

Artesia Redevelopment Agency

Artesia, California

*Basic Financial Statements
and Independent Auditors' Reports*

For the year ended June 30, 2009

C&L
Caporicci & Larson
Certified Public Accountants

Artesia Redevelopment Agency
Basic Financial Statements
For the year ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Honorable Chair and Members of the Governing Board
of the Artesia Redevelopment Agency
Artesia, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Artesia Redevelopment Agency (Agency), a component unit of the City of Artesia, California (City), as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

- Redevelopment Agency funds -- proposed to be taken for fiscal year 2010

The above amounts are important to the Agency and may affect its ongoing operations and capital projects. Certain lawsuits are in process to stop such State actions. For more detailed information, see Note 8 in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States.

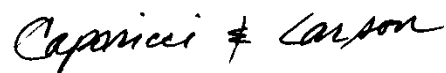
To the Honorable Chair and Members of the Governing Board
Artesia Redevelopment Agency
Artesia, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2009 on our consideration of the City's 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 Agency has not presented a Management's Discussion and Analysis required by GASB Statement No. 34 that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The accompanying Required Supplementary Information is not a required part of the basic 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 the Required Supplemental Information.

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



Irvine, California
December 14, 2009

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Artesia Redevelopment Agency

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 14,183,365
Receivables:	
Accounts	106,577
Interest	30,373
Deferred charges	462,540
Restricted assets:	
Cash and investments with trustees	2,073,247
Capital Assets:	
Nondepreciable assets	<u>1,736,639</u>
Total assets	<u>18,592,741</u>
LIABILITIES	
Accounts payable and accrued expenses	321,149
Interest payable	78,267
Long-term liabilities:	
Due within one year	151,849
Due in more than one year	<u>15,850,792</u>
Total liabilities	<u>16,402,057</u>
NET ASSETS	
Investments in capital assets, net of related debt	1,736,639
Restricted for:	
Community development	12,276,969
Debt service	3,795,444
Unrestricted	<u>(15,618,368)</u>
Total net assets	<u>\$ 2,190,684</u>

See accompanying Notes to Basic Financial Statements.

Artesia Redevelopment Agency
Statement of Activities and Change in Net Assets
For the year ended June 30, 2009

Functions/Programs	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Assets
					Governmental Activities
Primary government:					
General government	\$ 1,044,439	\$ -	\$ -	\$ -	\$ (1,044,439)
Interest on long term debt	665,999	-	-	-	(665,999)
Total government activities	\$ 1,710,438	\$ -	\$ -	\$ -	(1,710,438)
 General revenues:					
Taxes (net of pass-through payments)					1,971,950
Use of money and property					304,040
Total general revenues					2,275,990
Change in net assets					565,552
Net assets - beginning of year					1,625,132
Net assets - end of year					\$ 2,190,684

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FUND FINANCIAL STATEMENTS

Artesia Redevelopment Agency
Balance Sheet
Governmental Funds
June 30, 2009

	<u>Capital Projects</u> <u>Project Area 1</u>	<u>Capital Projects</u> <u>Project Area 1</u> Low and Moderate Housing	<u>Debt Service</u> <u>Project Area 1</u> Tax Increment	Total Governmental Funds
ASSETS				
Cash and investments	\$ 7,375,863	\$ 4,575,543	\$ 2,231,959	\$ 14,183,365
Cash and investments with trustee	-	357,898	1,715,349	2,073,247
Receivables:				
Accounts	-	13,490	93,087	106,577
Interest	-	-	30,373	30,373
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 7,375,863</u>	<u>\$ 4,946,931</u>	<u>\$ 4,070,768</u>	<u>\$ 16,393,562</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 42,337	\$ -	\$ 275,324	\$ 317,661
Accrued payroll	3,488	-	-	3,488
Total liabilities	<u>45,825</u>	<u>-</u>	<u>275,324</u>	<u>321,149</u>
Fund Balances:				
Reserved for:				
Prepaid costs	-	-	-	-
Unreserved, undesignated, reported in:				
Debt service	-	-	3,795,444	3,795,444
Continuing projects	7,330,038	4,946,931	-	12,276,969
Total fund balances	<u>7,330,038</u>	<u>4,946,931</u>	<u>3,795,444</u>	<u>16,072,413</u>
Total liabilities and fund balances	<u>\$ 7,375,863</u>	<u>\$ 4,946,931</u>	<u>\$ 4,070,768</u>	<u>\$ 16,393,562</u>

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

Total Fund Balance - Total Governmental Funds \$ 16,072,413

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds. 1,736,639

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. (16,002,641)

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. (78,267)

Net Assets of Governmental Activities \$ 2,190,684

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

	<u>Capital Projects</u> <u>Project Area 1</u>	<u>Capital Projects</u> <u>Project Area 1</u>	<u>Debt Service</u> <u>Project Area 1</u>	Total Governmental Funds
	Project	Low and Moderate Housing	Tax Increment	
REVENUES:				
Taxes and assessments	\$ -	\$ 394,390	\$ 1,577,560	\$ 1,971,950
Use of money and property	164,131	31,663	108,246	304,040
Total revenues	<u>164,131</u>	<u>426,053</u>	<u>1,685,806</u>	<u>2,275,990</u>
EXPENDITURES:				
Current:				
General government	586,165	5,514	421,747	1,013,426
Capital outlay	1,767,652	-	-	1,767,652
Debt service:				
Principal retirement	-	-	153,000	153,000
Interest and fiscal charges	-	-	698,140	698,140
Cost of issuance	-	102,102	-	102,102
Total expenditures	<u>2,353,817</u>	<u>107,616</u>	<u>1,272,887</u>	<u>3,734,320</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,189,686)</u>	<u>318,437</u>	<u>412,919</u>	<u>(1,458,330)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,528,071	-	-	2,528,071
Transfers out	-	-	(2,528,071)	(2,528,071)
Long-term debt issuance	-	3,470,000	-	3,470,000
Total other financing sources (uses)	<u>2,528,071</u>	<u>3,470,000</u>	<u>(2,528,071)</u>	<u>3,470,000</u>
Net change in fund balance	338,385	3,788,437	(2,115,152)	2,011,670
FUND BALANCES:				
Beginning of year	<u>6,991,653</u>	<u>1,158,494</u>	<u>5,910,596</u>	<u>14,060,743</u>
End of year	<u>\$ 7,330,038</u>	<u>\$ 4,946,931</u>	<u>\$ 3,795,444</u>	<u>\$ 16,072,413</u>

See accompanying Notes to Basic Financial Statements.

Artesia Redevelopment Agency

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 2,011,670

Amounts reported for governmental activities in the Governmental-Wide 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	\$ 1,767,652	
Repairs and maintenance	(31,013)	1,736,639

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 proceeds	(3,470,000)	
Bond issuance costs	173,970	
Principal payment	153,000	(3,143,030)

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)	(16,787)

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.

(22,940)

Change in Net Assets of Governmental Activities \$ 565,552

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NOTES TO BASIC FINANCIAL STATEMENTS

Artesia Redevelopment Agency
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 Artesia Redevelopment Agency (the Agency), 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 the Reporting Entity

The Agency was established on September 11, 1995, by the City Council of the City of Artesia (City) with the adoption of Ordinance No. 516. 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 Chairperson of the Agency. A redevelopment plan was approved and adopted on July 9, 2001.

Determination of a component unit is based on criteria such as financial interdependency, selection of governing authority and designation of management, budget control and ability to significantly influence operations. As a result, the Agency is a component of the City.

B. Basis of Accounting and Measurement Focus

The accounts of the Agency are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. 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.

Government-Wide and Fund Financial Statements

The Agency'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 Activities for the Agency.

The Government-Wide Financial Statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital 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.

Artesia Redevelopment Agency
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

Certain types of transactions may be reported as program revenues for the Agency and, where appropriate, are reported in three categories:

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

The Agency had no program revenues at June 30, 2009.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. The following interfund activities have been eliminated:

- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. The Agency has presented all of its funds as major funds.

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 present 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) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are property taxes, taxpayer-assessed tax revenues, and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

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.

Artesia Redevelopment Agency
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 funds of the Agency, all of which are major funds are described below:

Capital Projects Major Funds:

Project Area 1

Project Fund - The Agency's Capital Projects Fund accounts for the financing, construction and administrative activities of the Agency.

Low and Moderate Housing Fund - The Agency's Low and Moderate Housing Fund accounts for the financing, construction and administration of low and moderate housing activities of the Agency.

Debt Service Major Funds:

Project Area 1

Tax Increment Fund - The Agency's Tax Increment Fund accounts for the accumulation of resources for payment of interest and principal on long-term debt of the Agency.

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

C. Assets, Liabilities and Net Assets or Equity

Investments

Investments for the Agency are reported at fair value. The California Local Agency Investment Pool (LAIF) operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All account and property tax receivables are shown net of an allowance for uncollectibles.

Artesia Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means 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 Agency. 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.

Inventories, Prepaid Items and Land Held for Resale

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

Land purchased for resale is capitalized as an asset at acquisition costs or net realizable value, if lower.

Capital Assets

Capital assets which include property, buildings, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Agency as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Purchased 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.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Governmental-Wide 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.

Artesia Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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.

Fund Equity

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

2. CASH AND INVESTMENTS

Cash and investments reported in the accompanying financial statements consisted of the following:

Cash and investments pooled with the City	\$ 14,183,365
Cash and investments with trustee	2,073,247
Total Cash and Investments	<u><u>\$ 16,256,612</u></u>

The Agency's funds are pooled with the City's cash and investments in order to generate optimum interest income. The information required by GASB Statement No. 40 related to authorized investments and credit risk is available in the basic financial statements of the City.

3. CAPITAL ASSETS

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

	Balance July 1, 2008	Additions	Deletions	Transfers	Balance June 30, 2009
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ -	\$ 1,736,639	\$ -	\$ -	\$ 1,736,639
Total Capital Assets, Not Being Depreciated	<u>-</u>	<u>1,736,639</u>	<u>-</u>	<u>-</u>	<u>1,736,639</u>
Governmental Activities Capital Assets, Net	<u><u>\$ -</u></u>	<u><u>\$ 1,736,639</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,736,639</u></u>

Artesia Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. LONG-TERM DEBT

The following is a schedule of changes in long-term debt of the Agency for the fiscal year ended June 30, 2009:

	Balance			Balance June 30, 2009	Classification	
	July 1, 2008	Additions	Deletions		Due Within One Year	Due in More Than One Year
City Loans - Principal	\$ 38,000	\$ -	\$ (38,000)	\$ -	\$ -	\$ -
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
Total Long-Term Debt	\$ 12,677,490	\$ 3,470,000	\$ (144,849)	\$ 16,002,641	\$ 151,849	\$ 15,850,792

A description of long-term debt outstanding (excluding defeased debt) of the Agency as of June 30, 2009, is as follows:

City Loans

As of June 30, 2009, the Agency had repaid the loan from the City.

2007 Tax Allocation Bonds

On December 5, 2007, the Agency issued \$12,920,000 in Tax Allocation Bonds for the purpose of financing certain redevelopment activities benefiting the Artesia Redevelopment Project Area in the City. The bonds mature annually on June 1, from 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 and 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 thereof to be redeemed plus accrued interest thereon to the redemption date without premium. The balance outstanding at June 30, 2009 was \$12,805,000.

Original bond issuance discount on 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 the pledged revenues.

Artesia Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. LONG-TERM DEBT, Continued

The annual requirement to amortize the 2007 Tax Allocation Bond outstanding at June 30, 2009, was 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
2014 - 2019	1,080,000	3,180,680	4,260,680
2019 - 2024	1,380,000	2,872,798	4,252,798
2024 - 2029	1,800,000	2,455,625	4,255,625
2029 - 2034	2,355,000	1,899,795	4,254,795
2034 - 2039	3,085,000	1,169,305	4,254,305
2039 - 2042	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 Set-Aside Tax Allocation Bonds for the purpose of financing low and moderate income housing projects of the Agency. The bonds mature on June 1, 2046. 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.

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 the pledged revenues.

Artesia Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

4. LONG-TERM DEBT, Continued

The annual requirements to amortize the 2009 Housing Set-Aside Tax Allocation Bond outstanding at June 30, 2009, were as follows:

Year Ended June 30,	Principal	Interest	Total
2009	\$ 40,000	\$ 245,666	\$ 285,666
2010	20,000	264,110	284,110
2011	20,000	262,570	282,570
2012	25,000	261,030	286,030
2013	25,000	259,105	284,105
2014 - 2019	155,000	1,263,955	1,418,955
2019 - 2024	225,000	1,193,885	1,418,885
2024 - 2029	325,000	1,093,400	1,418,400
2029 - 2034	470,000	947,870	1,417,870
2034 - 2039	675,000	737,275	1,412,275
2039 - 2044	980,000	433,510	1,413,510
2044 - 2046	510,000	59,675	569,675
Total	\$ 3,470,000	\$ 7,022,051	\$ 10,492,051

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers consist of the following:

Transfers In	Transfers Out
Capital Projects	Debt Service
Project Area 1	Project Area 1
Project Fund	Tax Increment Fund
	\$ 2,528,071

During the fiscal year, the Tax Increment fund transferred debt proceeds to the Capital Project Fund to fund future capital projects.

6. INSURANCE

The Agency is covered under the City's insurance policies. Therefore, the limitation and self-insured retentions applicable to the City also apply to the Agency. Additional information as to coverage and self-insured retentions can be obtained by contacting the City.

Artesia Redevelopment Agency
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2009

7. COMMITMENTS AND CONTINGENCIES

Lawsuits

The Agency is not aware of any pending matters of litigation.

Commitments

Under the Agency’s tax increment financing plan, it is expected that future revenues for redevelopment activities will be provided from property taxes on increases in the aggregate assessed value of properties within the redevelopment plan areas above the sum of the assessed values as shown in the base-year assessment roll.

The Agency acts as a financing source for the City, and all capital improvements and professional services in the redevelopment areas are maintained and owned by the City. Therefore, capital improvements and professional services financed through the Agency’s tax increments are maintained on the books of the City. Commitments as of June 30, 2009, as a result of the Agency entering into agreements with the City to fund various projects and other activities are as follows:

Commitments and contracts for construction projects and capital assets:	
Project #1	\$ -
Project #2	-
	<hr/>
Total	\$ -
	<hr/> <hr/>

8. 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 Agency. These amounts are significant to the Agency and are as follows:

- Property Taxes \$ 541,126

The 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.

REQUIRED SUPPLEMENTARY INFORMATION

Artesia Redevelopment Agency
Required Supplementary Information
For the year ended June 30, 2009

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

General Budget Policies

The Governing Board typically approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. The Board 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. When required during the period, supplemental appropriations are also approved by the Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the departmental level. At fiscal year-end all operating budget appropriations lapse.

Encumbrances

Encumbrances are estimations of costs related to unperformed contracts for goods and services. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They represent the estimated amount of the expenditure ultimately to result if unperformed contracts in process at year-end are completed. They do not constitute expenditures or estimated liabilities. At June 30, 2009, the Agency did not report any encumbrances.

Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SUPPLEMENTAL INFORMATION

Artesia Redevelopment Agency
Combining Project Area Balance Sheet
All Governmental funds
June 30, 2009

	Project Area 1				
	Capital Projects	Capital Projects	Debt Service	Total	
	Project	Low and Moderate Housing	Tax Increment	Debt Service Funds	Capital Projects Funds
ASSETS					
Cash and investments	\$ 7,375,863	\$ 4,575,543	\$ 2,231,959	\$ 2,231,959	\$ 11,951,406
Cash and investments with trustee	-	357,898	1,715,349	1,715,349	357,898
Receivables:		-			
Accounts	-	13,490	93,087	93,087	13,490
Interest	-	-	30,373	30,373	-
Prepaid expenses	-	-	-	-	-
Total assets	\$ 7,375,863	\$ 4,946,931	\$ 4,070,768	\$ 4,070,768	\$ 12,322,794
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 42,337	\$ -	\$ 275,324	\$ 275,324	\$ 42,337
Accrued payroll	3,488	-	-	-	3,488
Total liabilities	45,825	-	275,324	275,324	45,825
Fund Balances:					
Reserved for:					
Prepaid costs	-	-	-	-	-
Unreserved, undesignated, reported in:					
Debt service	-	-	3,795,444	3,795,444	-
Continuing projects	7,330,038	4,946,931	-	-	12,276,969
Total fund balances	7,330,038	4,946,931	3,795,444	3,795,444	12,276,969
Total liabilities and fund balances	\$ 7,375,863	\$ 4,946,931	\$ 4,070,768	\$ 4,070,768	\$ 12,322,794

Artesia Redevelopment Agency
Combining Project Area Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
For the year ended June 30, 2009

	Project Area 1			Total	
	Capital Projects	Capital Projects	Debt Service	Debt	Capital
	Project	Low and Moderate Housing	Tax Increment	Service Funds	Projects Funds
REVENUES:					
Taxes and assessments:					
Tax increments	\$ -	\$ 394,390	\$ 1,577,560	\$ 1,577,560	\$ 394,390
Use of money and property:					
Interest income	164,131	31,663	108,246	108,246	195,794
Total revenues	164,131	426,053	1,685,806	1,685,806	590,184
EXPENDITURES:					
Current:					
General government:					
Administrative costs	516,491	5,514	421,747	421,747	522,005
Professional services	69,674	-	-	-	69,674
Capital outlay:					
Project improvement cost	1,767,652	-	-	-	1,767,652
Debt service:					
Long-term debt repayments	-	-	153,000	153,000	-
Interest expense	-	-	698,140	698,140	-
Debt issuance costs	-	102,102	-	-	102,102
Total expenditures	2,353,817	107,616	1,272,887	1,272,887	2,461,433
REVENUES OVER (UNDER) EXPENDITURES	(2,189,686)	318,437	412,919	412,919	(1,871,249)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,528,071	-	-	-	2,528,071
Transfers out	-	-	(2,528,071)	(2,528,071)	-
Long-term debt issued	-	3,470,000	-	-	3,470,000
Original issue discount	-	-	-	-	-
Pass-through agreement payments	-	-	-	-	-
Total other financing sources (uses)	2,528,071	3,470,000	(2,528,071)	(2,528,071)	5,998,071
Net change in fund balance	338,385	3,788,437	(2,115,152)	(2,115,152)	4,126,822
FUND BALANCES:					
Beginning of year	6,991,653	1,158,494	5,910,596	5,910,596	8,150,147
End of year	\$ 7,330,038	\$ 4,946,931	\$ 3,795,444	\$ 3,795,444	\$ 12,276,969

**Artesia Redevelopment Agency
 Computation of Low and Moderate
 Income Housing Funds
 Excess/Surplus**

	Low and Moderate Housing Funds - All Project Areas July 1, 2008	Low and Moderate Housing Funds - All Project Areas July 1, 2009
Opening fund balance	\$ 1,158,494	\$ 4,946,931
Less unavailable amounts:	<u>-</u>	<u>-</u>
Available low and moderate income housing funds	1,158,494	4,946,931
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-aside for last four years:		
2008-2009	\$ -	\$ 394,390
2007-2008	392,386	392,386
2006-2007	300,681	300,681
2005-2006	217,885	217,885
2004-2005	<u>141,346</u>	<u>-</u>
Total	<u>\$ 1,052,298</u>	<u>\$ 1,305,342</u>
Base limitation	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Greater amount	<u>1,052,298</u>	<u>1,305,342</u>
Computed excess/surplus	<u>\$ 106,196</u>	<u>\$ 3,641,589</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Chair and Members of the Governing Board
of the Artesia Redevelopment Agency
Artesia, California

We have audited the basic financial statements of the Artesia Redevelopment Agency (Agency), a component unit of the City of Artesia, California (City) as of and for the year ended June 30, 2009 and have issued our report thereon dated December 14, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's basic financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the basic financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

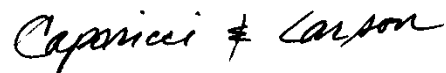
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's basic financial statements are free of material misstatements, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. Such provisions included those provisions of laws identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Agency Board, management, and the California State Controller's office. However, this report is a matter of public record and its distribution is not limited.



Irvine, California
December 14, 2009