321,167	-	-	-	321,167
Developer fees	153,495	-	-	-	153,495
Other revenues	30,094	-	-	14,744	44,838
Reimbursement from successor agency	4,589,021	-	-	-	4,589,021
Total revenues	12,793,972	39,210	601,664	2,214,049	15,648,895
EXPENDITURES:					
Current:					
General government	2,924,090	-	-	1,010	2,925,100
Public safety	2,908,594	-	-	94,788	3,003,382
Parks and recreation	649,446	-	-	272,352	921,798
Public works	632,263	-	-	369,675	1,001,938
Community development	174,202	-	-	203,279	377,481
Capital outlay	482,067	177,113	940,477	405,701	2,005,358
Debt service:					
Principal retirement	-	-	-	43,493	43,493
Interest and fiscal charges	-	-	-	16,870	16,870
Total expenditures	7,770,662	177,113	940,477	1,407,168	10,295,420
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,023,310	(137,903)	(338,813)	806,881	5,353,475
OTHER FINANCING SOURCES (USES):					
Transfers in	161,984	-	183,136	29,533	374,653
Transfers out	(26,533)	-	-	(348,120)	(374,653)
Total other financing sources (uses)	135,451	-	183,136	(318,587)	-
NET CHANGE IN FUND BALANCES	5,158,761	(137,903)	(155,677)	488,294	5,353,475
FUND BALANCES (DEFICITS):					
Beginning of year	3,487,178	(230,790)	(3,283)	1,538,960	4,792,065
End of year	\$ 8,645,939	\$ (368,693)	\$ (158,960)	\$ 2,027,254	\$ 10,145,540

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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 5,353,475

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	1,758,189
Capital contribution from successor agency	2,033,445

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. (500,593)

Compensated absences, other postemployment benefit, and capital lease 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	9,754
Change in other post-employment benefits	(275,126)
Change in capital lease	43,493

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. 135,385

Change in Net Position of Governmental Activities \$ 8,558,022

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**FIDUCIARY FUND
FINANCIAL STATEMENTS**

City of Artesia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
	<u>Trust Fund</u>	<u>Funds</u>
ASSETS:		
Cash and investments	\$ 1,046,787	\$ 231,671
Receivables:		
Accounts	-	20,251
Restricted assets:		
Bond proceeds	1,459,394	-
Cash and investments held by fiscal agent	1,144,405	-
Capital assets:		
Nondepreciable	447,269	-
Depreciable, net of accumulated depreciation	<u>2,848,691</u>	<u>-</u>
Total Assets	<u>6,946,546</u>	<u>\$ 251,922</u>
LIABILITIES:		
Accounts payable	2,300	\$ 11,634
Deposits payable	-	240,288
Accrued interest	76,131	-
Long-term liabilities:		
Due within one year	220,000	-
Due in more than one year	<u>14,883,394</u>	<u>-</u>
Total liabilities	<u>15,181,825</u>	<u>\$ 251,922</u>
NET POSITION:		
Held in trust for other purposes	<u>(8,235,279)</u>	
Total net position for private purpose	<u>\$ (8,235,279)</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, 2014

	Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS:	
Taxes	\$ 1,250,426
Use of money and property	29,023
Total additions	<u>1,279,449</u>
DEDUCTIONS:	
Community development	198,920
Reimbursement to the city	4,589,021
Administrative expenses	250,000
Interest and fiscal charges	931,089
Transfer of land to city	2,033,445
Total deductions	<u>8,002,475</u>
Change in net position	(6,723,026)
NET POSITION:	
Beginning of year, as restated	<u>(1,512,253)</u>
End of year	<u><u>\$ (8,235,279)</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, 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Artesia, California (City), have been prepared in accordance 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. The activity of this blended component unit is reported in the Housing Authority Special Revenue Fund.

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. The activity of this blended component unit is reported in the Paid Parking Special Revenue Fund.

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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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 and Changes in Net Position 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 to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function
- Operating grants and contributions that are restricted to meeting the operational requirements of a given function
- Capital grants and contributions that are restricted to meeting the capital requirements of a given function

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 fund balance. 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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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. In subsequent periods, when both revenue recognition criteria are met, the unavailable revenue is removed from the Balance Sheet and revenue is recognized. Unearned revenues 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 the government has a legal claim to the resources, the unearned 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 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.
- The LACMTA Special Revenue Fund’s primary function is to account for CML-5355(023) South Street pedestrian and transit improvement project.

See independent auditors’ report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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 Funds are used to account for assets held by the City as an agent for individuals, private business and other governmental agencies.

C. New Accounting Pronouncements

Current Year Standards

GASB 66 - *“Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62”*, required to be implemented in the current fiscal year did not impact the City.

GASB 70 - *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*, required to be implemented in the current fiscal year did not impact the City.

Pending Accounting Standards

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

- 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 71 - *“Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68”*, effective for periods beginning after June 15, 2014.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

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" or "advances to/from other funds".

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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

Capital Assets, Continued

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet 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 future periods 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 and the governmental funds balance sheet 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 future periods 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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

Compensated Absences, Continued

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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

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.

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 City Manager 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 accordance 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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

2. CASH AND INVESTMENTS

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

	Government Wide Statement of Net Position	Fiduciary Funds Statement of Net Position	Total
Unrestricted assets:			
Cash and investments	\$ 10,003,801	\$ 1,278,458	\$ 11,282,259
Restricted assets:			
Bond proceeds	-	1,459,394	1,459,394
Cash and investments held by fiscal agent	-	1,144,405	1,144,405
Total cash and investments	<u>\$ 10,003,801</u>	<u>\$ 3,882,257</u>	<u>\$ 13,886,058</u>

Cash and investments at June 30, 2014 consisted of the following:

Cash in hand (petty cash)	\$ 500
Demand deposits	166,951
Cash held by fiscal agent	347,023
Investments held by fiscal agent	797,382
Investments	<u>12,574,202</u>
Total cash and investments	<u>\$ 13,886,058</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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
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	5 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, 2014

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>
Local Agency Investment Fund (LAIF)	<u>1 Year or Less</u>
Held by Fiscal Agent:	
Money market mutual funds	797,382
	<u>\$ 13,371,584</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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, 2014	Minimum Legal Rating	AAA	Not Rated
Local Agency Investment Fund (LAIF) Held by Fiscal Agent:	\$ 12,574,202	N/A	\$ -	\$ 12,574,202
Money market mutual funds	<u>797,382</u>	A	<u>797,382</u>	<u>-</u>
	<u>\$ 13,371,584</u>		<u>\$ 797,382</u>	<u>\$ 12,574,202</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, 2014, the City's investments were with LAIF and money market mutual funds held by fiscal agent which are exempt from this requirement.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2014, the City deposits (bank balances) were 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, 2014

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, 2014 the outstanding loan receivable is \$54,253.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance at July 1, 2013	Additions	Deletions	Transfers (a)	Balance at June 30, 2014
Capital assets, not being depreciated:					
Land	\$ 4,199,771	\$ -	\$ -	\$ 2,033,445	\$ 6,233,216
Construction in progress	<u>2,420,846</u>	<u>1,758,189</u>	<u>-</u>	<u>-</u>	<u>4,179,035</u>
Total capital assets, not being depreciated	<u>6,620,617</u>	<u>1,758,189</u>	<u>-</u>	<u>2,033,445</u>	<u>10,412,251</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	-	(34,538)	-	237,246
Other equipment	1,067,479	-	-	-	1,067,479
Infrastructure	<u>8,452,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,452,137</u>
Total capital assets, being depreciated	<u>12,772,237</u>	<u>-</u>	<u>(34,538)</u>	<u>-</u>	<u>12,737,699</u>
Less accumulated depreciation for:					
Buildings	(720,019)	(36,406)	-	-	(756,425)
Improvements other than buildings	(418,799)	(47,201)	-	-	(466,000)
Automobile equipment	(353,285)	(15,403)	-	-	(368,688)
Office furniture and equipment	(267,512)	(1,386)	34,538	-	(234,360)
Other equipment	(526,473)	(53,391)	-	-	(579,864)
Infrastructure	<u>(2,200,930)</u>	<u>(346,806)</u>	<u>-</u>	<u>-</u>	<u>(2,547,736)</u>
Total accumulated depreciation	<u>(4,487,018)</u>	<u>(500,593)</u>	<u>34,538</u>	<u>-</u>	<u>(4,953,073)</u>
Total capital assets, being depreciated, net	<u>8,285,219</u>	<u>(500,593)</u>	<u>-</u>	<u>-</u>	<u>7,784,626</u>
Total governmental activities capital assets, net	<u>\$ 14,905,836</u>	<u>\$ 1,257,596</u>	<u>\$ -</u>	<u>\$ 2,033,445</u>	<u>\$ 18,196,877</u>

(a) The transfer of \$2,033,445 relates to the transfer of capital assets from the successor agency to the City. See Note 11 for additional information.

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

General government	\$ 24,867
Public works	354,575
Parks and recreation	104,014
Public safety	<u>17,137</u>
Total depreciation expense - governmental activities	<u>\$ 500,593</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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, 2014:

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>	Due Within <u>One Year</u>	Due in More <u>Than One Year</u>
Compensated absences	\$ 458,595	\$ 420,516	\$ (430,270)	\$ 448,841	\$ 46,776	\$ 402,065
Capital lease	238,733	-	(43,493)	195,240	46,856	148,384
Other post-employment benefits obligation (Note 9)	<u>1,528,820</u>	<u>444,289</u>	<u>(169,163)</u>	<u>1,803,946</u>	<u>-</u>	<u>1,803,946</u>
Total long-term debt	<u>\$ 2,226,148</u>	<u>\$ 864,805</u>	<u>\$ (642,926)</u>	<u>\$ 2,448,027</u>	<u>\$ 93,632</u>	<u>\$ 2,354,395</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, 2014 was \$448,841.

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, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2015	\$ 59,856
2016	59,856
2017	59,856
2018	<u>44,892</u>
Total minimum lease payments	224,460
Less: amounts representing interest	<u>(29,220)</u>
Present value of minimum lease payments	<u>\$ 195,240</u>

The assets acquired through the capital lease are as follows:

	<u>Governmental Activities</u>
Other equipment	\$ 249,110
Less: accumulated depreciation	<u>(24,911)</u>
	<u>\$ 224,199</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2014, was as follows:

Due To/Due From Other Funds

At June 30, 2014, the City had the following due to/from other funds:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
Safe Route to School		
Special Revenue Fund	General Fund	\$ 368,693
LACMTA		
Special Revenue Fund	General Fund	551,614
Non-major Governmental Funds	General Fund	95,685
		<u>\$ 1,015,992</u>

The above interfund balances resulted from temporary reclassifications made at June 30, 2014 to cover cash shortfalls.

Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 26,533
Non-major Governmental Funds	General Fund	161,984
	LACMTA	
	Special Revenue Fund	183,136
	Non-major Governmental Funds	<u>3,000</u>
		<u>\$ 374,653</u>

The General Fund received transfers from the non-major Billboard Special Revenue Fund and C.O.P.S. 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 Community Development Block Grant Special Revenue Fund.

The LACMTA Special Revenue Fund received transfers from the Non-major State Gas Tax Special Revenue Fund and Proposition C Special Revenue Fund for the purpose of expenditure offset.

Non-major Governmental Funds – The Air Quality Special Revenue Fund transferred \$3,000 to the Hazard and Litigation Special Revenue Fund for the purpose of expenditure offset.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

7. FUND BALANCES

At June 30, 2014, the following funds had deficit fund balances:

Major Special Revenue Funds:		
Safe Route to School	\$	(368,693)
LACMTA		(158,960)
Non-major Governmental Special Revenue Fund:		
Hazard and Litigation		(86,836)

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 2014 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:			
City attorney	\$ 319,096	\$ 304,044	\$ 15,052
Parks and recreation:			
Community promotion	71,919	63,200	8,719
Parks/recreation	566,308	556,012	10,296
Summer lunch	11,219	-	11,219
Capital outlay	482,067	-	482,067
Transfers out	26,533	-	26,533
Non-major Governmental Special Revenue Funds:			
State Gas Tax - Capital outlay	113,903	15,000	98,903
Proposition C - Capital outlay	127,901	110,000	17,901
Air Quality - Transfers out	3,000	-	3,000
Bicycle/Pedestrian - Public works	31,145	-	31,145
California Beverage Recycling -			
General government	1,010	-	1,010
C.O.P.S. Grant - Transfers out	100,399	-	100,399
Paid Parking - Debt service:			
Principal retirement	43,493	-	43,493
Interest and fiscal charges	16,870	-	16,870

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

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

8. RETIREMENT PLAN

Plan Description

The City's defined benefit pension plans (2% at 60 and 2% 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), a cost-sharing multiple-employer defined benefit 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% 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 8.738% 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% at 62 Risk Pool Plan was created and is open to all new employees who do not qualify for the 2% 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, 2014 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 \$1,349,888 for the year ended June 30, 2014.

Three-Year Trend Information

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage APC Contributed</u>
6/30/12	8.094%	\$ 204,065	100%
6/30/13	8.510%	208,627	100%
6/30/14	8.738%	219,485	100%

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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, 2014. 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 makes 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, 2014, the City contributed \$169,163 to the plan in premium payments for retiree insurance. No payments were made to the trust.

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, 2014

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, 2014, 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	61,153
Adjustment to annual required contribution	<u>(88,412)</u>
Annual OPEB cost (expense)	444,289
Contributions made	<u>(169,163)</u>
Increase in net OPEB obligation	275,126
Net OPEB obligation - beginning of year	<u>1,528,820</u>
 Net OPEB obligation - end of year	 <u><u>\$ 1,803,946</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 2014 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
6/30/2012	\$ 605,832	\$ 206,641	34%	\$ 1,285,186
6/30/2013	448,633	204,999	46%	1,528,820
6/30/2014	444,289	169,163	38%	1,803,946

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%. 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%.

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 119 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, 2014

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 to \$20 million are paid under reinsurance agreements. (7) Costs of covered claims from \$20 million up to \$50 million are paid under 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 \$30 million per occurrence. This \$30 million subsidence sub-limit is composed of (a) \$5 million retained within the pool's SIR, (b) \$15 million in reinsurance, subject to the same annual aggregate deductibles previously stated, and (c) \$10 million in excess insurance. The excess insurance layer has a \$10 million annual aggregate limit.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

Pollution Legal Liability Insurance - The City of Artesia participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Artesia. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2011 through July 1, 2014. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

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 \$19,558,660. 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 \$18,031,927. 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.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

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 2013-14.

E. Claims Activity

A summary of the changes in claims liabilities for the past three fiscal years is as follows:

Year Ended June 30,	Claims Payable July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable (Receivable) June 30,
2012	\$ 731,555	\$ 70,840	\$ (70,840)	\$ 731,555
2013	731,555	-	(731,555)	-
2014	-	-	(223,822)	(223,822)

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

On June 28, 2011, Assembly Bills x1 26 (the "Dissolution Act") was enacted as part of the fiscal year 2011-12 state budget package which resulted in the dissolution of all redevelopment agencies in California.

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.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and a successor agency was constituted with respect to each Dissolved RDA to wind down the affairs of such Dissolved RDA. Pursuant to the Dissolution Act, the local agency (e.g., the city or the county) that formed the Dissolved RDA became the successor agency, unless the local agency had elected not to serve as the successor agency. On August 29, 2011, the City Council of the City of Artesia adopted Resolution No. 11-2299 electing for the City to serve as the Successor Agency. The Dissolution Act specifies that the City and the Successor Agency do not merge as the result of this election. The City and Successor Agency are separate legal entities. The liabilities of the Former RDA (and the Successor Agency) do not transfer to the City and the assets of the Successor Agency do not become the assets of the City.

The role of the successor agencies 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).

The Dissolution Act also created an oversight board for each successor agency. The Dissolution Act requires that certain successor agency actions are subject to the oversight board's approval. The oversight board may also direct the successor agency to take certain actions.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

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. On February 13, 2012, the City Council of the City of Artesia, adopted Resolution No. 12-2316 electing for the City not to serve as the Housing Successor and determined that the housing functions of the Former RDA shall be transferred to the Artesia Housing Authority pursuant to the Dissolution Act.

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. Moneys in the RPTTF, after payment of certain administrative costs of the County, are disbursed twice a year (January 2 and June 1, respectively) to pay: (i) the taxing entities for pass-through payments, (ii) the Successor Agency for payments of enforceable obligations on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") as approved by the DOF (discussed below), (iii) the Successor Agency for its administrative cost allowance, as defined and up to the amount allowed by the Dissolution Act, and (iv) the taxing entities to the extent that there is any residual amount remaining in the RPTTF after application based on the foregoing.

The Successor Agency is required to prepare a ROPS approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period (commencing each January 1 and July 1). 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.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing fund 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 unencumbered cash amounts 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 during fiscal year 2012-13 to the CAC as a result of the due diligence reviews.

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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

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. After receiving the Finding of Completion, the Successor Agency is allowed to place 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. The Successor Agency does not have an outstanding loan payable to the City. It should be noted that, however, during any ROPS period (and as the Successor Agency has indicated on every ROPS submitted to the Oversight Board and the DOF), the City may advance resources such as staff and office administrative cost, and the Successor Agency repays the City for such advances out of the Successor Agency's administrative cost allowance. The Dissolution Act also provides that, after the Successor Agency's receipt of the Finding of Completion, the Successor Agency may use unspent proceeds from bonds issued by the Dissolved RDA before January 1, 2011 on projects, in a manner consistent with original bond covenants. With the Oversight Board and the DOF's approval, the Successor Agency and the City have entered into agreements (the "Bond Proceeds Funding Agreements"), pursuant which the Successor Agency agreed to transfer bond proceeds to the City, for the City's use (including reimbursement for any City advances therefore) to complete work with respect to specified projects in a manner consistent with the bond covenants. During the year ended June 30, 2014, the Successor Agency transferred \$4,589,021 of bond proceeds to the City pursuant to the Bond Proceeds Funding Agreements.

In addition, the Oversight Board approved the Successor Agency's Long Range Property Management Program (LRPMP) through resolution OB 13-20 on March 28, 2013, which was then approved by the DOF on March 7, 2014. The LRPMP included certain real properties originally purchased with funds of the Dissolved RDA, but were owned by the City. In its March 7, 2014 letter approving the LRPMP, the DOF recognized that the City is the fee title holder of these real properties. The DOF noted that the Successor Agency did not need to include such properties on the LRPMP, because the Successor Agency did not own any interest in such properties. Accordingly, the amount associated with these properties, \$2,033,445, is now shown as the City's assets. This is reflected as a transfer of \$2,033,445 from the Successor Agency's assets to the City's assets. See Notes 4 and 12.

The State Controller of the State of California has been directed to review the transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the assets to be returned to the successor agency to the extent not prohibited by state or federal law. As of June 30, 2014, the State Controller has not yet issued its official final report regarding unallowed asset transfers, if any, by the Dissolved RDA to other public agencies.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets, not being depreciated:				
Land	\$ 2,033,445	\$ -	\$ (2,033,445)	\$ -
Construction in progress	<u>447,269</u>	<u>-</u>	<u>-</u>	<u>447,269</u>
Total capital assets, not being depreciated	<u>2,480,714</u>	<u>-</u>	<u>(2,033,445)</u>	<u>447,269</u>
Capital assets, being depreciated:				
Improvements other than buildings	27,274	-	-	27,274
Infrastructure	<u>3,066,934</u>	<u>-</u>	<u>-</u>	<u>3,066,934</u>
Total capital assets, being depreciated	<u>3,094,208</u>	<u>-</u>	<u>-</u>	<u>3,094,208</u>
Less accumulated depreciation for:				
Improvements other than buildings	(9,243)	(1,818)	-	(11,061)
Infrastructure	<u>(111,778)</u>	<u>(122,678)</u>	<u>-</u>	<u>(234,456)</u>
Total accumulated depreciation	<u>(121,021)</u>	<u>(124,496)</u>	<u>-</u>	<u>(245,517)</u>
Total capital assets, being depreciated, net	<u>2,973,187</u>	<u>(124,496)</u>	<u>-</u>	<u>2,848,691</u>
Total capital assets, net	<u>\$ 5,453,901</u>	<u>\$ (124,496)</u>	<u>\$ (2,033,445)</u>	<u>\$ 3,295,960</u>

The deletion of \$2,033,445 relates to the transfer of capital assets from the successor agency to the City. See Note 11 for additional information.

Depreciation expense was charged to community development in the Successor Agency.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

12. SUCCESSOR AGENCY DISCLOSURES, Continued

Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2014 was as follows:

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2014</u>	Due Within <u>One Year</u>
2007 Tax Allocation Bonds	\$ 12,170,000	\$ -	\$ (175,000)	\$ 11,995,000	\$ 195,000
Less: Issuance discounts	(239,756)	-	8,150	(231,606)	-
2009 Housing Tax Allocation Bonds	<u>3,365,000</u>	-	<u>(25,000)</u>	<u>3,340,000</u>	<u>25,000</u>
Total long-term debt	<u>\$ 15,295,244</u>	<u>\$ -</u>	<u>\$ (191,850)</u>	<u>\$ 15,103,394</u>	<u>\$ 220,000</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. \$854,557 is maintained in a reserve account that meets conditions as set forth in the Bond Indenture. The principal balance outstanding at June 30, 2014 was \$11,995,000.

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2014 was \$231,606.

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 \$23,832,433. Principal and interest paid for the current year was \$839,685.

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	240,000	614,555	854,555
2020 - 2024	1,380,000	2,872,798	4,252,798
2025 - 2029	1,800,000	2,455,625	4,255,625
2030 - 2034	2,355,000	1,899,795	4,254,795
2035 - 2039	3,085,000	1,169,305	4,254,305
2040 - 2042	<u>2,295,000</u>	<u>259,230</u>	<u>2,554,230</u>
Totals	<u>\$ 11,995,000</u>	<u>\$ 11,837,433</u>	<u>\$ 23,832,433</u>

See independent auditors' report.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

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%. \$289,848 is maintained in a reserve account that meets conditions as set forth in the Bond Indenture. The balance outstanding at June 30, 2014 was \$3,340,000.

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 \$9,069,570. Principal and interest paid for the current year was \$284,105.

The annual requirements to amortize the 2009 Housing Tax Allocation Bonds outstanding at June 30, 2014, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	35,000	247,940	282,940
2020 - 2024	225,000	1,193,885	1,418,885
2025 - 2029	325,000	1,093,400	1,418,400
2030 - 2034	470,000	947,870	1,417,870
2035 - 2039	675,000	737,275	1,412,275
2040 - 2044	980,000	433,510	1,413,510
2045 - 2046	510,000	59,675	569,675
Totals	<u>\$ 3,340,000</u>	<u>\$ 5,729,570</u>	<u>\$ 9,069,570</u>

Rebatable Arbitrage

The Successor Agency is obligated to calculate arbitrage rebates on all tax allocation bonds. At June 30, 2014, there was no rebatable arbitrage liability.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2014

13. RESTATEMENT OF NET POSITION

Net position for the governmental activities as of July 1, 2013 was restated as follows:

Net position as previously reported as of June 30, 2013	\$ 17,975,970
Decrease in net position to remove revenue recognized in prior years that is unearned	<u>(57,723)</u>
Net position as restated July 1, 2013	<u>\$ 17,918,247</u>

Net position for the Successor Agency as of July 1, 2013 was restated as follows:

Net position as previously reported as of June 30, 2013	\$ (1,611,511)
Increase in net position to correct amounts expensed twice	<u>99,258</u>
Net position as restated July 1, 2013	<u>\$ (1,512,253)</u>

14. 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, 2014, 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.

15. SUBSEQUENT EVENTS

Events occurring after June 30, 2014 have been evaluated for possible adjustments to the financial statements or disclosure as of December 18, 2014, which is the date these financial statements were available to be issued.

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION

City of Artesia
Schedule of Funding Progress
For the year ended June 30, 2014

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%

See independent auditors' report.

City of Artesia
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 3,487,178	\$ 3,487,178	\$ 3,487,178	\$ -
Resources (inflows):				
Taxes	4,971,000	4,971,000	5,165,427	194,427
Licenses and permits	296,500	296,500	372,566	76,066
Intergovernmental	730,000	730,000	830,564	100,564
Charges for services	1,031,607	1,031,607	1,071,276	39,669
Use of money and property	259,190	259,190	260,362	1,172
Fines and forfeitures	311,000	311,000	321,167	10,167
Developer fees	35,000	35,000	153,495	118,495
Other revenues	20,500	20,500	30,094	9,594
Reimbursement from successor agency	250,000	250,000	4,589,021	4,339,021
Transfers in	91,784	91,784	161,984	70,200
Amount available for appropriation	<u>7,996,581</u>	<u>7,996,581</u>	<u>12,955,956</u>	<u>4,959,375</u>
Charges to appropriations (outflows):				
General government:				
City council	68,568	68,568	54,093	14,475
City attorney	304,044	304,044	319,096	(15,052)
City manager	135,294	135,294	107,099	28,195
General operations	2,477,248	2,477,248	2,128,098	349,150
Personnel/risk management	97,316	97,316	58,733	38,583
Business license	6,900	6,900	4,494	2,406
City Clerk/Treasurer	142,900	142,900	106,913	35,987
Finance	208,234	208,234	145,564	62,670
Total general government	<u>3,440,504</u>	<u>3,440,504</u>	<u>2,924,090</u>	<u>516,414</u>
Public safety	<u>2,976,760</u>	<u>2,976,760</u>	<u>2,908,594</u>	<u>68,166</u>
Parks and recreation:				
Community promotion	63,200	63,200	71,919	(8,719)
Parks/recreation	556,012	556,012	566,308	(10,296)
Park commission	225	225	-	225
Summer lunch	-	-	11,219	(11,219)
Total parks and recreation	<u>619,437</u>	<u>619,437</u>	<u>649,446</u>	<u>(30,009)</u>
Public works:				
Building and safety	282,000	282,000	233,657	48,343
Public works	427,775	427,775	397,809	29,966
Beautification commission	675	675	300	375
City engineer	14,780	14,780	497	14,283
Total public works	<u>725,230</u>	<u>725,230</u>	<u>632,263</u>	<u>92,967</u>

See independent auditors' report and note to required supplementary information

City of Artesia
Budgetary Comparison Schedule
General Fund (Continued)
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Charges to appropriations (outflows) (continued):				
Community development:				
Planning	\$ 185,097	\$ 185,097	\$ 171,328	\$ 13,769
Planning commission	4,500	4,500	2,874	1,626
Total community development	<u>189,597</u>	<u>189,597</u>	<u>174,202</u>	<u>15,395</u>
Capital outlay	-	-	482,067	(482,067)
Transfers out	-	-	26,533	(26,533)
Total charges to appropriations	<u>7,951,528</u>	<u>7,951,528</u>	<u>7,797,195</u>	<u>154,333</u>
Excess of resources over charges to appropriations	<u>45,053</u>	<u>45,053</u>	<u>5,158,761</u>	<u>5,113,708</u>
Fund balance, June 30	<u>\$ 3,532,231</u>	<u>\$ 3,532,231</u>	<u>\$ 8,645,939</u>	<u>\$ 5,113,708</u>

See independent auditors' report and note to required supplementary information

City of Artesia
Budgetary Comparison Schedule
Safe Route to School Special Revenue Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (230,790)	\$ (230,790)	\$ (230,790)	\$ -
Resources (inflows):				
Intergovernmental	291,321	291,321	39,210	(252,111)
Transfers in	39,000	39,000	-	(39,000)
Amount available for appropriation	330,321	330,321	39,210	(291,111)
Charges to appropriations (outflows):				
Capital outlay	330,321	330,321	177,113	153,208
Total charges to appropriations	330,321	330,321	177,113	153,208
Excess of resources over (under) charges to appropriations	-	-	(137,903)	(137,903)
Fund balance (deficit), June 30	\$ (230,790)	\$ (230,790)	\$ (368,693)	\$ (137,903)

City of Artesia
Budgetary Comparison Schedule
LACMTA Special Revenue Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (3,283)	\$ (3,283)	\$ (3,283)	\$ -
Resources (inflows):				
Intergovernmental	906,836	906,836	601,664	(305,172)
Transfers in	242,750	242,750	183,136	(59,614)
Amount available for appropriation	1,149,586	1,149,586	784,800	(364,786)
Charges to appropriations (outflows):				
Capital outlay	1,149,586	1,149,586	940,477	209,109
Total charges to appropriations	1,149,586	1,149,586	940,477	209,109
Excess of resources over (under) charges to appropriations	-	-	(155,677)	(155,677)
Fund balance (deficit), June 30	\$ (3,283)	\$ (3,283)	\$ (158,960)	\$ (155,677)

See independent auditors' report and note to required supplementary information

City of Artesia
Note to Required Supplementary Information
For the year ended June 30, 2014

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) MAP 21 Exchange, (c) Hi-Tech Grant, or (d) Sheriff.

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SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State Gas Tax - 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.

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.

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.

Hazard and Litigation - 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.

Community Development Block Grant - To account for revenues and expenditures under the U.S. Department of Housing and Urban Development's Community Development Block Grant (CDBG) Program.

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)

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.

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.

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, 2014**

	Special Revenue Funds			
	State Gas Tax	Parks and Recreation Grants	Federal STP-L	Proposition A
ASSETS				
Cash and investments	\$ 795,619	\$ -	\$ 58,458	\$ 365,651
Receivables:				
Accounts	57,253	-	-	1,114
Loan	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	8,800	-	-
Total assets	\$ 852,872	\$ 8,800	\$ 58,458	\$ 366,765
LIABILITIES, DEFERERED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 127,189	\$ -	\$ -	\$ 13,547
Accrued liabilities	415	-	-	343
Unearned revenues	-	-	-	-
Deposit payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	127,604	-	-	13,890
Deferred Inflows of Resources:				
Unavailable revenues	-	8,800	-	-
Fund Balances (Deficit):				
Restricted for:				
Street projects	725,268	-	58,458	-
Transportation projects	-	-	-	352,875
Housing projects	-	-	-	-
Air quality projects	-	-	-	-
Public safety	-	-	-	-
Assigned to:				
Other capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	725,268	-	58,458	352,875
Total liabilities, deferred inflows of resources and fund balances	\$ 852,872	\$ 8,800	\$ 58,458	\$ 366,765

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Air Quality	Bicycle/ Pedestrian	California Beverage Recycling	Artesia Lighting District	Hazard and Litigation	Community Development Block Grant
\$ 125,991	\$ 94,623	\$ -	\$ 26,329	\$ -	\$ -	\$ -
-	5,374	-	-	2,373	-	-
-	-	-	-	-	-	-
-	-	-	-	-	98,746	31,762
<u>\$ 125,991</u>	<u>\$ 99,997</u>	<u>\$ -</u>	<u>\$ 26,329</u>	<u>\$ 2,373</u>	<u>\$ 98,746</u>	<u>\$ 31,762</u>
\$ 4,159	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ 22,064
136	-	-	-	-	-	332
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	2,373	83,946	9,366
<u>4,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,373</u>	<u>98,946</u>	<u>31,762</u>
-	-	-	-	-	86,636	-
-	-	-	-	-	-	-
121,696	-	-	-	-	-	-
-	-	-	-	-	-	-
-	99,997	-	26,329	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(86,836)	-
<u>121,696</u>	<u>99,997</u>	<u>-</u>	<u>26,329</u>	<u>-</u>	<u>(86,836)</u>	<u>-</u>
<u>\$ 125,991</u>	<u>\$ 99,997</u>	<u>\$ -</u>	<u>\$ 26,329</u>	<u>\$ 2,373</u>	<u>\$ 98,746</u>	<u>\$ 31,762</u>

(Continued)

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2014

	Special Revenue Funds (Continued)			
	Billboard	MAP 21 Exchange	Hi-Tech Grant	Sheriff
ASSETS				
Cash and investments	\$ -	\$ 55,918	\$ 290	\$ 266
Receivables:				
Accounts	-	-	-	-
Loan	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ -	\$ 55,918	\$ 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 (Deficit):				
Restricted for:				
Street projects	-	-	-	-
Transportation projects	-	55,918	-	-
Housing projects	-	-	-	-
Air quality projects	-	-	-	-
Public safety	-	-	290	266
Assigned to:				
Other capital projects	-	-	-	-
Unassigned	-	-	-	-
Total fund balances (deficit)	-	55,918	290	266
Total liabilities, deferred inflows of resources and fund balances	\$ -	\$ 55,918	\$ 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	Capital Projects	
\$ -	\$ 245,830	\$ 218,257	\$ 87,916	\$ 285,546	\$ 2,360,694
-	-	-	2,400	10,091	78,605
-	-	-	-	54,253	54,253
-	-	-	-	-	-
-	-	-	-	-	139,308
<u>\$ -</u>	<u>\$ 245,830</u>	<u>\$ 218,257</u>	<u>\$ 90,316</u>	<u>\$ 349,890</u>	<u>\$ 2,632,860</u>
\$ -	\$ -	\$ -	\$ -	\$ 164,790	\$ 346,749
-	-	-	362	-	1,588
-	-	-	-	54,253	54,253
-	-	11,895	-	-	11,895
-	-	-	-	-	95,685
-	-	11,895	362	219,043	510,170
-	-	-	-	-	95,436
-	-	-	-	-	783,726
-	245,830	-	89,954	-	866,273
-	-	206,362	-	-	206,362
-	-	-	-	-	126,326
-	-	-	-	-	556
-	-	-	-	130,847	130,847
-	-	-	-	-	(86,836)
-	245,830	206,362	89,954	130,847	2,027,254
<u>\$ -</u>	<u>\$ 245,830</u>	<u>\$ 218,257</u>	<u>\$ 90,316</u>	<u>\$ 349,890</u>	<u>\$ 2,632,860</u>

City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2014

	Special Revenue Funds			
	State Gas Tax	Parks and Recreation Grants	Federal STP-L	Proposition A
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 283,106
Intergovernmental	551,756	14,988	-	6,104
Charges for services	-	-	-	-
Use of money and property	1,768	-	-	714
Other revenues	5,419	-	-	5,855
Total revenues	558,943	14,988	-	295,779
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	231,030
Public works	306,848	-	-	-
Community development	-	-	-	-
Capital outlay	113,903	-	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	420,751	-	-	231,030
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	138,192	14,988	-	64,749
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(158,782)	-	-	-
Total other financing sources (uses)	(158,782)	-	-	-
NET CHANGE IN FUND BALANCES	(20,590)	14,988	-	64,749
FUND BALANCES (DEFICITS):				
Beginning of year	745,858	(14,988)	58,458	288,126
End of year	<u>\$ 725,268</u>	<u>\$ -</u>	<u>\$ 58,458</u>	<u>\$ 352,875</u>

See independent auditors' report.

Special Revenue Funds (Continued)

Proposition C	Air Quality	Bicycle/ Pedestrian	California Beverage Recycling	Artesia Lighting District	Hazard and Litigation	Community Development Block Grant
\$ 235,141	\$ -	\$ -	\$ -	\$ 139,144	\$ -	\$ -
-	20,519	31,145	5,000	-	204,495	41,317
-	-	-	-	-	-	-
217	191	-	61	-	-	-
-	-	-	-	-	-	-
<u>235,358</u>	<u>20,710</u>	<u>31,145</u>	<u>5,061</u>	<u>139,144</u>	<u>204,495</u>	<u>41,317</u>
-	-	-	1,010	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	41,322
29,047	2,635	31,145	-	-	-	-
-	-	-	-	165,672	-	-
127,901	-	-	-	-	134,532	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>156,948</u>	<u>2,635</u>	<u>31,145</u>	<u>1,010</u>	<u>165,672</u>	<u>134,532</u>	<u>41,322</u>
<u>78,410</u>	<u>18,075</u>	<u>-</u>	<u>4,051</u>	<u>(26,528)</u>	<u>69,963</u>	<u>(5)</u>
-	-	-	-	26,528	3,000	5
<u>(24,354)</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(24,354)</u>	<u>(3,000)</u>	<u>-</u>	<u>-</u>	<u>26,528</u>	<u>3,000</u>	<u>5</u>
54,056	15,075	-	4,051	-	72,963	-
67,640	84,922	-	22,278	-	(159,799)	-
<u>\$ 121,696</u>	<u>\$ 99,997</u>	<u>\$ -</u>	<u>\$ 26,329</u>	<u>\$ -</u>	<u>\$ (86,836)</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, 2014

	Special Revenue Funds (Continued)			
	Billboard	MAP 21 Exchange	Hi-Tech Grant	Sheriff
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	60,000	-	-	-
Charges for services	-	-	-	-
Use of money and property	119	-	-	-
Other revenues	-	-	-	-
Total revenues	60,119	-	-	-
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Parks and recreation	-	-	-	-
Public works	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	29,365	-	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	29,365	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	60,119	(29,365)	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(61,585)	-	-	-
Total other financing sources (uses)	(61,585)	-	-	-
NET CHANGE IN FUND BALANCES	(1,466)	(29,365)	-	-
FUND BALANCES (DEFICITS):				
Beginning of year	1,466	85,283	290	266
End of year	\$ -	\$ 55,918	\$ 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	Capital Projects	
\$ -	\$ 175,251	\$ -	\$ -	\$ -	\$ 832,642
100,000	-	-	-	-	1,035,324
-	-	-	236,567	25,017	261,584
115	351	65,865	118	236	69,755
-	-	-	-	3,470	14,744
100,115	175,602	65,865	236,685	28,723	2,214,049
-	-	-	-	-	1,010
-	-	-	94,788	-	94,788
-	-	-	-	-	272,352
-	-	-	-	-	369,675
-	-	37,607	-	-	203,279
-	-	-	-	-	405,701
-	-	-	43,493	-	43,493
-	-	-	16,870	-	16,870
-	-	37,607	155,151	-	1,407,168
100,115	175,602	28,258	81,534	28,723	806,881
-	-	-	-	-	29,533
(100,399)	-	-	-	-	(348,120)
(100,399)	-	-	-	-	(318,587)
(284)	175,602	28,258	81,534	28,723	488,294
284	70,228	178,104	8,420	102,124	1,538,960
\$ -	\$ 245,830	\$ 206,362	\$ 89,954	\$ 130,847	\$ 2,027,254

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
State Gas Tax Special Revenue Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 745,858	\$ 745,858	\$ 745,858	\$ -
Resources (inflows):				
Intergovernmental	448,358	448,358	551,756	103,398
Use of money and property	1,000	1,000	1,768	768
Other revenues	5,000	5,000	5,419	419
Amount available for appropriation	454,358	454,358	558,943	104,585
Charges to appropriations (outflows):				
Current:				
Public works	427,497	427,497	306,848	120,649
Capital outlay	15,000	15,000	113,903	(98,903)
Transfers out	274,750	274,750	158,782	115,968
Total charges to appropriations	717,247	717,247	579,533	137,714
Excess of resources over (under) charges to appropriations	(262,889)	(262,889)	(20,590)	242,299
Fund balance, June 30	\$ 482,969	\$ 482,969	\$ 725,268	\$ 242,299

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (14,988)	\$ (14,988)	\$ (14,988)	\$ -
Resources (inflows):				
Intergovernmental	10,624	10,624	14,988	4,364
Amount available for appropriation	10,624	10,624	14,988	4,364
Charges to appropriations (outflows):				
Transfers out	10,624	10,624	-	10,624
Total charges to appropriations	10,624	10,624	-	10,624
Excess of resources over charges to appropriations	-	-	14,988	14,988
Fund balance (deficit), June 30	\$ (14,988)	\$ (14,988)	\$ -	\$ 14,988

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 288,126	\$ 288,126	\$ 288,126	\$ -
Resources (inflows):				
Taxes	242,000	242,000	283,106	41,106
Intergovernmental	6,500	6,500	6,104	(396)
Use of money and property	800	800	714	(86)
Other revenues	-	-	5,855	5,855
Amount available for appropriation	249,300	249,300	295,779	46,479
Charges to appropriations (outflows):				
Current:				
Parks and recreation	255,239	255,239	231,030	24,209
Total charges to appropriations	255,239	255,239	231,030	24,209
Excess of resources over (under) charges to appropriations	(5,939)	(5,939)	64,749	70,688
Fund balance, June 30	\$ 282,187	\$ 282,187	\$ 352,875	\$ 70,688

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 67,640	\$ 67,640	\$ 67,640	\$ -
Resources (inflows):				
Taxes	214,000	214,000	235,141	21,141
Use of money and property	300	300	217	(83)
Amount available for appropriation	214,300	214,300	235,358	21,058
Charges to appropriations (outflows):				
Current:				
Public works	42,640	42,640	29,047	13,593
Capital outlay	110,000	110,000	127,901	(17,901)
Transfers out	49,000	49,000	24,354	24,646
Total charges to appropriations	201,640	201,640	181,302	20,338
Excess of resources over charges to appropriations	12,660	12,660	54,056	41,396
Fund balance, June 30	\$ 80,300	\$ 80,300	\$ 121,696	\$ 41,396

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 84,922	\$ 84,922	\$ 84,922	\$ -
Resources (inflows):				
Intergovernmental	19,000	19,000	20,519	1,519
Use of money and property	300	300	191	(109)
Amount available for appropriation	19,300	19,300	20,710	1,410
Charges to appropriations (outflows):				
Current:				
Public works	9,500	9,500	2,635	6,865
Transfers out	-	-	3,000	(3,000)
Total charges to appropriations	9,500	9,500	5,635	3,865
Excess of resources over charges to appropriations	9,800	9,800	15,075	5,275
Fund balance, June 30	\$ 94,722	\$ 94,722	\$ 99,997	\$ 5,275

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	10,000	10,000	31,145	21,145
Amount available for appropriation	10,000	10,000	31,145	21,145
Charges to appropriations (outflows):				
Current:				
Public works	-	-	31,145	(31,145)
Total charges to appropriations	-	-	31,145	(31,145)
Excess of resources over (under) charges to appropriations	10,000	10,000	-	(10,000)
Fund balance, June 30	\$ 10,000	\$ 10,000	\$ -	\$ (10,000)

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 22,278	\$ 22,278	\$ 22,278	\$ -
Resources (inflows):				
Intergovernmental	-	-	5,000	5,000
Use of money and property	100	100	61	(39)
Amount available for appropriation	100	100	5,061	4,961
Charges to appropriations (outflows):				
Current:				
General government	-	-	1,010	(1,010)
Total charges to appropriations	-	-	1,010	(1,010)
Excess of resources over charges to appropriations	100	100	4,051	3,951
Fund balance, June 30	\$ 22,378	\$ 22,378	\$ 26,329	\$ 3,951

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	138,161	138,161	139,144	983
Transfers in	35,439	35,439	26,528	(8,911)
Amount available for appropriation	173,600	173,600	165,672	(7,928)
Charges to appropriations (outflows):				
Current:				
Community development	173,600	173,600	165,672	7,928
Total charges to appropriations	173,600	173,600	165,672	7,928
Excess of resources over charges to appropriations	-	-	-	-
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Hazard and Litigation Special Revenue Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (159,799)	\$ (159,799)	\$ (159,799)	\$ -
Resources (inflows):				
Intergovernmental	860,661	860,661	204,495	(656,166)
Transfers in	84,000	84,000	3,000	(81,000)
Amount available for appropriation	944,661	944,661	207,495	(737,166)
Charges to appropriations (outflows):				
Capital outlay	944,661	944,661	134,532	810,129
Total charges to appropriations	944,661	944,661	134,532	810,129
Excess of resources over charges to appropriations	-	-	72,963	72,963
Fund balance (deficit), June 30	\$ (159,799)	\$ (159,799)	\$ (86,836)	\$ 72,963

See independent auditors' report.

City of Artesia
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Community Development Block Grant Special Revenue Fund
For the year ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	110,972	110,972	41,317	(69,655)
Transfers in	-	-	5	5
Amount available for appropriation	110,972	110,972	41,322	(69,650)
Charges to appropriations (outflows):				
Current:				
Parks and recreation	58,742	58,742	41,322	17,420
Capital outlay	52,230	52,230	-	52,230
Total charges to appropriations	110,972	110,972	41,322	69,650
Excess of resources over charges to appropriations	-	-	-	-
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,466	\$ 1,466	\$ 1,466	\$ -
Resources (inflows):				
Intergovernmental	80,160	80,160	60,000	(20,160)
Use of money and property	-	-	119	119
Amount available for appropriation	80,160	80,160	60,119	(20,041)
Charges to appropriations (outflows):				
Transfers out	80,160	80,160	61,585	18,575
Total charges to appropriations	80,160	80,160	61,585	18,575
Excess of resources over (under) charges to appropriations	-	-	(1,466)	(1,466)
Fund balance, June 30	\$ 1,466	\$ 1,466	\$ -	\$ (1,466)

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 284	\$ 284	\$ 284	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	115	115
Amount available for appropriation	100,000	100,000	100,115	115
Charges to appropriations (outflows):				
Current:				
Public safety	100,000	100,000	-	100,000
Transfers out	-	-	100,399	(100,399)
Total charges to appropriations	100,000	100,000	100,399	(399)
Excess of resources over (under) charges to appropriations	-	-	(284)	(284)
Fund balance, June 30	\$ 284	\$ 284	\$ -	\$ (284)

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 70,228	\$ 70,228	\$ 70,228	\$ -
Resources (inflows):				
Taxes	150,000	150,000	175,251	25,251
Use of money and property	-	-	351	351
Amount available for appropriation	150,000	150,000	175,602	25,602
Charges to appropriations (outflows):				
Current:				
Public works	15,000	15,000	-	15,000
Total charges to appropriations	15,000	15,000	-	15,000
Excess of resources over charges to appropriations	135,000	135,000	175,602	40,602
Fund balance, June 30	\$ 205,228	\$ 205,228	\$ 245,830	\$ 40,602

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 178,104	\$ 178,104	\$ 178,104	\$ -
Resources (inflows):				
Use of money and property	86,270	86,270	65,865	(20,405)
Amount available for appropriation	86,270	86,270	65,865	(20,405)
Charges to appropriations (outflows):				
Current:				
Community development	92,500	92,500	37,607	54,893
Total charges to appropriations	92,500	92,500	37,607	54,893
Excess of resources over (under) charges to appropriations	(6,230)	(6,230)	28,258	34,488
Fund balance, June 30	\$ 171,874	\$ 171,874	\$ 206,362	\$ 34,488

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 8,420	\$ 8,420	\$ 8,420	\$ -
Resources (inflows):				
Charges for services	156,000	156,000	236,567	80,567
Use of money and property	-	-	118	118
Amount available for appropriation	156,000	156,000	236,685	80,685
Charges to appropriations (outflows):				
Current:				
Public safety	141,656	141,656	94,788	46,868
Debt service:				
Principal retirement	-	-	43,493	(43,493)
Interest and fiscal charges	-	-	16,870	(16,870)
Total charges to appropriations	141,656	141,656	155,151	(13,495)
Excess of resources over charges to appropriations	14,344	14,344	81,534	67,190
Fund balance, June 30	\$ 22,764	\$ 22,764	\$ 89,954	\$ 67,190

See independent auditors' report.

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 102,124	\$ 102,124	\$ 102,124	\$ -
Resources (inflows):				
Charges for services	16,000	16,000	25,017	9,017
Use of money and property	600	600	236	(364)
Other revenues	34,691	3,470	3,470	-
Amount available for appropriation	51,291	20,070	28,723	8,653
Fund balance, June 30	\$ 153,415	\$ 122,194	\$ 130,847	\$ 8,653

See independent auditors' report.

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AGENCY FUNDS

Agency funds are used to account for assets held by the City as trustee or agent for individuals, private organizations, or other governmental units or funds.

Trust and Agency - To account for funds collected and disbursed by the City for various programs.

George Nelson Memorial - To account for funds collected and disbursed by the City on behalf of the family of George Nelson for parks and recreation programs.

Senior Citizens - To account for funds collected and disbursed by the City on behalf of the Senior Citizen activities and programs.

City of Artesia
Combining Balance Sheet
All Agency Funds
June 30, 2014

	Trust and Agency	George Nelson Memorial	Senior Citizens	Total
ASSETS				
Cash and investments	\$ 223,398	\$ 2,425	\$ 5,848	\$ 231,671
Accounts receivable	20,251	-	-	20,251
Total assets	\$ 243,649	\$ 2,425	\$ 5,848	\$ 251,922
LIABILITIES				
Accounts payable	\$ 11,634	\$ -	\$ -	\$ 11,634
Deposits payable	232,015	2,425	5,848	240,288
Total liabilities	\$ 243,649	\$ 2,425	\$ 5,848	\$ 251,922

See independent auditors' report.

City of Artesia
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
June 30, 2014

	Balance July 1, 2013	Addition	Deductions	Balance June 30, 2014
Trust and Agency				
Assets:				
Cash and investments	\$ 227,862	\$ 202,164	\$ 206,628	\$ 223,398
Accounts receivable	12,704	20,251	12,704	20,251
Total assets	\$ 240,566	\$ 222,415	\$ 219,332	\$ 243,649
Liabilities:				
Account payable	\$ -	\$ 11,634	\$ -	11,634
Deposits payable	240,566	210,781	219,332	232,015
Total liabilities	\$ 240,566	\$ 222,415	\$ 219,332	\$ 243,649
George Nelson Memorial				
Assets:				
Cash and investments	\$ 2,420	\$ 5	\$ -	\$ 2,425
Liabilities:				
Deposits payable	\$ 2,420	\$ 5	\$ -	\$ 2,425
Senior Citizens				
Assets:				
Cash and investments	\$ 5,835	\$ 13	\$ -	\$ 5,848
Liabilities:				
Deposits payable	\$ 5,835	\$ 13	\$ -	\$ 5,848
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 236,117	\$ 202,182	\$ 206,628	\$ 231,671
Accounts receivable	12,704	20,251	12,704	20,251
Total assets	\$ 248,821	\$ 222,433	\$ 219,332	\$ 251,922
Liabilities:				
Account payable	\$ -	\$ 11,634	\$ -	\$ 11,634
Deposits payable	248,821	210,799	219,332	240,288
Total liabilities	\$ 248,821	\$ 222,433	\$ 219,332	\$ 251,922

See independent auditors' report.

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**STATISTICAL SECTION
(UNAUDITED)**

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

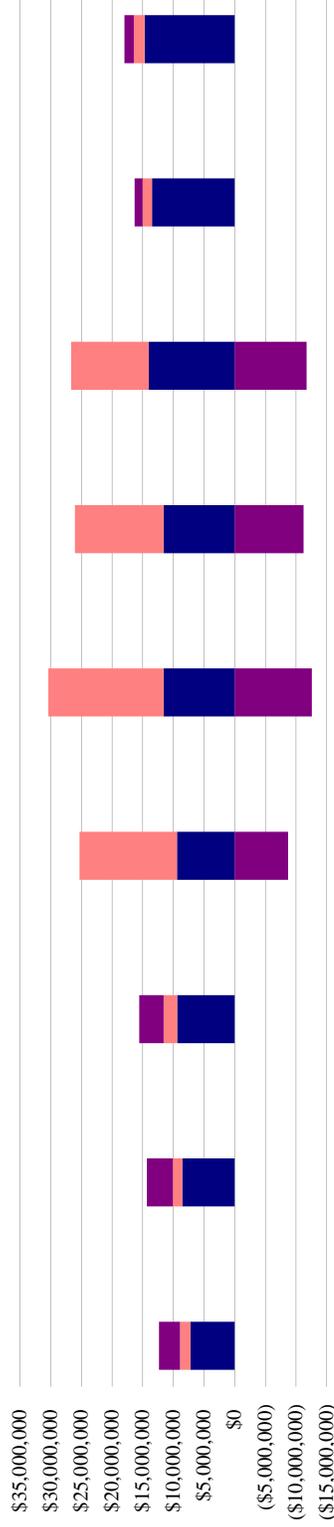
June 30, 2014

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

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	104
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.	111
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	116
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	120
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	122

CITY OF ARTESIA, CALIFORNIA
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	\$ 7,192,763	\$ 8,555,609	\$ 9,392,900	\$ 9,405,627	\$ 11,602,115	\$ 11,602,115	\$ 14,003,705	\$ 13,497,818	\$ 14,667,103	\$ 18,001,637
Restricted	1,713,128	1,530,057	2,190,195	15,893,661	17,299,374	14,442,020	12,665,250	1,527,135	1,786,459	2,122,890
Unrestricted	3,443,424	4,228,502	3,990,348	(8,703,573)	(12,585,463)	(11,221,344)	(11,720,634)	1,287,475	1,522,408	6,351,742
Total governmental activities net position	\$ 12,349,315	\$ 14,314,168	\$ 15,573,443	\$ 16,595,715	\$ 16,316,026	\$ 14,822,791	\$ 14,948,321	\$ 16,312,428	\$ 17,975,970	\$ 26,476,269



■ Total invested in capital assets, net of related debt ■ Total net position-restricted ■ Total net position-unrestricted

CITY OF ARTESIA, CALIFORNIA
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

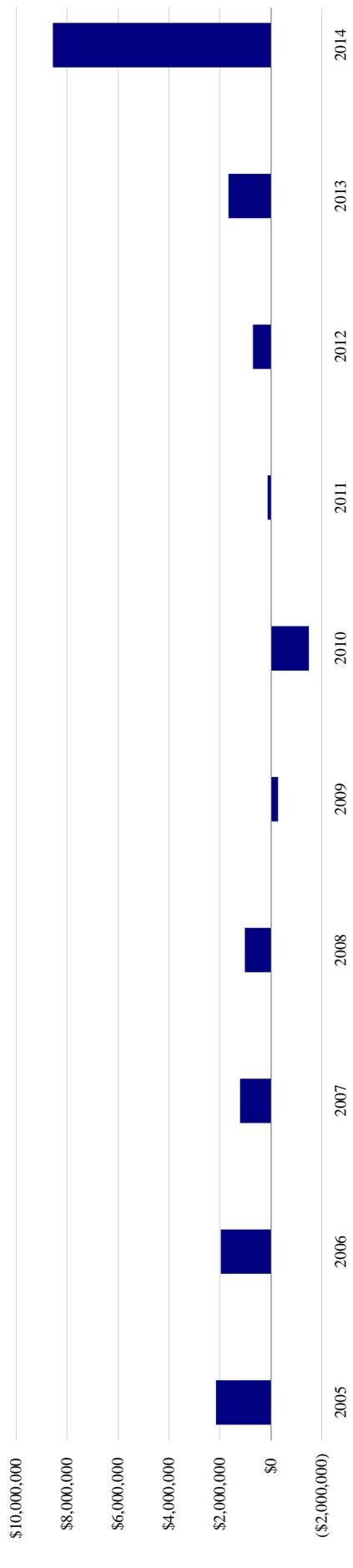
	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 3,549,426	\$ 3,726,949	\$ 5,342,122	\$ 4,724,668	\$ 5,797,704	\$ 4,050,337	\$ 3,537,799	\$ 3,459,101	\$ 3,447,935	\$ 3,321,825
Public safety	2,468,390	3,344,569	2,809,851	3,146,086	2,850,309	2,879,604	3,014,888	2,818,829	3,022,296	3,037,611
Parks and recreation	559,548	570,512	666,634	796,500	805,921	909,739	602,972	683,811	766,838	1,068,250
Public works	1,299,008	1,913,880	1,470,257	1,538,625	1,409,739	1,751,221	1,612,767	1,733,632	1,628,867	1,437,666
Community development	-	-	-	-	-	1,426,233	1,046,512	604,593	328,021	377,481
Interest on long-term debt	-	-	-	374,052	669,289	963,554	975,191	563,629	4,587	16,870
Total governmental activities expenses	7,876,372	9,555,910	10,288,864	10,579,931	11,532,962	11,980,688	10,790,129	9,863,595	9,198,544	9,259,703
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 775,649	\$ 837,134	\$ 1,029,639	\$ 880,156	\$ 451,247	\$ 407,894	\$ 345,978	\$ 415,865	\$ 349,938	\$ 494,057
Public safety	275,890	299,957	253,250	277,347	171,507	217,377	291,133	325,013	320,635	321,167
Parks and recreation	50,220	52,766	53,757	55,403	52,844	56,766	49,634	58,255	50,469	73,298
Public works	914,255	925,337	1,307,381	1,553,750	911,696	885,178	904,537	950,261	1,001,213	1,206,565
Operating grants and contributions	1,136,173	1,859,123	1,840,998	1,221,938	1,803,156	1,842,893	1,915,490	2,127,930	2,875,308	2,675,795
Capital grants and contributions	1,255,117	1,405,803	558,312	150,000	82,319	100,045	-	-	-	6,622,466
Total governmental activities program revenues	4,407,304	5,380,120	5,043,337	4,138,594	3,472,769	3,510,153	3,506,772	3,877,324	4,597,563	11,393,348
Net (expense) revenue	\$ (3,469,068)	\$ (4,175,790)	\$ (5,245,527)	\$ (6,441,337)	\$ (8,060,193)	\$ (8,470,535)	\$ (7,283,357)	\$ (5,986,271)	\$ (4,600,981)	\$ 2,133,645
Total net expense										
General revenues										
Taxes:										
Property taxes, levied for general purpose	\$ 706,730	\$ 2,073,764	\$ 2,470,134	\$ 3,331,870	\$ 3,472,131	\$ 2,961,284	\$ 3,033,627	\$ 2,345,984	\$ 1,601,017	\$ 1,645,258
Transient occupancy taxes	117,818	151,551	170,879	242,750	220,564	254,427	366,238	426,305	450,334	443,121
Sales taxes	2,482,017	2,733,703	2,487,945	2,638,215	2,160,945	2,113,871	2,437,291	2,557,794	2,729,358	2,938,867
Franchise taxes	256,958	275,860	305,178	310,621	343,716	349,210	373,187	369,695	369,843	390,601
Business license taxes	419,056	473,435	419,459	425,672	352,770	334,561	350,242	313,075	423,944	446,017
Other taxes	77,006	82,011	62,358	22,330	163,177	149,787	164,138	123,587	129,450	93,087
Motor vehicle in lieu, intergovernmental	1,363,535	121,351	132,470	76,534	113,801	133,338	167,967	-	-	-
Motor vehicle licence fee collection in excess	-	-	-	-	-	-	-	8,711	9,026	7,470
Use of money and property	96,216	172,662	268,061	385,527	857,948	560,596	445,762	481,177	336,232	335,972
Other	59,642	56,306	137,083	30,090	95,452	120,226	70,435	62,216	215,319	123,984
Gain/loss on sale of capital asset	43,875	-	-	-	-	-	-	-	-	-
Total governmental activities	5,622,853	6,140,643	6,453,567	7,463,609	7,780,504	6,977,300	7,408,887	6,688,544	6,264,523	6,424,377

(Continued)

CITY OF ARTESIA, CALIFORNIA
 Changes in Net Position
 Last Ten Fiscal Years
 (accrual basis of accounting)

(Continued)

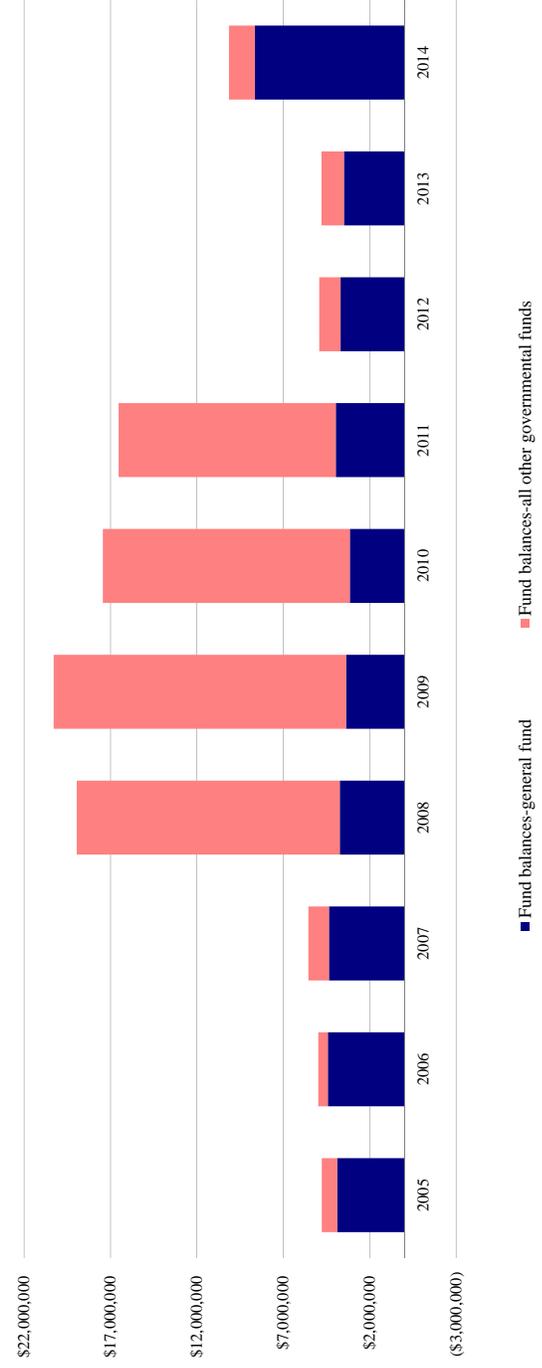
Change in net position	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total changes in net position	\$ 2,153,785	\$ 1,964,853	\$ 1,208,040	\$ 1,022,272	\$ (279,689)	\$ (1,493,235)	\$ 125,530	\$ 702,273	\$ 1,663,542	\$ 8,558,022



■ Change in net position-governmental activities

CITY OF ARTESIA, CALIFORNIA
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General fund										
Reserved	\$ 706,528	\$ 738,556	\$ 749,804	\$ 47,811	\$ 5,631	\$ 221,722				
Unreserved	-	-	-	-	3,367,203	2,930,021				
Undesignated	3,180,065	3,685,422	3,608,174	3,679,105						
Nonspendable							\$ 222,888	\$ 259,370	\$ 300,557	\$ 46,486
Restricted										
Committed							731,555	731,555	1,387,664	1,715,726
Assigned										
Unassigned							3,007,803	2,691,563	1,798,957	326,375
Total general fund	\$ 3,886,593	\$ 4,423,978	\$ 4,357,978	\$ 3,726,916	\$ 3,372,834	\$ 3,151,743	\$ 3,962,246	\$ 3,682,488	\$ 3,487,178	\$ 8,645,939
All other governmental funds										
Reserved	\$ 3,187	\$ -	\$ 3,447	\$ 78,520	\$ 71,603	\$ 68,133				
Designated				14,019,296	16,072,413	13,176,510				
Unreserved, reported in:										
Special revenue funds	741,644	763,892	810,259	1,520,599	777,509	938,097				
Capital projects funds	248,503	214,275	223,423	65,290	(4,618)	106,697				
Debt service funds	593,156	610,223	940,404							
Undesignated	(696,349)	(1,037,237)	(792,855)	(455,280)						
Nonspendable										
Restricted										
Assigned										
Unassigned										
Total all other governmental funds	\$ 890,141	\$ 551,153	\$ 1,184,678	\$ 15,228,425	\$ 16,916,907	\$ 14,289,437	\$ 12,564,622	\$ 1,235,367	\$ 1,304,887	\$ 1,499,601



CITY OF ARTESIA, CALIFORNIA
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 3,854,607	\$ 5,392,043	\$ 5,818,696	\$ 7,014,670	\$ 6,827,104	\$ 5,937,266	\$ 6,886,990	\$ 6,145,150	\$ 5,712,971	\$ 5,998,069
Licenses and permits	808,982	860,682	1,063,969	626,353	399,256	367,579	281,502	295,771	251,690	372,566
Intergovernmental	4,243,815	3,307,137	3,058,549	2,181,537	2,518,874	2,062,832	1,984,659	1,798,309	2,771,513	2,506,762
Charges for services	745,091	818,751	845,470	869,605	916,007	1,447,286	997,527	1,081,477	1,107,860	1,332,860
Use of money and property	292,700	369,739	466,770	584,263	859,332	559,599	442,290	481,176	326,205	330,117
Fines and forfeitures	278,079	304,783	254,585	278,282	171,507	217,377	291,133	324,477	318,726	321,167
Developer fees	30,400	36,535	31,080	20,935	25,300	22,894	36,475	47,668	42,539	153,495
Other	107,179	28,662	63,413	15,657	94,068	51,770	68,609	62,218	220,730	44,838
Reimbursement from successor agency	-	-	-	-	-	-	-	-	-	4,589,021
Total revenues	10,360,853	11,118,332	11,602,532	11,591,302	11,811,448	10,666,603	10,989,185	10,236,246	10,752,234	15,648,895
Expenditures										
General government	3,402,750	3,858,367	5,212,203	4,682,052	5,735,056	3,164,370	3,086,581	3,166,438	4,081,505	2,925,100
Public safety	2,460,497	3,337,825	2,786,590	3,006,707	2,840,676	2,779,739	2,807,775	2,841,115	2,989,477	3,003,382
Parks and recreation	511,958	570,264	601,916	708,763	722,428	722,803	530,390	527,010	610,943	921,798
Public works	1,200,325	1,743,681	1,229,606	1,316,719	531,454	1,185,020	1,008,256	945,914	1,234,983	1,001,938
Community development	-	-	-	-	-	1,424,415	1,044,694	603,533	328,021	377,481
Capital outlay	2,059,483	1,409,798	1,204,692	484,645	3,202,192	3,081,869	2,214,601	3,430,731	1,618,131	2,005,358
Debt service:										
Principal	-	-	-	-	115,000	160,000	270,000	-	10,377	43,493
Interest and fiscal charges	-	-	-	312,224	698,140	939,206	952,700	473,993	4,587	16,870
Cost of issuance	-	-	-	302,243	102,102	57,742	-	-	-	-
Total expenditures	9,635,013	10,919,935	11,035,007	10,813,353	13,947,048	13,515,164	11,914,997	11,988,734	10,878,024	10,295,420
Excess of revenues over (under) expenditures	725,840	198,397	567,525	777,949	(2,135,600)	(2,848,561)	(925,812)	(1,752,488)	(125,790)	5,353,475

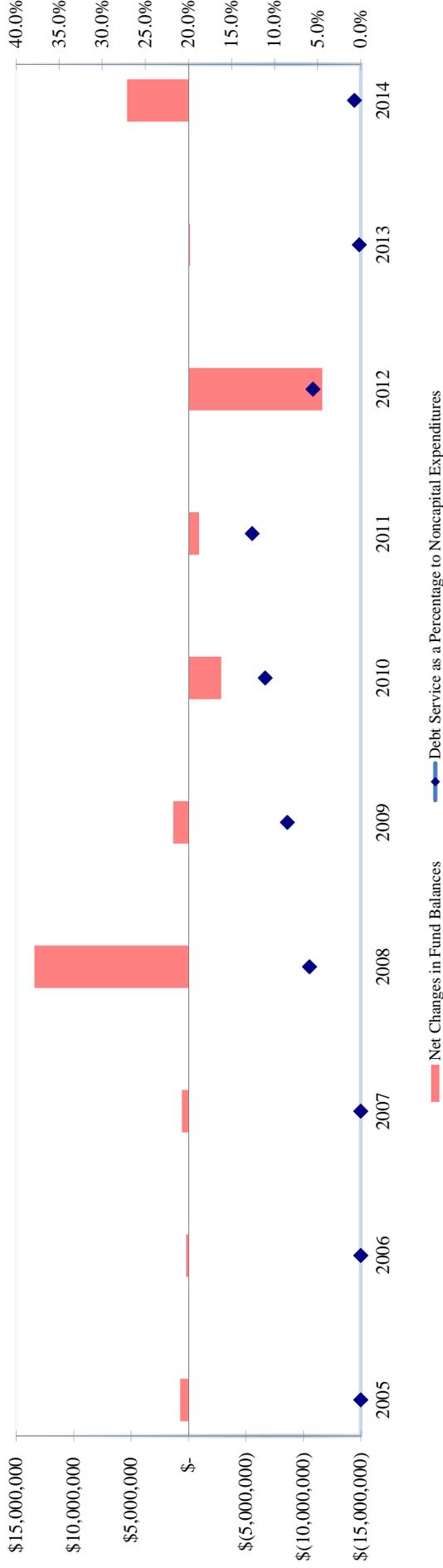
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CITY OF ARTESIA, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(Continued)

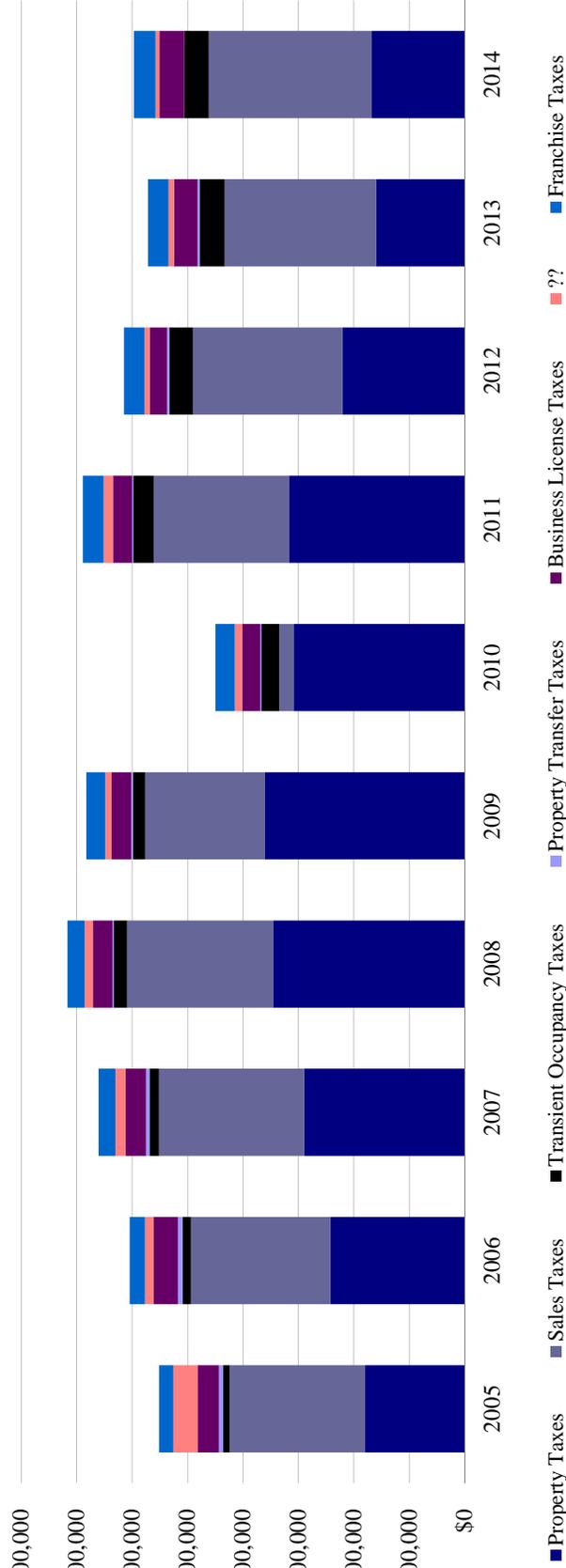
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other financing sources (uses)										
Transfers in	\$ 317,495	\$ 967,383	\$ 603,715	\$ 7,744,965	\$ 3,253,354	\$ 493,638	\$ 245,413	\$ 319,011	\$ 133,295	\$ 375,643
Transfers out	(317,495)	(967,383)	(603,715)	(7,744,965)	(3,253,354)	(493,638)	(245,413)	(319,011)	(133,295)	(375,643)
Bond discount	-	-	-	(285,264)	-	-	-	-	-	-
Long-term debt issued	-	-	-	12,920,000	3,470,000	-	-	-	-	-
Total other financing sources (uses)	-	-	-	12,634,736	3,470,000	-	-	-	-	-
Extraordinary loss from dissolution of Redevelopment Agency	-	-	-	-	-	-	-	(9,896,525)	-	-
Net changes in fund balances	\$ 725,840	\$ 198,397	\$ 567,525	\$ 13,412,685	\$ 1,334,400	\$ (2,848,561)	\$ (925,812)	\$ (11,649,013)	\$ (125,790)	\$ 5,353,475

Debt service as a percentage of noncapital expenditures



CITY OF ARTESIA, CALIFORNIA
 General Governmental Tax Revenues by Source
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

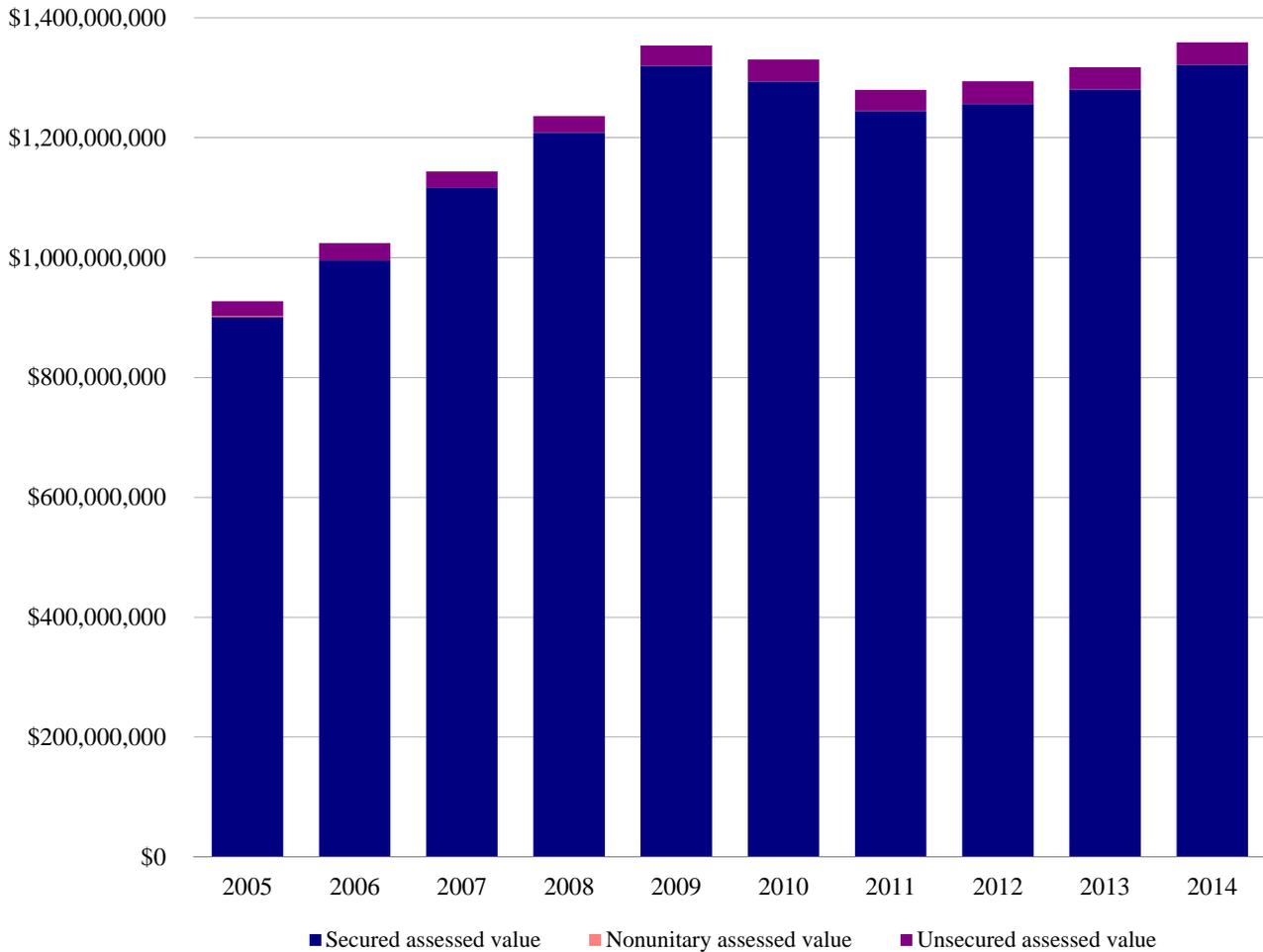
Fiscal Year	Property Taxes ⁽¹⁾		Sales Taxes		Transient Occupancy Taxes		Property Transfer Taxes		Business License Taxes		Measure V?? MVLF??		Franchise Taxes		Total
	Property Taxes	Other	Sales Taxes	Other	Transient Occupancy Taxes	Other	Property Transfer Taxes	Other	Business License Taxes	Other	Measure V??	MVLF??	Franchise Taxes	Other	
2005	1,797,109	1,678,906	2,443,533	2,729,358	117,818	443,121	77,006	29,529	380,365	446,017	442,530	71,028	256,958	390,601	5,515,319
2006	2,423,676	1,601,017	2,515,872	2,729,358	151,551	450,334	82,011	39,475	436,819	423,944	157,967	99,000	275,860	369,843	6,043,756
2007	2,900,972	1,797,109	2,614,386	2,729,358	170,879	443,121	62,358	29,529	370,781	446,017	181,147	71,028	305,178	390,601	6,605,701
2008	3,459,843	1,797,109	2,629,835	2,729,358	242,750	450,334	22,330	39,475	349,291	423,944	152,915	99,000	310,621	369,843	7,167,585
2009	3,603,729	1,797,109	2,160,945	2,729,358	220,564	443,121	31,579	29,529	352,770	446,017	113,801	71,028	343,716	390,601	6,827,104
2010	3,089,608	1,797,109	2,113,871	2,729,358	254,427	443,121	21,462	29,529	324,561	446,017	133,338	71,028	349,210	390,601	6,286,477
2011	3,173,925	1,797,109	2,437,291	2,729,358	366,238	443,121	23,840	29,529	344,542	446,017	167,967	71,028	373,187	390,601	6,886,990
2012	2,208,761	1,797,109	2,695,017	2,729,358	426,305	450,334	37,623	39,475	313,075	423,944	94,673	99,000	369,695	369,843	6,145,149
2013	1,601,017	1,797,109	2,729,358	2,729,358	450,334	443,121	39,475	29,529	423,944	446,017	99,000	71,028	369,843	390,601	5,712,971
2014	1,678,906	1,797,109	2,938,867	2,729,358	443,121	443,121	29,529	29,529	446,017	446,017	71,028	71,028	390,601	390,601	5,998,069



⁽¹⁾ Includes both City property tax and Redevelopment Agency tax allocations up to 2012. Property tax in-lieu motor vehicle licenses are not included in amounts prior to fiscal year 2006.

CITY OF ARTESIA, CALIFORNIA
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Assessed Value ⁽¹⁾				Total Effective Rate (2)
	Secured	Nonunitary	Unsecured	Total	
2005	901,770,502	632,171	25,049,958	927,452,631	1.4429%
2006	995,737,863	-	28,525,494	1,024,263,357	1.4537%
2007	1,116,901,891	-	26,908,067	1,143,809,958	1.6362%
2008	1,208,552,137	-	27,790,420	1,236,342,557	1.7258%
2009	1,320,054,029	-	33,828,552	1,353,882,581	1.9580%
2010	1,294,067,856	-	36,508,090	1,330,575,946	2.0278%
2011	1,244,580,805	-	35,273,379	1,279,854,184	1.9399%
2012	1,256,361,912	-	37,947,482	1,294,309,394	1.9304%
2013	1,280,561,503	-	37,136,241	1,317,697,744	1.9066%
2014	1,321,986,275	-	37,252,902	1,359,239,177	0.6563%



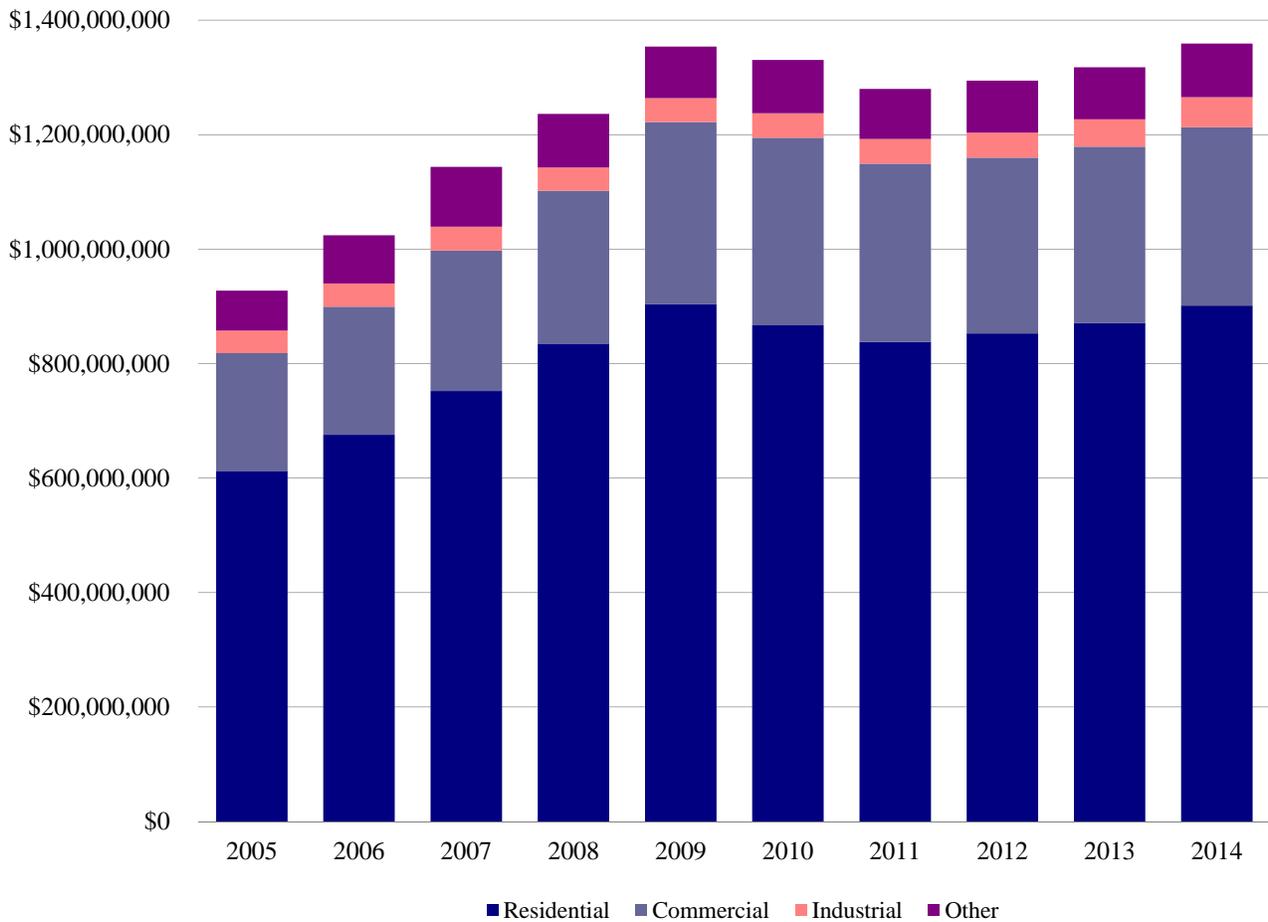
⁽¹⁾ Net of exemptions

⁽²⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment dissolution statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base.

Source: Los Angeles County/Hdl Companies

CITY OF ARTESIA, CALIFORNIA
Assessed Value of Taxable Property by Use
Last Ten Fiscal Years

Fiscal Year	Assessed Value ⁽¹⁾				Total	Total Effective Rate (2)
	Residential	Commercial	Industrial	Other		
2005	612,463,809	205,834,513	39,314,570	69,839,739	927,452,631	1.4429%
2006	675,621,919	223,708,379	40,749,434	84,183,625	1,024,263,357	1.4537%
2007	752,083,043	245,427,264	41,607,757	104,691,894	1,143,809,958	1.6362%
2008	834,867,651	267,241,541	40,648,765	93,584,600	1,236,342,557	1.7258%
2009	903,680,355	318,428,291	41,755,557	90,018,378	1,353,882,581	1.9580%
2010	866,800,963	327,916,543	42,651,449	93,206,991	1,330,575,946	2.0278%
2011	838,084,514	311,273,554	42,991,503	87,504,613	1,279,854,184	1.9399%
2012	852,696,347	307,159,183	43,530,228	90,923,636	1,294,309,394	1.9304%
2013	871,147,363	308,021,383	47,592,443	90,936,555	1,317,697,744	1.9066%
2014	901,286,264	311,754,506	52,408,817	93,789,590	1,359,239,177	0.6563%



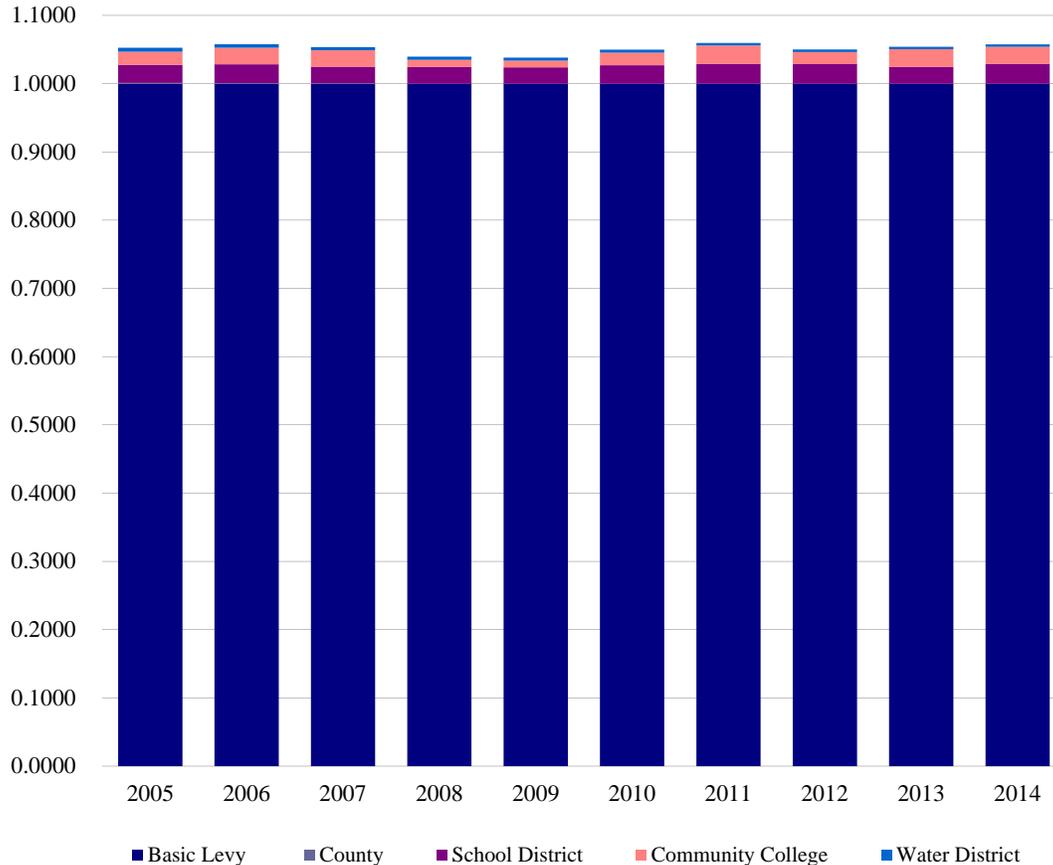
⁽¹⁾ Net of exemptions

⁽²⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment dissolution statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base.

Source: Los Angeles County/Hdl Companies

CITY OF ARTESIA, CALIFORNIA
Property Tax Rates ⁽¹⁾
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Community		Total Effective Rate ⁽⁵⁾
		Detention Facilities	Flood Control	Total		College District ⁽⁴⁾	Water District	
2005	1.0000	0.0009	0.0003	0.0012	0.0266	0.0191	0.0058	1.0526
2006	1.0000	0.0008	0.0001	0.0009	0.0275	0.0242	0.0052	1.0577
2007	1.0000	0.0007	0.0001	0.0007	0.0243	0.0239	0.0047	1.0536
2008	1.0000	0.0000	0.0000	0.0000	0.0243	0.0107	0.0045	1.0396
2009	1.0000	0.0000	0.0000	0.0000	0.0239	0.0099	0.0043	1.0381
2010	1.0000	0.0000	0.0000	0.0000	0.0270	0.0185	0.0043	1.0498
2011	1.0000	0.0000	0.0000	0.0000	0.0292	0.0268	0.0037	1.0597
2012	1.0000	0.0000	0.0000	0.0000	0.0286	0.0178	0.0037	1.0501
2013	1.0000	0.0000	0.0000	0.0000	0.0245	0.0259	0.0035	1.0540
2014	1.0000	0.0000	0.0000	0.0000	0.0289	0.0250	0.0035	1.0575



⁽¹⁾ Per \$100 of assessed value

⁽²⁾ Basic levy for City (\$0.067), County (\$0.329), LA Consolidated Fire District (\$0.183), ABC Unified School District (\$0.19), Educational Rev Aug. Fund(\$0.203) and other agencies (\$0.028).

⁽³⁾ ABC Unified School District .

⁽⁴⁾ Cerritos Community College District .

⁽⁵⁾ Because of California's complicated taxing structure where different values are taxed at different rates due to Proposition 13 and Redevelopment dissolution statutes, we have used an effective rate. The rate has been calculated by dividing total revenue for the government preparing the statistical section by the total revenue base. Source: Los Angeles County/Hdl Companies .

CITY OF ARTESIA, CALIFORNIA
Principal Property Owners
June 30, 2014

Taxpayer	Primary Use	2014			2005		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Eaves Artesia LP	Residential	\$ 30,292,709	1	2.23%	-	-	-
Artesia Partners LLC	Commercial	28,707,901	2	2.11%	-	-	-
YSM Investment No 3 LLC	Commercial	21,850,000	3	1.61%	22,500,000	1	0.02
11900 East Artesia Boulevard LLC	Institutional	20,143,215	4	1.48%	-	-	-
California Milk Producers	Industrial	16,851,449	5	1.24%	13,370,586	2	0.01
BSREP Socal 91 Freeway LLC	Commercial	12,350,000	6	0.91%	-	-	-
Haw Lay I LLC	Commercial	11,951,575	7	0.88%	10,348,764	4	0.01
Mei H Chu Trust	Commercial	9,005,814	8	0.66%	7,800,000	6	0.01
Eastland Estate LLC	Commercial	8,954,757	9	0.66%	-	-	-
Artesia Towne Center Associates	Commercial	8,566,703	10	0.63%	6,434,263	9	0.01
Arden Realty LP	Commercial	-	-	-	12,790,631	3	0.01
Khanna Enterprises Limited	Commercial	-	-	-	8,073,625	5	0.01
Manifold Partnership No 2	Industrial	-	-	-	7,467,384	7	0.01
John P Sullivan Co Trust Et Al	Residential	-	-	-	7,046,629	8	0.01
Ram Kabir Motor Inn Corp	Commercial	-	-	-	6,176,889	10	0.01
Total		\$ 168,674,123		12.41%	\$ 102,008,771		11.01%

Principal Property Owners

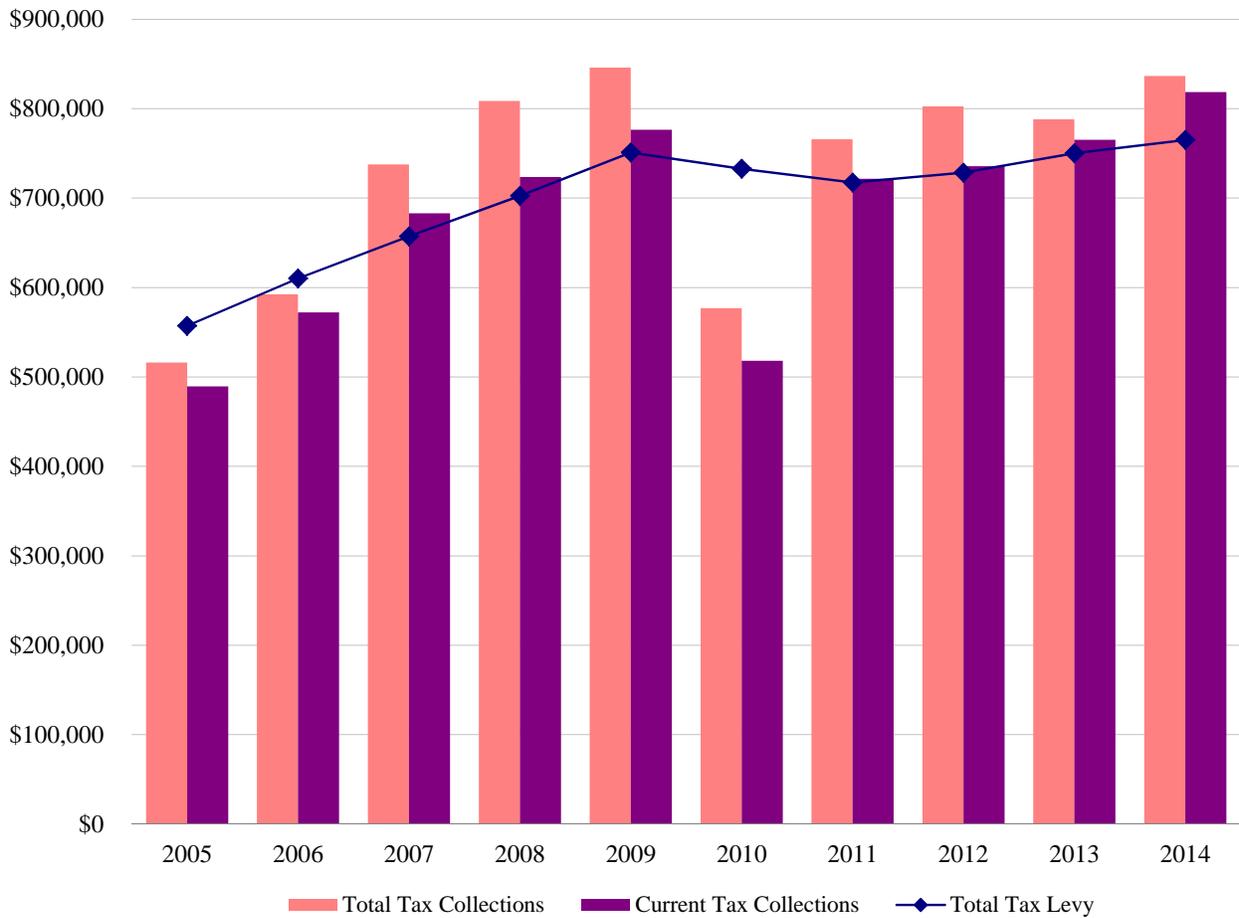


⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions.

Source: Los Angeles County/Hdl Companies

CITY OF ARTESIA, CALIFORNIA
Property Tax Levies and Collections ⁽¹⁾
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy ⁽²⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2005	557,042	489,337	87.8%	26,751	516,088	92.6%
2006	610,033	572,036	93.8%	20,321	592,357	97.1%
2007	656,975	682,868	103.9%	54,685	737,553	112.3%
2008	702,369	723,447	103.0%	84,961	808,408	115.1%
2009	750,823	776,231	103.4%	69,465	845,696	112.6%
2010	732,675	518,077	70.7%	58,575	576,652	78.7%
2011	717,334	721,487	100.6%	44,079	765,566	106.7%
2012	728,332	735,511	101.0%	66,810	802,321	110.2%
2013	749,948	765,011	102.0%	23,001	788,012	105.1%
2014	764,832	818,338	107.0%	18,076	836,414	109.4%



⁽¹⁾ Includes only City general property taxes of the General Fund

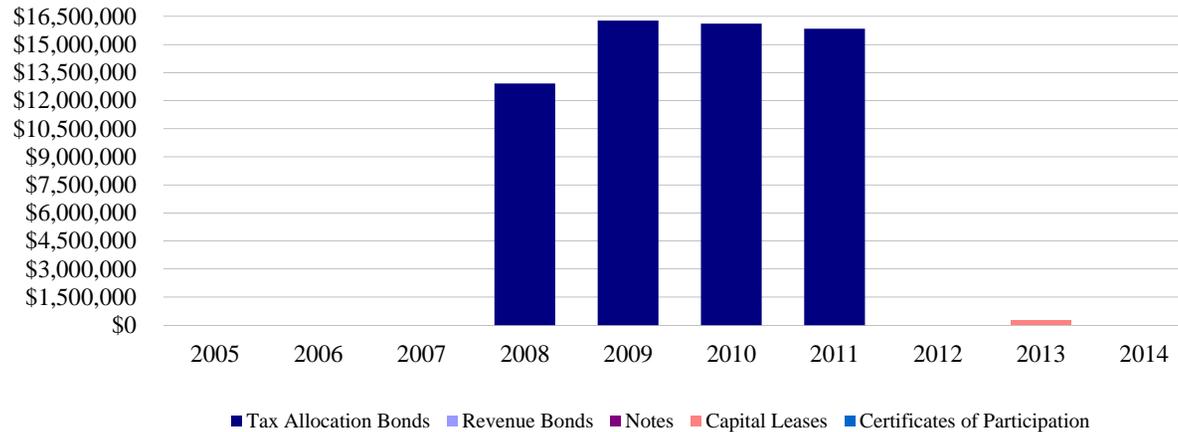
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption

Source: Los Angeles County.

CITY OF ARTESIA, CALIFORNIA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			Total	Percentage of Personal Income ⁽¹⁾	Percentage of Debt Per Capita ⁽¹⁾
	Tax Allocation Bonds ⁽²⁾	Notes	Capital Leases			
2005	-	-	-	-	0.00%	0.00%
2006	-	-	-	-	0.00%	0.00%
2007	-	-	-	-	0.00%	0.00%
2008	12,920,000	-	-	12,920,000	2.60%	0.13%
2009	16,275,000	-	-	16,275,000	2.08%	0.11%
2010	16,115,000	-	-	16,115,000	2.06%	0.11%
2011	15,845,000	-	-	15,845,000	1.97%	0.11%
2012	-	-	-	-	0.00%	0.00%
2013	-	-	238,733	238,733	147.62%	6.99%
2014	-	-	195,240	195,240	188.19%	8.59%

Outstanding Debt by Type-Last Ten Fiscal Years



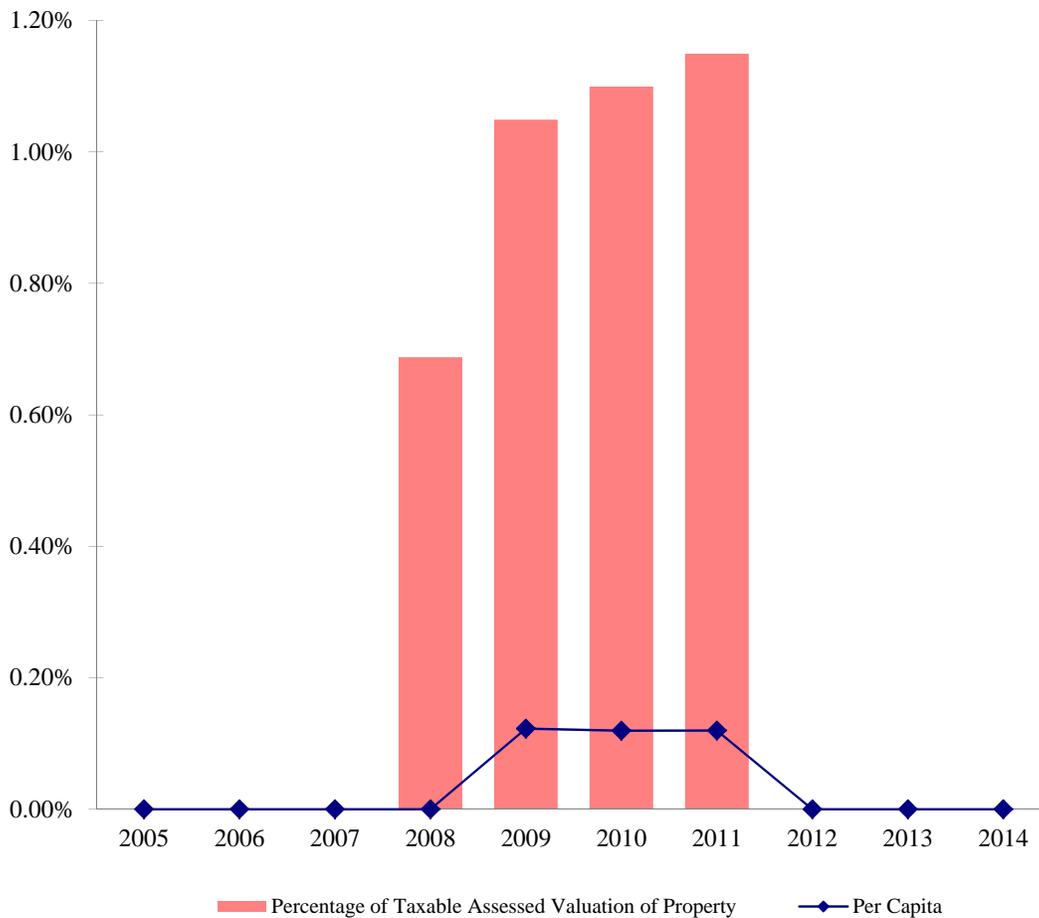
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic Statistics on page 120.

⁽²⁾ Due to the dissolution of the Artesia Redevelopment Agency, the debt related to tax allocation bonds is no longer reported in this table.

CITY OF ARTESIA, CALIFORNIA
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	Tax Allocation Bonds ⁽³⁾	Less Amounts Available in Debt Service Fund	Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
2005			-	0.00%	0.00%
2006			-	0.00%	0.00%
2007			-	0.00%	0.00%
2008	12,920,000	4,417,847	8,502,153	0.69%	0.00%
2009	16,275,000	2,073,247	14,201,753	1.05%	0.12%
2010	16,115,000	1,488,224	14,626,776	1.10%	0.12%
2011	15,845,000	1,134,221	14,710,779	1.15%	0.12%
2012	-	-	-	0.00%	0.00%
2013	-	-	-	0.00%	0.00%
2014	-	-	-	0.00%	0.00%



Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 111.

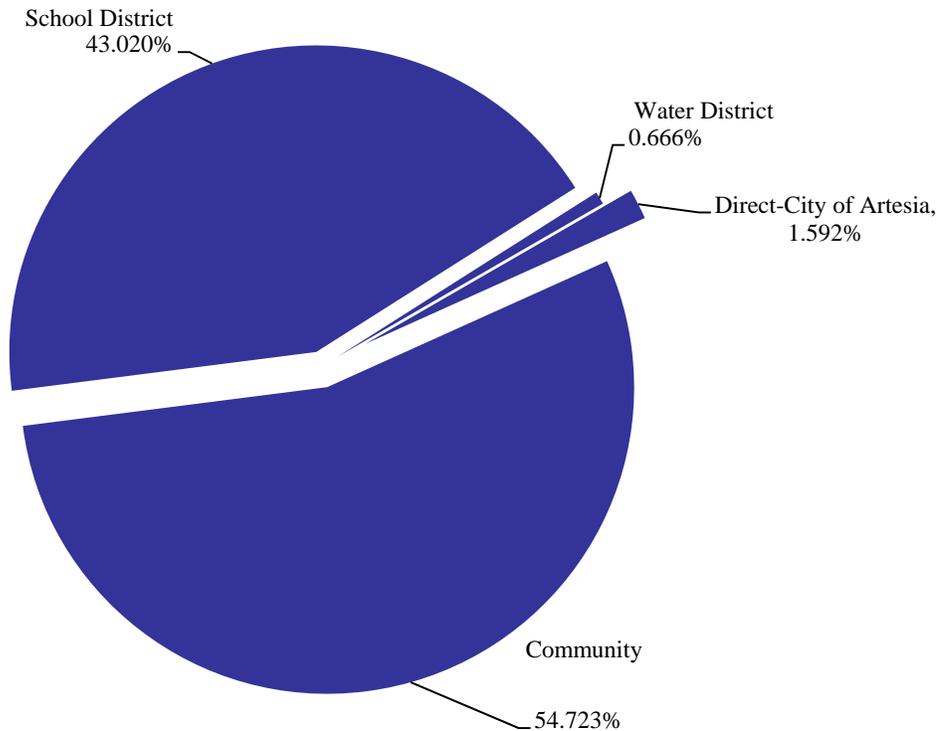
⁽²⁾ See Demographic Statistics on page 120.

⁽³⁾ Due to the dissolution of the Artesia Redevelopment Agency, Tax Allocation Bonded Debt is no longer reported on this schedule.

CITY OF ARTESIA, CALIFORNIA
 Direct and Overlapping Governmental Activities Bonded Debt
 As of June 30, 2014

Jurisdiction	Net General Activities Bonded and Capital Lease Debt Outstanding	Percentage Applicable to City of Artesia ⁽²⁾	Amount Applicable to City of Artesia
Direct-City of Artesia ⁽¹⁾	\$ 195,240.00	100.000%	\$ 195,240.00
Overlapping:			
Water District:			
Metropolitan Water District	64,271,492	0.127%	81,625
College:			
Cerritos CC DS 2004 Series A	1,890,000	3.623%	68,475
Cerritos CC DS 2005 Refunding Bonds	20,769,770	3.623%	752,489
Cerritos CC DS 2004 Series 2006	30,645,000	3.623%	1,110,268
Cerritos CC DS 2004 Series 2009C	50,985,000	3.623%	1,847,187
Cerritos CC DS 2004 Series 2012D	82,825,515	3.623%	3,000,768
School District:			
ABC Unified 2003 Refund Bond Series A	12,930,000	10.914%	1,411,180
ABC Unified DS 1997 Series B	29,626,700	10.824%	3,206,794
ABC Unified DS 2020 Refund Bonds	6,025,000	10.914%	657,569
Subtotal overlapping debt			<u>12,136,354</u>
Total direct and overlapping debt			<u>\$ 12,331,594</u>

Amount Applicable to City of Artesia



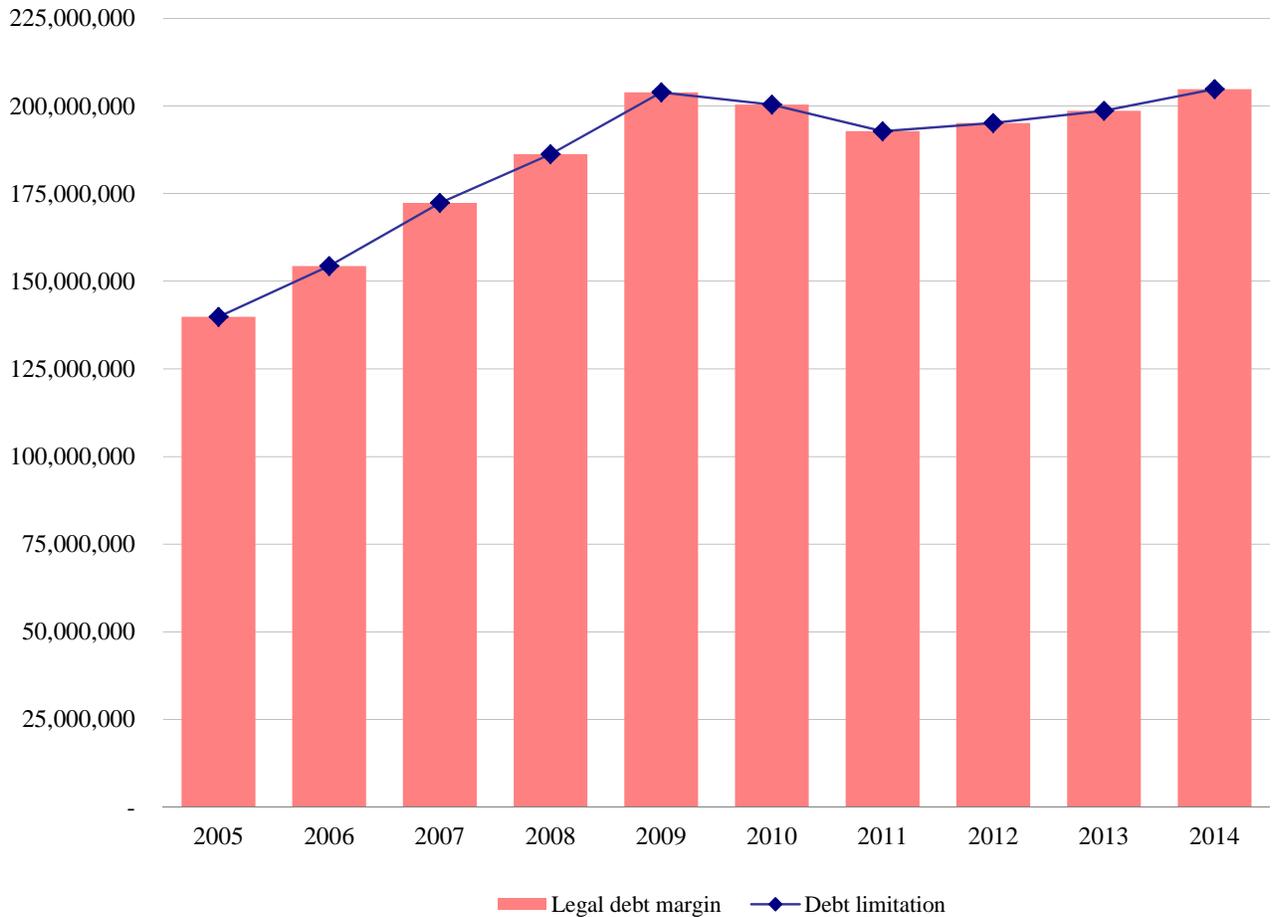
⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 116.

⁽²⁾ The percentage of overlapping debt applicable is estimated by using taxable assessed values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Source: Los Angeles County/Hdl Companies

CITY OF ARTESIA, CALIFORNIA
 Legal Debt Margin Information
 Last Ten Fiscal Years

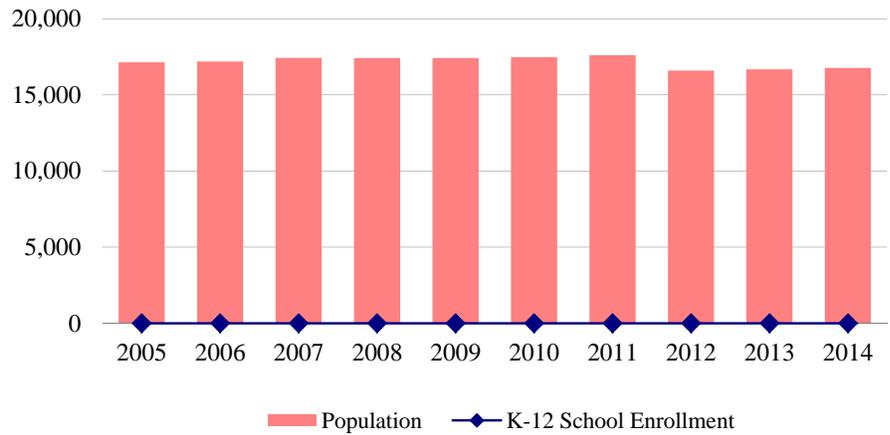
Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation-15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
2005	927,452,631	4,807,030	932,259,661	139,838,949	-	139,838,949
2006	1,024,263,357	4,798,454	1,029,061,811	154,359,272	-	154,359,272
2007	1,143,809,958	5,204,422	1,149,014,380	172,352,157	-	172,352,157
2008	1,236,342,557	5,228,401	1,241,570,958	186,235,644	-	186,235,644
2009	1,353,882,581	5,442,341	1,359,324,922	203,898,738	-	203,898,738
2010	1,330,575,946	5,442,341	1,336,018,287	200,402,743	-	200,402,743
2011	1,279,854,184	5,561,161	1,285,415,345	192,812,302	-	192,812,302
2012	1,294,309,394	6,742,068	1,301,051,462	195,157,719	-	195,157,719
2013	1,317,697,744	6,649,145	1,324,346,889	198,652,033	-	198,652,033
2014	1,359,239,177	6,276,033	1,365,515,210	204,827,282	-	204,827,282



CITY OF ARTESIA, CALIFORNIA
Demographic and Economic Statistics

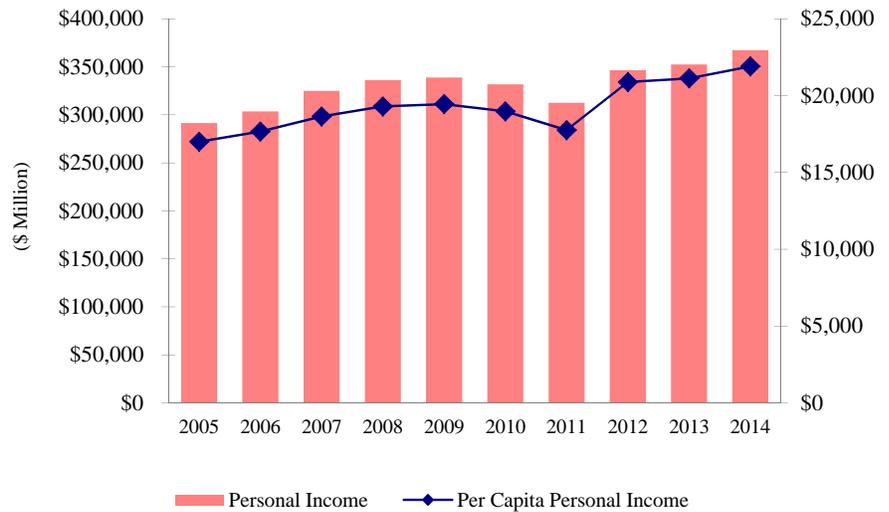
Last Ten Fiscal Years

Year	Population ⁽¹⁾
2005	17,147
2006	17,192
2007	17,432
2008	17,424
2009	17,428
2010	17,488
2011	17,608
2012	16,594
2013	16,681
2014	16,776



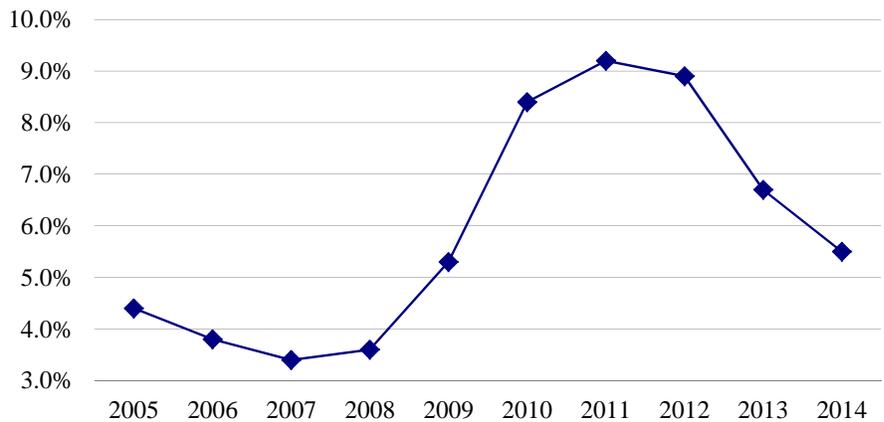
Last Ten Fiscal Years

Year	Personal Income ⁽²⁾ (\$ Thousand)	Per Capita Personal Income ⁽²⁾
2005	291,471	16,998
2006	303,609	17,660
2007	324,982	18,643
2008	336,216	19,296
2009	338,925	19,447
2010	331,816	18,974
2011	312,577	17,752
2012	346,516	20,882
2013	352,419	21,127
2014	367,428	21,902



Last Ten Fiscal Years

Year	Unemployment Rate ⁽²⁾
2005	4.4%
2006	3.8%
2007	3.4%
2008	3.6%
2009	5.3%
2010	8.4%
2011	9.2%
2012	8.9%
2013	6.7%
2014	5.5%



⁽¹⁾ State Department of Finance.

⁽²⁾ HdL, Coren & Cone.

CITY OF ARTESIA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2014

Employer	2014		
	Employees	Rank	Percentage of Total City Employment
Artesia Christian Homes, Inc	126	1	5.95%
Stater Bros. Market	95	2	4.49%
Tawa Supermarket, Inc	93	3	4.39%
California Dairies, Inc	90	4	4.25%
Dejon Enterprises	65	5	3.07%
Don Jose Restaurant	50	6	2.36%
Aspen Healthcare Corp.	48	7	2.27%
Hygieia Home Health Corp.	43	8	2.03%
Automobile Club of So. California	41	9	1.94%
Denny's Restaurant	40	10	1.89%
	<u>691</u>		<u>32.63%</u>
Total number of employees	<u>2,118</u>		
Number of businesses	1,041		

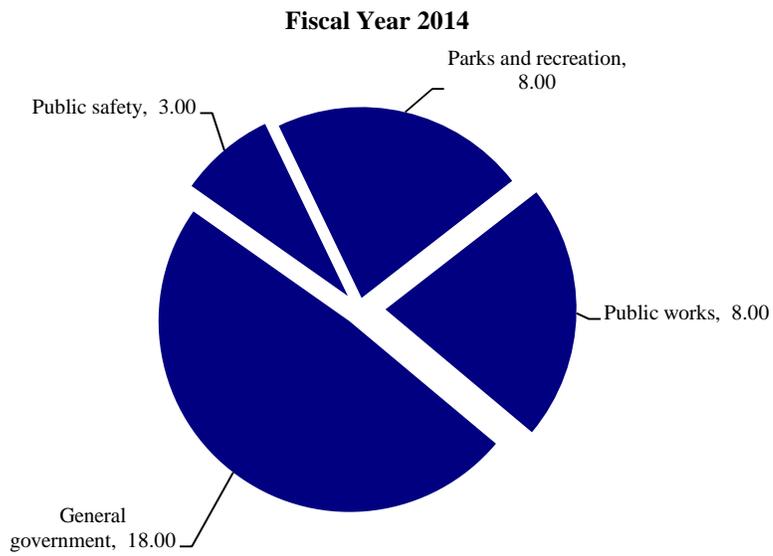
(1) No principal employer information available prior to 2014.

Source: City Business License Department

CITY OF ARTESIA, CALIFORNIA
 Full-time Equivalent City Government Employees by Function ⁽¹⁾
 Current Fiscal Year

	2014
	Total
General government	18.00
Public safety	3.00
Parks and recreation	8.00
Public works	8.00
	37.00
Total full-time equivalent positions	37.00

⁽¹⁾ No full-time equivalent positions information available prior to 2014.



Source: Finance Department

CITY OF ARTESIA, CALIFORNIA
 Operating Indicators by Function⁽¹⁾
 Current Fiscal Year

2014⁽²⁾

General Government

City Council	
Regular Election	1
New or Amended Ordinances	16
Business Licenses issued	1,041
Passports	
Accepted	723
Photos	240
Finance	
Payroll Checks Issued	1,109
Accounts Payable Checks Issued	2,037
Purchase Orders Issued	138
Community Development	
Building Permits Issued	589
Planning Reviews	48

Park and Recreation

Facility Use Permits	27
Field Use Permits	112
Number of Youth Programs	152
Number of Adult Programs	100
Number of Senior Programs	45
Number of Family Excursions	4
Number of Senior Excursions	16
Number of Teen Excursions	4
Special Events	18
Hours of Service to Public	3,529

Public Works

Tons collected	
Illegal Dumping Pick-Up	68
Number of Graffiti Removal Locations	413
Vines Trimmed (in lineal feet)	7,540

Public Safety-Code Enforcement

Number of Parking Violations	6,450
Number of Parking Stations Maintained	28
Number of Code Enforcement Cases	156
Number of Notices of Violation	120

⁽¹⁾ Information provided by various departments

⁽²⁾ Information prior to this year is not available

CITY OF ARTESIA, CALIFORNIA
 Capital Asset Statistics by Function⁽¹⁾
 Current Fiscal Year

	<u>2014⁽²⁾</u>
General government	
Number of Buildings - City Hall	1
Number of Historical Museums	2
Historical Water Tower	1
General Government Vehicles	2
Park and Recreation	
Number of Buildings - Community Centers	5
Number of Buildings - Library	1
Acres of Park Space	16.98
Park Trees	202
Parks	3
Recreation Transit Vehicles	2
Playground Areas	5
Baseball Fields	7
Basketball Courts	3
Roller Hockey Rinks	1
Handball Court	1
Tennis Courts	1
Public works	
Number of Buildings - Public Works	1
Street Trees	1,662
Miles of Streets and Service Roads	30.09
Number of Traffic Signals	23
Number of Street Lights	85
Public Works Vehicles	11
Public safety	
Number of Parking Pay Stations	29
Public Safety Vehicles	4

⁽¹⁾ Information provided by various departments

⁽²⁾ Information prior to this year is not available