

City of Artesia

Artesia, California

*Basic Financial Statements and
Independent Auditors' Report*

For the year ended June 30, 2009

C&L
Caporicci & Larson
Certified Public Accountants

City of Artesia
Basic Financial Statements
For the year ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

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

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 (City), as of and for the year ended June 30, 2009, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Subsequent to the financial statements date of June 30, 2009 and the year then ended, the State of California (State) has borrowed and proposed taking funds from local governments including the City. These actions by the State include:

- 8% of Property Taxes borrowed -- to be repaid in 3 years
- Gas Tax payments deferred - to be paid at a future date
- Redevelopment Agency - prepared to be taken for fiscal year 2010

These above amounts are significant to the City and may affect its ongoing operations. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 12 in the Notes to the Financial Statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with generally accepted accounting principles in the United States.

To the Honorable Mayor and Members of the City Council
of the City of Artesia
Artesia, California
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As described in Note 1 to the financial statements, the City adopted Statement of Governmental Accounting Standards Board No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents, is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's financial statements. The accompanying Supplementary Information is presented for purpose of additional analysis and is not a required part of the financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Capricci & Carson

Irvine, California
December 14, 2009

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, 2009.

Financial Highlights

- The assets of the City of Artesia exceeded its liabilities at the close of the last fiscal year by \$16,316,000 (*net assets*). Of this amount, there are no unrestricted net assets available that may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by (\$280,000). The decrease is the result of decreased sales tax, building permit fees and the purchase of property in the redevelopment agency, offset by increased interest revenue.
- As of June 30, 2009, the City of Artesia's governmental funds reported combined ending fund balances of \$20,290,000, an increase of \$1,334,000 in comparison with the prior year. Approximately .4% of this amount is reserved to indicate that it is not available because it has been 1) committed for purchase orders or contracts that were prepaid, 2) committed for the repayment of loans. Another 79.2% is designated for specific uses, with the remainder available for a variety of purposes.
- As of June 30, 2009, the unreserved, undesignated fund balance for the General Fund was \$3,367,000.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 (*business-type activities*). The governmental activities of the City of Artesia include general government, public safety, parks and recreation, and public works.

The government-wide financial statements include not only the City of Artesia itself, but also the blending of the legally separate Artesia Redevelopment Agency for which the City is financially accountable.

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 three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Artesia maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds below, which are considered to be major funds:

General Fund
Proposition 12 Conservancy Fund
Redevelopment Agency Capital Projects Fund
Redevelopment Agency Debt Service Fund

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

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

The City of Artesia adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and Prop 12 Conservancy Fund to demonstrate compliance with this budget.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Artesia's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Funds of the George Nelson Memorial and Senior Citizens and various other small projects are held as fiduciary funds.

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 assets may serve over time as a useful indicator of a government's financial position. As of June 30, 2009, assets exceeded liabilities by \$16,316,000.

By far the largest portion of the City of Artesia's net assets, \$17,299,374 (106%) represents resources that are subject to external restrictions on how it may be used.

Governmental Activities Net Assets

	2009	2008
Current and other assets	\$ 22,725,790	\$ 21,764,652
Capital assets	11,602,115	9,405,627
Total assets	<u>34,327,905</u>	<u>31,170,279</u>
Long-term liabilities outstanding	16,128,855	12,773,646
Other liabilities	1,883,024	1,800,918
Total liabilities	<u>18,011,879</u>	<u>14,574,564</u>
Net assets:		
Invested in capital assets, net of related debt	11,602,115	9,405,627
Restricted	17,299,374	15,893,661
Unrestricted	(12,585,463)	(8,703,573)
Total net assets	<u>\$ 16,316,026</u>	<u>\$ 16,595,715</u>

Of this amount, there are no unrestricted net assets available that may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Artesia has a deficit balance in the unrestricted category of net assets. The government's net assets decreased by (\$280,000) during the current fiscal year. As mentioned earlier, this decrease is attributable to the receipt of decreased sales tax, building permit fees and the purchase of property in the redevelopment agency, offset by increased interest revenue.. Both revenue and expense increases are discussed in more detail in the following report sections.

Governmental activities. Governmental activities decreased the City of Artesia’s net assets by (\$280,000). Key elements of this decrease are as follows:

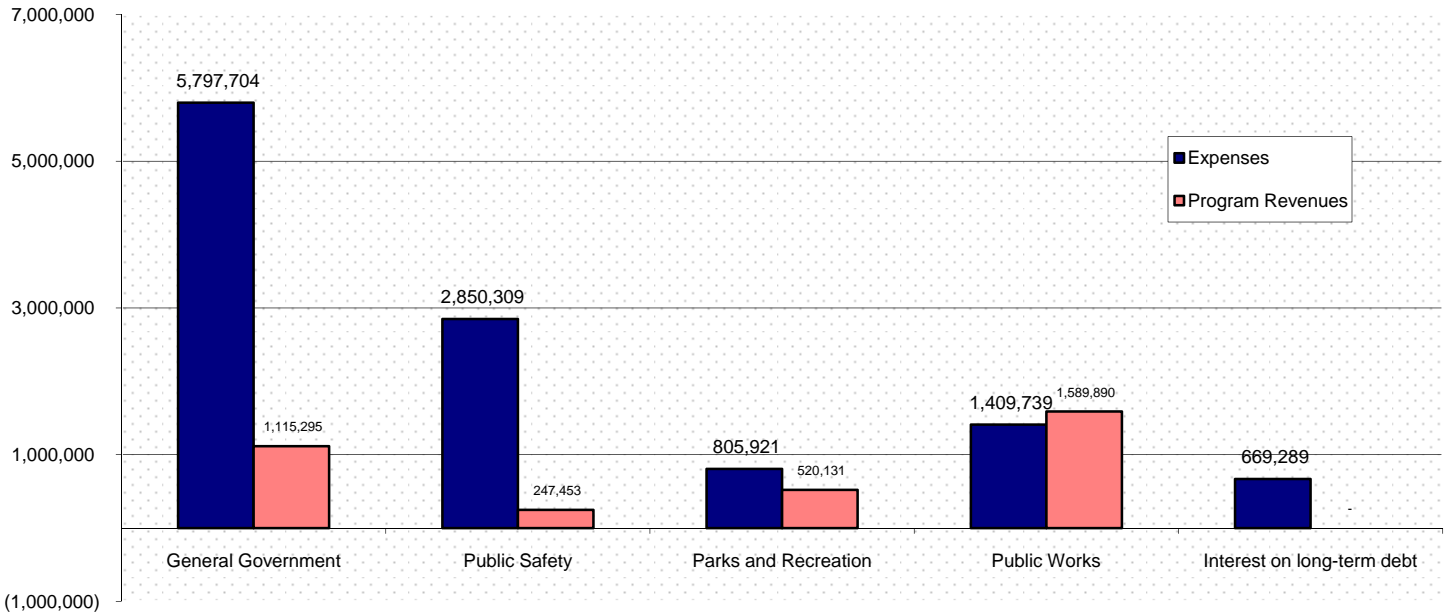
Governmental Activities Change in Net Assets

	2009	2008
Revenues		
Program revenues:		
Charges for services	\$ 1,587,294	\$ 2,766,656
Operating grants and contributions	1,803,156	1,221,938
Capital grants and contributions	82,319	150,000
General revenues:		
Property taxes	3,472,131	3,331,870
Transient occupancy taxes	220,564	242,750
Sales taxes	2,160,945	2,638,215
Franchise taxes	343,716	310,621
Business license taxes	352,770	425,672
Other taxes	163,177	22,330
Motor vehicle in lieu-unrestricted	113,801	76,534
Use of money and property	857,948	385,527
Other	95,452	30,090
Total revenues	11,253,273	11,602,203
Expenses		
General government	5,797,704	4,724,668
Public safety	2,850,309	3,146,086
Parks and recreation	805,921	796,500
Public works	1,409,739	1,538,625
Interest on long-term debt	669,289	374,052
Total expenses	11,532,962	10,579,931
Change in net assets	\$ (279,689)	\$ 1,022,272

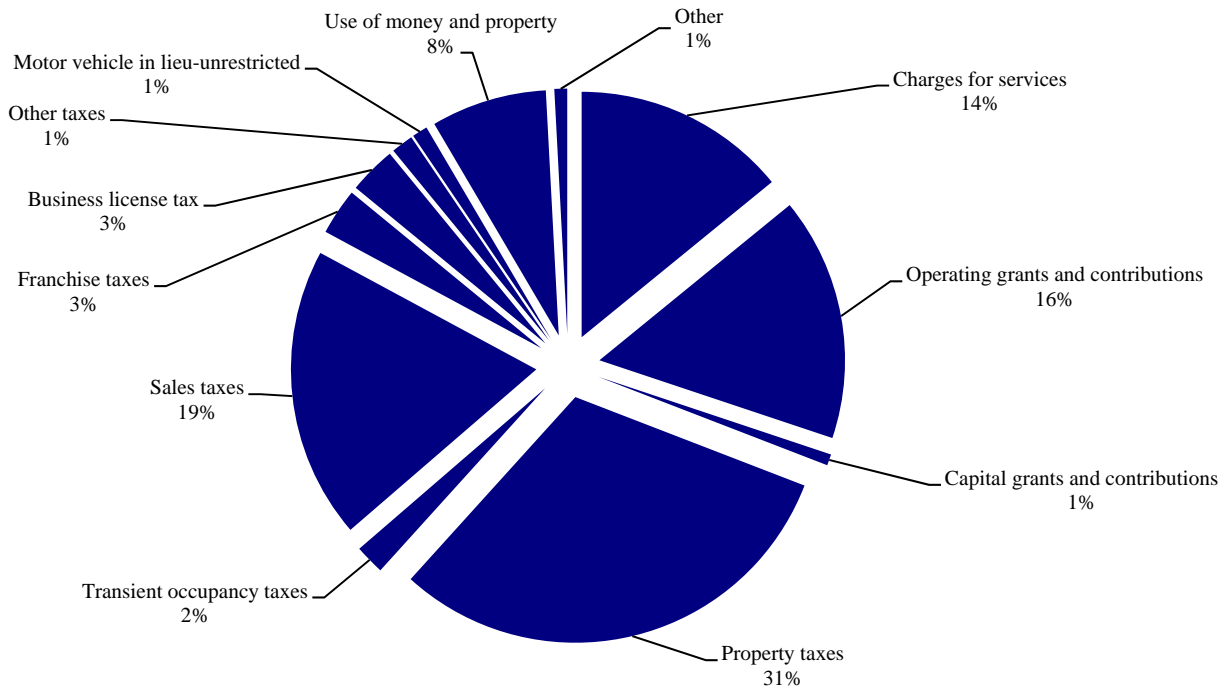
Program revenues decreased \$349,000 because of a decreased in charges for services due to a decrease in building permits, planning fees, parking citations, as well as business license, an increase in operating grants due to the City receiving grant monies for maintenance and service auxiliary grant funds with the State, also a grant received for Traffic Congestion as well as a grant received Safe Routes to School as compared to the prior year.

- Property Taxes overall increased by \$140,000 or approximately 4%. Assessed valuations increased 1.7% overall.
- Sales Taxes overall decreased by \$477,000 or approximately 18%. Due to the depressed economy, there is less sales tax available to be disbursed to the City, as well as one of the City’s top sales tax generating companies was closed for remodeling for a short period of time.
- Other Taxes increased 6% as a result of increased revenue from the transient occupancy tax (tax on hotel stays), and a new fiber optic cable franchise that began operating.
- Use of money and property increased 123% as a result of more cash on hand due to the issuance of tax allocation bonds.

Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



On the expense side, the General government function increased by approximately 23% due to an increase in expenses for capital projects as well as increased costs in Traffic Mitigation Fund as well as HOME fund.

Public safety expenses decreased approximately 9% due to a full-time position being vacant for the entire fiscal year as well as using some special funding (Parking Mitigation) to fund some public safety costs. (This makes me wonder if we should perhaps reclassify some of the expenses in the Parking Mitigation Fund to the Public Safety row of expenses?)

Interest on long-term debt increased approximately 79% due to the 2007 Tax Allocation Bonds interest payments. During fiscal year 08/09, two interest payments were made, while in fiscal year 07/08 only one interest payment was made.

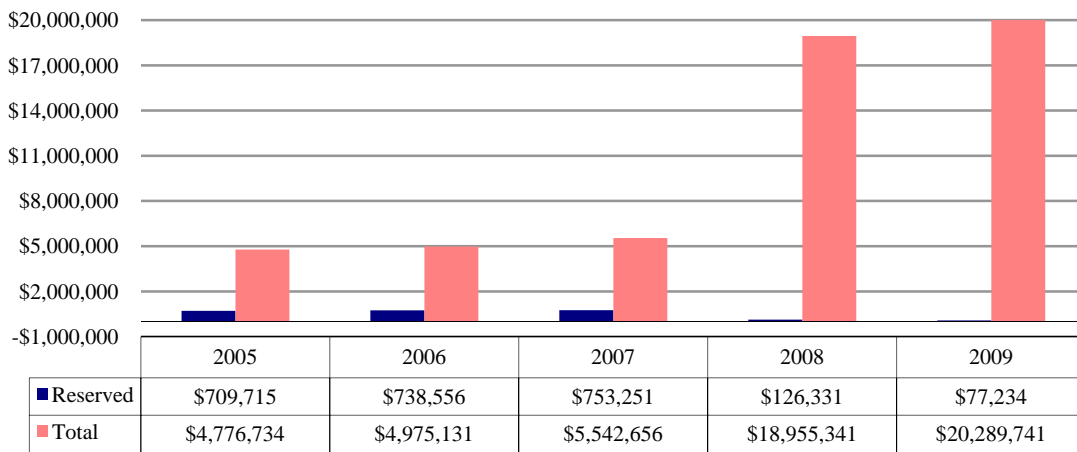
Financial Analysis of the Government's Funds

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 *spending* resources. Such information is useful in assessing the City of Artesia's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Artesia's governmental funds reported combined ending fund balances of \$20,290,000, an increase of \$1,334,000 (7%), in comparison with the prior year. Of this amount, there are no unrestricted net assets available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to 1) committed for purchase orders or contracts that were prepaid, 2) committed for the repayment of loans. Another 79.2% is designated for specific uses, with the remainder available for a variety of purposes. Four funds qualify as major funds under the GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, reporting criteria: the General Fund, Proposition 12 Conservancy Fund, Redevelopment Agency Capital Projects Fund and the Redevelopment Agency Debt Service Fund.

The following is a summary of fund balances of the governmental funds for fiscal years 2005-2009:



The General Fund is the chief operating fund of the City of Artesia. At the end of the current fiscal year, the total fund balance was \$3,373,000, with \$5,631 reserved for prepaid costs. Comparing both total and unreserved fund balances to total fund expenditures is a measure of the general fund's liquidity. Total fund balance represents 43% and unreserved fund balance represents 43% of total general fund expenditures.

The fund balance of the general fund decreased by \$354,000 during the fiscal year. The increase is attributed primarily to the following:

- Decrease in licenses and permits.
- Increase in fines and forfeitures.

The Proposition 12 Conservancy Fund, the Redevelopment Agency Capital Projects Fund and the Redevelopment Agency Debt Service Fund all qualify as major funds in 2008-09. The total fund balances of these funds are \$15,977,000 of which none is reserved. The total fund balances increased by \$2,409,000 during the fiscal year. The increase is attributed to the issuance of a bond during the fiscal year.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget for estimated revenue and appropriations. Actual revenue was lower than the final budget by 5.5% due to the aforementioned revenue decreases.

Differences between the final appropriations and actual expenditures totaled \$69,000. The largest variances can be summarized as follows:

- General government expenditures were less than budget by \$53,000 primarily due to decrease in City Council travel, Community Promotions special programs and activities, City Clerk/Treasurer activities, and Planning contract services.
- Expenditures in the Public Works category were less than budgeted by \$15,000 due to salaries and wages and facility maintenance purchases.

Capital Asset and Debt Administration

Capital assets. The City of Artesia's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$11,602,000 (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 investment in capital assets for the 2008-09 fiscal year was 23%. The following is a summary of capital assets (net of depreciation) as of June 30, 2009 and 2008:

	Capital Assets (net of depreciation)	
	2009	2008
Governmental activities		
Land	\$ 3,929,806	\$ 2,193,167
Buildings and structures	1,064,353	1,100,844
Improvements other than buildings	572,250	622,835
Automobile equipment	12,341	18,135
Office furniture and equipment	23,569	33,758
Other equipment	59,129	70,376
Infrastructure	4,663,667	4,872,187
Construction in progress	1,277,000	494,325
Total governmental activities	11,602,115	9,405,627

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

Governmental Activities

- Construction in progress on a variety of street projects (sidewalk repairs and resurfacing of existing streets) and sewer projects was \$228,000 at the end of the fiscal year.
- Construction in progress on the historic fire station refurbishment was \$88,000 at the end of the fiscal year.
- Construction in progress on the Safe Routes to School was \$467,000 at the end of the fiscal year.
- The Artesia Redevelopment Agency purchased land in the amount of \$1,737,000.

Capital assets. At the end of the fiscal year, the City had total long-term debt outstanding of \$16,289,000. This includes tax allocation bonds issued in 2007 and 2009.

The City of Artesia maintains a “BBB+” (insured) rating from Standard and Poor’s for the tax allocation bonds.

State statutes limit the amount of applicable debt the City may issue to 15 percent of the total assessed valuation. The current debt limitation for the City of Artesia is \$8,413,777 which is also the current debt margin.

Additional information on the City’s long-term debt and other long-term liabilities can be found in note 6 of the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

- Commercial assessed property values grew almost 1.7%. We anticipate less growth for 2009-10, but not a decline.
- Sales tax revenue decreased 30% from 2007-08.
- City retirement rates increased by 0.35 points from 2007-08. Rates for 2009-10 increased slightly by .29 points with rates from CalPERS predicted to increase by .31 points for 2010-11.

With turmoil such as this occurring and markets not yet responding to the actions taken by the government, local governments will have to monitor effects on revenue, investments, and retirement funds carefully. Fortunately, Artesia has very little debt and therefore has no adverse affects there.

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 Assets
June 30, 2009

	Primary Government Governmental Activities
ASSETS	
Cash and investments	\$ 18,503,688
Receivables:	
Accounts	1,518,329
Loans	71,603
Interest	90,752
Prepaid costs	5,631
Deferred charges	462,540
Restricted assets:	
Cash and investments with fiscal agent	2,073,247
Capital assets:	
Nondepreciable assets	5,206,806
Depreciable assets, net	6,395,309
Total assets	34,327,905
LIABILITIES	
Accounts payable	1,497,168
Accrued liabilities	70,143
Accrued interest	78,267
Deposits payable	77,279
Noncurrent liabilities:	
Due within one year	160,167
Due in more than one year	16,128,855
Total liabilities	18,011,879
NET ASSETS	
Investments in capital assets, net of related debt	11,602,115
Restricted for:	
Public safety	6,453
Street projects	634,723
Capital projects	3,862,429
Debt service	12,276,969
Other purposes	518,800
Total restricted	17,299,374
Unrestricted	(12,585,463)
Total net assets	\$ 16,316,026

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Total Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Primary government:						
Governmental activities:						
General government	\$ 5,797,704	\$ 451,247	\$ 663,271	\$ 777	\$ 1,115,295	\$ (4,682,409)
Public safety	2,850,309	171,507	75,946	-	247,453	(2,602,856)
Parks and recreation	805,921	52,844	467,287	-	520,131	(285,790)
Public works	1,409,739	911,696	596,652	81,542	1,589,890	180,151
Interest on long-term debt	669,289	-	-	-	-	(669,289)
Total governmental activities	11,532,962	1,587,294	1,803,156	82,319	3,472,769	(8,060,193)
Total primary government	\$ 11,532,962	\$ 1,587,294	\$ 1,803,156	\$ 82,319	\$ 3,472,769	(8,060,193)

General revenues:

Taxes:

Property taxes, levied for general purpose	3,472,131
Transient occupancy taxes	220,564
Sales taxes	2,160,945
Franchise taxes	343,716
Business licenses taxes	352,770
Other taxes	163,177
Motor vehicle in lieu - unrestricted	113,801
Use of money and property	857,948
Other	95,452
Total general revenues	7,780,504
Change in net assets	(279,689)
Net assets - beginning of year	16,595,715
Net assets - end of year	\$ 16,316,026

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, 2009

	General Fund	Special Revenue Fund Prop 12 Conservancy Fund	Capital Project Fund Redevelopment Agency Fund	Debt Service Fund Redevelopment Agency Fund
ASSETS				
Pooled cash and investments	\$ 2,920,107	\$ -	\$ 11,951,406	\$ 2,231,959
Receivables:				
Accounts	398,223	90,515	13,490	93,087
Loans	-	-	-	-
Interest	60,379	-	-	30,373
Prepaid costs	5,631	-	-	-
Due from other funds	897,564	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	357,898	1,715,349
Total assets	<u>\$ 4,281,904</u>	<u>\$ 90,515</u>	<u>\$ 12,322,794</u>	<u>\$ 4,070,768</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 747,985	\$ -	\$ 42,337	\$ 275,324
Accrued liabilities	57,090	-	3,488	-
Deferred revenue	26,716	90,515	-	-
Deposits payable	77,279	-	-	-
Due to other funds	-	95,878	-	-
Total liabilities	<u>909,070</u>	<u>186,393</u>	<u>45,825</u>	<u>275,324</u>
Fund Balances:				
Reserved for:				
Prepaid costs	5,631	-	-	-
Loans	-	-	-	-
Unreserved, designated, reported in:				
Capital improvement projects	-	-	12,276,969	-
Debt service	-	-	-	3,795,444
Unreserved, undesignated, reported in:				
General fund	3,367,203	(95,878)	-	-
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Total fund balances	<u>3,372,834</u>	<u>(95,878)</u>	<u>12,276,969</u>	<u>3,795,444</u>
Total liabilities and fund balances	<u>\$ 4,281,904</u>	<u>\$ 90,515</u>	<u>\$ 12,322,794</u>	<u>\$ 4,070,768</u>

See accompanying Notes to Basic Financial Statements.

Non-major Governmental Funds	Total Governmental Funds
\$ 1,400,216	\$ 18,503,688
923,014	1,518,329
71,603	71,603
-	90,752
-	5,631
-	897,564
-	2,073,247
<u>\$ 2,394,833</u>	<u>\$ 23,160,814</u>

\$ 431,522	\$ 1,497,168
9,565	70,143
211,688	328,919
-	77,279
801,686	897,564
<u>1,454,461</u>	<u>2,871,073</u>
-	5,631
71,603	71,603
-	12,276,969
-	3,795,444
-	3,271,325
873,387	873,387
(4,618)	(4,618)
<u>940,372</u>	<u>20,289,741</u>
<u>\$ 2,394,833</u>	<u>\$ 23,160,814</u>

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City of Artesia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009

Total Fund Balances - Total Governmental Funds	\$ 20,289,741
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds.	11,602,115
Bond issuance costs from issuing debt were expenditures in the governmental funds. However, they were deferred and subject to capitalization and amortization in the Government-Wide Financial Statements.	462,540
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.	
Compensated absences	(286,381)
Bonds Payable	(16,002,641)
Total long-term liabilities	<u>(16,289,022)</u>
Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental funds.	<u>(78,267)</u>
Certain revenues were recorded as deferred revenue 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.	<u>328,919</u>
Net Assets of Governmental Activities	<u>\$ 16,316,026</u>

City of Artesia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2009

	General Fund	Special Revenue Fund Prop 12 Conservancy Fund	Capital Project Fund Redevelopment Agency Fund	Debt Service Fund Redevelopment Agency Fund
REVENUES:				
Taxes	\$ 4,259,329	\$ -	\$ 394,390	\$ 1,577,560
Licenses and permits	399,256	-	-	-
Intergovernmental	806,349	177,828	-	-
Charges for services	911,850	-	-	-
Use of money and property	421,367	-	195,794	108,246
Fines and forfeitures	171,507	-	-	-
Planning fees	25,300	-	-	-
Other revenues	81,268	-	-	-
Total revenues	7,076,226	177,828	590,184	1,685,806
EXPENDITURES:				
Current:				
General government	3,726,015	-	591,679	421,747
Public safety	2,763,619	-	-	-
Parks and recreation	722,428	-	-	-
Public works	531,454	-	-	-
Capital outlay	-	-	1,767,652	-
Debt service:				
Principal retirement	-	-	-	115,000
Interest and fiscal charges	-	-	-	698,140
Cost of issuance	-	-	102,102	-
Total expenditures	7,743,516	-	2,461,433	1,234,887
REVENUES OVER (UNDER) EXPENDITURES	(667,290)	177,828	(1,871,249)	450,919
OTHER FINANCING SOURCES (USES):				
Transfers in	497,755	181,574	2,528,071	-
Transfers out	(184,547)	-	-	(2,528,071)
Long-term debt issuance	-	-	3,470,000	-
Total other financing sources (uses)	313,208	181,574	5,998,071	(2,528,071)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(354,082)	359,402	4,126,822	(2,077,152)
FUND BALANCES:				
Beginning of year	3,726,916	(455,280)	8,150,147	5,872,596
End of year	\$ 3,372,834	\$ (95,878)	\$ 12,276,969	\$ 3,795,444

See accompanying Notes to Basic Financial Statements.



Other Governmental Funds	Total Governmental Funds
\$ 595,825	\$ 6,827,104
-	399,256
1,534,697	2,518,874
4,157	916,007
133,925	859,332
-	171,507
-	25,300
12,800	94,068
<u>2,281,404</u>	<u>11,811,448</u>
995,615	5,735,056
77,057	2,840,676
-	722,428
-	531,454
1,434,540	3,202,192
-	115,000
-	698,140
-	102,102
<u>2,507,212</u>	<u>13,947,048</u>
<u>(225,808)</u>	<u>(2,135,600)</u>
45,954	3,253,354
(540,736)	(3,253,354)
-	3,470,000
<u>(494,782)</u>	<u>3,470,000</u>
(720,590)	1,334,400
<u>1,660,962</u>	<u>18,955,341</u>
<u>\$ 940,372</u>	<u>\$ 20,289,741</u>

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 Assets For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 1,334,400
Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, 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	3,202,192
Repairs and Maintenance	(656,878)
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds.	
	(348,826)
Amortization expense was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, amortization expense was not reported as an expenditure in the governmental funds.	
Amortization of deferred charges	(8,636)
Amortization of discount	(8,151)
Proceeds from long-term debt provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets.	
Bond issuance	(3,470,000)
Bond issuance cost	173,970
Principal payment	115,000
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, interest expense was not reported as an expenditure in the governmental funds. The reconciling amount is the change in accrued interest from the prior year.	
	(26,230)
Compensated absences was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, compensated absences was not reported as an expenditure in the governmental funds.	
	(28,355)
Certain revenues were recorded as deferred 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 Assets under the full accrual basis.	
	(558,175)
Change in Net Assets of Governmental Activities	<u>\$ (279,689)</u>

FIDUCIARY FUND FINANCIAL STATEMENTS

City of Artesia
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	<u>Agency Funds</u>
ASSETS	
Pooled cash and investment	\$ 123,038
Total assets	<u>\$ 123,038</u>
LIABILITIES	
Deposits payable	\$ 123,038
Total liabilities	<u>\$ 123,038</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Artesia, California (City), have been prepared in conformity with generally accepted accounting principles (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. As required by generally accepted accounting principles (GAAP), the accompanying financial statements present the City and its component units. GASB Statement No. 14, *The Financial Reporting Entity*, defines component units 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.

Management determined that the following component unit should be blended based on the criteria above:

Artesia Redevelopment Agency - The Artesia Redevelopment Agency (Agency) was established on September 11, 1995, by the City Council with the adoption of Ordinance No. 516, pursuant to the State of California Health and Safety Code, Section 33000. The five members of the City Council serve as the governing body of the Agency and exercise all rights, powers, duties and privileges of the Agency. The Mayor serves as the Chairperson of the Agency.

This component unit is included in the primary government because of the significance of its financial or operation relationship and the same governing body as the City.

The Agency issues separate component unit financial statements and these can be obtained from 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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City's Government-Wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. 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 and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses reported for specific functions.

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

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

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets have been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- 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 assets as presented in these statements to the net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fund Financial Statements, Continued

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 and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end with the exception of gas tax which is 90 days.) 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.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred 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 created by the integrated approach of GASB Statement No. 34.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's fiduciary funds represent agency funds. 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.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

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 Prop 12 Conservancy Fund's primary function is to acquire, develop and improve local parks and recreational land and facilities.
- The Redevelopment Agency Capital Projects Fund accounts for receipts and disbursements relating to construction of capital projects of the City's redevelopment project areas.
- The Redevelopment Agency Debt Service Fund accounts for the accumulation of resources for payment of interest and principal on the long-term debt of the Redevelopment Agency.

Additionally, the City reports the following fund types:

- 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 accounted for in separate funds.
- The Debt Service Funds are used to account for the repayment of revenue bonds.
- The Capital Projects Funds are used to account for financial resources segregated for the development, construction, and improvement of City facilities.

C. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Assets, Liabilities and Net Assets 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 units, 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.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities and Net Assets or Equity, Continued

Receivables and Payables

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

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 as of 12:01 A.M. 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 Costs

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

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

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

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities and Net Assets or Equity, Continued

Capital Assets, Continued

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	15
Vehicles and equipment	3 - 10
Infrastructure	25

Compensated Absences

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

All vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid, if matured, out of the general fund.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Assets, Liabilities and Net Assets or Equity, Continued

Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - 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 Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

Fund Balances - Reservations and Designations

In the Fund Financial Statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

E. Use of Estimates

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

F. Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements

The City adopted new accounting standards in order to conform to the following GASB Statement:

- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* - this Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues.
- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* - This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Implementation of New Governmental Accounting Standards Board (GASB) Pronouncements, Continued

- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* - This Statement incorporates the hierarchy of generally accepted accounting principles for state and local governments into the GASB's authoritative literature.
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* - This Statement incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants (AICPA) auditing literature into the GASB's accounting and financial reporting literature for state and local governments.

2. CASH AND INVESTMENTS

As of June 30, 2009, cash and investments were reported in the accompanying financial statements as follows:

	Government-Wide Statement of Net Assets <u>Governmental Activities</u>	Statement of Fiduciary Net Assets <u>Net Assets</u>
Unrestricted assets:		
Cash and investments	\$ 18,503,688	\$ 123,038
Total unrestricted assets	<u>18,503,688</u>	<u>123,038</u>
Restricted assets:		
Cash and investments with fiscal agent	<u>2,073,247</u>	<u>-</u>
Total restricted assets	<u>2,073,247</u>	<u>-</u>
Grant Total	<u>\$ 20,576,935</u>	<u>\$ 123,038</u>

Cash and investments were composed of the following:

Cash and Cash equivalents:	
Demand Deposit	\$ 3,144,618
Petty Cash	<u>500</u>
Total cash and cash equivalents	<u>3,145,118</u>
Investments:	
Local Agency Investment Fund	<u>15,481,608</u>
Total investments	<u>15,481,608</u>
Restricted:	
Cash and Investments with Fiscal Agents	<u>2,073,247</u>
Total Cash and Investments	<u><u>\$ 20,699,973</u></u>

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

The City maintains a cash and investment pool that is available for use for all funds. Each fund's position in the pool is reported on the fund's balance sheet as cash and investments.

Deposits

At June 30, 2009, the carrying amount of the City's deposits was \$3,144,618 and the bank balance was \$3,402,340. The difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure a city's deposits by pledging government securities with a value of 110% of a city's deposits. California law also allows financial institutions to secure city deposits by pledging first trust deed mortgage notes having a value of 150% of a city's total deposits. The City Treasurer may waive the collateral requirement for deposits that are fully insured up to \$250,000 by the FDIC. The City has not agreed to such a waiver. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an Agent of Depository has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Investments

Under provision of the City's investment policy and in accordance with the California Government Code, the following investments are authorized:

- Certificates of Deposit (purchased from banks or savings and loan Institutions)
- Bankers Acceptance
- Treasury Bills and Notes
- Government Agency Securities
- Commercial Paper
- Repurchase Agreements
- State and Local Agency Investment Funds (LAIF)
- Passbook Savings Account

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

Investments in State Investment Pool

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2009, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2009, the City had \$15,481,608 invested in LAIF, which had invested 14.71% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 14.72% in the previous year. The LAIF fair value factor of 1.001304743 was used to calculate the fair value of the investments in LAIF.

Market Value

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Credit Risk

As of June 30, 2009, the City's investment in LAIF has not been rated by a nationally recognized statistical rating organization; therefore, no credit rating is disclosed.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that, in the event of the failure of a deposit 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. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the provision for deposits stated above. \$3,152,340 of the City's deposits with financial institutions in excess of federal depository insurance limits was held in uncollateralized accounts. Of the City's total cash and investment balance at June 30, 2009, \$2,037,247 was held by fiscal agents, not in the name of the City, and invested as follows: \$324,895 in money market mutual funds, \$1,668,578 in Certificates of Deposits, \$6,913 in Federal Treasury Obligations, and \$72,861 in cash.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

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, 2009, the City's investments were with LAIF.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30, 2009, the City had the following investments and original maturities:

	Investment Maturities (in Years)	Fair Value
	6 months or less	
LAIF	\$ 15,481,608	\$ 15,481,608
Money market mutual funds - held by fiscal agent	2,073,247	2,073,247
	<u>\$ 19,841,218</u>	<u>\$ 19,841,218</u>

3. LOANS RECEIVABLE

In November 1989, the City entered into an agreement with 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 \$137,531 with no interest to be repaid over 40 years. At June 30, 2009, the outstanding loan receivable is \$71,603.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance July 1, 2008	Additions	Deletions	Transfers	Ending Balance June 30, 2009
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,193,167	\$ 1,736,639	\$ -	\$ -	\$ 3,929,806
Construction-in-progress	494,325	782,675	-	-	1,277,000
Total Capital Assets, Not Being Depreciated	<u>2,687,492</u>	<u>2,519,314</u>	<u>-</u>	<u>-</u>	<u>5,206,806</u>
Capital assets, being depreciated:					
Buildings	1,632,696	-	-	-	1,632,696
Improvements other than building	799,782	-	-	-	799,782
Automobile equipment	425,984	-	-	-	425,984
Office furniture and equipment	271,784	-	-	-	271,784
Other equipment	441,090	-	-	-	441,090
Infrastructure	5,619,044	26,000	-	-	5,645,044
Total Capital Assets, Being Depreciated	<u>9,190,380</u>	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>9,216,380</u>
Less accumulated depreciation:					
Buildings	531,852	36,491	-	-	568,343
Improvements other than building	176,947	50,585	-	-	227,532
Automobile equipment	407,849	5,794	-	-	413,643
Office furniture and equipment	238,026	10,189	-	-	248,215
Other equipment	370,714	11,247	-	-	381,961
Infrastructure	746,857	234,520	-	-	981,377
Total Accumulated Depreciation	<u>2,472,245</u>	<u>348,826</u>	<u>-</u>	<u>-</u>	<u>2,821,071</u>
Total Capital Assets, Being Depreciated, Net	<u>6,718,135</u>	<u>(322,826)</u>	<u>-</u>	<u>-</u>	<u>6,395,309</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,405,627</u>	<u>\$ 2,196,488</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,602,115</u>

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. CAPITAL ASSETS, Continued

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

Governmental Activities:	
General government	\$ 25,520
Public works	241,603
Parks and recreation	73,233
Public safety	8,470
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 348,826</u>

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, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Classification	
					Due Within One Year	Due in More Than One Year
Compensated absences	\$ 258,026	\$ 28,355	\$ -	\$ 286,381	\$ 8,318	\$ 278,063
2007 Tax Allocation Bonds	12,920,000	-	(115,000)	12,805,000	120,000	12,685,000
2007 Tax Allocation Bonds - Discount	(280,510)	-	8,151	(272,359)	(8,151)	(264,208)
2009 Housing Tax Allocation Bonds	-	3,470,000	-	3,470,000	40,000	3,430,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Long-Term Debt	<u>\$ 12,897,516</u>	<u>\$ 3,498,355</u>	<u>\$ (106,849)</u>	<u>\$ 16,289,022</u>	<u>\$ 160,167</u>	<u>\$ 16,128,855</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, 2009, was \$286,381.

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 June 1, from 2009 to 2042, in amounts ranging from \$115,000 to \$600,000. \$3,175,000 of the bonds has been set aside in a Redevelopment Escrow Fund held by the Trustee. All but \$490,000 has been released from escrow as of June 30, 2009. Moneys in the Redevelopment Escrow Fund are expected to be transferred to the Redevelopment Fund (to finance redevelopment projects) from time to time upon satisfaction of certain conditions set forth in the Indenture. Amounts remaining in the Redevelopment Escrow Fund on December 2, 2010, if any, will be used to redeem, on June 1, 2011, a portion of the Bonds maturing on June 1, 2042, and bearing interest at 5.70%, at a redemption price equal to the principal amount to be redeemed plus accrued interest thereon to the redemption date without premium. The balance outstanding at June 30, 2009 was \$12,805,000.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. LONG-TERM DEBT, Continued

2007 Tax Allocation Bonds, Continued

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2009 was \$272,359.

The 2007 Tax Allocation Bonds are payable solely from and secured by the revenues received by the Agency. The total principal and interest to be paid on the bonds is \$28,044,638. Principal and interest paid for the current year and total tax revenues were \$813,540 and \$1,577,560, respectively. Principal and interest payments on the bonds require 52% of these revenues.

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2009, are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 120,000	\$ 693,540	\$ 813,540
2011	160,000	688,590	848,590
2012	170,000	681,345	851,345
2013	175,000	673,475	848,475
2014	185,000	665,255	850,255
2015 - 2019	1,080,000	3,180,680	4,260,680
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 - 2044	2,295,000	259,230	2,554,230
Total	\$ 12,805,000	\$ 15,239,638	\$ 28,044,638

The following is a summary of the unamortized discounts outstanding at June 30, 2009:

Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
\$ 280,510	\$ -	\$ (8,151)	\$ 272,359

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 on June 1, 2046 for \$3,470,000. The bonds mature annually on June 1, from 2010 to 2046, in amounts ranging from \$40,000 to \$265,000. Interest is payable semiannually on June 1 and December 1, with a yield of 7.70%. The balance outstanding at June 30, 2009 was \$3,470,000.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

5. LONG-TERM DEBT, Continued

2009 Tax Allocation Bonds, Continued

The 2009 Tax Allocation Bonds are payable solely from and secured by the Housing Set-Aside revenues received by the Agency for the Housing Fund. The total principal and interest to be paid on the bonds is \$10,492,051. Principal and interest paid for the current year and total tax revenues were \$285,666 and \$394,390, respectively. Principal and interest payments on the bonds require 72% of these revenues.

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

Year Ended June 30,	Principal	Interest	Total
2010	\$ 40,000	\$ 245,666	\$ 285,666
2011	20,000	264,110	284,110
2012	20,000	262,570	282,570
2013	25,000	261,030	286,030
2014	25,000	259,105	284,105
2015 - 2019	155,000	1,263,955	1,418,955
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
Total	\$ 3,470,000	\$ 7,022,051	\$ 10,492,051

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2009, was as follows:

Due To/ Due From Other Funds

At June 30, 2009, the City had the following due to/from other funds:

Due to Other Funds	Due from Other funds
	Governmental Funds
	General
Governmental Funds:	
Prop 12 Conservancy Fund	\$ 95,878
Non-major governmental funds	801,686
Total	\$ 897,564

The above interfund balances resulted from temporary reclassifications made at June 30, 2009 to cover cash shortfalls.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS, Continued

Interfund Transfers

	Transfers Out			
	Redevelopment			Total
	General Fund	Agency Debt Service Fund	Non-major Funds	
Transfers In				
General Fund	\$ 2,773	\$ -	\$ 494,982	\$ 497,755
Prop 12 Conservancy Fund	181,574	-	-	181,574
Redevelopment Agency - Capital Projects Fund	-	2,528,071	-	2,528,071
Nonmajor Funds	200	-	45,754	45,954
Total	\$ 184,547	\$ 2,528,071	\$ 540,736	\$ 3,253,354

The General Fund received transfers from other funds for the purpose of expenditure offset. Most of these except for \$2,773 were budgeted.

The General Fund provided a 50% match to the Prop 12 Project Fund.

Capital Projects indicate the escrow release.

Nonmajor funds - Prop C matching to Safe Route to School

7. FUND BALANCES

At June 30, 2009, the following funds had deficit fund balances:

Fund	Amount
Special Revenue Funds:	
Prop 12 Conservancy	\$ (95,878)
Parks and Recreation Grants	(104,311)
Hazard and Litigation	(55,990)
Artesia Lighting District	(42,192)
Safe Routes to School	(84,096)

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. FUND BALANCES, Continued

Plan to recover fund balances:

Prop 12 Conservancy: Pending grant drawdown request

Parks and Recreation Grants: Pending grant drawdown request

Hazard and Litigation: Pending grant drawdown request

Artesia Lighting District: Due from General Fund to cover shortfall

Safe Routes to School: Pending drawdown request

Excess of expenditures over appropriations occurred in individual departmental level during the fiscal year 2009 as follows:

Fund and Department	Expenditures	Appropriations	Excess
General Fund			
Parks and recreation	\$ 722,428	\$ 716,635	\$ 5,793
Special Revenue Funds:			
Prop C			
General government	31,900	26,620	5,280
Capital outlay	354,944	350,000	4,944
California Beverage Recycling			
General government	3,857	1,544	2,313
California Beverage Recycling			
Public safety	581	-	581
Safe Route to School			
Capital outlay	467,497	417,962	49,535
Prop 1B			
General government	20,999	-	20,999
Capital Projects Fund:			
Capital Projects			
Capital outlay	83,990	-	83,990
Redevelopment Agency - Capital Projects			
Capital outlay	1,767,652	1,737,143	30,509
Bond issuance cost	102,102	-	102,102
Debt Service Funds:			
Redevelopment Agency - Debt Service			
General government	421,747	386,063	35,684
Debt service:			
Principal retirement	115,000	-	115,000

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

8. RETIREMENT PLAN

Plan Description

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

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 6.205% for non-safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2009, the City's annual pension cost of \$254,747 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a 15 year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 7 years for miscellaneous.

Three-Year Trend Information (Amounts in Thousands)			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	\$ 192,484	100%	\$ -
6/30/2008	236,087	100%	-
6/30/2009	254,747	100%	-

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 less than 100 active members. Actuarial valuations performed included other participants within the same risk pool. Therefore, standalone information of the schedule of the funding progress for the City's miscellaneous employees is no longer available.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

9. POST-EMPLOYMENT BENEFITS

The City provides certain post-employment health care benefits to retirees. Retirees receive full health insurance coverage (medical, dental and vision) equal to the amount of coverage that the employees enjoyed with the City at the time of their retirement. This coverage is the full responsibility of the City until the covered dependants are no longer eligible because of age limitations as stated in the policies or deceased. The total post-employment health insurance expenditure for the fiscal year 2008-2009 was \$165,835. There are currently 20 participants receiving benefits.

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

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

The City is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of California public entities and is organized under a joint powers agreement pursuant to California government Code §6500 et seq. The purpose of the Insurance 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 coverages. The Insurance Authority's pool 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.

B. Self-Insurance Programs of the Authority

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claim year. Claims are pooled separately between police and non-police. Costs are spread to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies (4b) subject to a \$3,000,000 annual aggregate deductible (4c) and a quota-sharing agreement whereby the Insurance Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

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

B. Self-Insurance Programs of the Authority, Continued

Workers' Compensation - The City also participates in the workers' compensation pool administered by the Insurance Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claim year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$50,000 of each loss is charged directly to the member's primary deposit; (2) losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; (3) losses from \$100,000 to \$2,000,000 and the loss development reserves associated with those losses are pooled based on payroll; (4) losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

C. Purchased Insurance

Environmental Insurance - The City participates in the pollution legal liability and remediation legal liability insurance which is available through the Insurance Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Insurance Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2008 through July 1, 2011. Each member of the Insurance Authority has a \$10,000,000 sub-limit during the 3-year term of the policy.

Property Insurance - The City participates in the all-risk property protection program of the Insurance Authority. This insurance protection is underwritten by several insurance companies. City property is currently insured according to a schedule of covered property submitted by the City to the Insurance Authority. City property currently has all-risk property insurance protection in the amount of \$13,024,911. 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 retroactive adjustments.

Earthquake and Flood Insurance - The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Insurance Authority. City property currently has earthquake protection in the amount of \$10,616,245, with a deductible of 5%. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

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

D. Adequacy of Protection

During the past three fiscal (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

11. 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, and any required reimbursements are not expected to be material.

C. Commitments

As of June 30, 2009, 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.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the State of California (State) has decided to borrow, to defer certain revenue payments and to take certain funds from local governments, including the City. These amounts are significant to the City and are as follows:

• Property Taxes	\$224,637
• Gas Tax Revenues	\$224,600
• Redevelopment Agency	\$541,126

City of Artesia
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

12. SUBSEQUENT EVENTS, Continued

Property Taxes borrowed by the State for fiscal year 2009-2010 were nearly \$2 billion Statewide to help the State's budget shortfall. Legislators and the Governor promised to allow local agencies to sell their eventual repayment from the State to investors to cover the property taxes and to pay the full cost of the sale, known as securitization. The City has participated in the securitization program and sold its repayment obligation to California Communities. By participating in the securitization program, the City will receive payments equal to 100% of the tax reduction on January 15, 2010 and May 3, 2010.

Gas Tax revenues will have payments deferred to the local governments with funds to be released at a later date.

Redevelopment Agency funds have been estimated for a two year takeaway by the State. This decision is to be litigated by the California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Artesia
Required Supplementary Information
For the year ended June 30, 2008

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 amounts stated as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during each fiscal year. The City Administrator 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 review 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 funds:

Special Revenue Funds:

- MTA Grant
- California Beverage Recycling
- Hi-Tech Grant
- Sheriff
- Safe Routes to School
- Federal STP-L
- Prop 1B

City of Artesia
Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 3,726,916	\$ 3,726,916	\$ 3,726,916	\$ -
Resources (inflows):				
Taxes	3,431,000	3,214,000	4,259,329	1,045,329
Licenses and permits	601,000	601,000	399,256	(201,744)
Intergovernmental	1,596,016	1,657,761	806,349	(851,412)
Charges for services	886,796	863,021	911,850	48,829
Use of money and property	738,028	754,653	421,367	(333,286)
Fines and forfeitures	261,500	261,500	171,507	(89,993)
Planning fees	30,000	30,000	25,300	(4,700)
Other	103,400	118,510	81,268	(37,242)
Transfers in	511,771	511,771	497,755	(14,016)
Amount available for appropriation	8,159,511	8,012,216	7,573,981	(438,235)
Charges to appropriations (outflows):				
General government	3,893,575	3,778,704	3,726,015	52,689
Public safety	2,790,329	2,773,729	2,763,619	10,110
Parks and recreation	716,635	716,635	722,428	(5,793)
Public works	544,509	546,509	531,454	15,055
Transfers out	181,574	181,574	184,547	(2,973)
Total charges to appropriations	8,126,622	7,997,151	7,928,063	69,088
Excess of resources over (under) charges to appropriations	32,889	15,065	(354,082)	(369,147)
Fund balance, June 30	\$ 3,759,805	\$ 3,741,981	\$ 3,372,834	\$ (369,147)

City of Artesia
Budgetary Comparison Schedule
Prop 12 Conservancy
For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (455,280)	\$ (455,280)	\$ (455,280)	\$ -
Resources (inflows):				
Intergovernmental	496,882	496,882	177,828	(319,054)
Transfers in	181,574	181,574	181,574	-
Amount available for appropriation	678,456	678,456	359,402	(319,054)
Charges to appropriations (outflows):				
Capital outlay	220,966	220,966	-	220,966
Total charges to appropriations	220,966	220,966	-	220,966
Excess of resources over (under) charges to appropriations	457,490	457,490	359,402	(98,088)
Fund balance, June 30	\$ 2,210	\$ 2,210	\$ (95,878)	\$ (98,088)

SUPPLEMENTARY INFORMATION

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**NON-MAJOR
GOVERNMENTAL FUNDS**

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Special Revenue				
	State Gas Tax	Proposition A	Parks and Recreation Grants	Proposition C	Air Quality
ASSETS					
Pooled cash and investments	\$ 49,179	\$ 128,107	\$ -	\$ 223,694	\$ 75,431
Receivables:					
Accounts	3,698	19,306	286,852	16,018	4,317
Notes & Loans	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 52,877	\$ 147,413	\$ 286,852	\$ 239,712	\$ 79,748
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 3,725	\$ 2,161	\$ -	\$ 165,238	\$ -
Accrued liabilities	2,427	2,288	-	717	-
Deferred revenues	-	-	-	-	-
Due to other funds	-	-	391,163	-	-
Total liabilities	6,152	4,449	391,163	165,955	-
Fund Balances:					
Reserved:					
Reserved for loans	-	-	-	-	-
Unreserved:					
Undesignated	46,725	142,964	(104,311)	73,757	79,748
Total fund balances	46,725	142,964	(104,311)	73,757	79,748
Total liabilities and fund balances	\$ 52,877	\$ 147,413	\$ 286,852	\$ 239,712	\$ 79,748

Special Revenue							
Hazard and Litigation	Traffic Congestion Relief	MTA Grant	California Beverage Recycling	Artesia Lighting District	Traffic Mitigation Fees	Parking Impact	Billboard
\$ -	\$ 105,241	\$ 3,469	\$ 15,350	\$ -	\$ 118,522	\$ 315,694	\$ 654
53,930	35,369	-	-	4,780	893	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 53,930</u>	<u>\$ 140,610</u>	<u>\$ 3,469</u>	<u>\$ 15,350</u>	<u>\$ 4,780</u>	<u>\$ 119,415</u>	<u>\$ 315,694</u>	<u>\$ 654</u>
\$ -	\$ -	\$ 3,469	\$ 2,020	\$ -	\$ 5,908	\$ -	\$ -
-	-	-	-	-	2,292	1,841	-
55,990	-	-	-	-	-	-	-
53,930	-	-	-	46,972	-	-	-
<u>109,920</u>	<u>-</u>	<u>3,469</u>	<u>2,020</u>	<u>46,972</u>	<u>8,200</u>	<u>1,841</u>	<u>-</u>
-	-	-	-	-	-	-	-
(55,990)	140,610	-	13,330	(42,192)	111,215	313,853	654
(55,990)	140,610	-	13,330	(42,192)	111,215	313,853	654
<u>\$ 53,930</u>	<u>\$ 140,610</u>	<u>\$ 3,469</u>	<u>\$ 15,350</u>	<u>\$ 4,780</u>	<u>\$ 119,415</u>	<u>\$ 315,694</u>	<u>\$ 654</u>

(Continued)

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2009

	Special Revenue				
	Hi-Tech Grant	Sheriff	C.O.P.S Grant	Safe Route to School	Federal STP-L
ASSETS					
Pooled cash and investments	\$ 290	\$ 6,163	\$ -	\$ -	\$ 58,458
Receivables:					
Accounts	-	-	946	375,075	-
Notes & Loans	-	-	-	-	-
Due from other governments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 290	\$ 6,163	\$ 946	\$ 375,075	\$ 58,458
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ 82,395	\$ -
Accrued liabilities	-	-	-	-	-
Deferred revenues	-	-	-	84,095	-
Due to other funds	-	-	946	292,681	-
Total liabilities	-	-	946	459,171	-
Fund Balances:					
Reserved:					
Reserved for loans	-	-	-	-	-
Unreserved:					
Undesignated	290	6,163	-	(84,096)	58,458
Total fund balances	290	6,163	-	(84,096)	58,458
Total liabilities and fund balances	\$ 290	\$ 6,163	\$ 946	\$ 375,075	\$ 58,458

Special Revenue		Capital Projects Fund	Total Other Governmental Funds
HOME Program	Prop 1B	Capital Projects	
\$ -	\$ 230,439	\$ 69,525	\$ 1,400,216
120,435	-	1,395	923,014
-	-	71,603	71,603
-	-	-	-
-	-	-	-
<u>\$ 120,435</u>	<u>\$ 230,439</u>	<u>\$ 142,523</u>	<u>\$ 2,394,833</u>

\$ 104,441	\$ 58,230	\$ 3,935	\$ 431,522
-	-	-	9,565
-	-	71,603	211,688
15,994	-	-	801,686
<u>120,435</u>	<u>58,230</u>	<u>75,538</u>	<u>1,454,461</u>
-	-	71,603	71,603
-	172,209	(4,618)	868,769
-	172,209	66,985	940,372
<u>\$ 120,435</u>	<u>\$ 230,439</u>	<u>\$ 142,523</u>	<u>\$ 2,394,833</u>

(Concluded)

City of Artesia

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2009

	Special Revenue				
	State Gas Tax	Proposition A	Parks and Recreation	Proposition C	Air Quality
			Grants		
REVENUES:					
Taxes	\$ -	\$ 253,708	\$ -	\$ 210,519	\$ -
Intergovernmental	258,360	8,452	286,852	777	19,357
Charges for services	-	-	-	-	-
Use of money and property	57	2,439	-	6,639	1,384
Other	6,249	-	-	6,300	-
Total revenues	264,666	264,599	286,852	224,235	20,741
EXPENDITURES:					
Current:					
General government	-	208,071	-	31,900	5,000
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	258,934	-	3,683	354,944	-
Total expenditures	258,934	208,071	3,683	386,844	5,000
REVENUES OVER (UNDER) EXPENDITURES	5,732	56,528	283,169	(162,609)	15,741
OTHER FINANCING SOURCES (USES):					
Transfers in	-	200	-	-	-
Transfers out	-	-	(286,852)	(45,754)	-
Total other financing sources (uses)	-	200	(286,852)	(45,754)	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	5,732	56,728	(3,683)	(208,363)	15,741
FUND BALANCES:					
Beginning of year	40,993	86,236	(100,628)	282,120	64,007
End of year	\$ 46,725	\$ 142,964	\$ (104,311)	\$ 73,757	\$ 79,748

Special Revenue							
Hazard and Litigation	Traffic Congestion Relief	MTA Grant	California Beverage Recycling	Artesia Lighting District	Traffic Mitigation Fees	Parking Impact	Billboard
\$ -	\$ -	\$ -	\$ -	\$ 131,598	\$ -	\$ -	\$ -
-	148,509	25,000	5,005	-	50,000	-	60,000
-	-	-	-	-	-	-	-
-	1,395	-	314	-	6,949	6,737	369
-	-	-	-	-	-	-	-
-	149,904	25,000	5,319	131,598	56,949	6,737	60,369
-	-	-	3,857	166,026	344,018	50,972	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,535	-	25,000	-	-	-	-	-
20,535	-	25,000	3,857	166,026	344,018	50,972	-
(20,535)	149,904	-	1,462	(34,428)	(287,069)	(44,235)	60,369
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(78,000)
-	-	-	-	-	-	-	(78,000)
(20,535)	149,904	-	1,462	(34,428)	(287,069)	(44,235)	(17,631)
(35,455)	(9,294)	-	11,868	(7,764)	398,284	358,088	18,285
\$ (55,990)	\$ 140,610	\$ -	\$ 13,330	\$ (42,192)	\$ 111,215	\$ 313,853	\$ 654

(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, 2009

	Special Revenue				
	Hi-Tech Grant	Sheriff	C.O.P.S Grant	Safe Route to School	Federal STP-L
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	75,946	394,462	-
Charges for services	-	-	-	-	-
Use of money and property	-	126	530	-	-
Other	-	251	-	-	-
Total revenues	-	377	76,476	394,462	-
EXPENDITURES:					
Current:					
General government	-	-	-	-	-
Public safety	-	581	76,476	-	-
Public works	-	-	-	-	-
Capital outlay	-	-	-	467,497	-
Total expenditures	-	581	76,476	467,497	-
REVENUES OVER (UNDER) EXPENDITURES	-	(204)	-	(73,035)	-
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	-	45,754	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	45,754	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	(204)	-	(27,281)	-
FUND BALANCES:					
Beginning of year	290	6,367	-	(56,815)	58,458
End of year	\$ 290	\$ 6,163	\$ -	\$ (84,096)	\$ 58,458

Special Revenue		Projects Fund		Total
HOME Program	Prop 1B	Capital Projects	Other Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 595,825
120,435	-	81,542	-	1,534,697
-	-	4,157	-	4,157
-	7,606	99,380	-	133,925
-	-	-	-	12,800
120,435	7,606	185,079	-	2,281,404
120,435	20,999	44,337	-	995,615
-	-	-	-	77,057
-	-	-	-	-
-	219,957	83,990	-	1,434,540
120,435	240,956	128,327	-	2,507,212
-	(233,350)	56,752	-	(225,808)
-	-	-	-	45,954
-	-	(130,130)	-	(540,736)
-	-	(130,130)	-	(494,782)
-	(233,350)	(73,378)	-	(720,590)
-	405,559	140,363	-	1,660,962
\$ -	\$ 172,209	\$ 66,985	\$ -	\$ 940,372

(Concluded)

City of Artesia

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 40,993	\$ 40,993	\$ 40,993	\$ -
Resources (inflows):				
Intergovernmental	324,000	324,000	258,360	(65,640)
Use of money and property	-	-	57	57
Other	6,000	6,000	6,249	249
Amount available for appropriation	330,000	330,000	264,666	(65,334)
Charges to appropriations (outflows):				
Capital outlay	329,533	347,770	258,934	88,836
Total charges to appropriations	329,533	347,770	258,934	88,836
Excess of resources over (under) charges to appropriations	467	(17,770)	5,732	23,502
Fund balance, June 30, 2009	\$ 41,460	\$ 23,223	\$ 46,725	\$ 23,502

City of Artesia

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 86,236	\$ 86,236	\$ 86,236	\$ -
Resources (inflows):				
Taxes	283,000	283,000	253,708	(29,292)
Intergovernmental	-	-	8,452	8,452
Use of money and property	1,100	1,100	2,439	1,339
Transfers in	-	-	200	200
Amount available for appropriation	284,100	284,100	264,799	(19,301)
Charges to appropriations (outflows):				
General government	229,221	291,221	208,071	83,150
Total charges to appropriations	229,221	291,221	208,071	83,150
Excess of resources over (under) charges to appropriations	54,879	(7,121)	56,728	63,849
Fund balance, June 30, 2009	\$ 141,115	\$ 79,115	\$ 142,964	\$ 63,849

City of Artesia

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

Parks and Recreation Grants

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ (100,628)	\$ (100,628)	\$ (100,628)	\$ -
Resources (inflows):				
Intergovernmental	403,641	403,641	286,852	(116,789)
Amount available for appropriation	403,641	403,641	286,852	(116,789)
Charges to appropriations (outflows):				
Capital outlay	373,641	373,641	3,683	369,958
Transfers out	-	-	286,852	(286,852)
Total charges to appropriations	373,641	373,641	290,535	83,106
Excess of resources over (under) charges to appropriations	30,000	30,000	(3,683)	(33,683)
Fund balance, June 30, 2009	\$ (70,628)	\$ (70,628)	\$ (104,311)	\$ (33,683)

City of Artesia

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 282,120	\$ 282,120	\$ 282,120	\$ -
Resources (inflows):				
Taxes	234,000	234,000	210,519	(23,481)
Intergovernmental	-	-	777	777
Use of money and property	3,900	3,900	6,639	2,739
Other	-	-	6,300	6,300
Amount available for appropriation	237,900	237,900	224,235	(13,665)
Charges to appropriations (outflows):				
General government	61,620	26,620	31,900	(5,280)
Capital outlay	289,000	350,000	354,944	(4,944)
Transfer out	64,250	64,250	45,754	18,496
Total charges to appropriations	414,870	440,870	432,598	8,272
Excess of resources over (under) charges to appropriations	(176,970)	(202,970)	(208,363)	(5,393)
Fund balance, June 30, 2009	\$ 105,150	\$ 79,150	\$ 73,757	\$ (5,393)

City of Artesia

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

Air Quality

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 64,007	\$ 64,007	\$ 64,007	\$ -
Resources (inflows):				
Intergovernmental	19,000	19,000	19,357	357
Use of money and property	-	-	1,384	1,384
Amount available for appropriation	19,000	19,000	20,741	1,741
Charges to appropriations (outflows):				
General government	62,000	62,000	5,000	57,000
Total charges to appropriations	62,000	62,000	5,000	57,000
Excess of resources over (under) charges to appropriations	(43,000)	(43,000)	15,741	58,741
Fund balance, June 30, 2009	\$ 21,007	\$ 21,007	\$ 79,748	\$ 58,741

City of Artesia

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

Hazard and Litigation

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ (35,455)	\$ (35,455)	\$ (35,455)	\$ -
Charges to appropriations (outflows):				
Capital outlay	1,025,305	1,025,305	20,535	1,004,770
Total charges to appropriations	1,025,305	1,025,305	20,535	1,004,770
Excess of resources over (under) charges to appropriations	(1,025,305)	(1,025,305)	(20,535)	1,004,770
Fund balance, June 30, 2009	\$ (1,060,760)	\$ (1,060,760)	\$ (55,990)	\$ 1,004,770

City of Artesia

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

Traffic Congestion Relief

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ (9,294)	\$ (9,294)	\$ (9,294)	\$ -
Resources (inflows):				
Intergovernmental	-	75,605	148,509	72,904
Use of money and property	-	-	1,395	1,395
Amount available for appropriation	-	75,605	149,904	74,299
Excess of resources over (under) charges to appropriations	-	75,605	149,904	74,299
Fund balance, June 30, 2009	(9,294)	66,311	\$ 140,610	\$ 74,299

City of Artesia

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

MTA

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	10,000	10,000	25,000	15,000
Amount available for appropriation	10,000	10,000	25,000	15,000
Charges to appropriations (outflows):				
Capital outlay	-	25,000	25,000	-
Total charges to appropriations	-	25,000	25,000	-
Excess of resources over (under) charges to appropriations	10,000	(15,000)	-	15,000
Fund balance, June 30, 2009	\$ 10,000	\$ (15,000)	\$ -	\$ 15,000

City of Artesia

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

California Beverage Recycling

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 11,868	\$ 11,868	\$ 11,868	\$ -
Resources (inflows):				
Intergovernmental	-	5,000	5,005	5
Use of money and property	-	-	314	314
Amount available for appropriation	-	5,000	5,319	319
Charges to appropriations (outflows):				
General government	-	1,544	3,857	(2,313)
Total charges to appropriations	-	1,544	3,857	(2,313)
Excess of resources over (under) charges to appropriations	-	3,456	1,462	(1,994)
Fund balance, June 30, 2009	\$ 11,868	\$ 15,324	\$ 13,330	\$ (1,994)

City of Artesia

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

Artesia Lighting District

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ (7,764)	\$ (7,764)	\$ (7,764)	\$ -
Resources (inflows):				
Assessments/reimbursements	167,317	177,363	131,598	(45,765)
Amount available for appropriation	167,317	177,363	131,598	(45,765)
Charges to appropriations (outflows):				
General government	162,600	169,600	166,026	3,574
Total charges to appropriations	162,600	169,600	166,026	3,574
Excess of resources over (under) charges to appropriations	4,717	7,763	(34,428)	(42,191)
Fund balance, June 30, 2009	\$ (3,047)	\$ (1)	\$ (42,192)	\$ (42,191)

City of Artesia

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

Traffic Mitigation Fees

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 398,284	\$ 398,284	\$ 398,284	\$ -
Resources (inflows):				
Intergovernmental	300,000	300,000	50,000	(250,000)
Use of money and property	5,000	5,000	6,949	1,949
Amount available for appropriation	305,000	305,000	56,949	(248,051)
Charges to appropriations (outflows):				
General government	376,958	387,004	344,018	42,986
Total charges to appropriations	376,958	387,004	344,018	42,986
Excess of resources over (under) charges to appropriations	(71,958)	(82,004)	(287,069)	(205,065)
Fund balance, June 30, 2009	\$ 326,326	\$ 316,280	\$ 111,215	\$ (205,065)

City of Artesia

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

Parking Impact

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 358,088	\$ 358,088	\$ 358,088	\$ -
Resources (inflows):				
Use of money and property	4,500	4,500	6,737	2,237
Amount available for appropriation	4,500	4,500	6,737	2,237
Charges to appropriations (outflows):				
General government	86,146	86,146	50,972	35,174
Total charges to appropriations	86,146	86,146	50,972	35,174
Excess of resources over (under) charges to appropriations	(81,646)	(81,646)	(44,235)	37,411
Fund balance, June 30, 2009	\$ 276,442	\$ 276,442	\$ 313,853	\$ 37,411

City of Artesia

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 18,285	\$ 18,285	\$ 18,285	\$ -
Resources (inflows):				
Intergovernmental	70,000	60,000	60,000	-
Use of money and property	100	100	369	269
Amount available for appropriation	70,100	60,100	60,369	269
Charges to appropriations (outflows):				
Transfers out	78,000	78,000	78,000	-
Total charges to appropriations	78,000	78,000	78,000	-
Excess of resources over (under) charges to appropriations	(7,900)	(17,900)	(17,631)	269
Fund balance, June 30, 2009	\$ 10,385	\$ 385	\$ 654	\$ 269

City of Artesia

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

Hi-Tech Grant

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 290	\$ 290	\$ 290	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Use of money and property	-	-	-	-
Amount available for appropriation	-	-	-	-
Charges to appropriations (outflows):				
General government	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	-	-
Fund balance, June 30, 2009	\$ 290	\$ 290	\$ 290	\$ -

City of Artesia

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

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 6,367	\$ 6,367	\$ 6,367	\$ -
Resources (inflows):				
Use of money and property	-	-	126	126
Other	-	-	251	251
Amount available for appropriation	-	-	377	377
Charges to appropriations (outflows):				
Public safety	-	-	581	(581)
Total charges to appropriations	-	-	581	(581)
Excess of resources over (under) charges to appropriations	-	-	(204)	(204)
Fund balance, June 30, 2009	\$ 6,367	\$ 6,367	\$ 6,163	\$ (204)

City of Artesia

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

C.O.P.S Grant

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	75,946	(24,054)
Use of money and property	-	-	530	530
Amount available for appropriation	100,000	100,000	76,476	(23,524)
Charges to appropriations (outflows):				
Public safety	100,000	100,000	76,476	23,524
Total charges to appropriations	100,000	100,000	76,476	23,524
Excess of resources over (under) charges to appropriations	-	-	-	-
Fund balance, June 30, 2009	\$ -	\$ -	\$ -	\$ -

City of Artesia

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

Safe Route to School

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ (56,815)	\$ (56,815)	\$ (56,815)	\$ -
Resources (inflows):				
Intergovernmental	578,250	578,250	394,462	(183,788)
Transfers in	64,250	64,250	45,754	(18,496)
Amount available for appropriation	642,500	642,500	440,216	(202,284)
Charges to appropriations (outflows):				
Capital outlay	642,500	417,962	467,497	(49,535)
Total charges to appropriations	642,500	417,962	467,497	(49,535)
Excess of resources over (under) charges to appropriations	-	224,538	(27,281)	(251,819)
Fund balance, June 30, 2009	\$ (56,815)	\$ 167,723	\$ (84,096)	\$ (251,819)

City of Artesia

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

Federal STP-L

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 58,458	\$ 58,458	\$ 58,458	\$ -
Resources (inflows):				
Intergovernmental	-	-	-	-
Use of money and property	-	-	-	-
Amount available for appropriation	-	-	-	-
Charges to appropriations (outflows):				
Public safety	-	-	-	-
Total charges to appropriations	-	-	-	-
Excess of resources over (under) charges to appropriations	-	-	-	-
Fund balance, June 30, 2009	\$ 58,458	\$ 58,458	\$ 58,458	\$ -

City of Artesia

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

HOME Program

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	600,000	595,070	120,435	(474,635)
Amount available for appropriation	600,000	595,070	120,435	(474,635)
Charges to appropriations (outflows):				
General government	595,070	595,070	120,435	474,635
Total charges to appropriations	595,070	595,070	120,435	474,635
Excess of resources over (under) charges to appropriations	4,930	-	-	-
Fund balance, June 30, 2009	\$ 4,930	\$ -	\$ -	\$ -

City of Artesia

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

Prop 1B

For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 405,559	\$ 405,559	\$ 405,559	\$ -
Resources (inflows):				
Use of money and property	2,300	2,300	7,606	5,306
Amount available for appropriation	2,300	2,300	7,606	5,306
Charges to appropriations (outflows):				
General government	-	-	20,999	(20,999)
Capital outlay	406,964	420,419	219,957	200,462
Total charges to appropriations	406,964	420,419	240,956	179,463
Excess of resources over (under) charges to appropriations	(404,664)	(418,119)	(233,350)	184,769
Fund balance, June 30, 2009	\$ 895	\$ (12,560)	\$ 172,209	\$ 184,769

City of Artesia

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Capital Projects For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 140,363	\$ 140,363	\$ 140,363	\$ -
Resources (inflows):				
Intergovernmental	-	61,000	81,542	20,542
Charges for services	-	-	4,157	4,157
Use of money and property	2,000	2,000	99,380	97,380
Amount available for appropriation	2,000	63,000	185,079	122,079
Charges to appropriations (outflows):				
General government	9,793	70,793	44,337	26,456
Capital outlay	-	-	83,990	(83,990)
Transfers out	130,130	130,130	130,130	-
Total charges to appropriations	139,923	200,923	258,457	(57,534)
Excess of resources over (under) charges to appropriations	(137,923)	(137,923)	(73,378)	64,545
Fund balance, June 30, 2009	\$ 2,440	\$ 2,440	\$ 66,985	\$ 64,545

City of Artesia

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency - Capital Projects For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 8,150,147	\$ 8,150,147	\$ 8,150,147	\$ -
Resources (inflows):				
Taxes	-	-	394,390	394,390
Use of money and property	-	-	195,794	195,794
Transfers in	-	2,528,071	2,528,071	-
Amount available for appropriation	-	2,528,071	3,118,255	590,184
Charges to appropriations (outflows):				
General government	607,002	752,847	591,679	161,168
Capital outlay	-	1,737,143	1,767,652	(30,509)
Bond issuance cost	-	-	102,102	(102,102)
Total charges to appropriations	607,002	2,489,990	2,461,433	28,557
Excess of resources over (under) charges to appropriations	(607,002)	38,081	656,822	618,741
Fund balance, June 30, 2009	\$ 7,543,145	\$ 8,188,228	\$ 8,806,969	\$ 618,741

City of Artesia

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Redevelopment Agency - Debt Service For the year ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, 2008	\$ 5,872,596	\$ 5,872,596	\$ 5,872,596	\$ -
Resources (inflows):				
Taxes	1,236,041	1,236,041	1,577,560	341,519
Use of money and property	75,000	75,000	108,246	33,246
Long-term debt issued	-	-	-	-
Amount available for appropriation	1,311,041	1,311,041	1,685,806	374,765
Charges to appropriations (outflows):				
General government	377,685	386,063	421,747	(35,684)
Debt service:				
Principal retirement	-	-	115,000	(115,000)
Interest and fiscal charges	632,165	821,140	698,140	123,000
Transfer out	-	2,528,071	2,528,071	-
Total charges to appropriations	1,009,850	3,735,274	3,762,958	(27,684)
Excess of resources over (under) charges to appropriations	301,191	(2,424,233)	(2,077,152)	347,081
Fund balance, June 30, 2009	\$ 6,173,787	\$ 3,448,363	\$ 3,795,444	\$ 347,081

City of Artesia
Combining Balance Sheet
All Agency Funds
June 30, 2009

	Trust and Agency	George Nelson Memorial	Senior Citizens'	Total
ASSETS				
Pooled cash and investment	\$ 120,210	\$ 2,130	\$ 698	\$ 123,038
Total assets	<u>\$ 120,210</u>	<u>\$ 2,130</u>	<u>\$ 698</u>	<u>\$ 123,038</u>
LIABILITIES				
Deposits payable	\$ 120,210	\$ 2,130	\$ 698	\$ 123,038
Total liabilities	<u>\$ 120,210</u>	<u>\$ 2,130</u>	<u>\$ 698</u>	<u>\$ 123,038</u>

City of Artesia
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
June 30, 2009

	Balance July 1, 2008	Addition	Deductions	Balance June 30, 2009
Trust and Agency				
Assets:				
Pooled cash and investment	\$ 152,667	\$ 3,660	\$ (36,117)	\$ 120,210
Total assets	\$ 152,667	\$ 3,660	\$ (36,117)	\$ 120,210
Liabilities:				
Account payable	\$ 930	\$ -	\$ (930)	\$ -
Deposits payable	151,737	3,660	(35,187)	120,210
Total liabilities	\$ 152,667	\$ 3,660	\$ (36,117)	\$ 120,210
George Nelson Memorial				
Assets:				
Pooled cash and investment	\$ 2,088	\$ 42	\$ -	\$ 2,130
Total assets	\$ 2,088	\$ 42	\$ -	\$ 2,130
Liabilities:				
Deposits payable	\$ 2,088	\$ 42	\$ -	\$ 2,130
Total liabilities	\$ 2,088	\$ 42	\$ -	\$ 2,130
Senior Citizens'				
Assets:				
Pooled cash and investment	\$ 406	\$ 292	\$ -	\$ 698
Total assets	\$ 406	\$ 292	\$ -	\$ 698
Liabilities:				
Deposits payable	\$ 406	\$ 292	\$ -	\$ 698
Total liabilities	\$ 406	\$ 292	\$ -	\$ 698
Totals - All Agency Funds				
Assets:				
Pooled cash and investment	\$ 155,161	\$ 3,994	\$ (36,117)	\$ 123,038
Total assets	\$ 155,161	\$ 3,994	\$ (36,117)	\$ 123,038
Liabilities:				
Account payable	\$ 930	\$ -	\$ (930)	\$ -
Deposits payable	154,231	3,994	(35,187)	123,038
Total liabilities	\$ 155,161	\$ 3,994	\$ (36,117)	\$ 123,038