

**CITY OF ARTESIA, CALIFORNIA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2008**

CITY OF ARTESIA, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2008

CITY OF ARTESIA

JUNE 30, 2008

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CITY OF ARTESIA

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CERTIFIED PUBLIC ACCOUNTANTS

- Brandon W. Burrows, C.P.A.
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information for the City of Artesia, California, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Artesia's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The City has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Artesia as of June 30, 2008, the respective changes in financial position and the respective budgetary information for the General Fund and the Prop 12 Conservancy Fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2008, on our consideration of the City of Artesia's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

*Lance, Soll & Luyhard, LLP*

December 12, 2008

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CITY OF ARTESIA

STATEMENT OF NET ASSETS  
 JUNE 30, 2008

	<u>Primary Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 15,470,237
Receivables:	
Accounts	93,164
Taxes	754,360
Loans	75,073
Interest	81,645
Prepaid costs	13,258
Due from other governments	561,862
Deferred charges	297,206
Restricted assets:	
Cash with fiscal agent	4,417,847
Capital assets not being depreciated	2,687,492
Capital assets, net of depreciation	<u>6,718,135</u>
<b>Total Assets</b>	<b><u>31,170,279</u></b>
<b>Liabilities:</b>	
Accounts payable	1,427,868
Accrued liabilities	58,539
Accrued interest	52,037
Deposits payable	138,604
Noncurrent liabilities:	
Due within one year	123,870
Due in more than one year	<u>12,773,646</u>
<b>Total Liabilities</b>	<b><u>14,574,564</u></b>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	9,405,627
Restricted for:	
Public safety	6,657
Street projects	873,366
Capital projects	8,290,510
Debt service	5,872,596
Other purposes	850,532
Unrestricted	<u>(8,703,573)</u>
<b>Total Net Assets</b>	<b><u>\$ 16,595,715</u></b>

CITY OF ARTESIA

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues		Capital Contributions and Grants	Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services	Operating Contributions and Grants		
<b>Functions/Programs</b>					
<b>Primary Government:</b>					
Governmental Activities:					
General government	\$ 4,724,668	\$ 880,156	\$ 755,937	\$ -	\$ (3,088,575)
Public safety	3,146,086	277,347	100,000	-	(2,768,739)
Parks and recreation	796,500	55,403	19,645	-	(721,452)
Public works	1,538,625	1,553,750	346,356	150,000	511,481
Interest on long-term debt	374,052	-	-	-	(374,052)
<b>Total Governmental Activities</b>	<b>10,579,931</b>	<b>2,766,656</b>	<b>1,221,938</b>	<b>150,000</b>	<b>(6,441,337)</b>
<b>Total Primary Government</b>	<b>\$ 10,579,931</b>	<b>\$ 2,766,656</b>	<b>\$ 1,221,938</b>	<b>\$ 150,000</b>	<b>(6,441,337)</b>
<b>General Revenues:</b>					
Taxes:					
Property taxes, levied for general purpose					3,331,870
Transient occupancy taxes					242,750
Sales taxes					2,638,215
Franchise taxes					310,621
Business licenses taxes					425,672
Other taxes					22,330
Motor vehicle in lieu - unrestricted					76,534
Use of money and property					385,527
Other					30,090
<b>Total General Revenues</b>					<b>7,463,609</b>
Change in Net Assets					1,022,272
Net Assets at Beginning of Year					15,573,443
<b>Net Assets at End of Year</b>					<b>\$ 16,595,715</b>

CITY OF ARTESIA

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

		Special Revenue Funds	Capital Project Funds	Debt Service Funds
	General	Prop 12 Conservancy	Redevelopment Agency	Redevelopment Agency
<b>Assets:</b>				
Pooled cash and investments	\$ 3,383,734	\$ -	\$ 8,198,652	\$ 2,028,247
Receivables:				
Accounts	77,158	-	-	-
Taxes	557,419	-	20,339	71,755
Loans	-	-	-	-
Interest	81,645	-	-	-
Prepaid costs	9,811	-	3,447	-
Due from other governments	-	449,917	-	-
Due from other funds	740,027	-	-	-
Advances to other funds	38,000	-	-	-
Restricted assets:				
Cash and investments with fiscal agents	-	-	-	4,417,847
<b>Total Assets</b>	<b>\$ 4,887,794</b>	<b>\$ 449,917</b>	<b>\$ 8,222,438</b>	<b>\$ 6,517,849</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 698,013	\$ -	\$ 70,597	\$ 607,253
Accrued liabilities	51,187	-	1,694	-
Deferred revenues	157,659	449,917	-	-
Deposits payable	138,604	-	-	-
Due to other funds	115,415	455,280	-	-
Advances from other funds	-	-	-	38,000
<b>Total Liabilities</b>	<b>1,160,878</b>	<b>905,197</b>	<b>72,291</b>	<b>645,253</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for prepaid costs	9,811	-	3,447	-
Reserved for loans	-	-	-	-
Reserved for advances to other funds	38,000	-	-	-
Unreserved:				
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	-	-
Capital projects funds	-	-	-	-
Designated for capital improvement projects	-	-	8,146,700	-
Designated for debt service	-	-	-	5,872,596
Undesignated	3,679,105	(455,280)	-	-
<b>Total Fund Balances</b>	<b>3,726,916</b>	<b>(455,280)</b>	<b>8,150,147</b>	<b>5,872,596</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,887,794</b>	<b>\$ 449,917</b>	<b>\$ 8,222,438</b>	<b>\$ 6,517,849</b>

CITY OF ARTESIA

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Pooled cash and investments	\$ 1,859,604	\$ 15,470,237
Receivables:		
Accounts	16,006	93,164
Taxes	104,847	754,360
Loans	75,073	75,073
Interest	-	81,645
Prepaid costs	-	13,258
Due from other governments	111,945	561,862
Due from other funds	115,415	855,442
Advances to other funds	-	38,000
Restricted assets:		
Cash and investments with fiscal agents	-	4,417,847
<b>Total Assets</b>	<b>\$ 2,282,890</b>	<b>\$ 22,360,888</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 52,005	\$ 1,427,868
Accrued liabilities	5,658	58,539
Deferred revenues	279,518	887,094
Deposits payable	-	138,604
Due to other funds	284,747	855,442
Advances from other funds	-	38,000
<b>Total Liabilities</b>	<b>621,928</b>	<b>3,405,547</b>
<b>Fund Balances:</b>		
Reserved:		
Reserved for prepaid costs	-	13,258
Reserved for loans	75,073	75,073
Reserved for advances to other funds	-	38,000
Unreserved:		
Unreserved, reported in nonmajor:		
Special revenue funds	1,520,599	1,520,599
Capital projects funds	65,290	65,290
Designated for capital improvement projects	-	8,146,700
Designated for debt service	-	5,872,596
Undesignated	-	3,223,825
<b>Total Fund Balances</b>	<b>1,660,962</b>	<b>18,955,341</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,282,890</b>	<b>\$ 22,360,888</b>

**CITY OF ARTESIA**

**GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

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Fund balances of governmental funds	\$ 18,955,341
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	9,405,627
Bond issuance cost is an expenditure in the governmental funds, but it is a deferred charge in the statement of net assets	297,206
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Long-term liabilities	(12,639,490)
Compensated Absences	(258,026)
Accrued interest payable for the current portion of interest due on bonds has not been reported in the governmental funds	(52,037)
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity	<u>887,094</u>
<b>Net assets of governmental activities</b>	<b><u><u>\$ 16,595,715</u></u></b>

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CITY OF ARTESIA

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
	Prop 12 Conservancy	Redevelopment Agency	Redevelopment Agency
	General		
<b>Revenues:</b>			
Taxes	\$ 4,413,584	\$ -	\$ 1,569,544
Licenses and permits	626,353	-	-
Intergovernmental	910,377	-	-
Charges for services	868,412	-	-
Use of money and property	302,701	68,274	164,592
Fines and forfeitures	278,282	-	-
Developer fees	20,935	-	-
Other	6,490	-	-
<b>Total Revenues</b>	<b>7,427,134</b>	<b>460,660</b>	<b>1,734,136</b>
<b>Expenditures:</b>			
Current:			
General government	3,433,748	-	417,510
Public safety	2,912,996	-	-
Parks and recreation	708,763	-	-
Public works	974,473	-	-
Capital outlay	28,216	4,897	37,596
Debt service:			
Interest and fiscal charges	-	-	312,224
Cost of issuance	-	-	302,243
<b>Total Expenditures</b>	<b>8,058,196</b>	<b>4,897</b>	<b>1,031,977</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(631,062)	(4,897)	702,159
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	7,706,764	-
Transfers out	-	-	(7,706,764)
Bond discount	-	-	(285,264)
Long-term debt issued	-	-	12,920,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>7,706,764</b>	<b>4,927,972</b>
Net Change in Fund Balances	\$ (631,062)	\$ (4,897)	\$ 5,630,131
<b>Fund Balances:</b>			
Beginning of year as originally reported	\$ 4,357,978	\$ (450,383)	\$ 940,404
Restatements	-	-	(697,939)
Beginning of year as restated	4,357,978	(450,383)	242,465
Net Change in Fund Balances	(631,062)	(4,897)	5,630,131
<b>Fund Balances, End of Year</b>	<b>\$ 3,726,916</b>	<b>\$ (455,280)</b>	<b>\$ 5,872,596</b>

CITY OF ARTESIA

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>		
Taxes	\$ 639,156	\$ 7,014,670
Licenses and permits	-	626,353
Intergovernmental	1,271,160	2,181,537
Charges for services	1,193	869,605
Use of money and property	48,696	584,263
Fines and forfeitures	-	278,282
Developer fees	-	20,935
Other	9,167	15,657
<b>Total Revenues</b>	<b>1,969,372</b>	<b>11,591,302</b>
<b>Expenditures:</b>		
Current:		
General government	495,646	4,682,052
Public safety	93,711	3,006,707
Parks and recreation	-	708,763
Public works	342,246	1,316,719
Capital outlay	413,936	484,645
Debt service:		
Interest and fiscal charges	-	312,224
Cost of issuance	-	302,243
<b>Total Expenditures</b>	<b>1,345,539</b>	<b>10,813,353</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	623,833	777,949
<b>Other Financing Sources (Uses):</b>		
Transfers in	38,201	7,744,965
Transfers out	(38,201)	(7,744,965)
Bond discount	-	(285,264)
Long-term debt issued	-	12,920,000
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>12,634,736</b>
Net Change in Fund Balances	\$ 623,833	\$ 13,412,685
<b>Fund Balances:</b>		
Beginning of year as originally reported	\$ 1,037,129	\$ 5,542,656
Restatements	-	-
Beginning of year as restated	1,037,129	5,542,656
Net Change in Fund Balances	623,833	13,412,685
<b>Fund Balances, End of Year</b>	<b>\$ 1,660,962</b>	<b>\$ 18,955,341</b>

CITY OF ARTESIA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2008**

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Net change in fund balances - total governmental funds \$ 13,412,685

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period 12,727

The issuance of long-term debt provides current financial resource to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds (12,920,000)

Unamortized premiums or discounts on bonds issued are revenue or expenditures in the governmental funds, but these are spread to future periods over the life of the new bonds

Discount on new bonds issued 285,263  
Amortization for the current year (4,754)

Debt issuance costs are expenditures in governmental funds, but these costs are capitalized on the statement of net assets

Issuance costs on new bonds issued 302,243  
Amortization for the current year (5,037)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period (52,037)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (19,719)

Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity 10,901

**Change in net assets of governmental activities** \$ 1,022,272

CITY OF ARTESIA

**BUDGETARY COMPARISON STATEMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 4,357,978	\$ 4,357,978	\$ 4,357,978	\$ -
<b>Resources (Inflows):</b>				
Taxes	4,681,619	4,681,619	4,413,584	(268,035)
Licenses and permits	701,500	701,500	626,353	(75,147)
Intergovernmental	917,091	917,091	910,377	(6,714)
Charges for services	910,396	910,396	868,412	(41,984)
Use of money and property	325,000	325,000	302,701	(22,299)
Fines and forfeitures	301,500	301,500	278,282	(23,218)
Developer fees	38,000	38,000	20,935	(17,065)
Other	3,764	3,764	6,490	2,726
<b>Amounts Available for Appropriation</b>	<b>12,236,848</b>	<b>12,236,848</b>	<b>11,785,112</b>	<b>(451,736)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	3,576,071	3,615,279	3,433,748	181,531
Public safety	3,064,519	3,064,519	2,912,996	151,523
Parks and recreation	763,891	771,936	708,763	63,173
Public works	1,001,968	1,001,968	974,473	27,495
Capital outlay	-	27,148	28,216	(1,068)
<b>Total Charges to Appropriations</b>	<b>8,406,449</b>	<b>8,480,850</b>	<b>8,058,196</b>	<b>422,654</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 3,830,399</b>	<b>\$ 3,755,998</b>	<b>\$ 3,726,916</b>	<b>\$ (29,082)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON STATEMENT  
PROP 12 CONSERVANCY  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (450,383)	\$ (450,383)	\$ (450,383)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	701,642	675,280	-	(675,280)
<b>Amounts Available for Appropriation</b>	<b>251,259</b>	<b>224,897</b>	<b>(450,383)</b>	<b>(675,280)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	220,000	224,897	4,897	220,000
<b>Total Charges to Appropriations</b>	<b>220,000</b>	<b>224,897</b>	<b>4,897</b>	<b>220,000</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 31,259</b>	<b>\$ -</b>	<b>\$ (455,280)</b>	<b>\$ (455,280)</b>

CITY OF ARTESIA

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

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	<u>Agency Funds</u>
<b>Assets:</b>	
Pooled cash and investments	\$ 155,161
<b>Total Assets</b>	<b><u>\$ 155,161</u></b>
<b>Liabilities:</b>	
Accounts payable	\$ 930
Deposits payable	<u>154,231</u>
<b>Total Liabilities</b>	<b><u>\$ 155,161</u></b>

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**CITY OF ARTESIA**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**Note 1: Organization and Summary of Significant Accounting Policies**

**a. Description of Reporting Entity**

The City of Artesia is a reporting entity, which consists of the primary government and component units:

Reporting Entity:

Primary Government:

City of Artesia

Component Unit:

Artesia Redevelopment Agency

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Artesia (the primary government) and its component units. Component units are entities for which the government is considered to be financially accountable.

The City of Artesia was incorporated on May 29, 1959, under the laws of the State of California and enjoys all the rights and privileges applicable to a General Law City. The City is governed by an elected five-member board.

The Artesia Redevelopment Agency was established on September 11, 1995, by the City Council of the City of Artesia 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.

**Blended Component Units**

The Artesia Redevelopment Agency, although a legally separate entity, is in substance, part of the City's operations, so data from this unit is combined with data of the City of Artesia, the primary government. All are governed by the City Council of the City of Artesia. Therefore, they are included in this financial presentation using the blending method. The component unit financial statements for the Redevelopment Agency have been issued under a separate cover and may be obtained from the City.

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of gas tax which is 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Agency funds are reported on the accrual basis of accounting.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

- The General Fund is the government'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.

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

- 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 Agency Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**d. Assets, Liabilities and Net Assets or Equity**

**1. 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 State Treasurer's Investment Pool 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.

**2. 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."

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 trade 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

**City of Artesia  
Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

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.

**3. 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.

**4. Capital Assets**

Capital assets, which include property, plant, 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 government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Infrastructure assets have a capitalization threshold of \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, the City has reported general infrastructure assets acquired in the current year. As permitted under GASB Statement No. 34, the City has retroactively reported its known infrastructure assets.

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.

Property, plant and equipment of the primary government, as well as the component units, 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

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

5. Compensated Absences

It is the government'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.

6. 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.

7. 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.

**e. Reconciliation of Government-Wide and Fund Financial Statements**

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of assets:

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term debt and compensated absences have not been included in the governmental fund activities." The detail of the (\$12,639,490) difference is as follows:

**City of Artesia  
Notes to Financial Statements (Continued)**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

Long-term debt:	
2007 Tax Allocation Bonds	\$ (12,920,000)
Bond discount	<u>280,510</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (12,639,490)</u>

2. Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The detail of this \$12,727 difference is as follows:

Capital outlay	\$ 360,102
Depreciation expense	<u>(347,375)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 12,727</u>

**II. STEWARDSHIP**

**Note 2: Stewardship, Compliance and Accountability**

**a. Budgetary Data**

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.

Budget Basis of Accounting

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

**City of Artesia  
Notes to Financial Statements (Continued)**

**Note 2: Stewardship, Compliance and Accountability (Continued)**

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

b. Excess of expenditures over appropriations by department in individual funds are as follows:

<u>Fund and Department</u>	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds			
State Gas Tax			
Public works	\$ 319,832	\$ 302,644	\$ 17,188
Artesia Lighting District			
General government	158,787	146,600	12,187
Debt Service Funds:			
Redevelopment Agency - Debt Service			
General Government	417,510	316,686	100,824

c. The following funds contained deficit fund balances:

<u>Fund</u>	<u>Amount</u>
Special Revenue Funds:	
Prop 12 Conservancy	\$ (455,280)
Parks and Recreation Grants	(100,628)
Hazard and Litigation	(35,455)
Traffic Congestion Relief	(9,294)
Artesia Lighting District	(7,764)
Safe Routes to School	(56,815)

**III. DETAILED NOTES ON ALL FUNDS**

**Note 3: Cash and Investments**

As of June 30, 2008, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	\$ 19,888,084
Fiduciary funds	<u>155,161</u>
Total Cash and Investments	<u>\$ 20,043,245</u>

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

The City of Artesia maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The City has adopted an investment policy that authorizes it to invest in various investments.

**Deposits**

At June 30, 2008, the carrying amount of the City's deposits was \$202,027 and the bank balance was \$348,689. The \$146,662 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 \$100,000 by the FDIC. 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:

- Certificate 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
- Passbook Savings Account

**Investments in State Investment Pool**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

**City of Artesia  
Notes to Financial Statements (Continued)**

**Note 3: Cash and Investments (Continued)**

**GASB Statement No. 31**

The Entity adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values. Accordingly, the City reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**Credit Risk**

As of June 30, 2008, the City's investment in the State Investment Pool has not been rated by a nationally recognized statistical rating organization; therefore, no credit rating is disclosed.

**Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2008, none of the City's deposits or investments was exposed to custodial credit risk.

**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, 2008, the City's investments consisted of an investment with the California Local Agency Investment Fund.

**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, 2008, the City had the following investments and original maturities:

	Investment Maturities (in Years)	Fair Value
	6 months or less	
California Local Agency Investment Fund	\$ 15,423,371	\$ 15,423,371
Money market mutual funds - held by fiscal agent	4,417,847	4,417,847
	<u>\$ 19,841,218</u>	<u>\$ 19,841,218</u>

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 4: Loans Receivable**

In November 1989, the City of Artesia 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 of Artesia loaned the Southern California Water Company \$137,531 to be repaid over 40 years. At June 30, 2008, the outstanding loan receivable is \$75,073.

**Note 5: Capital Assets**

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 2,193,167	\$ -	\$ -	\$ -	\$ 2,193,167
Construction-in-progress	470,102	78,703	-	(54,480)	494,325
<b>Total Capital Assets, Not Being Depreciated</b>	<b>2,663,269</b>	<b>78,703</b>	<b>-</b>	<b>(54,480)</b>	<b>2,687,492</b>
Capital assets, being depreciated:					
Buildings	1,632,696	-	-	-	1,632,696
Improvements other than building	603,404	141,898	-	54,480	799,782
Automobile equipment	425,984	-	-	-	425,984
Office furniture and equipment	271,784	-	-	-	271,784
Other equipment	441,090	-	-	-	441,090
Infrastructure	5,479,543	139,501	-	-	5,619,044
<b>Total Capital Assets, Being Depreciated</b>	<b>8,854,501</b>	<b>281,399</b>	<b>-</b>	<b>54,480</b>	<b>9,190,380</b>
Less accumulated depreciation:					
Buildings	495,361	36,491	-	-	531,852
Improvements other than building	136,367	40,580	-	-	176,947
Automobile equipment	401,062	6,787	-	-	407,849
Office furniture and equipment	220,095	17,931	-	-	238,026
Other equipment	355,803	14,911	-	-	370,714
Infrastructure	516,182	230,675	-	-	746,857
<b>Total Accumulated Depreciation</b>	<b>2,124,870</b>	<b>347,375</b>	<b>-</b>	<b>-</b>	<b>2,472,245</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>6,729,631</b>	<b>(65,976)</b>	<b>-</b>	<b>54,480</b>	<b>6,718,135</b>
Governmental Activities					
Capital Assets, Net	\$ 9,392,900	\$ 12,727	\$ -	\$ -	\$ 9,405,627

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

Governmental Activities:	
General government	\$ 30,244
Public works	232,618
Parks and recreation	72,023
Public safety	12,490
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 347,375</b>

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 6: Long-Term Debt**

The following is a schedule of changes in long-term debt of the City for the fiscal year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year
Accrued employee benefits	\$ 238,306	\$ 19,719	\$ -	\$ 258,025	\$ 8,870
2007 Tax Allocation Bonds	-	12,920,000	-	12,920,000	115,000
Total Long-Term Debt	<u>\$ 238,306</u>	<u>\$ 12,939,719</u>	<u>\$ -</u>	13,178,025	<u>\$ 123,870</u>
			Unamortized bond discount	<u>(280,509)</u>	
				<u>\$ 12,897,516</u>	

**2007 Tax Allocation Bonds**

On December 5, 2007, the Redevelopment 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 to be established and held by the Trustee. 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 annual requirements to amortize the 2007 Tax Allocation Bond outstanding at June 30, 2008, were as follows:

	Principal	Interest
2008 - 2009	\$ 115,000	\$ 698,140
2009 - 2010	120,000	693,540
2010 - 2011	160,000	688,590
2011 - 2012	170,000	681,345
2012 - 2013	175,000	673,475
2013 - 2018	1,025,000	3,231,380
2018 - 2023	1,315,000	2,942,416
2023 - 2028	1,705,000	2,549,006
2028 - 2033	2,230,000	2,023,565
2033 - 2038	2,925,000	1,331,670
2038 - 2043	2,980,000	424,650
Totals	<u>\$ 12,920,000</u>	<u>\$ 15,937,777</u>

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 7: Interfund Receivable, Payable and Transfers**

The composition of interfund balances as of June 30, 2008, is as follows:

**Due To/From Other Funds**

	Due to Other Funds			Total
	General Fund	Prop 12 Conservancy	Nonmajor Governmental Funds	
<u>Due From Other Funds</u>				
General Fund	\$ -	\$ 455,280	\$ 284,747	\$ 740,027
Nonmajor Governmental Funds	115,415	-	-	115,415
Total	<u>\$ 115,415</u>	<u>\$ 455,280</u>	<u>\$ 284,747</u>	<u>\$ 855,442</u>

The balance due from the General Fund of \$455,280 to the Prop 12 Conservancy Fund was a result of a temporary cash deficit in that fund.

The other interfund balances were the results of routine interfund transactions not cleared prior to year-end.

**Advances to/from Other Funds**

	Advances to Other Funds
	General Fund
<u>Advances from Other Funds</u>	
Redevelopment Agency Debt Service	<u>\$ 38,000</u>

During the current and previous fiscal years, the City of Artesia has made loans to the Agency. The City may demand payment of all or a portion of the principal balance at any time as funds become available; however, such demands are not anticipated within the next fiscal year. As of June 30, 2008, no interest has been accrued and there is no fixed repayment date.

**Interfund Transfers**

	Transfers Out		Total
	Redevelopment Agency Debt Service Fund	Nonmajor Funds	
<u>Transfers In</u>			
Redevelopment Agency - Capital Projects Fund	\$ 7,706,764	\$ -	\$ 7,706,764
Nonmajor Funds	-	38,201	38,201
Total	<u>\$ 7,706,764</u>	<u>\$ 38,201</u>	<u>\$ 7,744,965</u>

The transfer out from the RDA Debt Service Fund of \$7,706,764 to the RDA Capital Projects Fund was to move bond proceeds for the purpose of funding future capital projects. The transfer between nonmajor funds was to cover project related costs.

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 8: Retirement Plan**

Plan Description

The City of Artesia contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS annual financial report may be obtained from their executive office at 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 5.857% 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 2008, the City's annual pension cost of \$0 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2007, 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 three-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, 2008, was 16 years for miscellaneous.

Three-Year Trend Information (Amounts in Thousands)			
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	\$ -	100%	\$ -
6/30/2007	-	100%	-
6/30/2008	-	100%	-

For fiscal year 2007-2008, the City of Artesia participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2005. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool. Pooling will reduce the

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 8: Retirement Plan (Continued)**

volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2008, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

**Note 9: Post-Employment Benefits**

The City provides certain post-employment health care benefits to retirees from active service with the City of Artesia. 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 retirement. Said coverage is the full responsibility of the City until the covered dependants are no longer eligible because of age limitations in the policies or deceased. The total post-employment health insurance expenditure for the fiscal year 2007-2008 was \$167,754. There are currently 20 participants receiving benefits.

**Note 10: Liability, Property and Workers' Compensation Protection**

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

City of Artesia is a member of the California Joint Powers Insurance Authority (the "Authority"). The Authority is composed of 119 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The 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 9-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 claims year. Claims are pooled separately between police and non-police. Costs are spread to members as follows: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; 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. Losses from \$750,000 to \$5,000,000 and the associated loss development reserves are pooled based on payroll. Costs of covered claims from \$5,000,000 to \$50,000,000 are currently paid by excess insurance. Costs of covered claims for subsidence losses from \$15,000,000 to \$25,000,000 are paid by excess insurance. The protection for each member is \$50,000,000 per occurrence and \$50,000,000 annual aggregate. Administrative expenses are paid from the Authority's investment earnings.

Workers' Compensation - The City of Artesia also participates in the workers' compensation pool administered by the 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 claims year. Claims are pooled separately between public safety and non-public safety. Each member has a retention level of \$50,000 for each loss and this is charged directly to the member's primary deposit. 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. Losses from \$100,000 to \$2,000,000 and employer's liability losses from \$5,000,000 to \$10,000,000 and loss development reserves associated with those losses are pooled based on payroll. Losses from \$2,000,000 to \$5,000,000 are pooled with California

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 10: Liability, Property and Workers' Compensation Protection (Continued)**

State Association of Counties – Excess Insurance Authority members. Costs from \$2,000,000 to \$300,000,000 are transferred to reinsurance carriers. Costs in excess of \$300,000,000 are pooled among the Members based on payroll. Protection is provided per statutory liability under California Workers' Compensation law. Administrative expenses are paid from the Authority's investment earnings.

**c. Purchased Insurance**

Environmental Insurance - City of Artesia participates in the pollution legal liability and remediation legal liability insurance which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by City of Artesia. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50,000,000 for the 3-year period from July 1, 2005 through July 1, 2008. Each member of the Authority has a \$10,000,000 limit during the 3-year term of the policy.

Property Insurance - City of Artesia participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Artesia property is currently insured according to a schedule of covered property submitted by City of Artesia to the Authority. City of Artesia 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 \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The City of Artesia purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Artesia property currently has earthquake protection in the amount of \$10,616,245. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

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

**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.

The CJPIA has published its own financial report for the year ended June 30, 2008, which can be obtained from California Joint Powers Insurance Authority, La Palma, California.

**Note 11: Fund Balance Restatements**

Beginning fund balance has been restated by \$697,939 to reclassify the advances from the general fund to the Redevelopment Agency from the Redevelopment Agency Capital Project Fund to the Redevelopment Agency Debt Service Fund that had been incorrectly recorded in the Redevelopment Agency Capital Project fund in prior year.

**City of Artesia**  
**Notes to Financial Statements (Continued)**

**Note 12: Subsequent Events**

**ERAF Tax Increment Revenue Shift**

On September 30, 2008, the California Legislature passed AB 1389, requiring a shift in tax increment revenues during fiscal year 2008-2009 to the State Educational Revenue Augmentation Fund (ERAF). It is estimated that the Agency's share of the ERAF shift for fiscal year 2008-2009 will amount to approximately \$111,947.

**Financial Concerns Relating to the California Economy**

As indicated in the State of California's 2008-2009 Proposed Budget Summary – Economic Outlook:

“The California and national economies faced considerable headwinds - a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, and rising energy prices. Upward resets of subprime mortgage rates made payments unaffordable for many borrowers and helped push mortgage defaults and foreclosures to record levels. Several large financial institutions reported huge losses on subprime mortgages and securities backed by these mortgages. Uncertainty about how far the problems with these mortgages would spread increased financial market volatility and prompted lenders to tighten credit standards. The Federal Reserve injected liquidity into the financial markets and eased monetary policy on a number of occasions in the second half of the year, but as year-end neared, financial markets were still not functioning normally.”

While the values shown in the attached financial statements reflect those present at June 30, 2008, substantial changes have occurred in the economy in which the City and its component units operate. Therefore, the projection of the financial data for the City and its component units into future periods must recognize these factors and consider the effect of these on its operations and costs.

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CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<b>Special Revenue Funds</b>			
	<u>State Gas Tax</u>	<u>Proposition A</u>	<u>Parks and Recreation Grants</u>	<u>Proposition C</u>
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 87,851	\$ -	\$ 299,075
Receivables:				
Accounts	3,190	820	-	-
Taxes	104,847	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	19,241	-
<b>Total Assets</b>	<b><u>\$ 108,037</u></b>	<b><u>\$ 88,671</u></b>	<b><u>\$ 19,241</u></b>	<b><u>\$ 299,075</u></b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 11,782	\$ 463	\$ -	\$ 16,017
Accrued liabilities	2,748	1,972	-	938
Deferred revenues	-	-	-	-
Due to other funds	52,514	-	119,869	-
<b>Total Liabilities</b>	<b><u>67,044</u></b>	<b><u>2,435</u></b>	<b><u>119,869</u></b>	<b><u>16,955</u></b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for loans	-	-	-	-
Unreserved:				
Undesignated	40,993	86,236	(100,628)	282,120
<b>Total Fund Balances</b>	<b><u>40,993</u></b>	<b><u>86,236</u></b>	<b><u>(100,628)</u></b>	<b><u>282,120</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 108,037</u></b>	<b><u>\$ 88,671</u></b>	<b><u>\$ 19,241</u></b>	<b><u>\$ 299,075</u></b>

CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

CONTINUED

	Special Revenue Funds			
	Air Quality	Hazard and Litigation	Traffic Congestion Relief	MTA Grant
<b>Assets:</b>				
Pooled cash and investments	\$ 58,517	\$ -	\$ -	\$ -
Receivables:				
Accounts	5,490	-	-	-
Taxes	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	55,130	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 64,007</b>	<b>\$ 55,130</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	55,130	-	-
Due to other funds	-	35,455	9,294	-
<b>Total Liabilities</b>	<b>-</b>	<b>90,585</b>	<b>9,294</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for loans	-	-	-	-
Unreserved:				
Undesignated	64,007	(35,455)	(9,294)	-
<b>Total Fund Balances</b>	<b>64,007</b>	<b>(35,455)</b>	<b>(9,294)</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 64,007</b>	<b>\$ 55,130</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	Special Revenue Funds			
	California Beverage Recycling	Artesia Lighting District	Traffic Mitigation Fees	Parking Impact
<b>Assets:</b>				
Pooled cash and investments	\$ 11,868	\$ -	\$ 398,284	\$ 358,088
Receivables:				
Accounts	-	3,036	-	-
Taxes	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 11,868</b>	<b>\$ 3,036</b>	<b>\$ 398,284</b>	<b>\$ 358,088</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Due to other funds	-	10,800	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>10,800</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for loans	-	-	-	-
Unreserved:				
Undesignated	11,868	(7,764)	398,284	358,088
<b>Total Fund Balances</b>	<b>11,868</b>	<b>(7,764)</b>	<b>398,284</b>	<b>358,088</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,868</b>	<b>\$ 3,036</b>	<b>\$ 398,284</b>	<b>\$ 358,088</b>

## CITY OF ARTESIA

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008**

CONTINUED

	<b>Special Revenue Funds</b>			
	<b>Billboard</b>	<b>Hi-Tech Grant</b>	<b>Sheriff</b>	<b>C.O.P.S. Grant</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 18,285	\$ 290	\$ 6,367	\$ 23,743
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Loans	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 18,285</b>	<b>\$ 290</b>	<b>\$ 6,367</b>	<b>\$ 23,743</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 23,743
Accrued liabilities	-	-	-	-
Deferred revenues	-	-	-	-
Due to other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,743</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for loans	-	-	-	-
Unreserved:				
Undesignated	18,285	290	6,367	-
<b>Total Fund Balances</b>	<b>18,285</b>	<b>290</b>	<b>6,367</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,285</b>	<b>\$ 290</b>	<b>\$ 6,367</b>	<b>\$ 23,743</b>

CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Safe Routes to School</u>	<u>Federal STP-L</u>	<u>HOME Program</u>	<u>Prop 1B</u>
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 58,458	\$ -	\$ 405,559
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Loans	-	-	-	-
Due from other governments	56,815	-	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 56,815</b>	<b>\$ 58,458</b>	<b>\$ -</b>	<b>\$ 405,559</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-
Deferred revenues	56,815	-	-	-
Due to other funds	56,815	-	-	-
<b>Total Liabilities</b>	<b>113,630</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>				
Reserved:				
Reserved for loans	-	-	-	-
Unreserved:				
Undesignated	(56,815)	58,458	-	405,559
<b>Total Fund Balances</b>	<b>(56,815)</b>	<b>58,458</b>	<b>-</b>	<b>405,559</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 56,815</b>	<b>\$ 58,458</b>	<b>\$ -</b>	<b>\$ 405,559</b>

CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
	<u>Capital Projects</u>	
<b>Assets:</b>		
Pooled cash and investments	\$ 133,219	\$ 1,859,604
Receivables:		
Accounts	3,470	16,006
Taxes	-	104,847
Loans	75,073	75,073
Due from other governments	-	111,945
Due from other funds	96,174	115,415
<b>Total Assets</b>	<b>\$ 307,936</b>	<b>\$ 2,282,890</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 52,005
Accrued liabilities	-	5,658
Deferred revenues	167,573	279,518
Due to other funds	-	284,747
<b>Total Liabilities</b>	<b>167,573</b>	<b>621,928</b>
<b>Fund Balances:</b>		
Reserved:		
Reserved for loans	75,073	75,073
Unreserved:		
Undesignated	65,290	1,585,889
<b>Total Fund Balances</b>	<b>140,363</b>	<b>1,660,962</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 307,936</b>	<b>\$ 2,282,890</b>

CITY OF ARTESIA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>			
	<b>State Gas Tax</b>	<b>Proposition A</b>	<b>Parks and Recreation Grants</b>	<b>Proposition C</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 279,465	\$ -	\$ 231,718
Intergovernmental	318,525	-	-	-
Charges for services	-	-	-	-
Use of money and property	152	2,120	-	8,273
Other	-	-	-	-
<b>Total Revenues</b>	<b>318,677</b>	<b>281,585</b>	<b>-</b>	<b>239,991</b>
<b>Expenditures:</b>				
Current:				
General government	-	266,450	-	48,006
Public safety	-	-	-	-
Public works	319,832	-	-	-
Capital outlay	1,656	-	-	122,552
<b>Total Expenditures</b>	<b>321,488</b>	<b>266,450</b>	<b>-</b>	<b>170,558</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,811)	15,135	-	69,433
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,653	-	-	-
Transfers out	-	-	-	(11,788)
Net Change in Fund Balances	(1,158)	15,135	-	57,645
Fund Balances, Beginning of Year	42,151	71,101	(100,628)	224,475
<b>Fund Balances, End of Year</b>	<b>\$ 40,993</b>	<b>\$ 86,236</b>	<b>\$ (100,628)</b>	<b>\$ 282,120</b>

## CITY OF ARTESIA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

CONTINUED

	Special Revenue Funds			
	Air Quality	Hazard and Litigation	Traffic Congestion Relief	MTA Grant
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	21,008	8,600	-	4,715
Charges for services	-	-	-	-
Use of money and property	1,652	-	1,300	-
Other	-	-	-	-
<b>Total Revenues</b>	<b>22,660</b>	<b>8,600</b>	<b>1,300</b>	<b>4,715</b>
<b>Expenditures:</b>				
Current:				
General government	6,819	-	-	-
Public safety	-	-	-	-
Public works	-	-	20,581	-
Capital outlay	-	8,020	-	-
<b>Total Expenditures</b>	<b>6,819</b>	<b>8,020</b>	<b>20,581</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,841	580	(19,281)	4,715
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	11,788
Transfers out	-	-	(26,413)	-
Net Change in Fund Balances	15,841	580	(45,694)	16,503
Fund Balances, Beginning of Year	48,166	(36,035)	36,400	(16,503)
<b>Fund Balances, End of Year</b>	<b>\$ 64,007</b>	<b>\$ (35,455)</b>	<b>\$ (9,294)</b>	<b>\$ -</b>

CITY OF ARTESIA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>			
	<b>California Beverage Recycling</b>	<b>Artesia Lighting District</b>	<b>Traffic Mitigation Fees</b>	<b>Parking Impact</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ 127,973	\$ -	\$ -
Intergovernmental	5,000	-	46,026	202,356
Charges for services	-	-	-	-
Use of money and property	364	-	11,544	5,930
Other	-	9,167	-	-
<b>Total Revenues</b>	<b>5,364</b>	<b>137,140</b>	<b>57,570</b>	<b>208,286</b>
<b>Expenditures:</b>				
Current:				
General government	-	158,787	-	7,479
Public safety	-	-	-	-
Public works	-	1,833	-	-
Capital outlay	-	-	8,640	-
<b>Total Expenditures</b>	<b>-</b>	<b>160,620</b>	<b>8,640</b>	<b>7,479</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,364	(23,480)	48,930	200,807
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Change in Fund Balances	5,364	(23,480)	48,930	200,807
Fund Balances, Beginning of Year	6,504	15,716	349,354	157,281
<b>Fund Balances, End of Year</b>	<b>\$ 11,868</b>	<b>\$ (7,764)</b>	<b>\$ 398,284</b>	<b>\$ 358,088</b>

## CITY OF ARTESIA

COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

CONTINUED

	Special Revenue Funds			
	Billboard	Hi-Tech Grant	Sheriff	C.O.P.S. Grant
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,000	-	-	100,000
Charges for services	-	-	857	-
Use of money and property	314	-	184	892
Other	-	-	-	-
<b>Total Revenues</b>	<b>10,314</b>	<b>-</b>	<b>1,041</b>	<b>100,892</b>
<b>Expenditures:</b>				
Current:				
General government	3,175	-	-	-
Public safety	-	-	-	93,711
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>3,175</b>	<b>-</b>	<b>-</b>	<b>93,711</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,139	-	1,041	7,181
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Change in Fund Balances	7,139	-	1,041	7,181
Fund Balances, Beginning of Year	11,146	290	5,326	(7,181)
<b>Fund Balances, End of Year</b>	<b>\$ 18,285</b>	<b>\$ 290</b>	<b>\$ 6,367</b>	<b>\$ -</b>

CITY OF ARTESIA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<b>Special Revenue Funds</b>			
	<b>Safe Routes to School</b>	<b>Federal STP-L</b>	<b>HOME Program</b>	<b>Prop 1B</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	4,930	400,000
Charges for services	-	-	-	-
Use of money and property	-	-	-	5,559
Other	-	-	-	-
<b>Total Revenues</b>	<b>-</b>	<b>-</b>	<b>4,930</b>	<b>405,559</b>
<b>Expenditures:</b>				
Current:				
General government	-	-	4,930	-
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	4,500	-	-	-
<b>Total Expenditures</b>	<b>4,500</b>	<b>-</b>	<b>4,930</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,500)	-	-	405,559
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Change in Fund Balances	(4,500)	-	-	405,559
Fund Balances, Beginning of Year	(52,315)	58,458	-	-
<b>Fund Balances, End of Year</b>	<b>\$ (56,815)</b>	<b>\$ 58,458</b>	<b>\$ -</b>	<b>\$ 405,559</b>

CITY OF ARTESIA

**COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008**

	<u>Capital Projects Fund</u>	
	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>		
Taxes	\$ -	\$ 639,156
Intergovernmental	150,000	1,271,160
Charges for services	336	1,193
Use of money and property	10,412	48,696
Other	-	9,167
	<u>-</u>	<u>9,167</u>
<b>Total Revenues</b>	<b><u>160,748</u></b>	<b><u>1,969,372</u></b>
<b>Expenditures:</b>		
Current:		
General government	-	495,646
Public safety	-	93,711
Public works	-	342,246
Capital outlay	268,568	413,936
	<u>268,568</u>	<u>413,936</u>
<b>Total Expenditures</b>	<b><u>268,568</u></b>	<b><u>1,345,539</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(107,820)</u>	<u>623,833</u>
<b>Other Financing Sources (Uses):</b>		
Transfers in	24,760	38,201
Transfers out	-	(38,201)
	<u>-</u>	<u>(38,201)</u>
Net Change in Fund Balances	<u>(83,060)</u>	<u>623,833</u>
Fund Balances, Beginning of Year	<u>223,423</u>	<u>1,037,129</u>
<b>Fund Balances, End of Year</b>	<b><u>\$ 140,363</u></b>	<b><u>\$ 1,660,962</u></b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
STATE GAS TAX  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 42,151	\$ 42,151	\$ 42,151	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	332,500	332,500	318,525	(13,975)
Use of money and property	500	500	152	(348)
Transfers in	-	-	1,653	1,653
<b>Amounts Available for Appropriation</b>	<b>375,151</b>	<b>375,151</b>	<b>362,481</b>	<b>(12,670)</b>
<b>Charges to Appropriation (Outflow):</b>				
Public works	302,644	302,644	319,832	(17,188)
Capital outlay	15,000	15,000	1,656	13,344
<b>Total Charges to Appropriations</b>	<b>317,644</b>	<b>317,644</b>	<b>321,488</b>	<b>(3,844)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 57,507</b>	<b>\$ 57,507</b>	<b>\$ 40,993</b>	<b>\$ (16,514)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION A  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 71,101	\$ 71,101	\$ 71,101	\$ -
<b>Resources (Inflows):</b>				
Taxes	270,000	270,000	279,465	9,465
Use of money and property	2,500	2,500	2,120	(380)
<b>Amounts Available for Appropriation</b>	<b>343,601</b>	<b>343,601</b>	<b>352,686</b>	<b>9,085</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	280,848	280,848	266,450	14,398
<b>Total Charges to Appropriations</b>	<b>280,848</b>	<b>280,848</b>	<b>266,450</b>	<b>14,398</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 62,753</b>	<b>\$ 62,753</b>	<b>\$ 86,236</b>	<b>\$ 23,483</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
 PARKS AND RECREATION GRANTS  
 YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (100,628)	\$ (100,628)	\$ (100,628)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	10,000	10,000	-	(10,000)
<b>Amounts Available for Appropriation</b>	<b>(90,628)</b>	<b>(90,628)</b>	<b>(100,628)</b>	<b>(10,000)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (90,628)</b>	<b>\$ (90,628)</b>	<b>\$ (100,628)</b>	<b>\$ (10,000)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
PROPOSITION C  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 224,475	\$ 224,475	\$ 224,475	\$ -
<b>Resources (Inflows):</b>				
Taxes	224,000	224,000	231,718	7,718
Use of money and property	10,000	10,000	8,273	(1,727)
<b>Amounts Available for Appropriation</b>	<b>458,475</b>	<b>458,475</b>	<b>464,466</b>	<b>5,991</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	65,126	71,126	48,006	23,120
Capital outlay	240,000	286,388	122,552	163,836
Transfers out	-	-	11,788	(11,788)
<b>Total Charges to Appropriations</b>	<b>305,126</b>	<b>357,514</b>	<b>182,346</b>	<b>175,168</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 153,349</b>	<b>\$ 100,961</b>	<b>\$ 282,120</b>	<b>\$ 181,159</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
AIR QUALITY  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 48,166	\$ 48,166	\$ 48,166	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	19,000	19,000	21,008	2,008
Use of money and property	2,000	2,000	1,652	(348)
<b>Amounts Available for Appropriation</b>	<b>69,166</b>	<b>69,166</b>	<b>70,826</b>	<b>1,660</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	7,000	6,819	181
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>7,000</b>	<b>6,819</b>	<b>181</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 69,166</b>	<b>\$ 62,166</b>	<b>\$ 64,007</b>	<b>\$ 1,841</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
HAZARD AND LITIGATION  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (36,035)	\$ (36,035)	\$ (36,035)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	1,097,635	1,097,635	8,600	(1,089,035)
<b>Amounts Available for Appropriation</b>	<b>1,061,600</b>	<b>1,061,600</b>	<b>(27,435)</b>	<b>(1,089,035)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	1,082,625	1,061,600	8,020	1,053,580
<b>Total Charges to Appropriations</b>	<b>1,082,625</b>	<b>1,061,600</b>	<b>8,020</b>	<b>1,053,580</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (21,025)</b>	<b>\$ -</b>	<b>\$ (35,455)</b>	<b>\$ (35,455)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
TRAFFIC CONGESTION RELIEF  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 36,400	\$ 36,400	\$ 36,400	\$ -
<b>Resources (Inflows):</b>				
Use of money and property	8,900	5,000	1,300	(3,700)
<b>Amounts Available for Appropriation</b>	<b>45,300</b>	<b>41,400</b>	<b>37,700</b>	<b>(3,700)</b>
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>-</b>	<b>46,994</b>	<b>(46,994)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 45,300</b>	<b>\$ 41,400</b>	<b>\$ (9,294)</b>	<b>\$ (50,694)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
ARTESIA LIGHTING DISTRICT  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 15,716	\$ 15,716	\$ 15,716	\$ -
<b>Resources (Inflows):</b>				
Taxes	130,940	130,940	127,973	(2,967)
Other	9,100	9,100	9,167	67
<b>Amounts Available for Appropriation</b>	<b>155,756</b>	<b>155,756</b>	<b>152,856</b>	<b>(2,900)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	146,600	146,600	158,787	(12,187)
Public works	-	-	1,833	(1,833)
<b>Total Charges to Appropriations</b>	<b>146,600</b>	<b>146,600</b>	<b>160,620</b>	<b>(14,020)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 9,156</b>	<b>\$ 9,156</b>	<b>\$ (7,764)</b>	<b>\$ (16,920)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
TRAFFIC MITIGATION FEES  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 349,354	\$ 349,354	\$ 349,354	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	354,155	369,155	46,026	(323,129)
Use of money and property	20,000	20,000	11,544	(8,456)
<b>Amounts Available for Appropriation</b>	<b>723,509</b>	<b>738,509</b>	<b>406,924</b>	<b>(331,585)</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	-	8,640	(8,640)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>-</b>	<b>8,640</b>	<b>(8,640)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 723,509</b>	<b>\$ 738,509</b>	<b>\$ 398,284</b>	<b>\$ (340,225)</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
PARKING IMPACT  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 157,281	\$ 157,281	\$ 157,281	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	61,730	88,460	202,356	113,896
Use of money and property	5,000	5,000	5,930	930
<b>Amounts Available for Appropriation</b>	<b>224,011</b>	<b>250,741</b>	<b>365,567</b>	<b>114,826</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	240,000	7,479	232,521
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>240,000</b>	<b>7,479</b>	<b>232,521</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 224,011</b>	<b>\$ 10,741</b>	<b>\$ 358,088</b>	<b>\$ 347,347</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
BILLBOARD  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 11,146	\$ 11,146	\$ 11,146	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	-	10,000	10,000
Use of money and property	700	700	314	(386)
<b>Amounts Available for Appropriation</b>	<b>11,846</b>	<b>11,846</b>	<b>21,460</b>	<b>9,614</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	-	-	3,175	(3,175)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>-</b>	<b>3,175</b>	<b>(3,175)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 11,846</b>	<b>\$ 11,846</b>	<b>\$ 18,285</b>	<b>\$ 6,439</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
C.O.P.S. GRANT  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ (7,181)	\$ (7,181)	\$ (7,181)	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	100,000	100,000	100,000	-
Use of money and property	-	-	892	892
<b>Amounts Available for Appropriation</b>	<b>92,819</b>	<b>92,819</b>	<b>93,711</b>	<b>892</b>
<b>Charges to Appropriation (Outflow):</b>				
Public safety	100,000	100,000	93,711	6,289
<b>Total Charges to Appropriations</b>	<b>100,000</b>	<b>100,000</b>	<b>93,711</b>	<b>6,289</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ (7,181)</b>	<b>\$ (7,181)</b>	<b>\$ -</b>	<b>\$ 7,181</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
HOME PROGRAM  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	600,000	600,000	4,930	(595,070)
<b>Amounts Available for Appropriation</b>	<b>600,000</b>	<b>600,000</b>	<b>4,930</b>	<b>(595,070)</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	600,000	600,000	4,930	595,070
<b>Total Charges to Appropriations</b>	<b>600,000</b>	<b>600,000</b>	<b>4,930</b>	<b>595,070</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1	\$ 223,423	\$ 223,423	\$ 223,423	\$ -
<b>Resources (Inflows):</b>				
Intergovernmental	-	150,000	150,000	-
Charges for services	-	-	336	336
Use of money and property	7,000	7,000	10,412	3,412
Transfers in	-	-	24,760	24,760
<b>Amounts Available for Appropriation</b>	<b>230,423</b>	<b>380,423</b>	<b>408,931</b>	<b>28,508</b>
<b>Charges to Appropriation (Outflow):</b>				
Capital outlay	-	242,500	268,568	(26,068)
<b>Total Charges to Appropriations</b>	<b>-</b>	<b>242,500</b>	<b>268,568</b>	<b>(26,068)</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 230,423</b>	<b>\$ 137,923</b>	<b>\$ 140,363</b>	<b>\$ 2,440</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
REDEVELOPMENT AGENCY - CAPITAL PROJECTS  
YEAR ENDED JUNE 30, 2008**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Budgetary Fund Balance, July 1 as restated	\$ 355,467	\$ 355,467	\$ 355,467	\$ -
<b>Resources (Inflows):</b>				
Taxes	271,573	291,321	392,386	101,065
Use of money and property	20,000	20,000	68,274	48,274
Transfers in	-	-	7,706,764	7,706,764
<b>Amounts Available for Appropriation</b>	<b>647,040</b>	<b>666,788</b>	<b>8,522,891</b>	<b>7,856,103</b>
<b>Charges to Appropriation (Outflow):</b>				
General government	240,222	361,497	335,148	26,349
Capital outlay	-	93,315	37,596	55,719
<b>Total Charges to Appropriations</b>	<b>240,222</b>	<b>454,812</b>	<b>372,744</b>	<b>82,068</b>
<b>Budgetary Fund Balance, June 30</b>	<b>\$ 406,818</b>	<b>\$ 211,976</b>	<b>\$ 8,150,147</b>	<b>\$ 7,938,171</b>

CITY OF ARTESIA

**BUDGETARY COMPARISON SCHEDULE  
REDEVELOPMENT AGENCY - DEBT SERVICE  
YEAR ENDED JUNE 30, 2008**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1 as restated	\$ 242,465	\$ 242,465	\$ 242,465	\$ -
<b>Resources (Inflows):</b>				
Taxes	1,086,290	1,165,283	1,569,544	404,261
Use of money and property	40,000	40,000	164,592	124,592
Long-term debt issued	-	-	12,920,000	12,920,000
<b>Amounts Available for Appropriation</b>	<b><u>1,368,755</u></b>	<b><u>1,447,748</u></b>	<b><u>14,896,601</u></b>	<b><u>13,448,853</u></b>
<b>Charges to Appropriation (Outflow):</b>				
General government	308,683	316,686	417,510	(100,824)
Debt service:				
Principal retirement	697,939	697,939	-	697,939
Interest and fiscal charges	-	-	312,224	(312,224)
Cost of issuance	-	231,288	302,243	(70,955)
Transfers out	-	-	7,706,764	(7,706,764)
Bond discount	-	-	285,264	(285,264)
<b>Total Charges to Appropriations</b>	<b><u>1,006,622</u></b>	<b><u>1,245,913</u></b>	<b><u>9,024,005</u></b>	<b><u>(7,778,092)</u></b>
<b>Budgetary Fund Balance, June 30</b>	<b><u>\$ 362,133</u></b>	<b><u>\$ 201,835</u></b>	<b><u>\$ 5,872,596</u></b>	<b><u>\$ 5,670,761</u></b>

CITY OF ARTESIA

COMBINING BALANCE SHEET  
 ALL AGENCY FUNDS  
 JUNE 30, 2008

	<u>Trust and Agency</u>	<u>George Nelson Memorial</u>	<u>Senior Citizens'</u>	<u>Totals</u>
<b>Assets:</b>				
Pooled cash and investments	\$ 152,667	\$ 2,088	\$ 406	\$ 155,161
<b>Total Assets</b>	<b><u>\$ 152,667</u></b>	<b><u>\$ 2,088</u></b>	<b><u>\$ 406</u></b>	<b><u>\$ 155,161</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ 930	\$ -	\$ -	\$ 930
Deposits payable	151,737	2,088	406	154,231
<b>Total Liabilities</b>	<b><u>\$ 152,667</u></b>	<b><u>\$ 2,088</u></b>	<b><u>\$ 406</u></b>	<b><u>\$ 155,161</u></b>

CITY OF ARTESIA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 YEAR ENDED JUNE 30, 2008

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<b><u>Trust and Agency</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 81,380	\$ 223,967	\$ 152,680	\$ 152,667
<b>Total Assets</b>	<b><u>\$ 81,380</u></b>	<b><u>\$ 223,967</u></b>	<b><u>\$ 152,680</u></b>	<b><u>\$ 152,667</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 930	\$ -	\$ 930
Deposits payable	81,380	223,037	152,680	151,737
<b>Total Liabilities</b>	<b><u>\$ 81,380</u></b>	<b><u>\$ 223,967</u></b>	<b><u>\$ 152,680</u></b>	<b><u>\$ 152,667</u></b>
<b><u>George Nelson Memorial</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 2,021	\$ 67	\$ -	\$ 2,088
<b>Total Assets</b>	<b><u>\$ 2,021</u></b>	<b><u>\$ 67</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,088</u></b>
<b>Liabilities:</b>				
Deposits payable	\$ 2,021	\$ 67	\$ -	\$ 2,088
<b>Total Liabilities</b>	<b><u>\$ 2,021</u></b>	<b><u>\$ 67</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,088</u></b>
<b><u>Senior Citizens'</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 639	\$ 233	\$ 406
<b>Total Assets</b>	<b><u>\$ -</u></b>	<b><u>\$ 639</u></b>	<b><u>\$ 233</u></b>	<b><u>\$ 406</u></b>
<b>Liabilities:</b>				
Deposits payable	\$ -	\$ 639	\$ 233	\$ 406
<b>Total Liabilities</b>	<b><u>\$ -</u></b>	<b><u>\$ 639</u></b>	<b><u>\$ 233</u></b>	<b><u>\$ 406</u></b>
<b><u>Totals - All Agency Funds</u></b>				
<b>Assets:</b>				
Pooled cash and investments	\$ 83,401	\$ 224,673	\$ 152,913	\$ 155,161
<b>Total Assets</b>	<b><u>\$ 83,401</u></b>	<b><u>\$ 224,673</u></b>	<b><u>\$ 152,913</u></b>	<b><u>\$ 155,161</u></b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 930	\$ -	\$ 930
Deposits payable	83,401	223,743	152,913	154,231
<b>Total Liabilities</b>	<b><u>\$ 83,401</u></b>	<b><u>\$ 224,673</u></b>	<b><u>\$ 152,913</u></b>	<b><u>\$ 155,161</u></b>

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