

City of Artesia California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2016

CITY OF ARTESIA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2016

Victor Manalo, Mayor

Ali Sajjad Taj
Mayor Pro Tem

Miguel Canales
Council Member

Sally Flowers
Council Member



Tony Lima
Council Member

William Rawlings, City Manager

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Fiscal Year Ended June 30, 2016

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INTRODUCTORY SECTION

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THE CITY OF ARTESIA, CALIFORNIA

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"Service Builds Tomorrow's Progress"

Honorable Mayor and City Council
City of Artesia
Artesia, California

The Comprehensive Annual Financial Report of the City of Artesia (City), California, as of June 30, 2016 and for the year then ended, is submitted herewith. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position, results of operations and cash flows of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

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

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

Independent Audit. City policy requires that its financial statements be audited by a certified public accountant. Moss, Levy & Hartzheim LLP, Certified Public Accountants and Consultants, have issued an unmodified ("clean") opinion on the City's financial statements for the fiscal year ended on June 30, 2016. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report.

Profile of the City of Artesia

Form of government

The City is a general law city, incorporated in 1959. The City Council is composed of five members elected biannually at large to serve four-year overlapping terms. The Mayor, selected by the Council, is its presiding officer and serves a one-year term. In the Mayor's absence the Mayor Pro Tem assumes the responsibilities of the Mayor's office.

The City has a Council/Manager form of government. The City Manager is appointed by the City Council to manage the affairs of the City and to implement policies established by the Council. The City Manager oversees all operations of the City including Community Development, Public Safety, Public Infrastructure Development and Maintenance, Parks and Recreational Services, Economic Development, and Administrative Services.

Location and Nature of the City

Much of the land located within the City before the 1950s was dedicated to farm, orchard, or grazing uses. In 1955, the Bradley-Burns Act was passed, which provided a one per cent sales tax rebate for cities, to be distributed by the state. In 1957, the community roads of Pioneer Boulevard, South Street, and Artesia Boulevard were paved, two-lane roads, which brought the roads to minimal standard. The City of Artesia incorporated on May 29, 1959 with the motto "Service Builds Tomorrow's Progress."

Today, the City is a historical community with a well-developed mix of commercial development (restaurant and retail) and suburban residential parcels located nineteen miles southeast of downtown Los Angeles and 10 miles northeast of Long Beach. The city encompasses an area of approximately 1.6 square miles and has parcels and areas that can be developed and redeveloped. There are three major retail areas, and one industrial area.

Residential Population and Service Population

The current permanent year-round resident population is about 17,000, however, Artesia has an extensive employment base for its geographical size. As a result, the industrial, office, and retail sectors increase the number of day residents, defined as those who reside in Artesia during business hours. Artesia is also the location of a regional-sized park which, on any given day, may be the site of recreation or community services programming that will further increase the day resident population.

Finally, Artesia is the location of a distinctive international shopping district which attracts shoppers from throughout Southern California; because these shoppers may have traveled an hour or two get here, they tend to come for the entire day and evening, and bring a family or group with them, further increasing the day resident population. Because Artesia's seasonal and day resident population increases demand for additional municipal services such as public safety, transportation services, pedestrian infrastructure such as sidewalks, streetlights, wayfinding signage, public restrooms, parks and recreation services, public open space, parking facilities, parking enforcement, and code enforcement, the City of Artesia generally is sizing its municipal services for a community of 25,000. Increases in the permanent year-round population, the seasonal population, and the day resident population are projected to increase in the coming years.

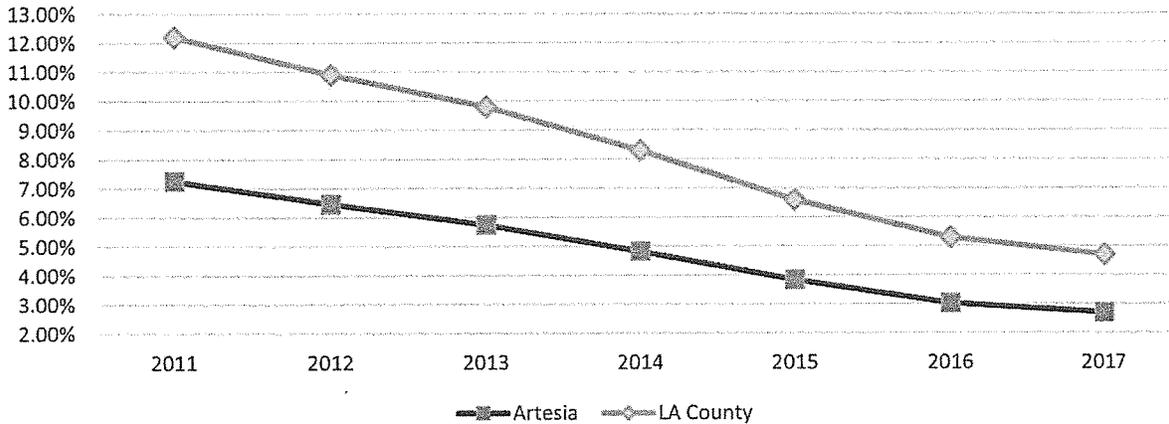
The City is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City for calendar year 2011 through October, 2015:

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

	2012		2013		2014		2015		2016	
	<u>County</u>	<u>City</u>								
Civilian Labor Force	4,915	7.42	4,967	7.53	5,004	7.64	5,002	7.70	5,055	7.83
Employment	4,378	6.94	4,483	7.10	4,591	7.27	4,671	7.40	4,790	7.59
Unemployment	537	0.48	485	0.43	413	0.37	331	0.30	265	0.24
Unemployment Rate	10.90%	6.46%	9.80%	5.74%	8.30%	4.82%	6.60%	3.84%	5.30%	3.03%

⁽¹⁾ Not seasonally adjusted

Unemployment Rate: Artesia versus LA County



Budgeting

The City observes an annual budget cycle and produces an annual budget. The City Council is required to adopt a final budget by June 30th of each fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, program (e.g., public safety), and activity (e.g. law enforcement). Department managers may transfer resources within each program as needed. The City Manager may appropriate resources up to \$7,500 from unbudgeted funds and up to \$30,154.27 from budgeted funds. Expenditures above these thresholds require approval from the City Council.

The City budget appropriations for a full range of services including sheriff (via contract with the Los Angeles County Sheriff's Department); construction and maintenance of arterial roads, streets and infrastructure; lighting and landscaping infrastructure; storm drains; parks and recreational services; public transportation; planning and economic development; housing; and recycling collection services (via contract).

Entities included in the Financial Reports

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

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

Economic Condition Outlook

The prospects for the future of the City are good. The City has taken decisive steps to improve its reserve levels, establish a prudent, conservative, and balanced budgeting system, and reset its policies and resources to encourage smart growth. The development community is taking notice, and the result is that the City is seeing strong interest in Artesia from both the investment and development communities. Artesia actively seeks to position itself as “the most business friendly city in Southern California.”

Long-term financial planning and, major initiatives

During Fiscal Year 2015/2016, a Resolution was adopted approving General Fund balance allocations. These allocations significantly increased the City’s reserve levels over prior years. Eight categories were identified and unassigned fund balances were committed:

- Contingency Reserve of \$123,000
- Accrued Leave Reserve of \$75,000
- General Plan Update Reserve of \$65,000
- Facility Repairs and Improvements Reserve of \$56,726
- Vehicle/Equipment Replacement Reserve of \$30,500
- Measure M Reserve of \$100,0010
- Organizational Development \$121,000
- Preliminary Planning Projects \$180,000

Total reserves, inclusive of Contingency Dedicated funds of \$2,001,250, Operational Reserves, and Committed Fund Balances, for Fiscal Year 2015/2016 total \$5,705,366, which represents a 7% increase over the previous year. The City Council, as a part of its adoption of the Fiscal Year 2015/16 Budget, committed \$123,000 to the Contingency Reserve. The Contingency Reserve Fund Balance requires City Council approval to allocate funds from this reserve. Primary uses are for unforeseen expenditures such as emergency repairs of damage to facilities of infrastructure or other acts-of-God calamities. The other categories of Committed Fund Balance cover unanticipated operational and maintenance issues that arise during the budget year and require a simple majority vote by City Council.

The City of Artesia received an unmodified opinion for the audit of the year ending June 30, 2016. This means that the City's financial records and statements are fairly and appropriately presented, and in accordance with General Accepted Accounting Principles (GAAP). An unmodified opinion is the best possible audit outcome.

The Council adopted a Priorities List at midyear which included a plan to increase contingency reserves for the 2015/2016 Budget. The Priorities List also outline submitting a balanced budget without reducing funding levels, continuing the new budget format with full cost allocation and reducing the need for a larger cash flow balance sitting idle.

As part of the Priorities List approved by the City Council, planning for long term financial stability is also addressed. One priority is to increase revenues by developing an economic development plan that will increase revenues to pay for increased service levels and improve quality of life for City residents, visitors, and merchants. An equally important priority, the City Management Team, will implement an organizational development plan to correct the misalignment of current staff allocation with the staffing allocation required to meet the Council and community needs and goals, provide leadership development, succession planning, and skills/performance management. The key to the long term success of financial planning and major initiatives is the professionalism and proficiency of the City's management team as the key problem solvers, innovators, and leader of the City. Management must be appropriately trained, encouraged, compensated, and held accountable.

The Capital Improvement Plan the City of Artesia set in motion as a written project list to address improvements of infrastructure by identifying a priority level of execution for each project ensures that scarce resources are used as prudently and responsible as possible. Priority levels for financial planning of the Capital Improvement Plan consider, in order of importance, safety, revenue generation, quality of life amenities, and maintenance.

As part of the Capital Improvement Plan, the City Council approved a funding agreement, utilizing a portion of bond proceeds, for the Historical District Recreation Area which is near the Pioneer Boulevard Downtown Revitalization project. The project improvements improve the MTA right of way between 183rd and 187th Street, a half a mile length, by providing more access to recreational opportunities and facilities through the creation of a bike and pedestrian path, security lighting, and amenities such as benches, drinking fountains, and water efficient landscaping.

As mentioned earlier, developing a plan to increase revenues and provide for quality of life has resulted in new programs to benefit the commercial activities in the City of Artesia. The City will assist businesses through a pilot program called Commercial Building Rehabilitation Program by offering financial incentives to business owners/merchants. Support will be offered for improvements in four elements: architectural design services, sign replacement loan rebates, façades improvements loan rebates, and general property improvement loan rebates. The objective is to improve the physical appearance of commercial building façades which provide pleasant and exciting family oriented shopping districts.

In the same vein, the City will promote new restaurant development in the City to encourage the type, level and quality of restaurants that will be beneficial to the City and its residents. All new

restaurants require the developer to pay for planning/building review and permit fees. Under this program, the City would rebate a portion of the fees collected over a timeframe, 1-5 years, if the restaurant generates enough sales tax and business tax revenue to offset the rebated amount within the timeframe. The program's focus is on national chains, sit-down/dine-in restaurants, and includes those that create jobs for Artesia residents and produce sales taxes which support City services.

The City economy has always relied on sales tax as a significant revenue source to support municipal governmental services. A vibrant sector is the Restaurant and Hotel major business group located in the City. The City has made significant strides in its economic development outreach to existing and out of area investors. Additionally, the City committed to creating an attractive regulatory environment that incentivizes smart growth and economic development. Examples are mixed-use developments, projects with higher densities, and flexibility in permitting off-site parking. The City has been nominated as a most business-friendly city in Los Angeles County for three years. In addition to the preceding examples, the City has expedited entitlements and plan check processes for all priority projects that promote retail and restaurant uses. There is City commitment to provide transparent, fair and cost-effective rules for development. Projects that come before the City are evaluated for the right fees and tax incentive programs that capture franchise brand restaurants. Finally, the City offers an exterior façade improvement program for businesses within the Downtown Corridor.

The City's downtown commercial corridor area on Pioneer Boulevard, between 183rd Street and 188th Street, will drive more foot traffic by enhancing shopping and dining experiences for patrons through good urban planning and modernization of the streets features. This section of the boulevard contains the most amenities and it is expected to contribute the most to the community's vision of economic stability. An improvement is taking shape for the public infrastructure needed to support the goal of achieving a complementary mix of commercial retail, office and residential use, which will expand economic vibrancy and livability in the City's core commercial area.

Acknowledgements

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

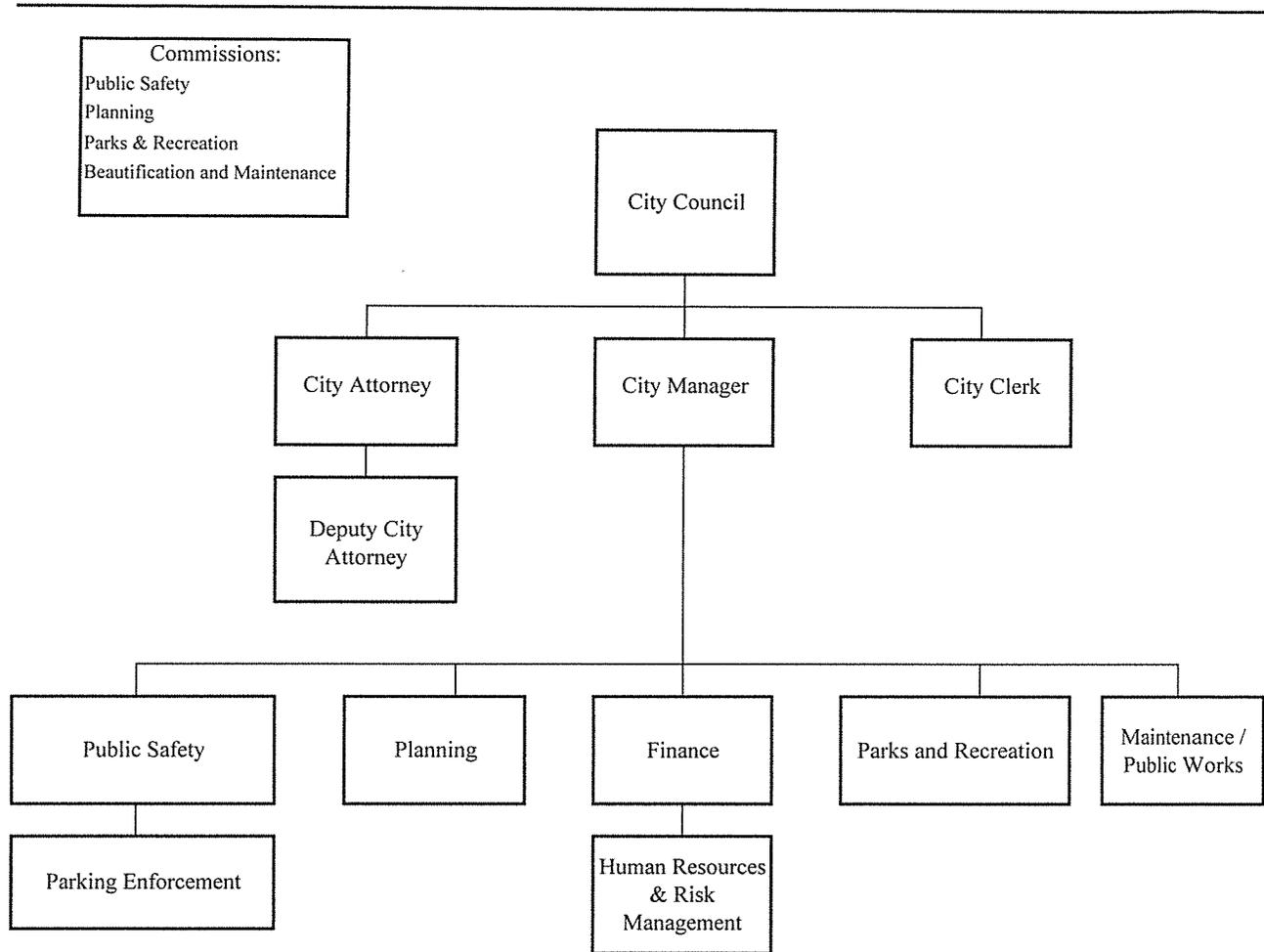
Sincerely,



William Rawlings
City Manager

CITY OF ARTESIA, CALIFORNIA

Organizational Chart
June 30, 2016



CITY OF ARTESIA, CALIFORNIA
List of Principal Officials
2015-2016

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Victor Manalo	November 2020
Mayor Pro Tem: Ali Sajjad Taj	November 2018
Council Members: Sally Flowers	November 2018
Tony Lima	November 2020
Miguel Canales	November 2018

<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * William Rawlings	November 2013
City Attorney: * Kevin Ennis	July 1997
City Clerk/Treasurer: * Gloria Considine	March 2013
Fire Chief: ** Daryl L. Osby	February 2011
Sheriff: *** Jim McDonnell	December 2014
Planning Director: Okina Dor	June 2010
Public Works Director: Charles Burkhardt	February 2013
Parks and Recreation Manager: Melissa Burke	July 2010

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



PARTNERS

RONALD A LEVY, CPA
CRAIG A HARTZHEIM, CPA
HADLEY Y HUI, CPA
ALEXANDER C HOM, CPA
ADAM V GUISE, CPA
TRAVIS J HOLE, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Members of the City Council
City of Artesia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Artesia, California as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Artesia, California, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in note 1 of the notes to the basic financial statements effective July 1, 2015, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* and Statement No. 73, *Accounting and Reporting for Pensions and Related Assets not within the Scope of GASB 68 and Amendments to GASB 67 and 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, budgetary comparison schedules for the General and major special revenue funds, Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, and Schedule of Funding Progress for Retiree Health Plan to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Artesia's basic financial statements. The introductory section, governmental and enterprise combining and individual non-major fund information, internal service, major capital project fund budgetary comparison schedule, major debt service fund budgetary comparison schedule and fiduciary fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The governmental combining and individual non-major fund information, major capital project fund budgetary comparison schedule, and fiduciary fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the governmental combining and individual non-major fund information, major capital project fund budgetary comparison schedule, and fiduciary fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
September 24, 2018

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Management's Discussion and Analysis

As management of the City of Artesia, we offer readers of the City of Artesia's financial statements this narrative overview and analysis of the financial activities of the City of Artesia for the fiscal year ended June 30, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City of Artesia exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$30,848,202 (*net position*). The Governmental Activities have unrestricted net position of \$4,763,585, which may be used to meet the government's ongoing obligations to citizens and creditors. Business-type Activities have unrestricted net position of \$56,125.
- The City's net position for governmental activities increased by \$2,801,421 over the prior fiscal year.
- The City's net position for business-type activities increased by \$21,918 over the prior fiscal year.
- The total cost of all City activities was \$10,373,094 for the current fiscal year. Net cost of all activities was \$6,522,180.
- As of June 30, 2016, the City of Artesia's governmental funds reported combined ending fund balances of \$12,331,892, an increase of \$772,442 in comparison with the prior year. Approximately 73% of this amount is committed or assigned to indicate that it is not available because it has set aside for projects or specific purposes. Another 21% is legally restricted by resolution or 3rd party covenants.
- As of June 30, 2016, the unassigned fund balance for all governmental funds was \$676,056.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Artesia's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Artesia's finances, in a manner similar to a private-sector business.

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*) but also the blending of the legally separate Artesia Housing Authority and Artesia Parking Authority for which the City is financially accountable. This *component unit* are therefore included as an integral part of the primary government.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Artesia, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

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

- **General Fund**
- **Capital Projects Fund**

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

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

The City of Artesia adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund and Capital Projects Fund to demonstrate compliance with these adopted budgets.

Proprietary funds. The City of Artesia has one proprietary fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City's enterprise fund accounts for the residential refuse operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All proprietary funds are considered to be major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City of Artesia’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Funds of the George Nelson Memorial and Senior Citizens and various other small projects are held as fiduciary funds. The Successor Agency to the Artesia Redevelopment Agency (ASA) is a public entity created by AB X1 26 (2011) and the City of Artesia effective February 1, 2012 to wind down the affairs of the former Artesia Redevelopment Agency.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2016, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$30,848,202.

By far the largest portion of the City of Artesia’s net position, \$23,993,612 represents resources invested in capital assets. Capital assets provide services to citizens and are not available for future spending. Resources needed to repay the related debt outstanding must be provided from other sources because the capital assets cannot be used to liquidate these liabilities.

An additional portion of net position (6.6%) represents resources that are subject to external restrictions on how it may be used, and therefore \$2,034,880 may not be used to meet the government's ongoing obligations to citizens and creditors.

The City’s net position for government-wide statements increased by \$2,823,339, or 10% during the fiscal year as a result of revenues exceeding expenditures during this fiscal year. The total cost of all City activities was \$10,373,094. Net cost of all activities was \$6,522,180. Both revenue increases and expense decreases are discussed in more detail in the following report sections.

Governmental Activities

This analysis focuses on the net position and changes in net position of the City’s governmental activities which are presented in the government-wide financial statements.

Governmental Activities Net Position

	2016	2015
Current and other assets	\$ 13,403,910	\$ 13,189,056
Capital assets	24,091,518	21,361,123
Total assets	<u>37,495,428</u>	<u>34,550,179</u>
Deferred outflows of resources	110,672	122,602
Long-term liabilities outstanding	4,772,606	4,850,414
Other liabilities	1,032,529	1,050,748
Total liabilities	<u>5,805,135</u>	<u>5,901,162</u>
Deferred inflows of resources	<u>1,008,888</u>	<u>780,963</u>
Net position:		
Net investment in capital assets	23,993,612	21,212,739
Restricted	2,034,880	6,151,937
Unrestricted	4,763,585	625,980
Total net position	<u>\$ 30,792,077</u>	<u>\$ 27,990,656</u>

The net position of the governmental activities represents 99% of the City’s total net position. Restricted net assets include external restrictions relating to public safety, street projects, housing and other purposes. Restricted net position decreased by \$4,117,057 or 67%.

Governmental activities. Governmental activities increased the City of Artesia’s net position by \$2,801,421. Key elements of this increase are as follows:

Governmental Activities Change in Net Position

	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 1,688,726	\$ 1,153,053
Operating grants and contributions	1,763,400	2,077,854
Capital grants and contributions		183,881
General revenues:		
Property taxes	1,778,796	1,698,157
Transient occupancy taxes	553,188	535,124
Sales taxes	3,038,340	3,096,626
Franchise taxes	2,696,612	407,926
Business license taxes	518,569	479,678
Other taxes	192,493	163,526
Vehicle license fee collection in excess	6,798	7,216
Use of money and property	548,037	436,094
Other	12,686	70,907
Total revenues	12,797,645	10,310,042
Expenses		
General government	2,458,793	1,657,600
Public safety	3,376,566	3,211,801
Parks and recreation	1,258,541	1,486,853
Public works	2,308,478	2,260,827
Community development	578,618	526,250
Interest on long-term debt	15,228	13,000
Total expenses	9,996,224	9,156,331
Change in net position	2,801,421	1,153,711
Beginning net position	27,990,656	26,836,945
Ending net position	30,792,077	27,990,656

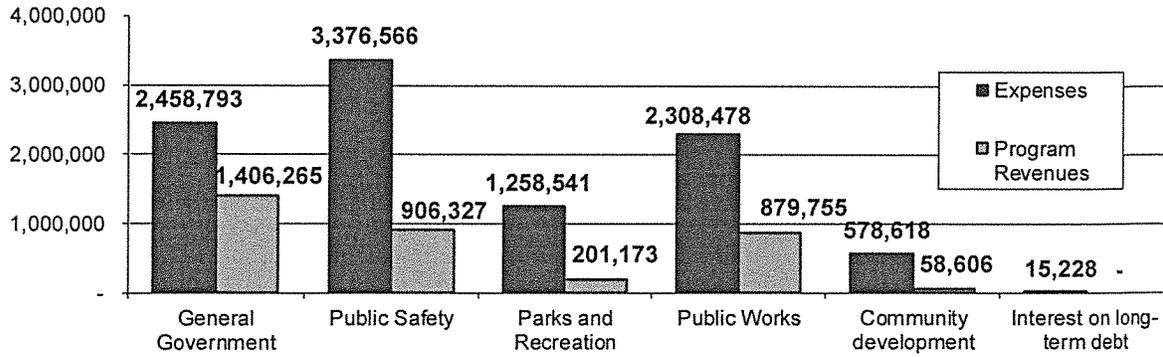
Charges for services increased by \$535,673 or 46%. This is due to a \$450,000 agreement fee with the solid waste provider. In addition, there were \$48,467 attributable to International Street Fair sponsorships.

Capital grants and contribution decreased from \$183,881 from the prior fiscal year to \$0 in the current fiscal year. There weren’t any grant or project reimbursements in the current fiscal year.

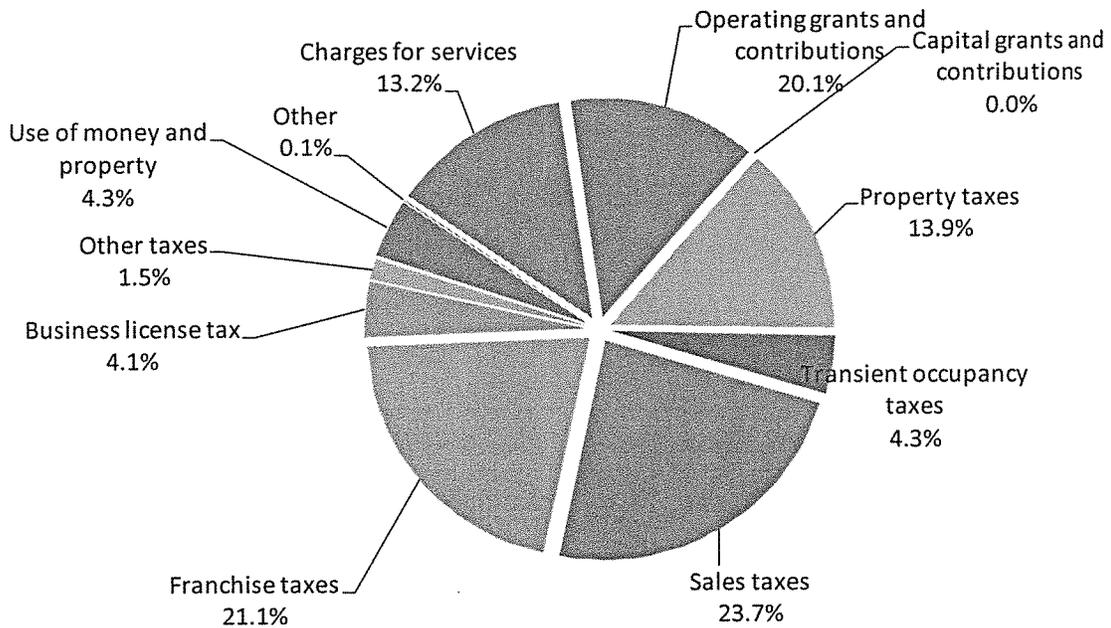
General government expenditures increased by \$801,193 or 48%. This is due to an increase of \$200,000 in pension expenses, \$300,000 increase in insurance expenses, \$276,000 in contract services expenses.

All other expenditures remained largely the same.

Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Taxes, operating grants and contributions and charges for services provide 95.6% of the overall revenue sources of the governmental activities. Taxes include property, transient occupancy, sales, franchise, business license and other taxes (transfer tax, Measure V and AB1290).

Business-type Activities

The analysis of business-type activities focuses on the net position and changes in net position of the City's residential refuse service function which is presented in the government-wide financial statements. This is the first year of existence for this fund.

Business-Type Activities Net Position

	2016	2015
Current assets and other assets	\$ 56,125	\$ 109,659
Total assets	<u>56,125</u>	<u>109,659</u>
Other liabilities	-	75,452
Total liabilities	<u>-</u>	<u>75,452</u>
Net position:		
Unrestricted	56,125	34,207
Total net position	<u>\$ 56,125</u>	<u>\$ 34,207</u>

The net position of the business-type activities represents 1% of the City's total net position. Business-type net position increased by \$21,918. The increase is attributed to charges for services exceeding the cost of providing the services.

Business-type Change in Net Position

	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 398,788	\$ 939,640
Total Revenues	<u>398,788</u>	<u>939,640</u>
Expenses		
Contract Services	376,870	905,433
Total Expenses	<u>376,870</u>	<u>905,433</u>
Change in net position	21,918	34,207
Beginning net position	34,207	-
Ending net position	<u>\$ 56,125</u>	<u>\$ 34,207</u>

The City's business-type program revenues exceeded expenses by \$21,918, meaning charges for services recovered operating expenses.

Financial Analysis of the Government's Funds

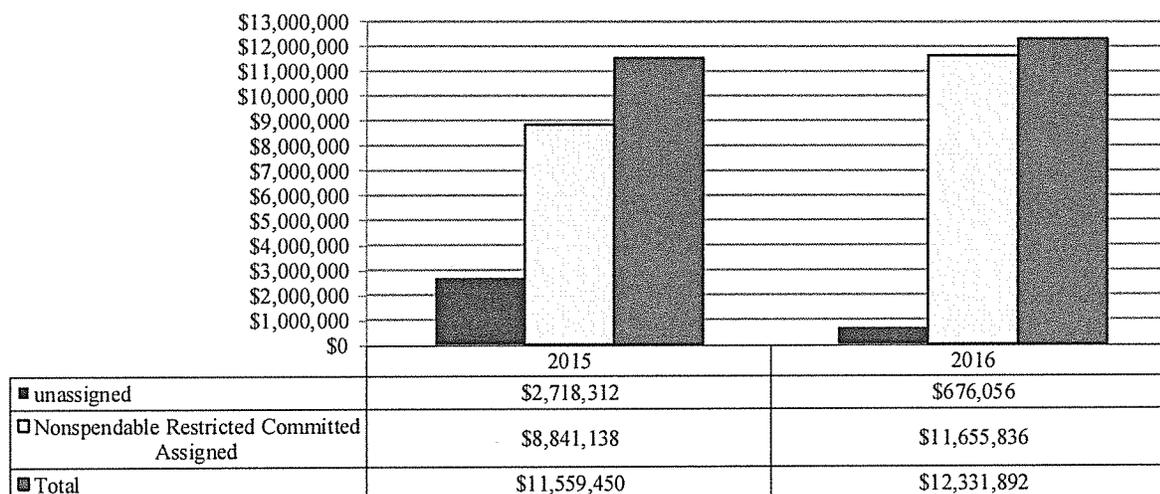
As noted earlier, the City of Artesia uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Artesia's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Artesia's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Artesia's governmental funds reported combined ending fund balances of \$12,331,892 an increase of \$772,442 in comparison with the prior year. Of this amount, there is \$676,056 unassigned net fund balance available for spending at the government's discretion. All fund balance is *nonspendable, restricted, committed or assigned* to indicate that it is not available for new spending. Approximately 52% of this amount is committed to indicate that it is not available because it has committed

for contingency reserves. Another 22% is restricted for specific uses. Approximately 20% of this amount is assigned, which indicate that these amounts are not available because they are intended for specific uses designated by the City Council. The remainder of the fund balance is nonspendable, as they reflect prepaid items. Two funds qualify as major funds under the GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*, reporting criteria: the General Fund and Capital Projects Fund.

The following is a summary of fund balances of the governmental funds for fiscal years 2015-2016:



The General Fund is the chief operating fund of the City of Artesia. At the end of the current fiscal year, the total fund balance was \$9,014,745, with \$19,505 non-spendable for prepaid items and \$6,400,000 committed to funding future commitments and \$2,595,240 assigned for specific projects. Comparing both total and unassigned fund balance (\$0) to total fund expenditures is a measure of the general fund’s liquidity. Unassigned fund balance represents 0% of the total general fund revenue (\$10,496,402) and represents 0% of total general fund expenditures (\$7,694,917).

- The fund balance of the general fund decreased by \$613,588 during the fiscal year. An increase was anticipated through the budgetary process and benchmarked at \$275,148. An overall increase of \$2,716,434 in revenue over budget was due to an increase in tax revenue of \$2,360,448 (primarily due to an additional \$2,288,687 received from franchises over the prior year), and an increase of \$428,917 in charges for services revenue. An overall increase of \$3,587,501 in expenditures over budget was due to transfers out of \$3,542,465 to the Capital Projects Fund for the Downtown Project. The combined increase in revenue and increase in expenditures resulted in a General Fund decrease.

The Capital Projects Fund qualifies as a major fund in 2015-16.

The Capital Projects Fund balance increased by \$893,836. The General Fund transferred bond proceeds funds during the fiscal year.

Proprietary Funds

The City’s proprietary fund provides the same type of information found in the government-wide statements, but in greater detail.

Unrestricted net position of the Residential Refuse Service fund increased to \$56,125 in the fiscal year. This is the second year of operation for this fund. Other factors concerning the finances of this fund are addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget for appropriations. Actual revenue, less transfers, was higher than the final budget by 32%.

Differences between the final appropriations and actual expenditures totaled \$3,587,501. Actual expenditures were less than budgeted for parks and recreation, Maintenance and community development totaling \$355,951. Actual expenditures exceeded budget in general government, public safety and transfers out totaling \$3,943,452.

Capital Asset and Debt Administration

Capital assets. The City of Artesia’s investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$24,091,518 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, automobile equipment, office furniture and equipment, other equipment, and infrastructure. The total increase in the City of Artesia’s capital assets (net of depreciation) for the 2015-16 fiscal years was \$2,730,395. The following is a summary of capital assets (net of depreciation) as of June 30, 2016 and 2015:

	Capital Assets (net of depreciation)	
	<u>2016</u>	<u>2015</u>
Governmental activities		
Land	\$ 6,233,216	\$ 6,233,216
Buildings	934,777	970,051
Improvements other than buildings	225,403	273,704
Automobile equipment	47,084	62,487
Office furniture and equipment	5,319	1,501
Other equipment	405,437	434,808
Infrastructure	10,391,442	10,972,465
Construction in progress	5,848,840	2,412,891
Total governmental activities	<u>\$ 24,091,518</u>	<u>\$ 21,361,123</u>

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

- Construction in progress – several street projects were in process.

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

Debt Administration

At the end of the fiscal year, the City had total long-term debt outstanding of \$4,772,604. This includes capital lease, compensated absences, other post-employment benefits and net pension liability as required by GASB 68 and 71. The following is summary of the outstanding debt (net of unamortized charges) at June 30, 2016 and 2015:

Outstanding Debt

	2016	2015
Governmental activities		
Capital lease payable	97,908	148,384
Compensated absences	328,086	463,386
Other post-employment benefits obligation (OPEB)	2,445,970	2,068,932
Net pension liability	1,900,640	2,169,712
Total governmental activities	4,772,604	4,850,414

Long-term Debt. There was a decrease in long-term debt of \$537,054 over the prior year.

- Capital lease decreased by \$50,476 which were lease payments made.
- Compensated absences liability decreased \$135,300 for the decrease in accrued time off payable.
- OPEB liability increased \$377,040 for the increase in future benefits payable.
- Net pension liability decreased \$269,072 for the decrease in future retirement benefits payable.

Additional information on the City's long-term debt and other long-term liabilities can be found in notes 5, 8 and 9 of the *Notes to the Financial Statements*.

Economic Factors and Next Year's Budgets and Rates

- City retirement rates (CalPERS) will decrease by 1.505 points for 2016/2017.
- CalPERS Annual Unfunded Accrued Liability valuation as of 6/30/13 will increase 2016/2017 annual cost by an additional \$70,608.00.
- Employees will begin contributing to the CalPERS retirement program at 3% during 2016/2017.
- General Fund Sales tax revenue has increased by 5.37% over 2013/2014. The projection for 2015/16 is estimated to increase 5.0% over 2015/16 actual.
- City has maximized the franchise fee payment with the successful negotiation of a franchise trash contract commencing in fiscal year 2016/17.
- Increases to the City's contingency and designated reserves will continue to be a budget priority.

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

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Generally accepted accounting principles (GAAP) for state and local governments prescribe two basic government-wide financial statements:

- Statement of Net Position
- Statement of Activities and Changes in Net Position

The government-wide financial statements include all governmental and business-type activities of the City of Artesia. Their purpose is to summarize the City's consolidated financial activities and position. The government-wide financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Statement of Net Position is the basic government-wide statement of position. A statement of position presents all of an entity's assets, deferred outflows, liabilities, deferred inflows and net position (equity). The presentation is referred to as the *statement of net position* (rather than *balance sheet*), and the difference between assets, deferred outflows, liabilities and deferred inflows is referred to as *net position* (rather than *equity*).

GAAP require the City's governmental activities be reported separately from its business-type activities. In general, governmental activities include activities reported in the general, special revenue, and capital projects funds. The City's government-wide statement of net position provides a column for the governmental activities.

The difference of assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide statement of net position is referred to as *net position*. Net position are categorized as follows:

- Net investment in capital assets
- Restricted
- Unrestricted

Statement of Activities and Changes in Net Position is used to report changes in net position reported on the government-wide statement of net position. The government-wide statement of activities presents expenses before revenues. This emphasizes that in the public sector, revenues are generated for the express purpose of providing services rather than as an end in themselves.

The first column of the government-wide statement of activities present the direct expenses associated with each of the City's functional activities:

- General government
- Public safety
- Parks and recreation
- Maintenance
- Public works
- Community development
- Interest on long-term debt

The government-wide statements include the financial activities of the City of Artesia and its blended component units (Artesia Housing Authority and Artesia Parking Authority).

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City of Artesia
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 12,339,534	\$ 47,191	\$ 12,386,725
Receivables:			
Accounts	963,753	8,934	972,687
Loan	47,313		47,313
Interest	20,316		20,316
Intergovernmental	13,489		13,489
Prepaid items	19,505		19,505
Capital assets:			
Nondepreciable assets	12,082,056		12,082,056
Depreciable assets, net	12,009,462		12,009,462
Total capital assets	24,091,518		24,091,518
Total assets	37,495,428	56,125	37,551,553
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - Pension	110,672		110,672
Total deferred outflows of resources	110,672		110,672
LIABILITIES			
Accounts payable	858,282		858,282
Accrued liabilities	35,214		35,214
Unearned revenues	117,455		117,455
Deposits payable	21,578		21,578
Noncurrent liabilities:			
Net postemployment benefit obligation	2,445,972		2,445,972
Net pension liability	1,900,640		1,900,640
Due within one year	205,413		205,413
Due in more than one year	220,581		220,581
Total liabilities	5,805,135		5,805,135
DEFERRED OUTFLOWS OF RESOURCES			
Deferred inflow - Pension	(1,008,888)		(1,008,888)
Total deferred outflows of resources	(1,008,888)		(1,008,888)
NET POSITION			
Net investment in capital assets	23,993,612		23,993,612
Restricted for:			
Public safety	437		437
Street projects	1,597,333		1,597,333
Housing	302,308		302,308
Other purposes	134,802		134,802
Total restricted	2,034,880		2,034,880
Unrestricted	4,763,585	56,125	4,819,710
Total net position	\$ 30,792,077	\$ 56,125	\$ 30,848,202

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Activities
For the year ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 2,458,793	\$ 551,206	\$ 855,059	\$ -	\$ 1,406,265
Public safety	3,376,566	762,385	143,942		906,327
Parks and recreation	1,258,541	74,013	127,160		201,173
Public works	2,308,478	242,516	637,239		879,755
Community development	578,618	58,606			58,606
Interest on long-term debt	15,228				
Total governmental activities	9,996,224	1,688,726	1,763,400		3,452,126
Business-type activities:					
Residential refuse	376,870	398,788			
Total business-type activities	376,870	398,788			
Total primary government	\$ 10,373,094	\$ 2,087,514	\$ 1,763,400	\$ -	\$ 3,452,126

General revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Motor vehicle license fee collection in excess - unrestricted

Use of money and property

Other

Total general revenues

Change in net position

Net position - beginning of year

Net position - end of year

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,052,528)	-	\$ (1,052,528)
(2,470,239)		(2,470,239)
(1,057,368)		(1,057,368)
(1,428,723)		(1,428,723)
(520,012)		(520,012)
(15,228)		(15,228)
(6,544,098)		(6,544,098)
	21,918	21,918
	21,918	21,918
(6,544,098)	21,918	(6,522,180)

1,778,796		1,778,796
553,188		553,188
3,038,340		3,038,340
2,696,612		2,696,612
518,569		518,569
192,493		192,493
6,798		6,798
548,037		548,037
12,686		12,686
9,345,519		9,345,519
2,801,421	21,918	2,823,339
27,990,656	34,207	28,024,863
\$ 30,792,077	\$ 56,125	\$ 30,848,202

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements
Proprietary Fund Financial Statements
Fiduciary Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Generally accepted accounting principles (GAAP) for state and local governments prescribe the following basic governmental fund financial statements:

- Balance Sheet
- Statement of Revenues, Expenditures, and Changes in Fund Balances

The governmental fund financial statements include all the major individual governmental funds and the total of non-major funds of the City of Artesia. The governmental fund financial statements are prepared on a modified accrual basis. The major governmental funds of the City are as follows:

General Fund accounts for the revenues and expenditures used to carry out basic governmental activities of the City such as general government, public safety, parks and recreation, public works, and community development. Revenue is recorded by source (e.g., taxes, licenses and permits, intergovernmental, charges for services and fines and forfeits). General Fund expenditures are made primarily for current day-to-day operations and operating equipment. They are recorded by major functional classification and operating departments. This fund accounts for all financial transactions not properly accounted for in another fund.

Capital Projects is a capital project fund and accounts for funds received that have a broader discretionary use by the City Council for capital improvements.

Budgetary comparison schedule for the General fund is included in the required supplementary section. Budgetary comparison schedules for the capital projects fund and individual non-major funds are located in the supplemental information section of the financial statements.

City of Artesia
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 6,161,813	\$ 3,504,934	\$ 2,672,787	\$ 12,339,534
Receivables:				
Accounts	804,680	9,394	149,679	963,753
Loan		47,313		47,313
Interest	20,316			20,316
Prepaid items	19,505			19,505
Due from other governments			13,489	13,489
Due from other funds	2,669,927			2,669,927
Total assets	\$ 9,676,241	\$ 3,561,641	\$ 2,835,955	\$ 16,073,837
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 606,906	\$ 163,945	\$ 87,431	\$ 858,282
Accrued liabilities	28,296		6,918	35,214
Deferred revenues	16,611	47,313	53,531	117,455
Deposit payable	9,683		11,895	21,578
Due to other funds		2,599,523	70,404	2,669,927
Total liabilities	661,496	2,810,781	230,179	3,702,456
Deferred Inflow of Resources:				
Unavailable revenues			39,489	39,489
Fund Balances:				
Nonspendable:				
Prepaid items	19,505			19,505
Restricted for:				
Housing projects			302,308	302,308
Street projects			171,913	171,913
Transportation projects			1,470,284	1,470,284
Air quality projects			696,149	696,149
Public safety			437	437
Committed to:				
Contingency reserve	6,400,000			6,400,000
Assigned to:				
Operating Reserve	692,240			692,240
Water District Consolidation Analysis	200,000			200,000
Sanitation District Consolidation Analysis	50,000			50,000
Preliminary Planning Projects	190,000			190,000
Organizational Development Plan	125,000			125,000
Accrued Leave Reserve	100,000			100,000
Economic Development	125,000			125,000
General Contingencies	123,000			123,000
Measure M	100,000			100,000
Business Façade Improvements	100,000			100,000
Business Improvement District	125,000			125,000
Business Improvement District WiFi	85,000			85,000
City-Wide WiFi	50,000			50,000
City Facility Improvements	80,000			80,000
Water Tower Project (Painting)	50,000			50,000
Water Tower Project (Repairs)	50,000			50,000
Vehicle & Equipment Replacement	75,000			75,000
Specific Plan Development	50,000			50,000
General Plan Update	30,000			30,000
Disaster Response Training	25,000			25,000
CalPERS Net Pension Unfunded Liability	85,000			85,000
CalPERS Net Retiree Health Unfunded Liability	85,000			85,000
Unassigned		750,860	(74,804)	676,056
Total fund balances	9,014,745	750,860	2,566,287	12,331,892
Total liabilities and fund balances	\$ 9,676,241	\$ 3,561,641	\$ 2,835,955	\$ 16,073,837

See accompanying Notes to Basic Financial Statements.

City of Artesia
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2016

Total Fund Balances - Total Governmental Funds	<u>\$ 12,331,892</u>
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.	24,091,518
Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.	
Compensated absences	(328,086)
Other postemployment benefits payable	(2,445,972)
Capital lease	<u>(97,908)</u>
Total long-term liabilities	<u>(2,871,966)</u>
Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts effects only the government-wide statements for governmental activities.	
Deferred outflows of resources	110,672
Deferred inflows of resources	(1,008,888)
Pension liability	<u>(1,900,640)</u>
Total pension related items	<u>(2,798,856)</u>
Certain revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria. However, they were treated as revenues in the Government-Wide Financial Statements.	<u>39,489</u>
Net Position of Governmental Activities	<u><u>\$ 30,792,077</u></u>

See accompanying Notes to the Basic Financial Statements.

City of Artesia

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2016

	General Fund	Capital Project Fund Capital Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 7,903,218	\$ -	\$ 881,581	\$ 8,784,799
Licenses and permits	542,950			542,950
Intergovernmental	850,058		1,452,711	2,302,769
Charges for services	637,831	25,362	383,095	1,046,288
Use of money and property	455,695	4,189	88,150	548,034
Fines and forfeitures	40,883			40,883
Developer fees	58,606			58,606
Other revenues	7,161		5,524	12,685
Total revenues	10,496,402	29,551	2,811,061	13,337,014
EXPENDITURES:				
Current:				
General government	2,332,288		5,273	2,337,561
Public safety	3,049,294		287,771	3,337,065
Parks and recreation	940,380		175,168	1,115,548
Maintenance	945,292			945,292
Public works			422,054	422,054
Community Development	385,372		193,246	578,618
Capital outlay	42,291	2,640,648	1,079,791	3,762,730
Debt service:				
Principal retirement			50,476	50,476
Interest and fiscal charges			15,228	15,228
Total expenditures	7,694,917	2,640,648	2,229,007	12,564,572
REVENUES OVER (UNDER) EXPENDITURES	2,801,485	(2,611,097)	582,054	772,442
OTHER FINANCING SOURCES (USES):				
Transfers in	127,392	3,504,933	685,270	4,317,595
Transfers out	(3,542,465)		(775,130)	(4,317,595)
Total other financing sources (uses)	(3,415,073)	3,504,933	(89,860)	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(613,588)	893,836	492,194	772,442
FUND BALANCES (DEFICITS):				
Beginning of year	9,628,333	(142,976)	2,074,093	11,559,450
End of year	\$ 9,014,745	\$ 750,860	\$ 2,566,287	\$ 12,331,892

See accompanying Notes to Basic Financial Statements.

City of Artesia

Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position For the year ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ 772,442

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

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

Capital outlay	3,762,730
Less: Repairs and Maintenance	(298,416)

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure in the governmental funds. (733,919)

Compensated absences, other postemployment benefit, and claims were 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, they were not reported as an expenditure in the governmental funds.

Change in compensated absences	135,300
Change in other postemployment benefits	(377,040)
Capital lease	50,476

Pension expense reported in the governmental funds includes the annual required contributions. In the Statement of Activities, pension expense includes the change in the net pension liability and related change in pension amounts for deferred outflows of resources and deferred inflows of resources. 29,217

Certain revenues were recorded as deferred revenue in the governmental funds because they did not meet the revenue recognition criteria of availability. However, they were included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Assets under the full accrual basis. (539,369)

Change in Net Position of Governmental Activities \$ 2,801,421

See accompanying Notes to the Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Generally accepted accounting principles (GAAP) for state and local governments prescribe following basic proprietary fund financial statements:

- Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows

The proprietary fund financial statements include the major Residential Refuse Service enterprise fund of the City of Artesia.

The proprietary financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises. The intent is to recover costs of operation on a continuing basis through user charges.

Residential Refuse Service is used to account for the operation of the City's trash hauling service. The intent of this fund is to recover costs of operation and capital maintenance (depreciation).

City of Artesia
Statement of Net Position
Proprietary Fund
June 30, 2016

	Residential Refuse Service
ASSETS	
Cash and investments	\$ 47,191
Receivables:	
Accounts	8,934
Total assets	<u>\$ 56,125</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ -
Total liabilities	<u> </u>
NET POSITION:	
Unrestricted	56,125
Total net position	<u>\$ 56,125</u>

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Changes in Net Position
Proprietary Fund
For the year ended June 30, 2016

	Residential Refuse Service
REVENUES:	
Charges for services	\$ 398,788
Total revenues	<u>398,788</u>
EXPENSES:	
Current:	
Contract services	<u>376,870</u>
Total expenses	<u>376,870</u>
 Change in net position	 <u>21,918</u>
NET POSITION:	
Beginning of year	<u>34,207</u>
End of year	<u>\$ 56,125</u>

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Changes in Net Position
Proprietary Fund
For the year ended June 30, 2016

	Residential Refuse Service
REVENUES:	
Charges for services	\$ 398,788
Total revenues	<u>398,788</u>
EXPENSES:	
Current:	
Contract services	<u>376,870</u>
Total expenses	<u>376,870</u>
Change in net position	<u>21,918</u>
NET POSITION:	
Beginning of year	<u>34,207</u>
End of year	<u>\$ 56,125</u>

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2016

	Residential Refuse Service
	<u> </u>
Cash flows from operating activities:	
Cash received from customers, users and grants	\$ 402,380
Cash paid to suppliers for goods and services	<u>(452,322)</u>
Net cash provided (used) by operating activities	<u>(49,942)</u>
Net increase (decrease) in cash and cash equivalents	<u>(49,942)</u>
Cash and cash equivalents beginning of year	<u>97,133</u>
Cash and cash equivalents end of year	<u><u>\$ 47,191</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities	
Operating income (loss)	<u>\$ 21,918</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease (increase) in accounts receivable	3,592
Increase (decrease) in accounts payable	<u>(75,452)</u>
Total adjustments	<u>(71,860)</u>
Net cash provided (used) by operating activities	<u><u>\$ (49,942)</u></u>

See accompanying notes to the financial statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

Generally accepted accounting principles (GAAP) for state and local governments prescribe following basic proprietary fund financial statements:

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position

The fiduciary financial statements report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

The fiduciary financial statements are prepared on a full accrual basis (including depreciation) similar to a private business entity.

Successor Agency to the Artesia Redevelopment Agency Private-Purpose Trust Fund accounts for the custodial responsibilities assigned to the Successor Agency to the Artesia Redevelopment Agency.

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

City of Artesia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Successor Agency to the Artesia Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 2,077,546	\$ 428,619
Cash and investments with fiscal agent	1,140,603	
Receivables:		
Accounts Receivable		14,137
Total assets	\$ 3,218,149	\$ 442,756
LIABILITIES		
Accounts payable	\$ 4,200	\$ 59,819
Deposits payable		382,937
Accrued interest payable	73,195	
Long-term debt:		
Due within one year	245,000	
Due in more than one year	14,419,694	
Total liabilities	14,742,089	\$ 442,756
NET POSITION:		
Held in trust for other purposes	\$ (11,523,940)	

See accompanying Notes to Basic Financial Statements.

CITY OF ARTESIA
Statement of Changes in Fiduciary Net Position
Private-Purpose Trust Fund - Successor Agency
For the year ended June 30, 2016

Additions:	
Property taxes	\$ 1,262,839
Use of money and property	18
	<hr/>
Total additions	1,262,857
	<hr/>
Deductions:	
Community development	3,700
Administrative expenses	250,000
Interest and fiscal charges	912,942
	<hr/>
Total deductions	1,166,642
	<hr/>
Change in net position	96,215
Net position - beginning	(11,620,155)
	<hr/>
Net position - ending	\$ (11,523,940)
	<hr/> <hr/>

NOTES TO BASIC FINANCIAL STATEMENTS

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Description of Reporting Entity

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

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

Artesia Housing Authority - The five members of the City Council serve as the governing body of the Housing Authority and exercise all rights, powers, duties and privileges of the Housing Authority. The Mayor serves as the Chairperson of the Housing Authority. The purpose of the Housing Authority is to prepare and execute plans for housing projects within the City. The activity of this blended component unit is reported in the Housing Authority Special Revenue Fund.

Artesia Parking Authority - The five members of the City Council serve as the governing body of the Parking Authority and exercise all rights, powers, duties and privileges of the Parking Authority. The Mayor serves as the Chairperson of the Parking Authority. The purpose of the Parking Authority is to prepare and execute plans for parking projects within the City. The activity of this blended component unit is reported in the Paid Parking Special Revenue Fund.

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

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of governmental activities and the business-type activity for the City. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies to a significant extent on fees and charges for support. Fiduciary activities of the City are not included in these statements.

Government-Wide Financial Statements

These basic financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The Statement of Activities and Changes in Net Position demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs are included in the program expenses reported for specific functions.

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

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

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

Governmental Funds Financial Statements

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

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Funds Financial Statements, Continued

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

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

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

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. Proprietary funds are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or non-current) associated with the activity are included on the Statement of Net Position. The reported fund equity presents total net position. The operating statement of the proprietary fund presents increases (revenues) and decreases (expenses) in total net position. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's residential refuse service proprietary fund is charges to customers for services. The primary operating expense includes payments to the refuse service provider for the cost of these services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Fund Financial Statements

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.
- The Capital Projects Capital Projects Fund's primary function is to account for funds received that have a broader discretionary use by the City Council for capital improvements.

The City reports the following major proprietary fund:

- The Residential Refuse Service Proprietary Fund's primary function is to account for the operations of the City's trash hauling service.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

The City also reports the following funds:

- The Special Revenue Funds are used to account for the revenues derived from specific revenue sources, which are usually required by law or administrative regulation to be account for in separate funds.
- The Capital Project Fund is used to account for revenues and expenditures associated with the acquisition or construction of capital faculties.
- The Private Purpose Trust Fund is used to account for the activities of the Successor Agency to the Artesia Redevelopment Agency.
- The Agency Funds are used to account for assets held by the City as an agent for individuals, private business and other governmental agencies for the George Nelson Memorial and Senior Citizens activities and programs.

C. New Accounting Pronouncements

Current Year Standards

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72, Fair Value Measurement and Application, addresses accounting and reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The pronouncement provides for three valuation techniques: the market approach, the cost approach and the income approach. The valuation technique should be consistently applied, maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The hierarchy of inputs used to measure fair value falls into three categories: Level 1 is quoted market prices for identical assets or liabilities; Level 2 is for observable inputs either directly or indirectly; Level 3 is unobservable inputs. The pronouncement is effective for the year ending June 30, 2016.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. New Accounting Pronouncements, Continued

Future GASB Pronouncements

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

- GASB 74 - *"Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans"*, effective for periods beginning after June 15, 2016.
- GASB 75 - *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"*, effective for periods beginning after June 15, 2017.
- GASB 77 - *"Tax Abatement Disclosures"*, effective for fiscal years beginning after June 15, 2015.
- GASB 78 - *"Pension Provided through Certain Multiple-Employer Defined Benefit Pension Plans"*, effective for fiscal years beginning after June 15, 2015.
- GASB 79 - *"Certain External Investment Pools and Pool Participants"*, effective for fiscal years beginning after June 15, 2015.
- GASB 80 - *"Blending Requirements for Certain Component Units - in amendment of GASB Statement No. 14"*, effective for fiscal years beginning after June 15, 2016.
- GASB 81 - *"Irrevocable Split-Interest Agreements"*, effective for fiscal years beginning after June 15, 2016.
- GASB 82 - *"Pension Issues - in amendment of GASB Statements No. 67, No. 68, and No. 73"*, effective for fiscal years beginning after June 15, 2016.

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

Cash and Investments

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

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

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" or "advances to/from other funds".

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Receivables and Payables, Continued

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

Prepaid Items

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

Capital Assets

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

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

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

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

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

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. That item is the deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability.

In addition to liabilities, the statement of net position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The first item is unavailable revenues, which is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from two sources: taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years. The third item is a deferred inflow related to pensions for the changes in proportion and differences between employer contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2015), which is 3.8 years.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than 40 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.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Long-Term Obligations

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

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

Net Position

In the Government-Wide Financial Statements and the Proprietary Fund Statement of Net Position, net position is classified in the following categories:

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

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

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

Net Position Flow Assumptions

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

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

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Fund Balances

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

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

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

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

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

The City has a contingency reserve to address major unforeseen expenditures such as damage to facilities or infrastructure. The reserve was established by the City Council through resolution 13-2372 and requires a four-fifths vote to expend the funds. The balance of this reserve as of June 30, 2016 was \$6,400,000.

Unassigned - This category is for any balances that have no restrictions placed upon them. The general fund is the only fund that reports a positive unassigned fund balance amount.

Governmental Fund Balance

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

- Restricted
- Committed
- Assigned
- Unassigned

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

E. Use of Estimates

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

2. CASH AND INVESTMENTS

As of June 30, 2016, cash and investments were reported in the accompanying financial statements as follows:

	Government Wide Statement of <u>Net Position</u>	Fiduciary Funds Statement of <u>Net Position</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 12,386,725	\$ 2,506,165	\$ 14,892,890
Restricted assets:			
Cash and investments held by fiscal agent		<u>1,140,603</u>	<u>1,140,603</u>
Total cash and investments	<u>\$ 12,386,725</u>	<u>\$ 3,646,768</u>	<u>\$ 16,033,493</u>

Cash and investments at June 30, 2016 consisted of the following:

Cash in hand (petty cash)	\$ 500
Demand deposits	274,188
Investments	<u>15,758,805</u>
Total cash and investments	<u>\$ 16,033,493</u>

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Notes	5 years	None	None
United States Government Sponsored Agency Securities:			
Treasury Bills	1 year	None	None
Treasury Bonds	5 years	None	None
Certificates of Deposit	5 years	30%	None
Passbook Savings Accounts	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	\$50,000,000	None
N/A - Not Applicable			

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

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	None	None	None
United States Government Sponsored Agency Securities	None	None	None
Banker's Acceptances	360 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (LAIF)	None	None	None
Certificates of Deposit	None	None	None

N/A - Not Applicable

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u> <u>1 Year or Less</u>
Local Agency Investment Fund (LAIF)	\$ 14,618,202
Held by Fiscal Agent:	
Money market mutual funds	<u>1,140,603</u>
	<u>\$ 15,758,805</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standards and Poor, as of year end for each investment type:

<u>Investment Type</u>	<u>Total as of June 30, 2016</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 14,618,202	N/A	\$ -	\$ 14,618,202
Held by Fiscal Agent:				
Money market mutual funds	<u>1,140,603</u>	A	<u>1,140,603</u>	
	<u>\$ 15,758,805</u>		<u>\$ 1,140,603</u>	<u>\$ 14,618,202</u>

Concentration of Credit Risk

The City's investment policy imposes restrictions for certain types of investments with any one issuer; however, external investment pools are excluded from this requirement. At June 30, 2016, the City's investments were with LAIF and money market mutual funds held by fiscal agent which are exempt from this requirement.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

2. CASH AND INVESTMENTS, Continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2016, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California Law, with the exception of cash held by fiscal agent. Of the \$1,140,603 of cash held by fiscal agent, \$500,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$640,603 was neither insured by the FDIC nor collateralized as required under California law.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. These principles recognize a three tiered fair value hierarchy as follows: Level 1 - Investments reflect prices quoted in active markets; Level 2 - Investments reflect prices that are based on similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and Level 3 - Investments reflect prices based upon unobservable sources. The City has marketable securities that are measured with recurring fair value measurements as of June 30, 2016 and are valued using quoted market prices (level 1 inputs).

3. LOAN RECEIVABLE

In November 1989, the City entered into an agreement with the Southern California Water Company for the installation of a domestic water system in an Artesia service area. As part of this agreement, the City loaned the Southern California Water Company \$139,925 with no interest to be repaid over 40 years. At June 30, 2016 the outstanding loan receivable is \$47,313

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance as of July 1, 2015	Additions	Deletions	Balance as of June 30, 2016
Governmental Activities				
Nondepreciable capital assets				
Land	\$ 6,233,216	\$ -	\$ -	\$ 6,233,216
Construction in progress	2,412,891	3,435,949		5,848,840
Total nondepreciable capital assets	<u>8,646,107</u>	<u>3,435,949</u>		<u>12,082,056</u>
Depreciable capital assets				
Buildings	1,761,750			1,761,750
Improvements other than buildings	799,782			799,782
Automobile equipment	446,579			446,579
Office furniture and equipment	237,246	5,203		242,449
Other equipment	1,067,479	23,162		1,090,641
Infrastructure	14,336,850			14,336,850
Total depreciable capital assets	<u>18,649,686</u>	<u>28,365</u>		<u>18,678,051</u>
Less accumulated depreciation				
Buildings	(791,699)	(35,274)		(826,973)
Improvements other than buildings	(526,077)	(48,301)		(574,378)
Automobile equipment	(384,092)	(15,403)		(399,495)
Office furniture and equipment	(235,745)	(1,386)		(237,131)
Other equipment	(632,672)	(52,532)		(685,204)
Infrastructure	(3,364,385)	(581,023)		(3,945,408)
Total accumulated depreciation	<u>(5,934,670)</u>	<u>(733,919)</u>		<u>(6,668,589)</u>
Net depreciable capital assets	<u>12,715,016</u>	<u>(705,554)</u>		<u>12,009,462</u>
Net capital assets	<u>\$ 21,361,123</u>	<u>\$ 2,730,395</u>	<u>\$ -</u>	<u>\$ 24,091,518</u>

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

General government	\$ 26,685
Public works	587,802
Parks and recreation	102,296
Public safety	17,136
Total depreciation expense - governmental activities	<u>\$ 733,919</u>

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

5. LONG-TERM DEBT

The following is a schedule of changes in long-term debt of the City for the fiscal year ended June 30, 2016:

	Balance at June 30, 2015	Additions	Repayments	Balance at June 30, 2016	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 463,386	\$ 20,288	\$ (155,588)	\$ 328,086	\$ 151,035
Capital Lease	148,384		(50,476)	97,908	54,378
OPEB	2,068,930	673,648	(296,608)	2,445,970	
Net pension liability	2,169,712		(269,072)	1,900,640	
Total	<u>\$ 4,850,412</u>	<u>\$ 693,936</u>	<u>\$ (771,744)</u>	<u>\$ 4,772,604</u>	<u>\$ 205,413</u>

Compensated Absences

The compensated absences payable has been accrued for governmental activities on the Government-Wide Financial Statements. Typically, the General Fund has been used to liquidate the liability for compensated absences. There is no fixed payment schedule to pay these liabilities. The total amount of compensated absences payable at June 30, 2016 was \$328,086.

Capital Lease

The City entered into a capital lease with CALE America, Inc. for parking meters. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date in the City's capital assets. The future minimum lease obligations and the net present value of these payments as of June 30, 2016, are as follows:

Year Ending <u>June 30,</u>	Governmental <u>Activities</u>
2017	\$ 59,856
2018	<u>44,892</u>
Total minimum lease payments	104,748
Less: amounts representing interest	<u>(6,840)</u>
Present value of minimum lease payments	<u>\$ 97,908</u>

The assets acquired through the capital lease are as follows:

	Governmental <u>Activities</u>
Other equipment	\$ 249,110
Less: accumulated depreciation	<u>(49,822)</u>
	<u>\$ 199,288</u>

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2016, was as follows:

Due To / Due From Other Funds

At June 30, 2016, the City had the following due to/from other funds:

<u>Due To (payable)</u>	<u>Due From (receivable)</u>	<u>Amount</u>
Non-major Governmental Funds	General Fund	\$ 70,404
Capital Projects Fund	General Fund	<u>2,599,523</u>
		<u>\$2,669,927</u>

The above interfund balances resulted from temporary reclassifications made at June 30, 2016 to cover cash shortfalls.

Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 3,504,933
	Artesia Lighting District Fund	37,532
Non-major Governmental Funds	General Fund	127,392
	Non-major Governmental Funds	<u>647,738</u>
		<u>\$ 4,317,595</u>

The General Fund received transfers from the non-major Parks & Recreation Grants and Billboard Special Revenue Funds for the purpose of expenditure offset. The General Fund provided matching funds to the major Capital Projects Fund as well as non-major Artesia Lighting District Special Revenue Fund. The non-major Hazard and Litigation Special Revenue Fund received transfers from both the non-major Gas Tax Special Revenue Fund and the non-major Air Quality Special Revenue Fund for the purpose of expenditure offset.

7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Deficit Fund Balances

At June 30, 2016, the following funds had deficit fund balances:

Non-Major Special Revenue Fund:		
Parks & Recreation Grants	\$	(44,864)
Artesia Lighting District		(16,476)
Non-major Governmental Capital Projects Fund:		
Safe Route to School		(13,489)

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

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES, Continued

Excess of Expenditures over Appropriations

Excess of expenditures over appropriations occurred at individual departmental levels and major categories during the fiscal year 2016 as follows:

	<u>Actual Amounts</u>	<u>Budgeted Amounts</u>	<u>Excess Expenditures Over Appropriations</u>
Major Funds:			
General Fund:			
General government:			
City attorney	\$ 567,117	\$ 189,044	\$ 378,073
City manager	502,547	408,261	94,286
General operations	292,639		292,639
Business taxes & permits	34,583	33,479	1,104
Public safety	3,049,294	3,027,931	21,363
Maintenance:			
Building and safety	289,707	270,000	19,707
Maintenance	593,087	542,041	51,046
Transfers out	3,542,465		3,542,465
Capital Projects:			
Capital outlay	2,640,648		2,640,648
Non-major Governmental Special Revenue Funds:			
State Gas Tax - Transfers out	615,000		615,000
Parks and Recreation - Capital outlay	44,864		44,864
Parks and Recreation - Transfers out	47,000		47,000
Proposition C - Public works	67,143	59,900	7,243
Air Quality - Transfers out	32,738	32,000	738
Hazard & Litigation - Capital outlay	358,345	320,000	38,345
California Beverage Recycling - General government	5,273	5,060	213
Artesia Lighting District - Community development	192,853	165,700	27,153
Paid Parking - Interest and fiscal charges	15,228	9,380	5,848
Billboard - Transfers out	80,392	80,160	232
C.O.P.S. Grant - Public safety	144,401	100,000	44,401
Measure R - Capital outlay	548,921	163,858	385,063
SAFE Route to School - Capital outlay	1,514	1,500	14

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

8. RETIREMENT PLANS

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. RETIREMENT PLANS, Continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<u>Miscellaneous</u>	
	<u>Prior to January 1, 2013</u>	<u>On or After January 1, 2013</u>
Hire date		
Benefit formula	2%@60	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	8.738%	6.25%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the City reported net pension liabilities for its proportionate shares of the net pension liability of the City Miscellaneous Plan as follows:

Proportionate Share of Net Pension Liability
<u>\$ 1,900,640</u>

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. RETIREMENT PLANS, Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The City's proportionate share of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The City's proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	City Miscellaneous Plan
Proportion - June 30, 2014	0.08779%
Proportion - June 30, 2015	0.06597%
Change - Increase (Decrease)	-0.02183%

For the year ended June 30, 2016, the City recognized pension expense of \$122,602. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 102,746	\$ -
Net differences between projected and actual earnings on pension plan investments		(37,591)
Differences based on actual experience	7,926	
Differences based on change of assumptions		(74,985)
Differences between actual vs proportionate contribution		(252,391)
Adjustment due to differences in proportions		(643,921)
Total	<u>\$ 110,672</u>	<u>\$ (1,008,888)</u>

\$102,746 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. RETIREMENT PLANS, Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Fiscal Year Ended June 30,		
2017	\$	(381,773)
2018		(376,641)
2019		(290,599)
2020		48,051
Total	\$	<u>(1,000,962)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2014
Actuarial Cost Method	June 30, 2015
Actuarial Assumptions:	Entry-Age Normal Cost Method
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.30%-14.20% (1)
Investment Rate of Return	7.50% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. RETIREMENT PLANS, Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Discount Rate, Continued

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as a change in methodology occurs.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Year 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

8. RETIREMENT PLANS, Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 3,035,062
Current Discount Rate	7.65%
Net Pension Liability	\$ 1,900,640
1% Increase	8.65%
Net Pension Liability	\$ 798,096

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan

At June 30, 2016, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

9. OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Eligibility

Employees are eligible for retiree health benefits if they retire from the City on or after age 50 (unless disabled) and are eligible for a CalPERS pension. The benefits are available only to employees who retire from the City. Membership of the plan consisted of 29 eligible active employees and 25 enrolled eligible retirees at June 30, 2016. These amounts do not reflect current retirees not enrolled in the CalPERS health plan who are eligible to enroll in the plan at a later date.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City and the City Council. The City makes a defined monthly payment towards the cost of each retiree's coverage. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2016, the City contributed \$176,962 to the plan in premium payments for retiree insurance. No payments were made to the trust.

Annual OPEB Cost and Net OPEB Obligation

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

As of the July 1, 2015 actuarial valuation, the Annual Required Contribution (ARC) for the year ended June 30, 2016, was \$590,891. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 590,891
Interest on net OPEB obligation	82,757
Adjustment to annual required contribution	<u>(119,646)</u>
Annual OPEB cost (expense)	554,002
Contributions made	<u>(176,962)</u>
Increase in net OPEB obligation	377,040
Net OPEB obligation - beginning of year	<u>2,068,930</u>
Net OPEB obligation - end of year	<u>\$ 2,445,970</u>

The City's annual OPEB cost, annual contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years are presented below.

Fiscal Year	Annual OPEB Cost	Actual Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 444,289	\$ 169,163	38%	\$ 1,803,946
6/30/2015	439,384	174,398	40%	2,068,932
6/30/2016	554,002	176,962	32%	2,445,970

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

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Funding Status and Progress

As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$5,696,832, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,696,832 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 0%. The covered payroll (annual payroll of active employees covered by the plan) was \$1,437,166 and the ratio of the UAAL to covered payroll was 396.39%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the projected unit credit method. The actuarial assumptions included a 4.0% investment rate of return, which is based on assumed long-term investment returns on plan assets and on the City's assets, as appropriate, and a 4.0% discount rate. The trend rate for dental is 4% while the trend rate for medical is 8% for 2016, decreasing 1% per year until it reaches 5% in 2018. The inflation rate is 2.5%. The UAAL is being amortized as a level percentage of projected payroll 30 years on an open basis.

10. LIABILITY, PROPERTY AND WORKERS' COMPENSATION PROTECTION

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

The City of Artesia is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 118 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The Authority began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors which operates through a nine-member Executive Committee.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

B. Self-Insurance Programs of the Authority

Each member pays an annual contribution to cover estimated losses for the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Retrospective adjustments are scheduled to continue indefinitely on coverage years 2012-13 and prior, until all claims incurred during those coverage years are closed, on a pool-wide basis. This subsequent cost re-allocation among members, based on actual claim development, can result in adjustments of either refunds or additional deposits required. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment.

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

Liability: In the liability program, claims are pooled separately between police and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$30,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from \$30,000 to \$750,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from \$750,000 to \$50 million, are distributed based on the outcome of cost allocation within the first and second loss layers. For 2015-15, the Authority's pooled retention is \$2 million per occurrence, with reinsurance to \$20 million, and excess insurance to \$50 million. The Authority's reinsurance contracts are subject to the following additional pooled retentions: (a) 50% of the \$2.5 million annual aggregate deductible in the \$3 million x/s \$2 million layer, (b) 50% quota share of the \$3 million x/s \$2 million layer, and (c) \$3 million annual aggregate deductible in the \$5 million x/s \$10 million layer.

The overall coverage limit for each member, including all layers of coverage, is \$50 million per occurrence. Costs of covered claim for subsidence losses have a sub-limit of \$30 million per occurrence.

Workers' Compensation Coverage: The City of Artesia also participates in the workers' compensation pool administered by the Authority. In the workers' compensation program claims are pooled separately between public safety (police and fire) and general government exposures. (1) The payroll of each member is evaluated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to \$50,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second of losses includes incurred costs from \$50,000 to \$100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs in excess from \$100,000 to statutory limits are distributed based on the outcome of cost allocation within the first and second loss layers.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

B. Self-Insurance Programs of the Authority, Continued

Workers' Compensation Coverage, Continued:

For 2015-16 the Authority's pooled retention is \$2 million per occurrence, with reinsurance to statutory limits under California Workers' Compensation Law.

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

C. Purchased Insurance

Pollution Legal Liability Insurance - The City of Artesia participates in the pollution legal liability insurance program (formerly called environmental insurance) which is available through the Authority. The policy covers sudden and gradual pollution of scheduled property, streets, and storm drains owned by the City of Artesia. Coverage is on a claims-made basis. There is a \$50,000 deductible. The Authority has a limit of \$50 million for the 3-year period from July 1, 2015 through July 1, 2017. Each member of the Authority has a \$10 million sub-limit during the 3-year term of the policy.

Property Insurance - The City of Artesia participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. City of Artesia property is currently insured according to a schedule of covered property submitted by the City of Artesia to the Authority. City of Artesia property currently has all-risk property insurance protection in the amount of \$20,098,105. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

Earthquake and Flood Insurance - The City of Artesia purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. City of Artesia property currently has earthquake protection in the amount of \$18,531,170. There is a deductible of 5% per unit of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retrospective adjustments.

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

D. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were no significant reductions in pooled or insured liability coverage in the fiscal year 2015-16.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

E. Claims Activity

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

Year Ended <u>June 30,</u>	Claims Payable (Receivable) <u>July 1</u>	Fiscal Year Claims and Changes in <u>Estimates</u>	Claims <u>Payments</u>	Claims Payable (Receivable) <u>June 30,</u>
2014	\$ -	-	(223,822)	(223,822)
2015	(223,822)	2,571	-	(221,251)
2016	(221,251)	221,251	-	-

11. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES

The California Legislature adopted AB X1 26 in June 2011, adding Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the California Health and Safety Code. Part 1.8 immediately suspended the power of California redevelopment agencies to engage in most activities, except to implement existing contracts, meet already-incurred obligations, preserve existing assets and prepare for impending dissolution. Pursuant to Part 1.85, all redevelopment agencies in the State were dissolved as of February 1, 2012, and a successor agency was established for each former redevelopment agency to wind-down the affairs of its former redevelopment agency.

Since AB X1 26, there have been several amendments and additions the provisions of Parts 1.8 and 1.85, including among others, AB 1484 adopted in June 2012 and SB 107, adopted in September 2016, after the audited period of these financial statements. Parts 1.8 and 1.85, as amended and supplemented, are referred to below as the "Dissolution Act."

Pursuant to the Dissolution Act, the city which formed a redevelopment agency serves as the successor agency unless the city elects to do otherwise.

On August 29, 2011, the City Council of the City of Artesia adopted Resolution No. 11-2299 electing for the City to serve as the Successor Agency. The Dissolution Act specifies that the City and the Successor Agency do not merge as the result of this election. The City and Successor Agency are separate legal entities. The liabilities of the Former RDA (and the Successor Agency) do not transfer to the City and the assets of the Successor Agency do not become the assets of the City.

The role of the successor agencies is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets).

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

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. On February 13, 2012, the City Council of the City of Artesia, adopted Resolution No. 12-2316 electing for the City not to serve as the Housing Successor and determined that the housing functions of the Former RDA shall be transferred to the Artesia Housing Authority pursuant to the Dissolution Act.

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

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

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. Moneys in the RPTTF, after payment of certain administrative costs of the County, are disbursed twice a year (January 2 and June 1, respectively) to pay: (i) the taxing entities for pass-through payments, (ii) the Successor Agency for payments of enforceable obligations on the Successor Agency's Recognized Obligation Payment Schedule ("ROPS") as approved by the DOF (discussed below), (iii) the Successor Agency for its administrative cost allowance, as defined and up to the amount allowed by the Dissolution Act, and (iv) the taxing entities to the extent that there is any residual amount remaining in the RPTTF after application based on the foregoing.

The Successor Agency is required to prepare a ROPS approved by the oversight board setting forth the amounts due for each enforceable obligation during each fiscal period covered by such ROPS. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. Through fiscal year 2015-16, each ROPS covered a six-month period (commencing January 1 and July 1, respectively). SB 107, which was enacted in September 2016, provides that, beginning with fiscal year 2016-17, the Successor Agency must prepare a ROPS annually (instead of twice a year).

The Dissolution Act required the Successor Agency to have due diligence reviews of both the low and moderate income housing fund and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These unencumbered cash amounts were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The former redevelopment agency (Successor Agency) made payments totaling \$538,184 during fiscal year 2012-13 to the CAC as a result of the due diligence reviews.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

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

The DOF issued a Finding of Completion on April 18, 2013 in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews. After receiving the Finding of Completion, the Successor Agency is allowed to place loan agreements between the former redevelopment agency and the City on the ROPS, as an enforceable obligation, provided the oversight board makes a finding that the loan was for legitimate redevelopment purposes. The Successor Agency does not have any such outstanding loan repayable to the City. It should be noted that, however, during any ROPS period, the City may loan funds to the Successor Agency for the payment of administrative costs or enforceable obligations, subject to the limitations set forth in the Dissolution Act. The Dissolution Act also provides that, after the Successor Agency's receipt of the Finding of Completion, the Successor Agency may use unspent proceeds from bonds issued by the Dissolved RDA before January 1, 2011 on projects, in a manner consistent with original bond covenants. With the Oversight Board and the DOF's approval, the Successor Agency and the City have entered into agreements (the "Bond Proceeds Funding Agreements"), pursuant which the Successor Agency agreed to transfer bond proceeds to the City, for the City's use (including reimbursement for any City advances therefore) to complete work with respect to specified projects in a manner consistent with the bond covenants. During the year ended June 30, 2015, the Successor Agency transferred \$183,881 of bond proceeds to the City pursuant to the Bond Proceeds Funding Agreements.

In addition, the Oversight Board approved the Successor Agency's Long Range Property Management Program (LRPMP) through resolution OB 13-20 on March 28, 2013, which was then approved by the DOF on March 7, 2015. The LRPMP included certain real properties originally purchased with funds of the Dissolved RDA, but were owned by the City. In its March 7, 2015 letter approving the LRPMP, the DOF recognized that the City is the fee title holder of these real properties. The DOF noted that the Successor Agency did not need to include such properties on the LRPMP, because the Successor Agency did not own any interest in such properties. Accordingly, the amount associated with these properties, \$5,329,406, is now shown as the City's assets. This was reflected as a transfer of \$2,033,445 from the Successor Agency's assets to the City's assets, in fiscal year 2013-2014, and a prior period adjustment of \$3,295,961, in fiscal year 2014-2015.

The State Controller of the State of California has been directed to review the transfers of assets between Dissolved RDA and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the assets to be returned to the successor agency to the extent not prohibited by state or federal law. The State Controller issued its official final report regarding unallowed asset transfers, by the Dissolved RDA to other public agencies on November 26, 2014. The report did not identify any unallowable transfers.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. SUCCESSOR AGENCY DISCLOSURES

The assets and liabilities of the former Redevelopment Agency were transferred to the Successor Agency to the City of Artesia Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for the assets and liabilities. Disclosures related to these transactions are as follows:

Capital Assets

There were no capital asset activity for the year ended June 30, 2016.

Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	Balance at <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2016</u>	Due Within <u>One Year</u>
2007 Tax Allocation Bonds	\$ 11,800,000	\$ -	\$ (205,000)	\$ 11,595,000	\$ 215,000
Less: Issuance discounts	(223,456)		8,150	(215,306)	(8,150)
2009 Housing Tax Allocation Bonds	<u>3,315,000</u>		<u>(30,000)</u>	<u>3,285,000</u>	<u>30,000</u>
Total long-term debt	<u>\$ 14,891,544</u>	<u>\$ -</u>	<u>\$ (226,850)</u>	<u>\$ 14,664,694</u>	<u>\$ 236,850</u>

2007 Tax Allocation Bonds

On December 5, 2007, the Agency issued \$12,920,000 in Tax Allocation Bonds for the purpose of financing certain redevelopment activities benefiting the Artesia Redevelopment Project Area in the City. The bonds mature annually on June 1, from 2008 to 2042, in amounts ranging from \$115,000 to \$600,000. \$854,574 is maintained in a reserve account that meets conditions as set forth in the Bond Indenture. The principal balance outstanding at June 30, 2016 was \$11,595,000.

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2016 was \$215,306.

The 2007 Tax Allocation Bonds are payable solely from taxes received by the Successor Agency on behalf of the former Redevelopment Agency. The total principal and interest remaining to be paid on the bonds was \$22,129,118. Principal and interest paid for the current year was \$851,925.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

12. SUCCESSOR AGENCY DISCLOSURES, Continued

Long-Term Liabilities, Continued

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 215,000	\$ 636,790	\$ 851,790
2018	225,000	626,020	851,020
2019	240,000	614,555	854,555
2020	250,000	602,135	852,135
2021	260,000	589,215	849,215
2022 - 2026	1,530,000	2,720,585	4,250,585
2027 - 2031	1,205,000	2,251,888	4,256,888
2032 - 2036	2,625,000	1,631,145	4,256,145
2037 - 2041	3,440,000	817,100	4,257,100
2042	805,000	44,685	849,685
Totals	<u>\$ 11,595,000</u>	<u>\$ 10,534,118</u>	<u>\$ 22,129,118</u>

2009 Tax Allocation Bonds

On June 30, 2009, the Agency issued \$3,470,000 in Housing Tax Allocation Bonds for the purpose of financing low and moderate income housing projects of the Agency. The bonds mature annually on June 1, from 2012 to 2046, in amounts ranging from \$40,000 to \$265,000. Interest is payable semiannually on June 1 and December 1, with a yield of 7.70%. \$286,030 is maintained in a reserve account that meets conditions as set forth in the Bond Indenture. The balance outstanding at June 30, 2016 was \$3,285,000.

The 2009 Tax Allocation Bonds are payable solely from the taxes received by the Successor Agency on behalf of the former Redevelopment Agency. The total principal and interest remaining to be paid on the bonds is \$8,502,135. Principal and interest paid for the current year was \$285,255.

The annual requirements to amortize the 2009 Housing Tax Allocation Bonds outstanding at June 30, 2016, are as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 30,000	\$ 252,945	\$ 282,945
2018	35,000	250,635	285,635
2019	35,000	247,940	282,940
2020	40,000	245,245	285,245
2021	40,000	242,165	282,165
2022 - 2026	260,000	1,158,080	1,418,080
2027 - 2031	375,000	1,041,425	1,416,425
2032 - 2036	545,000	872,795	1,417,795
2037 - 2041	785,000	629,090	1,414,090
2042 - 2046	1,140,000	276,815	1,416,815
Totals	<u>\$ 3,285,000</u>	<u>\$ 5,217,135</u>	<u>\$ 8,502,135</u>

Rebatable Arbitrage

The Successor Agency is obligated to calculate arbitrage rebates on all tax allocation bonds. At June 30, 2016, there was no rebatable arbitrage liability.

City of Artesia
Notes to Basic Financial Statements
For the year ended June 30, 2016

14. COMMITMENTS AND CONTINGENCIES

A. Lawsuits

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

A lawsuit is currently pending against the City entitled *Herrera, et al v. City of Artesia*. The lawsuit involves claims for City payment of a portion of medical insurance costs for certain former employees and their dependents. The potential liability and loss to the City in the event of court decision adverse to the City in the lawsuit is unknown at this time.

B. Federal and State Grant Programs

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

C. Commitments

As of June 30, 2016, the City did not have any commitments and, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2016**

Cost Sharing Defined Benefit Pension Plans

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.06597%	0.08779%
Proportionate share of the net pension liability	\$ 1,900,640	\$ 2,169,712
Covered-employee payroll	\$ 1,437,166	\$ 1,562,635
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	132.25%	138.85%
Plan's fiduciary net position	\$ 10,661,524	\$ 10,323,534
Plan's total pension liability	\$ 12,562,164	\$ 12,493,246
Plan fiduciary net position as a percentage of total pension liability	84.87%	82.63%

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a Golden Handshakes).

Change in Assumptions: Discount rate has changed to 7.65%.

*Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2016**

Cost Sharing Defined Benefit Pension Plans

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractual required contribution (actuarially determined)	\$ 102,746	\$ 122,602
Contributions in relation to the actuarially determined contributions	<u>(102,746)</u>	<u>(122,602)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,437,166	\$ 1,562,635
Contributions as a percentage of covered employee payroll	7.15%	7.85%

Notes to Schedule

Valuation Date: June 30, 2014

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Inflation	2.75%
Salary Increases	3.30% to 14.20% depending on age, service, and type of employment
Investment Rate of Return	7.50%, net of pension plan investment and administrative Expenses; includes Inflation
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' Membership Data for all Funds

⁽¹⁾The mortality table was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

*Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2016**

Other Post-Employment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Accrued Liability (Excess Assets)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Payroll
7/1/2009	\$ -	\$ 4,870,630	\$ 4,870,630	0%	\$ 1,380,343	352.9%
7/1/2012		4,781,131	4,781,131	0%	1,380,343	346.4%
7/1/2015		5,696,832	5,696,832	0%	1,437,166	396.4%

City of Artesia
Note to Required Supplementary Information
For the year ended June 30, 2016

1. BUDGETARY INFORMATION

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

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

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

General Budget Policies

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

The City did not adopt a budget for the following Non-major Governmental Special Revenue Funds: (a) Federal STP-L, (b) Hi-Tech Grant, (c) Sheriff, (d) Community Development Block Grant, or (e) MAP 21 Exchange.

City of Artesia
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 9,628,333	\$ 9,628,333	\$ 9,628,333	\$ -
Resources (inflows):				
Taxes	5,542,770	5,542,770	7,903,218	2,360,448
Licenses and permits	316,000	316,000	542,950	226,950
Intergovernmental	791,675	791,675	850,058	58,383
Charges for services	208,914	208,914	637,831	428,917
Use of money and property	316,468	316,468	455,695	139,227
Fines and forfeitures	48,083	48,083	40,883	(7,200)
Developer fees	132,200	132,200	58,606	(73,594)
Other revenues	117,250	117,250	7,161	(110,089)
Transfers in	434,000	434,000	127,392	(306,608)
Amount available for appropriation	<u>7,907,360</u>	<u>7,907,360</u>	<u>10,623,794</u>	<u>2,716,434</u>
Charges to appropriations (outflows):				
General government:				
City council	201,682	201,682	196,956	4,726
City attorney	189,044	189,044	567,117	(378,073)
City manager	408,261	408,261	502,547	(94,286)
General operations			292,639	(292,639)
Human Resources/risk management	196,492	196,492	166,985	29,507
Business taxes & permits	33,479	33,479	34,583	(1,104)
City Clerk/Treasurer	238,757	238,757	168,461	70,296
Administrative servixes	692,360	692,360	410,411	281,949
Total general government	<u>1,960,075</u>	<u>1,960,075</u>	<u>2,339,699</u>	<u>(379,624)</u>
Public safety	<u>3,027,931</u>	<u>3,027,931</u>	<u>3,049,294</u>	<u>(21,363)</u>
Parks and recreation:				
Community promotion	165,548	165,548	136,558	28,990
Parks/recreation	855,460	855,460	838,268	17,192
Park commission	225	225	116	109
Total parks and recreation	<u>1,021,233</u>	<u>1,021,233</u>	<u>974,942</u>	<u>46,291</u>
Maintenance:				
Building and safety	270,000	270,000	289,707	(19,707)
Maintenance	542,041	542,041	593,087	(51,046)
Public works	41,781	41,781		41,781
Storm Water Management	159,628	159,628	62,514	97,114
Beautification commission	1,675	1,675	300	1,375
City engineer	1,600	1,600		1,600
Total public works	<u>1,016,725</u>	<u>1,016,725</u>	<u>945,608</u>	<u>71,117</u>

See accompanying note to required supplementary information.

City of Artesia
Budgetary Comparison Schedule
General Fund, Continued
For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Charges to appropriations (outflows) (continued):				
Community development:				
Planning	\$ 404,061	\$ 404,061	\$ 320,612	\$ 83,449
Planning commission	3,825	3,825	3,325	500
Economic Development	216,031	216,031	61,437	154,594
Total community development	<u>623,917</u>	<u>623,917</u>	<u>385,374</u>	<u>238,543</u>
Transfers out			3,542,465	(3,542,465)
Total charges to appropriations	<u>7,649,881</u>	<u>7,649,881</u>	<u>11,237,382</u>	<u>(3,587,501)</u>
Excess of resources over charges to appropriations	<u>257,479</u>	<u>257,479</u>	<u>(613,588)</u>	<u>(871,067)</u>
Fund balance, June 30	<u>\$ 9,885,812</u>	<u>\$ 9,885,812</u>	<u>\$ 9,014,745</u>	<u>\$ (871,067)</u>

See accompanying note to required supplementary information.

SUPPLEMENTARY INFORMATION

City of Artesia

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

Capital Projects

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ (142,976)</u>	<u>\$ (142,976)</u>	<u>\$ (142,976)</u>	<u>\$ -</u>
Resources (inflows):				
Charges for Services	25,000	25,000	25,362	362
Use of Money and Property	3,670	3,670	4,189	519
Transfer in			3,504,933	3,504,933
Amount available for appropriation	<u>28,670</u>	<u>28,670</u>	<u>3,534,484</u>	<u>3,505,814</u>
Charges to appropriations (outflows):				
Capital outlay			2,640,648	(2,640,648)
Total charges to appropriations			<u>2,640,648</u>	<u>(2,640,648)</u>
Excess of resources over (under) charges to appropriations	<u>28,670</u>	<u>28,670</u>	<u>893,836</u>	<u>865,166</u>
Fund balance, June 30	<u><u>\$ (114,306)</u></u>	<u><u>\$ (114,306)</u></u>	<u><u>\$ 750,860</u></u>	<u><u>\$ 865,166</u></u>

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

State Gas Tax - To account for any street or road purpose including maintenance and construction, engineering and administration apportioned under the Streets and Highways Code of the State of California.

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

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

Hazard and Litigation - is a special revenue fund and accounts for grant funding of Federal awarded highway transportation and safety improvement projects.

LACMTA - is a special revenue fund and accounts for the revenues and expenditures associated with the CML-5355 (023) South Street pedestrian and transit improvement project.

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

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

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

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

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

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

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

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

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

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

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

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

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

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

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

Safe Route to School - To account for state awarded school traffic safety grants used for outreach to schools, public awareness programs, and sometimes infrastructure or equipment to facilitate safe routes to schools.

City of Artesia
 Combining Balance Sheet
 Non-Major Governmental Funds, Continued
 June 30, 2016

	Special Revenue										Total Other Governmental Funds
	Paid Parking	MAP 21 Exchange	Billboard	Hi-Tech Grant	Sheriff	C.O.P.S Grant	Safe Route to School	Measure R	Housing Authority		
ASSETS											
Pooled cash and investments	\$ 564,144	\$ 55,918	\$ 25	\$ -	\$ 406	\$ -	\$ -	\$ 64,003	\$ 314,254	\$ -	\$ 2,672,787
Receivables:											
Accounts	4,350										149,679
Due from other governments						29,323					13,489
Total assets	\$ 568,494	\$ 55,918	\$ 25	\$ -	\$ 406	\$ 29,323	\$ 13,489	\$ 64,003	\$ 314,254	\$ -	\$ 2,835,955
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES											
Liabilities:											
Accounts payable	\$ 7,637	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 51	\$ -	\$ 87,431
Accrued liabilities	2,775										6,918
Deferred revenues									11,895		53,531
Deposit payable						29,292					11,895
Due to other funds							13,489				70,404
Total liabilities	10,412					29,292	13,489		11,946		230,179
Deferred Inflow of Resources:											
Unavailable revenues							13,489				39,489
Fund Balances:											
Restricted for:											
Street projects											171,913
Transportation projects	558,082	55,918						64,003			1,470,284
Housing projects									302,308		302,308
Air quality projects										696,149	696,149
Public safety										437	437
Unassigned			25		406	31	(13,489)				(74,804)
Total fund balances	558,082	55,918	25		406	31	(13,489)		302,308		2,566,287
Total liabilities and fund balances	\$ 568,494	\$ 55,918	\$ 25	\$ -	\$ 406	\$ 29,323	\$ 13,489	\$ 64,003	\$ 314,254	\$ -	\$ 2,835,955

(Concluded)

**City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2016**

	Special Revenue											
	State Gas Tax	Federal STP-L	Proposition A	LACMTA	Parks & Recreation Grants	Community Development Block Grant	Proposition C	Air Quality	Hazard & Litigation Fund	California Beverage Recycling	Artesia Lighting District	
REVENUES:												
Taxes	\$ -	\$ -	\$ 302,811	\$ -	\$ -	\$ -	\$ 251,431	\$ -	\$ -	\$ -	\$ -	\$ 138,845
Intergovernmental	322,362			244,389	47,000			21,332	588,526	5,000		
Charges for services		251	2,146			918		522		136		
Use of money and property	1,993											
Other	5,524											
Total revenues	329,879	251	304,957	244,389	47,000	252,349	21,854	588,526	5,136	138,845		
EXPENDITURES:												
Current:												
General government										5,273		
Public safety												
Parks and recreation	350,652		175,168			67,143	3,259					192,853
Public works												
Community Development												
Capital outlay	927				44,864	125,220		358,345				
Debt service:												
Principal retirement												
Interest and fiscal charges												
Total expenditures	351,579		175,168		44,864	192,363	3,259	358,345	5,273	192,853		
REVENUES OVER (UNDER) EXPENDITURES	(21,700)	251	129,789	244,389	2,136	59,986	18,595	230,181	(137)	(54,008)		
OTHER FINANCING SOURCES (USES):												
Transfers in										647,738		37,532
Transfers out	(615,000)				(47,000)		(32,738)					
Total other financing sources (uses)	(615,000)				(47,000)		(32,738)	647,738		37,532		
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(636,700)	251	129,789	244,389	(44,864)	59,986	(14,143)	877,919	(137)	(16,476)		
FUND BALANCES:												
Beginning of year	749,748	58,614	436,867	(244,389)		165,639	118,451	(316,547)	30,606			
End of year	\$ 113,048	\$ 58,865	\$ 566,656	\$ -	\$ (44,864)	\$ -	\$ 104,308	\$ 561,372	\$ 30,469	\$ (16,476)		

(Continued)

City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the year ended June 30, 2016

	Special Revenue										Total Other Governmental Funds
	Paid Parking	MAP 21 Exchange	Billboard	Hi-Tech Grant	Sheriff	C.O.P.S. Grant	Safe Route to School	Measure R	Housing Authority		
REVENUES:											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 188,494	\$ -	\$ -	\$ 881,581
Intergovernmental			80,160			145,942					1,452,711
Charges for services	383,095										383,095
Use of money and property	2,111		257			331		1,273	78,212		88,150
Other											5,524
Total revenues	385,206		80,417			144,273		189,767	78,212		2,811,061
EXPENDITURES:											
Current:											
General government						144,401					5,273
Public safety	143,370										287,771
Parks and recreation								1,000			175,168
Public works											422,054
Community Development									393		193,246
Capital outlay							1,514	548,921			1,079,791
Debt service:											
Principal retirement	50,476										50,476
Interest and fiscal charges	15,228										15,228
Total expenditures	209,074					144,401	1,514	549,921	393		2,229,007
REVENUES OVER (UNDER) EXPENDITURES	176,132		80,417			(128)	(1,514)	(360,154)	77,819		582,054
OTHER FINANCING SOURCES (USES):											
Transfers in											685,270
Transfers out			(80,392)								(775,130)
Total other financing sources (uses)			(80,392)								(89,860)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	176,132		25			(128)	(1,514)	(360,154)	77,819		492,194
FUND BALANCES:											
Beginning of year	381,950	55,918			406	159	(11,975)	424,157	224,489		2,074,093
End of year	\$ 558,082	\$ 55,918	\$ 25	\$ -	\$ 406	\$ 31	\$ (13,489)	\$ 64,003	\$ 302,308	\$	\$ 2,566,287

(Concluded)

City of Artesia

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

State Gas Tax

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 749,748</u>	<u>\$ 749,748</u>	<u>\$ 749,748</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental	386,848	386,848	322,362	(64,486)
Use of money and property	1,000	1,000	1,993	993
Other	4,500	4,500	5,524	1,024
Amount available for appropriation	<u>392,348</u>	<u>392,348</u>	<u>329,879</u>	<u>(62,469)</u>
Charges to appropriations (outflows):				
Public Works	396,020	396,020	350,652	45,368
Capital outlay	12,500	12,500	927	11,573
Transfer Out			615,000	(615,000)
Total charges to appropriations	<u>408,520</u>	<u>408,520</u>	<u>966,579</u>	<u>(558,059)</u>
Excess of resources over (under) charges to appropriations	<u>(16,172)</u>	<u>(16,172)</u>	<u>(636,700)</u>	<u>(620,528)</u>
Fund balance, June 30	<u><u>\$ 733,576</u></u>	<u><u>\$ 733,576</u></u>	<u><u>\$ 113,048</u></u>	<u><u>\$ (620,528)</u></u>

City of Artesia

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

Federal STP-L

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 58,614</u>	<u>\$ 58,614</u>	<u>\$ 58,614</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	<u>250</u>	<u>250</u>	<u>251</u>	<u>1</u>
Amount available for appropriation	<u>250</u>	<u>250</u>	<u>251</u>	<u>1</u>
Excess of resources over (under) charges to appropriations	<u>250</u>	<u>250</u>	<u>251</u>	<u>1</u>
Fund balance, June 30	<u><u>\$ 58,864</u></u>	<u><u>\$ 58,864</u></u>	<u><u>\$ 58,865</u></u>	<u><u>\$ 1</u></u>

City of Artesia

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

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 436,867</u>	<u>\$ 436,867</u>	<u>\$ 436,867</u>	<u>\$ -</u>
Resources (inflows):				
Taxes	273,000	273,000	302,811	29,811
Intergovernmental	5,600	5,600		(5,600)
Use of money and property	500	500	2,146	1,646
Amount available for appropriation	<u>279,100</u>	<u>279,100</u>	<u>304,957</u>	<u>25,857</u>
Charges to appropriations (outflows):				
Parks and recreation	279,100	279,100	175,168	103,932
Total charges to appropriations	<u>279,100</u>	<u>279,100</u>	<u>175,168</u>	<u>103,932</u>
Excess of resources over (under) charges to appropriations			<u>129,789</u>	<u>129,789</u>
Fund balance, June 30	<u><u>\$ 436,867</u></u>	<u><u>\$ 436,867</u></u>	<u><u>\$ 566,656</u></u>	<u><u>\$ 129,789</u></u>

City of Artesia

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

LACMTA

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (244,389)	\$ (244,389)	\$ (244,389)	\$ -
Resources (inflows):				
Intergovernmental	244,389	244,389	244,389	
Amount available for appropriation	244,389	244,389	244,389	
Excess of resources over (under) charges to appropriations	244,389	244,389	244,389	
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

City of Artesia

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

Parks & Recreation Grants

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	47,000	47,000	47,000	
Amount available for appropriation	47,000	47,000	47,000	
Charges to appropriations (outflows):				
Capital outlay			44,864	(44,864)
Transfers out			47,000	(47,000)
Total charges to appropriations			91,864	(91,864)
Excess of resources over (under) charges to appropriations	47,000	47,000	(44,864)	(91,864)
Fund balance, June 30	\$ 47,000	\$ 47,000	\$ (44,864)	\$ (91,864)

City of Artesia

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

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 165,639	\$ 165,639	\$ 165,639	\$ -
Resources (inflows):				
Taxes	235,000	235,000	251,431	16,431
Use of money and property	100	100	918	818
Amount available for appropriation	235,100	235,100	252,349	17,249
Charges to appropriations (outflows):				
Public works	59,900	59,900	67,143	(7,243)
Capital outlay	175,200	175,200	125,220	49,980
Total charges to appropriations	235,100	235,100	192,363	42,737
Excess of resources over (under) charges to appropriations			59,986	59,986
Fund balance, June 30	\$ 165,639	\$ 165,639	\$ 225,625	\$ 59,986

City of Artesia

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

Air Quality

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 118,451</u>	<u>\$ 118,451</u>	<u>\$ 118,451</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental	20,000	20,000	21,332	1,332
Use of money and property	<u>200</u>	<u>200</u>	<u>522</u>	<u>322</u>
Amount available for appropriation	<u>20,200</u>	<u>20,200</u>	<u>21,854</u>	<u>1,654</u>
Charges to appropriations (outflows):				
Public works	9,500	9,500	3,259	6,241
Capital outlay	60,500	60,500		60,500
Transfer out	<u>32,000</u>	<u>32,000</u>	<u>32,738</u>	<u>(738)</u>
Total charges to appropriations	<u>102,000</u>	<u>102,000</u>	<u>35,997</u>	<u>66,003</u>
Excess of resources over (under) charges to appropriations	<u>(81,800)</u>	<u>(81,800)</u>	<u>(14,143)</u>	<u>67,657</u>
Fund balance, June 30	<u><u>\$ 36,651</u></u>	<u><u>\$ 36,651</u></u>	<u><u>\$ 104,308</u></u>	<u><u>\$ 67,657</u></u>

City of Artesia

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

Hazard & Litigation Fund

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (316,547)	\$ (316,547)	\$ (316,547)	\$ -
Resources (inflows):				
Intergovernmental	288,000	288,000	588,526	300,526
Transfers in	32,000	32,000	647,738	615,738
Amount available for appropriation	320,000	320,000	1,236,264	916,264
Charges to appropriations (outflows):				
Capital outlay	320,000	320,000	358,345	(38,345)
Total charges to appropriations	320,000	320,000	358,345	(38,345)
Excess of resources over (under) charges to appropriations			877,919	877,919
Fund balance, June 30	\$ (316,547)	\$ (316,547)	\$ 561,372	\$ 877,919

City of Artesia

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

California Beverage Recycling

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 30,606	\$ 30,606	\$ 30,606	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	5,000	
Use of money and property	60	60	136	76
Amount available for appropriation	5,060	5,060	5,136	76
Charges to appropriations (outflows):				
General government	5,060	5,060	5,273	(213)
Total charges to appropriations	5,060	5,060	5,273	(213)
Excess of resources over (under) charges to appropriations			(137)	(137)
Fund balance, June 30	\$ 30,606	\$ 30,606	\$ 30,469	\$ (137)

City of Artesia

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

Artesia Lighting District

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Taxes	138,115	138,115	138,845	730
Transfers in	27,585	27,585	37,532	9,947
Amount available for appropriation	165,700	165,700	176,377	10,677
Charges to appropriations (outflows):				
Community development	165,700	165,700	192,853	(27,153)
Total charges to appropriations	165,700	165,700	192,853	(27,153)
Excess of resources over (under) charges to appropriations			(16,476)	(16,476)
Fund balance, June 30	\$ -	\$ -	\$ (16,476)	\$ (16,476)

City of Artesia

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

Paid Parking

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 381,950	\$ 381,950	\$ 381,950	\$ -
Resources (inflows):				
Charges for services	416,104	416,104	383,095	(33,009)
Use of money and property			2,111	2,111
Amount available for appropriation	416,104	416,104	385,206	(30,898)
Charges to appropriations (outflows):				
Public safety	193,586	193,586	143,370	50,216
Principal retirement	50,476	50,476	50,476	
Interest and fiscal charges	9,380	9,380	15,228	(5,848)
Total charges to appropriations	253,442	253,442	209,074	44,368
Excess of resources over (under) charges to appropriations	162,662	162,662	176,132	13,470
Fund balance, June 30	544,612	544,612	\$ 558,082	\$ 13,470

City of Artesia

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

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	80,160	80,160	80,160	
Use of money and property			257	257
Amount available for appropriation	80,160	80,160	80,417	257
Charges to appropriations (outflows):				
Transfers out	80,160	80,160	80,392	(232)
Total charges to appropriations	80,160	80,160	80,392	(232)
Excess of resources over (under) charges to appropriations			25	25
Fund balance, June 30	\$ -	\$ -	\$ 25	\$ 25

City of Artesia

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

C.O.P.S. Grant

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 159	\$ 159	\$ 159	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	143,942	43,942
Use of money and property			331	331
Amount available for appropriation	100,000	100,000	144,273	44,273
Charges to appropriations (outflows):				
Public safety	100,000	100,000	144,401	(44,401)
Total charges to appropriations	100,000	100,000	144,401	(44,401)
Excess of resources over (under) charges to appropriations			(128)	(128)
Fund balance, June 30	\$ 159	\$ 159	\$ 31	\$ (128)

City of Artesia

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

SAFE Route to School

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (11,975)	\$ (11,975)	\$ (11,975)	\$ -
Charges to appropriations (outflows):				
Capital Outlay	1,500	1,500	1,514	(14)
Total charges to appropriations	1,500	1,500	1,514	(14)
Excess of resources over (under) charges to appropriations	(1,500)	(1,500)	(1,514)	(14)
Fund balance, June 30	\$ (13,475)	\$ (13,475)	\$ (13,489)	\$ (14)

City of Artesia

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

Measure R

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 424,157	\$ 424,157	\$ 424,157	\$ -
Resources (inflows):				
Taxes	170,000	170,000	188,494	18,494
Use of money and property			1,273	1,273
Amount available for appropriation	170,000	170,000	189,767	19,767
Charges to appropriations (outflows):				
Public works	6,142	6,142	1,000	5,142
Capital outlay	163,858	163,858	548,921	(385,063)
Total charges to appropriations	170,000	170,000	549,921	(379,921)
Excess of resources over (under) charges to appropriations			(360,154)	(360,154)
Fund balance, June 30	\$ 424,157	\$ 424,157	\$ 64,003	\$ (360,154)

City of Artesia

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

Housing Authority

For the year ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 224,489</u>	<u>\$ 224,489</u>	<u>\$ 224,489</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	<u>71,770</u>	<u>71,770</u>	<u>78,212</u>	<u>6,442</u>
Amount available for appropriation	<u>71,770</u>	<u>71,770</u>	<u>78,212</u>	<u>6,442</u>
Charges to appropriations (outflows):				
Community development	<u>86,789</u>	<u>86,789</u>	<u>393</u>	<u>86,396</u>
Total charges to appropriations	<u>86,789</u>	<u>86,789</u>	<u>393</u>	<u>86,396</u>
Excess of resources over (under) charges to appropriations	<u>(15,019)</u>	<u>(15,019)</u>	<u>77,819</u>	<u>92,838</u>
Fund balance, June 30	<u><u>\$ 209,470</u></u>	<u><u>\$ 209,470</u></u>	<u><u>\$ 302,308</u></u>	<u><u>\$ 92,838</u></u>

AGENCY FUNDS

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

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

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

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

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City of Artesia
Combining Balance Sheet
All Agency Funds
June 30, 2016

	Trust and Agency	George Nelson Memorial	Senior Citizens	Total
ASSETS				
Cash and investments	\$ 419,123	\$ 2,425	\$ 7,071	\$ 428,619
Accounts receivable	14,137			14,137
Total assets	\$ 433,260	\$ 2,425	\$ 7,071	\$ 442,756
LIABILITIES				
Accounts payable	\$ 59,819	\$ -	\$ -	\$ 59,819
Deposits payable	373,441	2,425	7,071	382,937
Total liabilities	\$ 433,260	\$ 2,425	\$ 7,071	\$ 442,756

City of Artesia
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2016

	Balance July 1, 2015	Addition	Deductions	Balance June 30, 2016
Trust and Agency				
Assets:				
Cash and investments	\$ 326,134	\$ 239,943	\$ 146,954	\$ 419,123
Accounts receivable	9,333	14,137	9,333	14,137
Total assets	\$ 335,467	\$ 254,080	\$ 156,287	\$ 433,260
Liabilities:				
Account payable	\$ 38,748	\$ 59,819	\$ 38,748	59,819
Deposits payable	296,719	194,261	117,539	373,441
Total liabilities	\$ 335,467	\$ 254,080	\$ 156,287	\$ 433,260
George Nelson Memorial				
Assets:				
Cash and investments	\$ 2,425	\$ -	\$ -	\$ 2,425
Total assets	\$ 2,425	\$ -	\$ -	\$ 2,425
Liabilities:				
Deposits payable	\$ 2,425	\$ -	\$ -	2,425
Total liabilities	\$ 2,425	\$ -	\$ -	\$ 2,425
Senior Citizens				
Assets:				
Cash and investments	\$ 7,071	\$ -	\$ -	\$ 7,071
Total assets	\$ 7,071	\$ -	\$ -	\$ 7,071
Liabilities:				
Deposits payable	\$ 7,071	\$ -	\$ -	7,071
Total liabilities	\$ 7,071	\$ -	\$ -	\$ 7,071
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 335,630	\$ 239,943	\$ 146,954	\$ 428,619
Accounts receivable	9,333	14,137	9,333	14,137
Total assets	\$ 344,963	\$ 254,080	\$ 156,287	\$ 442,756
Liabilities:				
Account payable	\$ 38,748	\$ 59,819	\$ 38,748	\$ 59,819
Deposits payable	306,215	194,261	117,539	382,937
Total liabilities	\$ 344,963	\$ 254,080	\$ 156,287	\$ 442,756

**STATISTICAL SECTION
(UNAUDITED)**

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DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2016

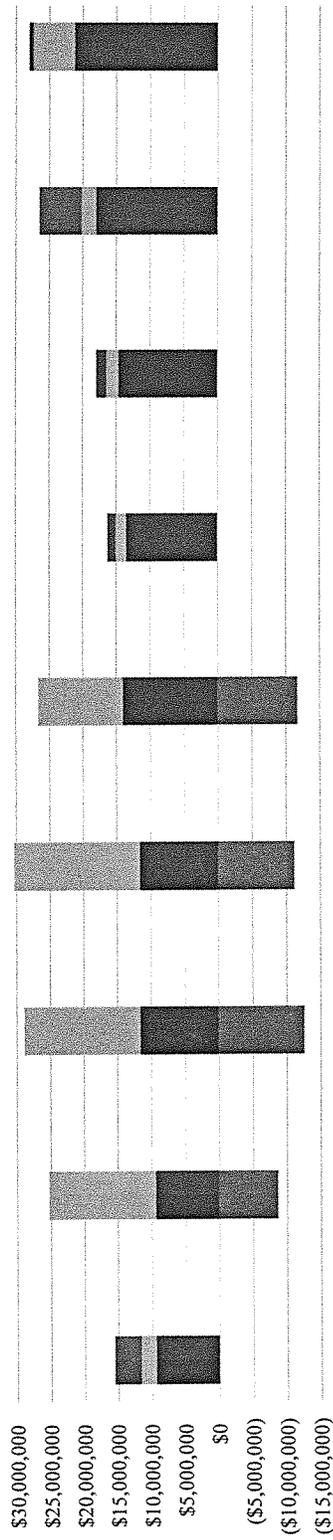
This part of the City of Artesia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	<u>Pages</u>
<u>Financial Trends</u> these schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	113
<u>Revenue Capacity</u> these schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	120
<u>Debt Capacity</u> these schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	125
<u>Demographic and Economic Information</u> these schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	129
<u>Operating Information</u> these schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	131

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 9,392,900	\$ 9,405,627	\$ 11,602,115	\$ 11,602,115	\$ 14,003,705	\$ 13,497,818	\$ 14,667,103	\$ 18,001,637	\$ 21,212,739	\$ 23,993,612
Restricted	2,190,195	15,893,661	17,299,374	14,442,020	12,665,250	1,527,135	1,786,459	2,122,890	6,151,937	2,034,880
Unrestricted	3,990,348	(8,703,573)	(12,585,463)	(11,221,344)	(11,720,634)	1,287,475	1,522,408	6,351,742	625,980	4,763,585
Total governmental activities net position	\$ 15,573,443	\$ 16,595,715	\$ 16,316,026	\$ 14,822,791	\$ 14,948,321	\$ 16,312,428	\$ 17,975,970	\$ 26,476,269	\$ 27,990,656	\$ 30,792,077
Business-type activities										
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,207	\$ 56,125
Total business-type activities net assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,207	\$ 56,125
Total net assets										
Invested in capital assets, net of related debt	\$ 9,392,900	\$ 9,405,627	\$ 11,602,115	\$ 11,602,115	\$ 14,003,705	\$ 13,497,818	\$ 14,667,103	\$ 18,001,637	\$ 21,212,739	\$ 23,993,612
Restricted	2,190,195	15,893,661	17,299,374	18,772,698	12,665,250	1,527,135	1,786,459	2,122,890	6,151,937	2,034,880
Unrestricted	3,990,348	(8,703,573)	(12,585,463)	(11,221,344)	(11,720,634)	1,287,475	1,522,408	6,351,742	660,187	4,819,710
Total net assets	\$ 15,573,443	\$ 16,595,715	\$ 16,316,026	\$ 19,153,469	\$ 14,948,321	\$ 16,312,428	\$ 17,975,970	\$ 26,476,269	\$ 28,024,863	\$ 30,848,202



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

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

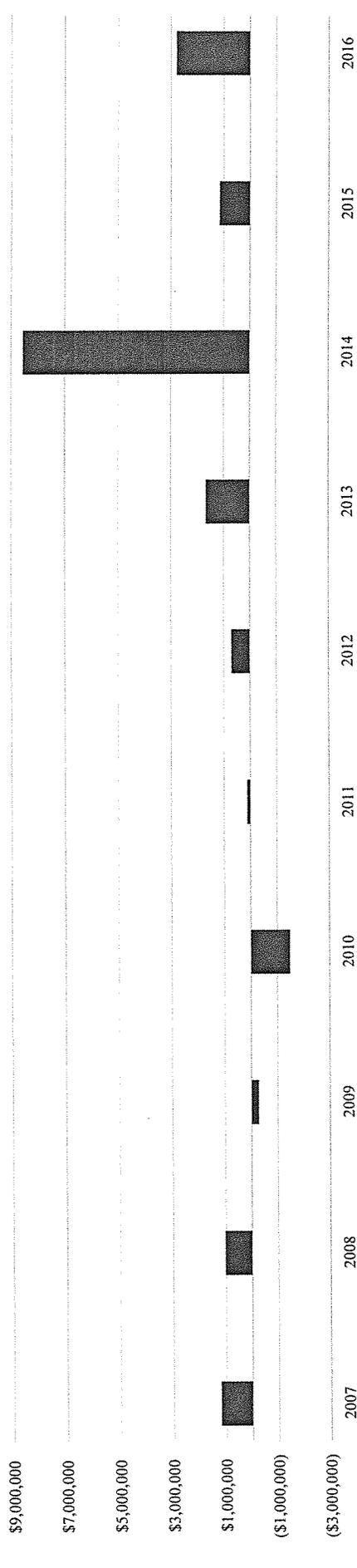
	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
General activities:										
General government	\$ 5,342,122	\$ 4,724,668	\$ 5,797,704	\$ 4,050,337	\$ 3,537,799	\$ 3,459,101	\$ 3,447,935	\$ 3,321,825	\$ 1,657,600	\$ 2,458,793
Public safety	2,809,851	3,146,086	2,850,309	2,879,604	3,014,888	2,818,829	3,022,296	3,037,611	3,211,801	3,376,566
Parks and recreation	666,634	796,500	805,921	909,739	602,972	683,811	766,838	1,068,250	1,486,853	1,258,541
Public works	1,470,257	1,538,625	1,409,739	1,751,221	1,612,767	1,733,632	1,628,867	1,437,666	2,260,827	2,308,478
Community development	-	-	-	1,426,233	1,046,512	604,593	328,021	377,481	526,250	578,618
Interest on long-term debt	-	374,052	669,289	963,554	975,191	563,629	4,587	16,870	13,000	15,228
Total governmental activities expenses	10,288,864	10,579,931	11,532,962	11,980,688	10,790,129	9,863,595	9,198,544	9,259,703	9,156,331	9,996,224
Business-type activities:										
Residential refuse	-	-	-	-	-	-	-	-	905,433	376,870
Total business-type activities expenses	-	-	-	-	-	-	-	-	905,433	376,870
Total expenses	\$ 10,288,864	\$ 10,579,931	\$ 11,532,962	\$ 11,980,688	\$ 10,790,129	\$ 9,863,595	\$ 9,198,544	\$ 9,259,703	\$ 10,061,764	\$ 10,373,094
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,029,639	\$ 880,156	\$ 451,247	\$ 407,894	\$ 345,978	\$ 415,865	\$ 349,938	\$ 494,057	\$ 60,149	\$ 551,206
Public safety	253,250	277,347	171,507	217,377	291,133	325,013	320,635	321,167	531,064	762,385
Parks and recreation	53,757	55,403	52,844	56,766	49,634	58,255	50,469	73,298	63,909	74,013
Public works	1,307,381	1,553,750	911,696	885,178	904,537	950,261	1,001,213	1,206,565	450,261	242,516
Community development	-	-	-	-	-	-	-	-	47,670	58,606
Operating grants and contributions	1,840,998	1,221,938	1,803,156	1,842,893	1,915,490	2,127,930	2,875,308	2,675,795	2,077,854	1,763,400
Capital grants and contributions	558,312	150,000	82,319	100,045	-	-	-	6,622,466	183,881	-
Total governmental activities program revenues	5,043,337	4,138,594	3,472,769	3,510,153	3,506,772	3,877,324	4,597,563	11,393,348	3,414,788	3,452,126
Business-type activities:										
Charges for services - Residential Refuse	-	-	-	-	-	-	-	-	939,640	398,788
Total business-type activities program revenues	-	-	-	-	-	-	-	-	939,640	398,788
Total program revenues	\$ 5,043,337	\$ 4,138,594	\$ 3,472,769	\$ 3,510,153	\$ 3,506,772	\$ 3,877,324	\$ 4,597,563	\$ 11,393,348	\$ 4,354,428	\$ 3,850,914
Net (expense) revenue	\$ (5,245,527)	\$ (6,441,337)	\$ (8,060,193)	\$ (8,470,535)	\$ (7,283,357)	\$ (5,986,271)	\$ (4,600,981)	\$ 2,133,645	\$ (5,707,336)	\$ (6,522,180)
General revenues										
Taxes:										
Property taxes, levied for general purpose	\$ 2,470,134	\$ 3,331,870	\$ 3,472,131	\$ 2,961,284	\$ 3,033,627	\$ 2,345,984	\$ 1,601,017	\$ 1,645,258	\$ 1,698,157	\$ 1,778,796
Transient occupancy taxes	170,879	242,750	220,564	254,427	366,238	426,305	450,334	443,121	535,124	553,188
Sales taxes	2,487,945	2,638,215	2,160,945	2,113,871	2,437,291	2,557,794	2,729,358	2,938,867	3,096,626	3,038,340
Franchise taxes	305,178	310,621	343,716	349,210	373,187	369,695	369,843	390,601	407,926	2,696,612
Business license taxes	419,459	425,672	352,770	334,561	350,242	313,075	423,944	446,017	479,678	518,569
Other taxes	62,358	22,330	163,177	149,787	164,138	123,587	129,450	93,087	163,526	192,493
Motor vehicle in lieu, intergovernmental	132,470	76,534	113,801	133,338	167,967	-	-	-	-	-
Motor vehicle license fee collection in excess	268,061	385,527	857,948	560,596	445,762	8,711	9,026	7,470	7,216	6,798
Use of money and property	137,083	30,090	95,452	120,226	70,435	62,216	215,319	123,984	70,907	548,037
Other	6,453,567	7,463,609	7,780,504	6,977,300	7,408,887	6,688,544	6,264,523	6,424,377	6,895,254	9,345,519
Total governmental activities										

(Continued)

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

(Continued)

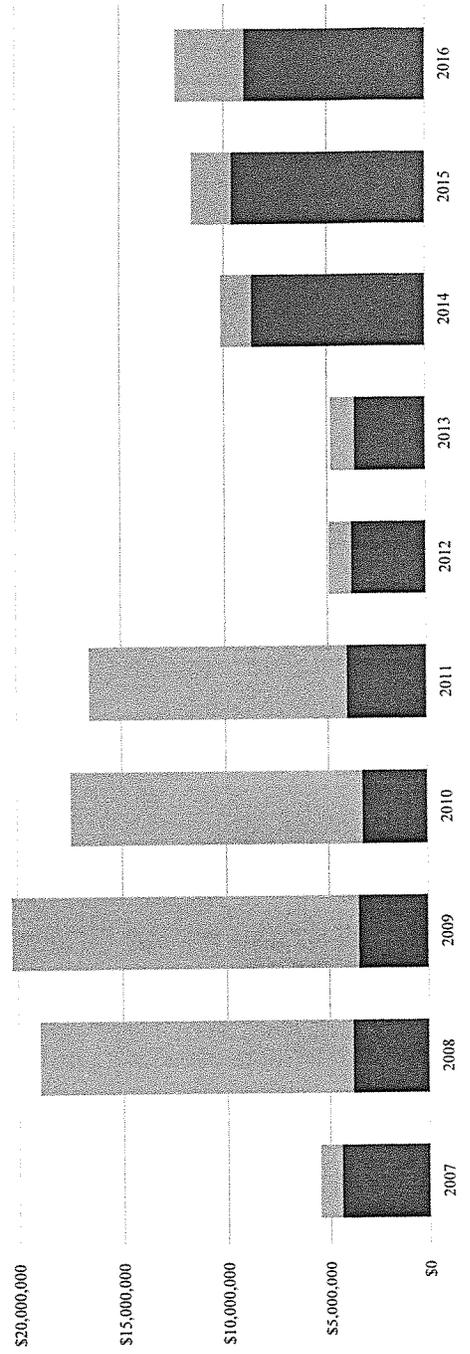
	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Change in net position										
Governmental activities	\$ 1,208,040	\$ 1,022,272	\$ (279,689)	\$ (1,493,235)	\$ 125,530	\$ 702,273	\$ 1,663,542	\$ 8,558,022	\$ 1,153,711	\$ 2,801,421
Business-type activities	-	-	(279,689)	(1,493,235)	-	-	-	-	34,207	21,918
Total changes in net position	\$ 1,208,040	\$ 1,022,272	\$ (279,689)	\$ (1,493,235)	\$ 125,530	\$ 702,273	\$ 1,663,542	\$ 8,558,022	\$ 1,187,918	\$ 2,823,339



■ Change in net position-governmental activities

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Reserved	\$ 749,804	\$ 47,811	\$ 5,631	\$ 221,722						
Unreserved			3,367,203	2,930,021						
Undesignated	3,608,174	3,679,105			\$ 222,888	\$ 259,370	\$ 300,557	\$ 46,486	\$ 59,725	\$ 19,505
Nonspendable					731,555	731,555	1,387,664	1,715,726	2,328,476	6,400,000
Restricted								326,375	301,000	2,595,240
Committed								6,557,352	3,434,199	
Assigned					3,007,803	2,691,563	1,798,957	8,645,939	9,628,333	9,014,745
Unassigned					\$ 3,962,246	\$ 3,682,488	\$ 3,487,178	\$ 8,645,939	\$ 9,628,333	\$ 9,014,745
Total general fund	\$ 4,357,978	\$ 3,726,916	\$ 3,372,834	\$ 3,151,743	\$ 3,962,246	\$ 3,682,488	\$ 3,487,178	\$ 8,645,939	\$ 9,628,333	\$ 9,014,745
All other governmental funds										
Reserved	\$ 3,447	\$ 78,520	\$ 71,603	\$ 68,133						
Designated		14,019,296	16,072,413	13,176,510						
Unreserved, reported in:										
Special revenue funds	810,259	1,520,599	777,509	938,097						
Capital projects funds	223,423	65,290	(4,618)	106,697						
Debt service funds	940,404									
Undesignated	(792,855)	(455,280)								
Restricted										
Assigned					48,979	74,390	102,124	130,847		
Unassigned					(98,326)	(332,228)	(408,860)	(614,489)	(715,887)	676,056
Total all other governmental funds	\$ 1,184,678	\$ 15,228,425	\$ 16,916,907	\$ 14,289,437	\$ 12,564,622	\$ 1,235,367	\$ 1,304,887	\$ 1,499,601	\$ 1,931,117	\$ 3,317,147



■ Fund balances-general fund
■ Fund balances-all other governmental funds

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 5,818,696	\$ 7,014,670	\$ 6,827,104	\$ 5,937,266	\$ 6,886,990	\$ 6,145,150	\$ 5,712,971	\$ 5,998,069	\$ 6,388,250	\$ 8,784,799
Licenses and permits	1,063,969	626,353	399,256	367,579	281,502	295,771	251,690	372,566	424,061	542,950
Intergovernmental	3,058,549	2,181,537	2,518,874	2,062,832	1,984,659	1,798,309	2,771,513	2,506,762	2,080,875	2,302,769
Charges for services	845,470	869,605	916,007	1,447,286	997,527	1,081,477	1,107,860	1,332,860	610,409	1,046,288
Use of money and property	466,770	584,263	859,332	559,599	442,290	481,176	326,205	330,117	436,087	548,034
Fines and forfeitures	254,585	278,282	171,507	217,377	291,133	324,477	318,726	321,167	70,913	40,883
Developer fees	31,080	20,935	25,300	22,894	36,475	47,668	42,539	153,495	47,667	58,606
Other	63,413	15,657	94,068	51,770	68,609	62,218	220,730	44,838	70,920	12,685
Reimbursement from successor agency								4,589,021	183,881	
Total revenues	11,602,532	11,591,302	11,811,448	10,666,603	10,989,185	10,236,246	10,752,234	15,648,895	10,313,063	13,337,014
Expenditures										
General government	5,212,203	4,682,052	5,735,056	3,164,370	3,086,581	3,166,438	4,081,505	2,925,100	1,460,175	2,337,561
Public safety	2,786,590	3,006,707	2,840,676	2,779,739	2,807,775	2,841,115	2,989,477	3,003,382	3,171,039	3,337,065
Parks and recreation	601,916	708,763	722,428	722,803	530,390	527,010	610,943	921,798	1,354,629	1,115,548
Maintenance										945,292
Public works	1,229,606	1,316,719	531,454	1,185,020	1,008,256	945,914	1,234,983	1,001,938	1,373,756	422,054
Community development				1,424,415	1,044,694	603,533	328,021	377,481	526,250	578,618
Capital outlay	1,204,692	484,645	3,202,192	3,081,869	2,214,601	3,430,731	1,618,131	2,005,358	953,448	3,762,730
Debt service:										
Principal			115,000	160,000	270,000		10,377	43,493	46,856	50,476
Interest and fiscal charges		312,224	698,140	939,206	952,700	473,993	4,587	16,870	13,000	15,228
Cost of issuance		302,243	102,102	57,742						
Total expenditures	11,035,007	10,813,353	13,947,048	13,515,164	11,914,997	11,988,734	10,878,024	10,295,420	8,899,153	12,564,572
Excess of revenues over (under) expenditures	567,525	777,949	(2,135,600)	(2,848,561)	(925,812)	(1,752,488)	(125,790)	5,353,475	1,413,910	772,442

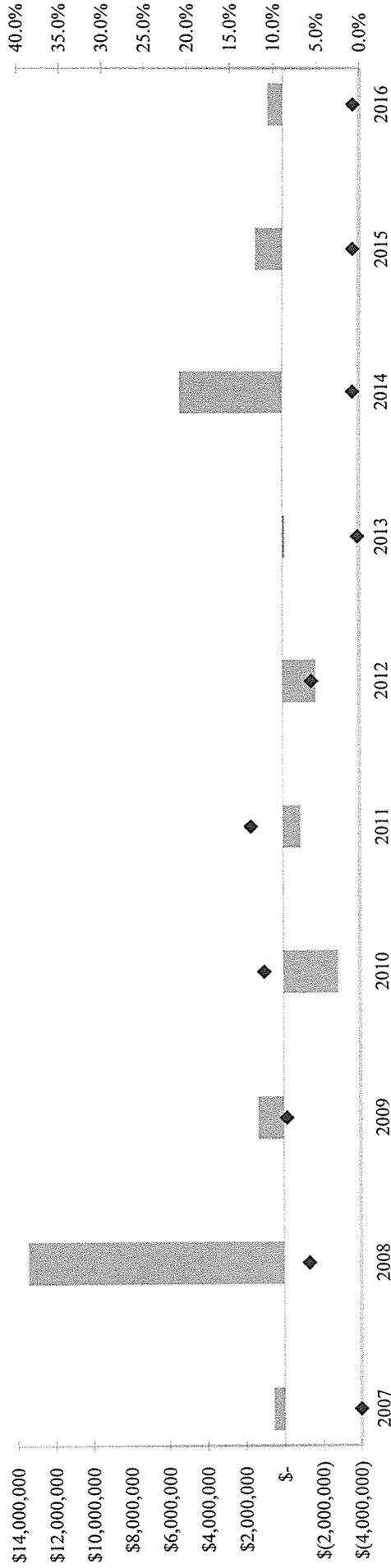
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CITY OF ARTESIA, CALIFORNIA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

(Continued)

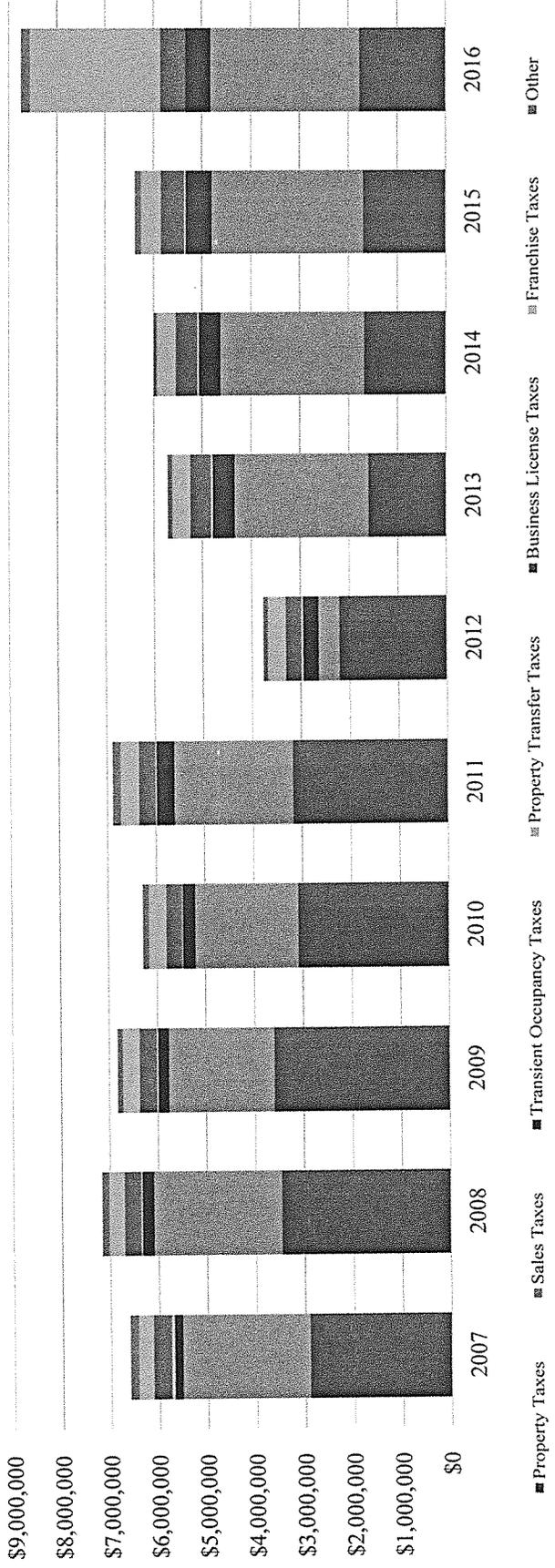
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other financing sources (uses)										
Transfers in	\$ 603,715	\$ 7,744,965	\$ 3,253,354	\$ 493,638	\$ 245,413	\$ 319,011	\$ 133,295	\$ 375,643	\$ 299,599	\$ 4,317,595
Transfers out	(603,715)	(7,744,965)	(3,253,354)	(493,638)	(245,413)	(319,011)	(133,295)	(375,643)	(299,599)	(4,317,595)
Bond discount		(285,264)								
Long-term debt issued		12,920,000	3,470,000							
Total other financing sources (uses)		12,634,736	3,470,000							
Extraordinary loss from dissolution of Redevelopment Agency						(9,896,525)				
Net changes in fund balances	\$ 567,525	\$ 13,412,685	\$ 1,334,400	\$ (2,848,561)	\$ (925,812)	\$ (1,752,488)	\$ (125,790)	\$ 5,353,475	\$ 1,413,910	\$ 772,442

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt service as a percentage of noncapital expenditures	0.0%	5.9%	8.5%	11.1%	12.6%	5.5%	0.2%	0.7%	0.8%	0.7%



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

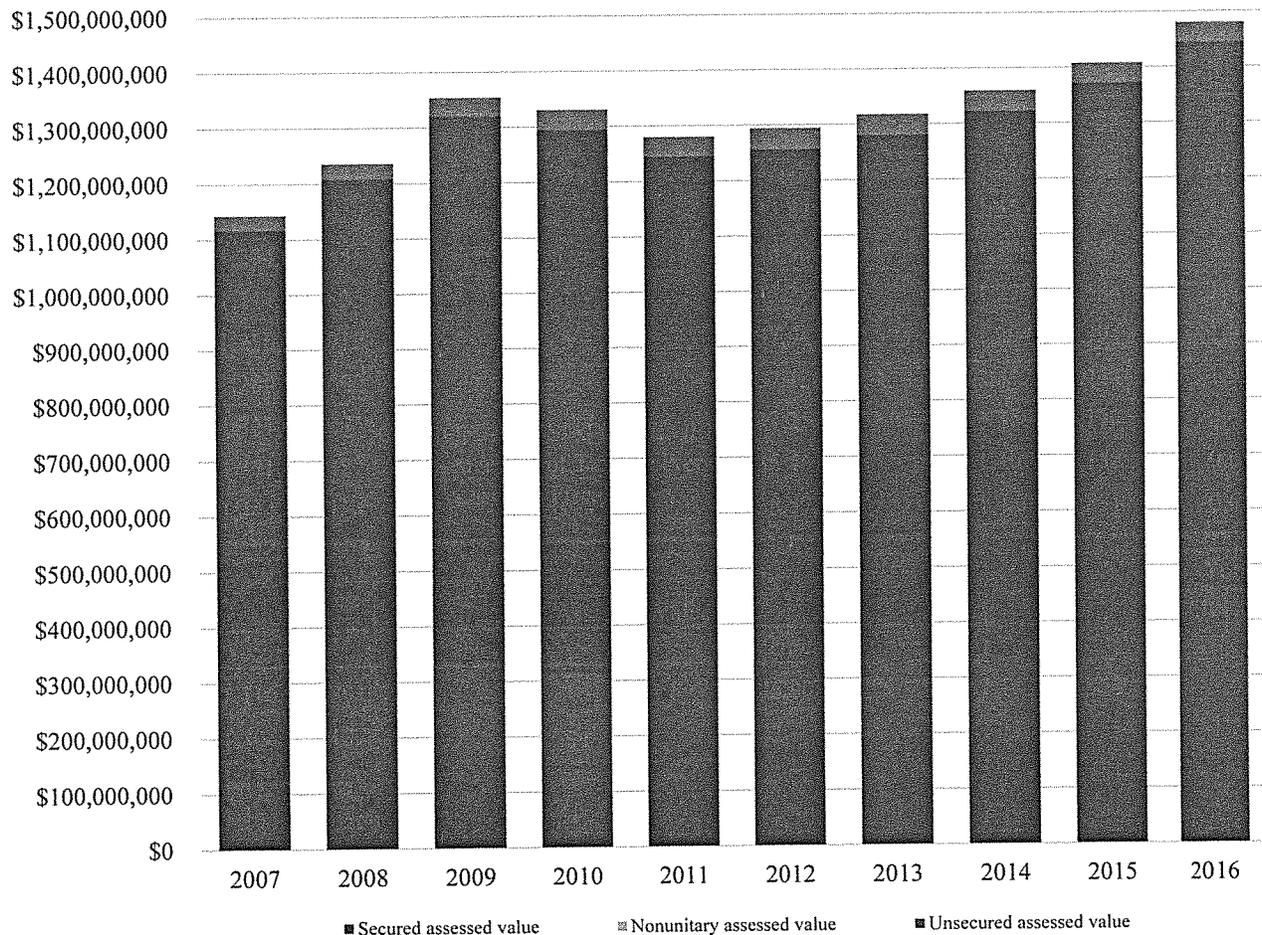
Fiscal Year	Property Taxes ⁽¹⁾	Transient		Property Transfer Taxes	Business License Taxes		Franchise Taxes	Other Taxes	Total
		Sales Taxes	Occupancy Taxes		License Taxes	Taxes			
2007	\$ 2,900,972	\$ 2,614,386	\$ 170,879	\$ 62,358	\$ 370,781	\$ 305,178	\$ 181,147	\$ 6,605,701	
2008	3,459,843	2,629,835	242,750	22,330	349,291	310,621	152,915	7,167,585	
2009	3,603,729	2,160,945	220,564	31,579	352,770	343,716	113,801	6,827,104	
2010	3,089,608	2,113,871	254,427	21,462	324,561	349,210	133,338	6,286,477	
2011	3,173,925	2,437,291	366,238	23,840	344,542	373,187	167,967	6,886,990	
2012	2,208,761	2,695,017	426,305	37,623	313,075	369,695	94,673	6,145,149	
2013	1,601,017	2,729,358	450,334	39,475	423,944	369,843	99,000	5,712,971	
2014	1,678,906	2,938,867	443,121	29,529	446,017	390,601	71,028	5,998,069	
2015	1,698,157	3,096,626	535,124	32,642	479,678	407,926	130,884	6,381,037	
2016	1,778,796	3,038,340	520,533	32,655	518,569	2,696,612	192,493	8,777,998	



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

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

Fiscal Year	Assessed Value ⁽¹⁾				Total Effective Rate (2)
	Secured	Nonunitary	Unsecured	Total	
2007	\$ 1,116,901,891	\$ -	\$ 26,908,067	\$ 1,143,809,958	1.6362%
2008	1,208,552,137	-	27,790,420	1,236,342,557	1.7258%
2009	1,320,054,029	-	33,828,552	1,353,882,581	1.9580%
2010	1,294,067,856	-	36,508,090	1,330,575,946	2.0278%
2011	1,244,580,805	-	35,273,379	1,279,854,184	1.9399%
2012	1,256,361,912	-	37,947,482	1,294,309,394	1.9304%
2013	1,280,561,503	-	37,136,241	1,317,697,744	1.9066%
2014	1,321,986,275	-	37,252,902	1,359,239,177	0.6563%
2015	1,371,438,382	-	36,461,776	1,407,900,158	0.6566%
2016	1,444,454,184	-	35,572,647	1,480,026,831	0.6571%



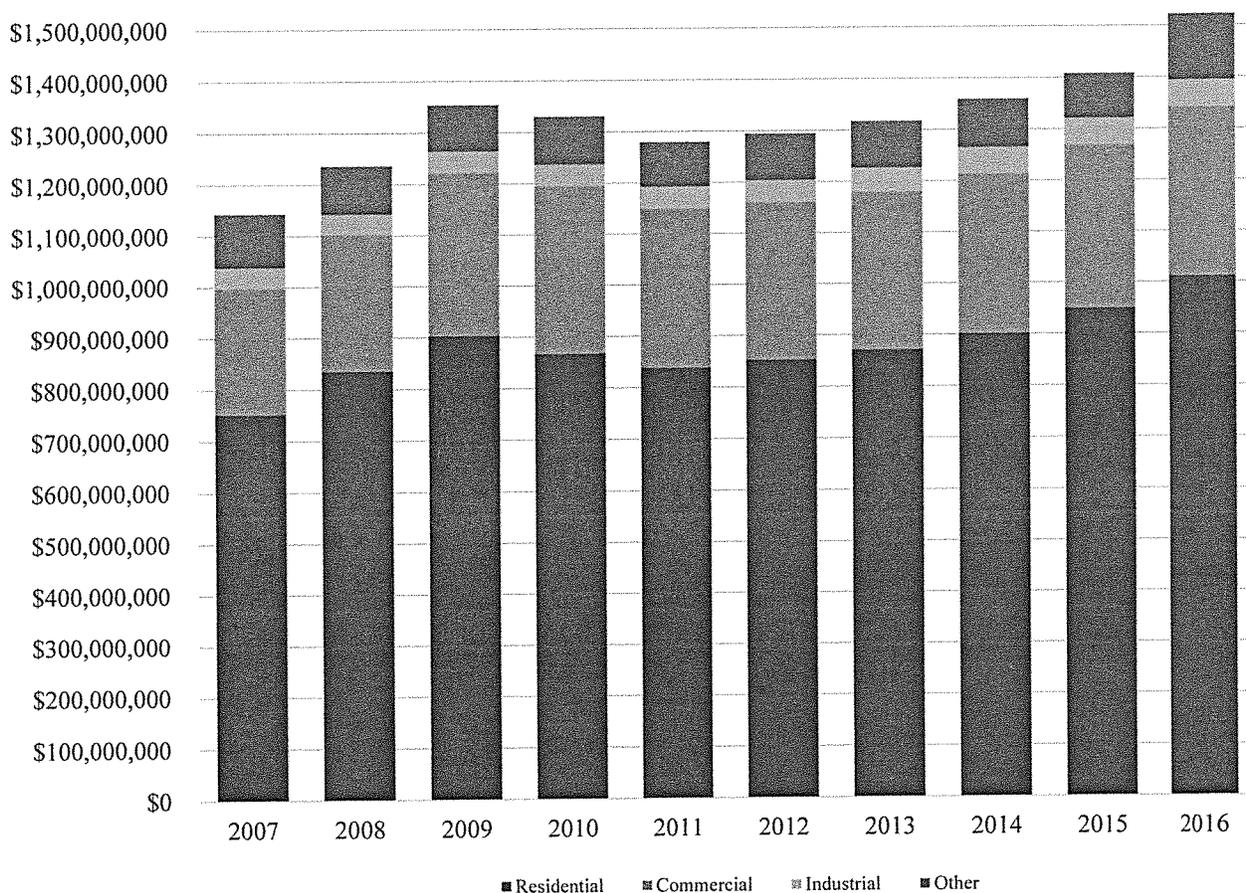
⁽¹⁾ Net of exemptions

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

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Assessed Value ⁽¹⁾				Total	Total Effective Rate (2)
	Residential	Commercial	Industrial	Other		
2007	\$ 752,083,043	\$ 245,427,264	\$ 41,607,757	\$ 104,691,894	\$ 1,143,809,958	1.6362%
2008	834,867,651	267,241,541	40,648,765	93,584,600	1,236,342,557	1.7258%
2009	903,680,355	318,428,291	41,755,557	90,018,378	1,353,882,581	1.9580%
2010	866,800,963	327,916,543	42,651,449	93,206,991	1,330,575,946	2.0278%
2011	838,084,514	311,273,554	42,991,503	87,504,613	1,279,854,184	1.9399%
2012	852,696,347	307,159,183	43,530,228	90,923,636	1,294,309,394	1.9304%
2013	871,147,363	308,021,383	47,592,443	90,936,555	1,317,697,744	1.9066%
2014	901,286,264	311,754,506	52,408,817	93,789,590	1,359,239,177	0.6563%
2015	948,906,951	319,382,443	52,441,154	87,169,610	1,407,900,158	0.6566%
2016	1,010,866,752	330,276,264	52,095,299	128,709,256	1,521,947,571	0.6571%



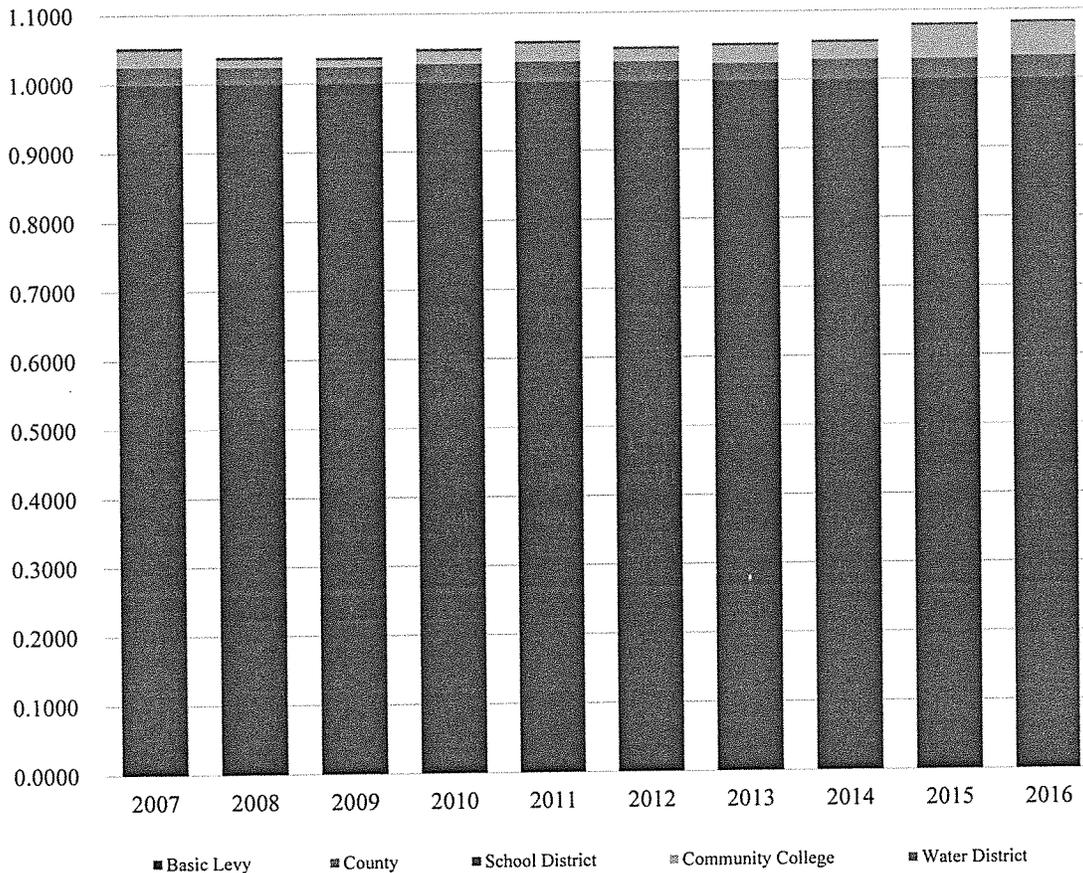
⁽¹⁾ Net of exemptions

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

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Community College District ⁽⁴⁾	Water District	Total Effective Rate ⁽⁵⁾
		Detention Facilities	Flood Control	Total				
2007	100%	0.0666%	0.005%	0.071%	2.427%	2.392%	0.470%	1.6362%
2008	100%	0%	0%	0%	2.434%	1.071%	0.450%	1.7258%
2009	100%	0%	0%	0%	2.388%	0.994%	0.430%	1.9580%
2010	100%	0%	0%	0%	2.695%	1.854%	0.430%	2.0278%
2011	100%	0%	0%	0%	2.920%	2.677%	0.370%	1.9399%
2012	100%	0%	0%	0%	2.858%	1.782%	0.370%	1.9304%
2013	100%	0%	0%	0%	2.453%	2.594%	0.350%	1.9066%
2014	100%	0%	0%	0%	2.894%	2.502%	0.350%	0.6563%
2015	100%	0%	0%	0%	2.916%	4.809%	0.350%	0.6566%
2016	100%	0%	0%	0%	3.240%	4.829%	0.350%	0.6571%



⁽¹⁾ Per \$100 of assessed value

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

⁽³⁾ ABC Unified School District

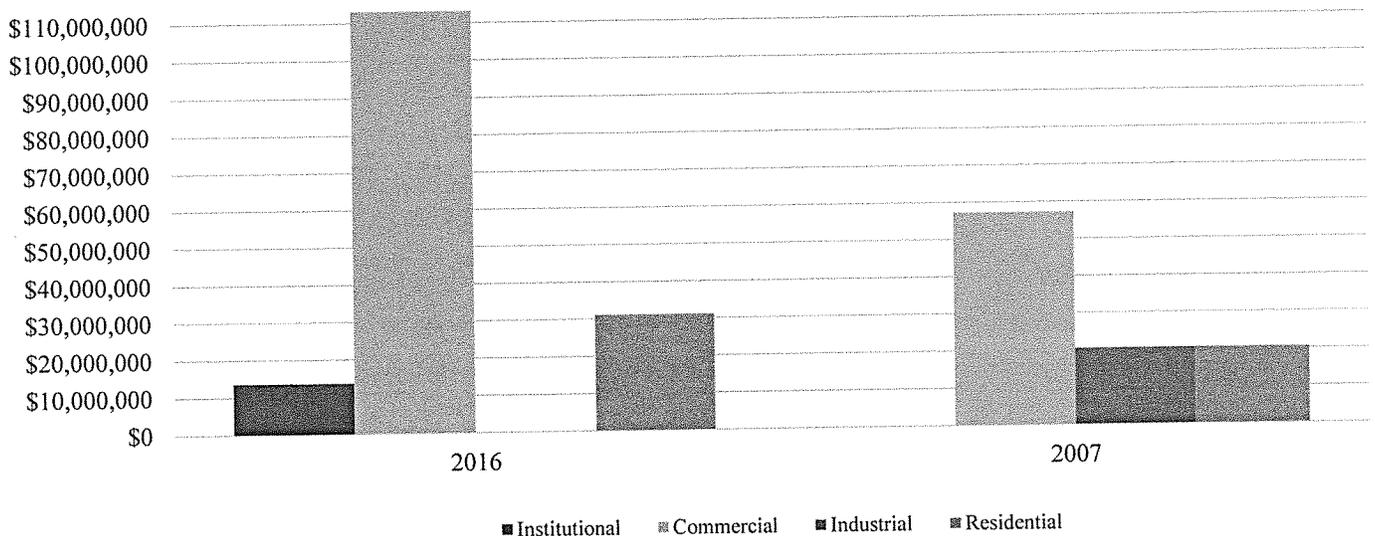
⁽⁴⁾ Cerritos Community College District

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

CITY OF ARTESIA, CALIFORNIA
Principal Property Owners
June 30, 2016

Taxpayer	Primary Use	2016			2007		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value ⁽¹⁾
Eaves Artesia LP	Residential	\$ 31,127,274	1	2.10%	\$ -	-	-
Artesia Partners LLC	Commercial	29,266,757	2	1.98%	-	-	-
YSM Investment No 3 LLC	Commercial	21,850,000	3	1.48%	30,000,000	1	26.23%
California Milk Producers	Industrial	15,674,954	4	1.06%	12,749,461	4	11.15%
Realty Specialties Inc	Commercial	14,510,605	5	0.98%	-	-	-
BSREP Socal 91 Freeway LLC	Commercial	14,483,716	6	0.98%	-	-	-
11900 East Artesia Boulevard LLC	Institutional	13,627,321	7	0.92%	18,151,000	2	15.87%
Haw Lay I LLC	Commercial	12,245,633	8	0.83%	10,766,847	6	9.41%
Egari Family Trust	Commercial	10,758,122	9	0.73%	-	-	-
Eastland Estate LLC	Commercial	10,020,690	10	0.68%	-	-	-
Rukmani Koka	Residential	-	-	-	13,221,581	3	11.56%
BRCP Realty So California Portfol	Commercial	-	-	-	12,342,000	5	10.79%
Khanna Enterprises Limited	Commercial	-	-	-	8,337,500	7	7.29%
Mei H Chu Trust	Commercial	-	-	-	8,115,120	8	7.09%
Manifield Partnership No 2	Industrial	-	-	-	7,769,054	9	6.79%
John P Sullivan Co Trust Et Al	Residential	-	-	-	7,331,305	10	6.41%
Total		\$ 173,565,072		11.73%	\$ 128,783,868		112.60%

Principal Property Owners

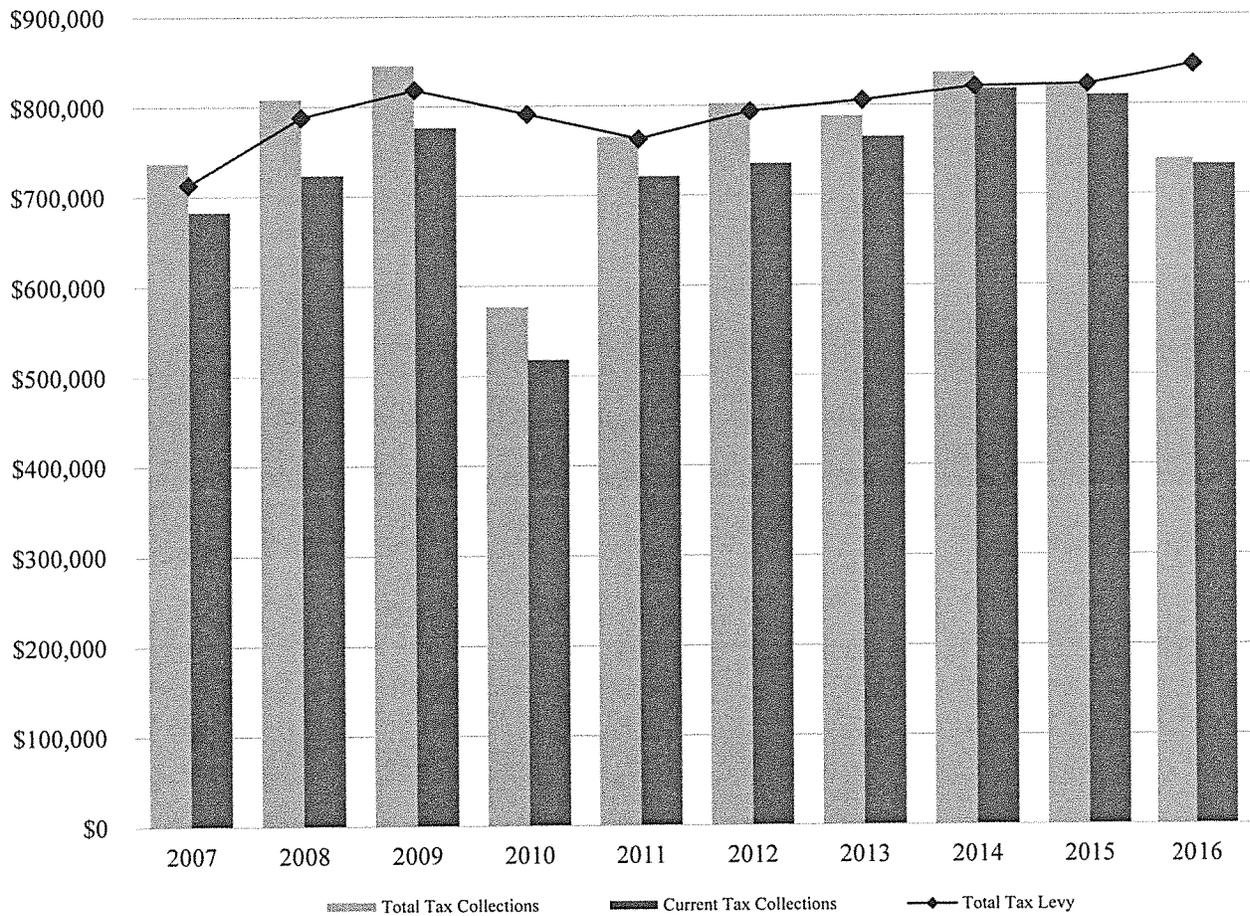


⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions.

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Total Tax Levy ⁽²⁾	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Total Tax Levy
2007	\$ 712,942	\$ 682,868	95.8%	\$ 54,685	\$ 737,553	103.5%
2008	787,946	723,447	91.8%	84,961	808,408	102.6%
2009	818,319	776,231	94.9%	69,465	845,696	103.3%
2010	791,076	518,077	65.5%	58,575	576,652	72.9%
2011	763,000	721,487	94.6%	44,079	765,566	100.3%
2012	793,593	735,511	92.7%	66,810	802,321	101.1%
2013	805,497	765,011	95.0%	23,001	788,012	97.8%
2014	820,801	818,338	99.7%	18,076	836,414	101.9%
2015	822,968	810,542	98.5%	9,866	820,408	99.7%
2016	844,497	732,978	86.8%	6,200	739,178	87.5%



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

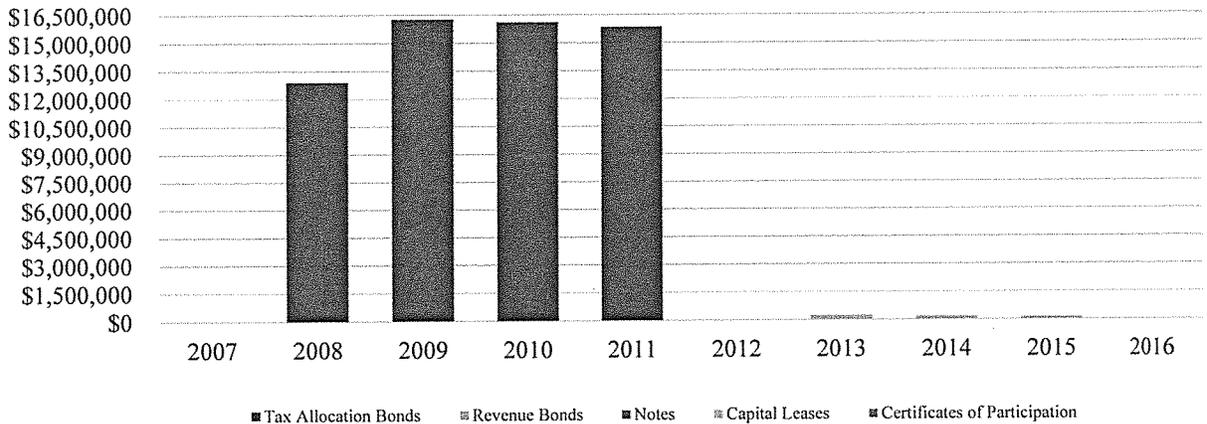
⁽²⁾ Includes secured and unsecured property tax levies exclusive of homeowner exemption

Source: Los Angeles County.

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

Fiscal Year	Governmental Activities			Total	Percentage of Personal Income ⁽¹⁾	Percentage of Debt Per Capita ⁽¹⁾
	Tax Allocation Bonds ⁽²⁾	Notes	Capital Leases			
2007	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%
2008	12,920,000	-	-	12,920,000	2.60%	0.13%
2009	16,275,000	-	-	16,275,000	2.08%	0.11%
2010	16,115,000	-	-	16,115,000	2.06%	0.11%
2011	15,845,000	-	-	15,845,000	1.97%	0.11%
2012	-	-	-	-	0.00%	0.00%
2013	-	-	238,733	238,733	147.62%	6.99%
2014	-	-	195,240	195,240	188.19%	8.59%
2015	-	-	148,384	148,384	244.67%	11.31%
2016	-	-	97,908	97,908	369.89%	17.24%

Outstanding Debt by Type-Last Ten Fiscal Years



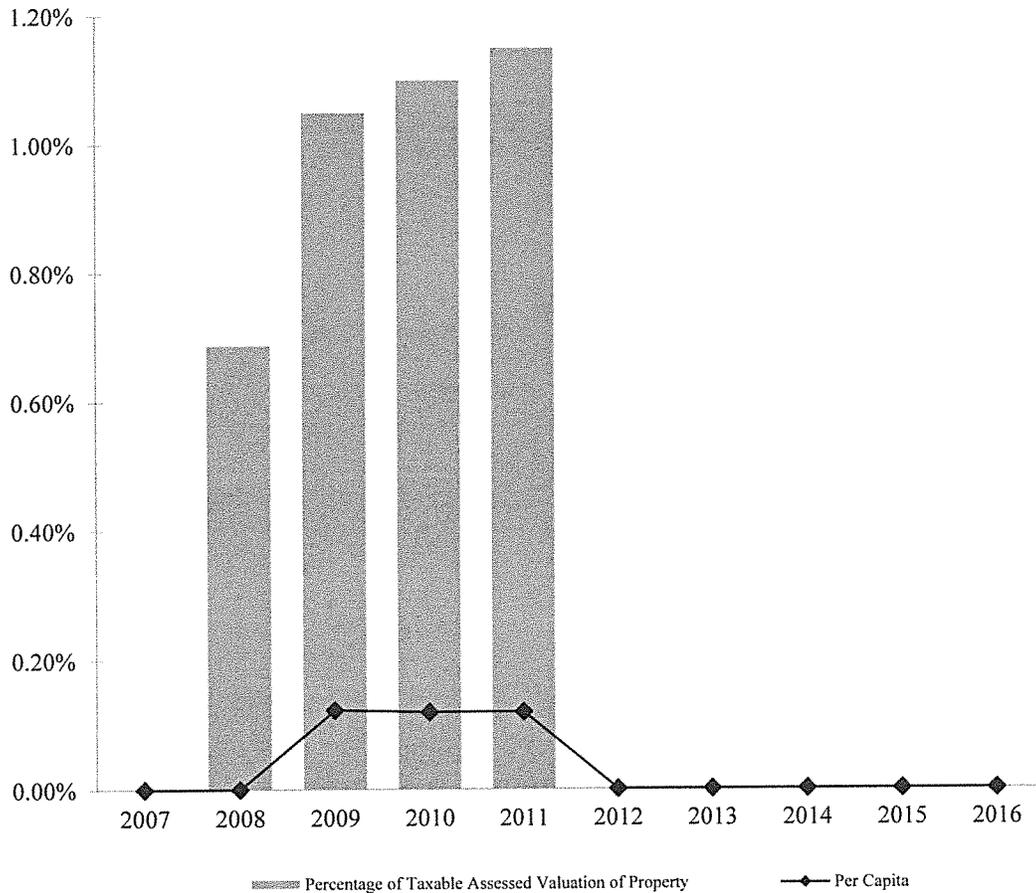
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic Statistics on page 129.

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

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

Fiscal Year	Tax Allocation Bonds ⁽³⁾	Less Amounts		Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
		Available in Debt	Service Fund			
2007	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%
2008	12,920,000	4,417,847	8,502,153	8,502,153	0.69%	0.00%
2009	16,275,000	2,073,247	14,201,753	14,201,753	1.05%	0.12%
2010	16,115,000	1,488,224	14,626,776	14,626,776	1.10%	0.12%
2011	15,845,000	1,134,221	14,710,779	14,710,779	1.15%	0.12%
2012	-	-	-	-	0.00%	0.00%
2013	-	-	-	-	0.00%	0.00%
2014	-	-	-	-	0.00%	0.00%
2015	-	-	-	-	0.00%	0.00%
2016	-	-	-	-	0.00%	0.00%



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

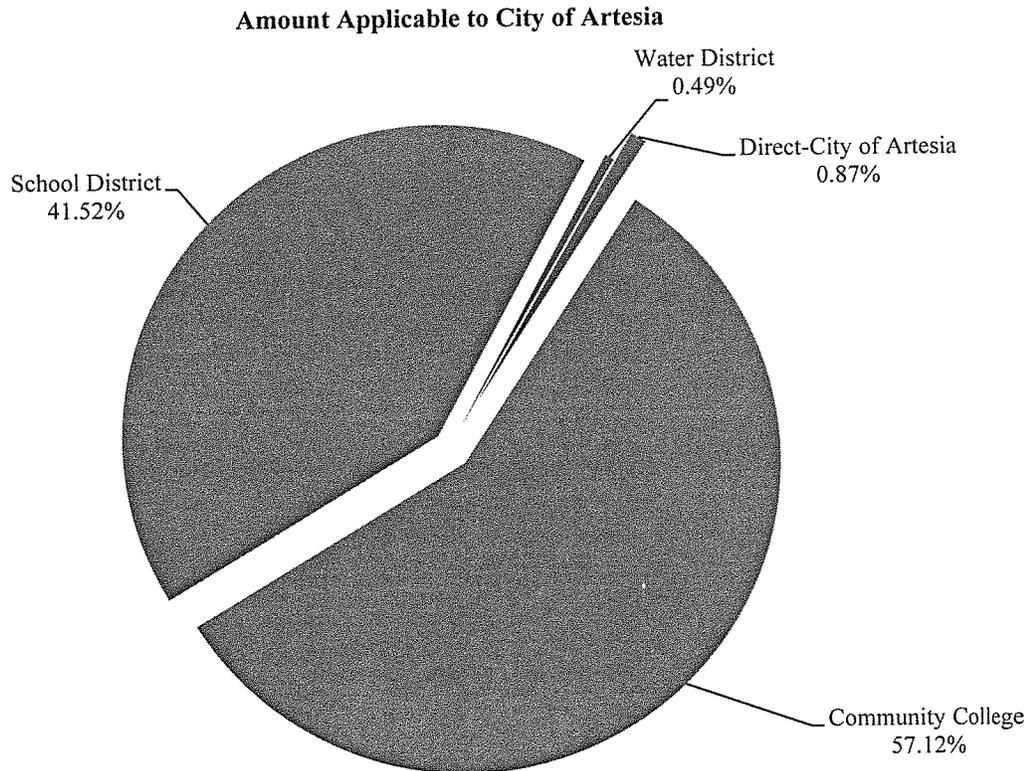
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 120 .

⁽²⁾ See Demographic Statistics on page 129.

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

CITY OF ARTESIA, CALIFORNIA
Direct and Overlapping Governmental Activities Bonded Debt
As of June 30, 2016

Jurisdiction	Net General Activities Bonded and Capital Lease Debt Outstanding	Percentage Applicable to City of Artesia ⁽²⁾	Amount Applicable to City of Artesia
Direct-City of Artesia ⁽¹⁾	\$ 97,911.00	100.000%	\$ 97,911.00
Overlapping:			
Water District:			
Metropolitan Water District	44,916,916	0.124%	55,697
College:			
Cerritos CCD DS 2004 Series 2009C	4,520,000	3.622%	163,714
Cerritos CCD DS 2004 Series 2012D	82,152,224	3.622%	2,975,554
Cerritos CCD DS 2012 Series 2014A	91,515,000	3.622%	3,314,673
Cerritos CCD DS 2014 Ref Bonds Series 2014A	78,830,000	3.622%	2,855,223
Cerritos CCD DS 2014 Ref Bonds Series 2014B	17,400,000	3.622%	630,228
School District:			
ABC Unified 2003 Refund Bond Series A	29,626,700	11.074%	3,280,861
ABC Unified 2010 Refund Bonds	12,730,000	11.074%	1,409,720
Subtotal overlapping debt			<u>14,685,670</u>
Total direct and overlapping debt			<u>\$ 14,783,581</u>



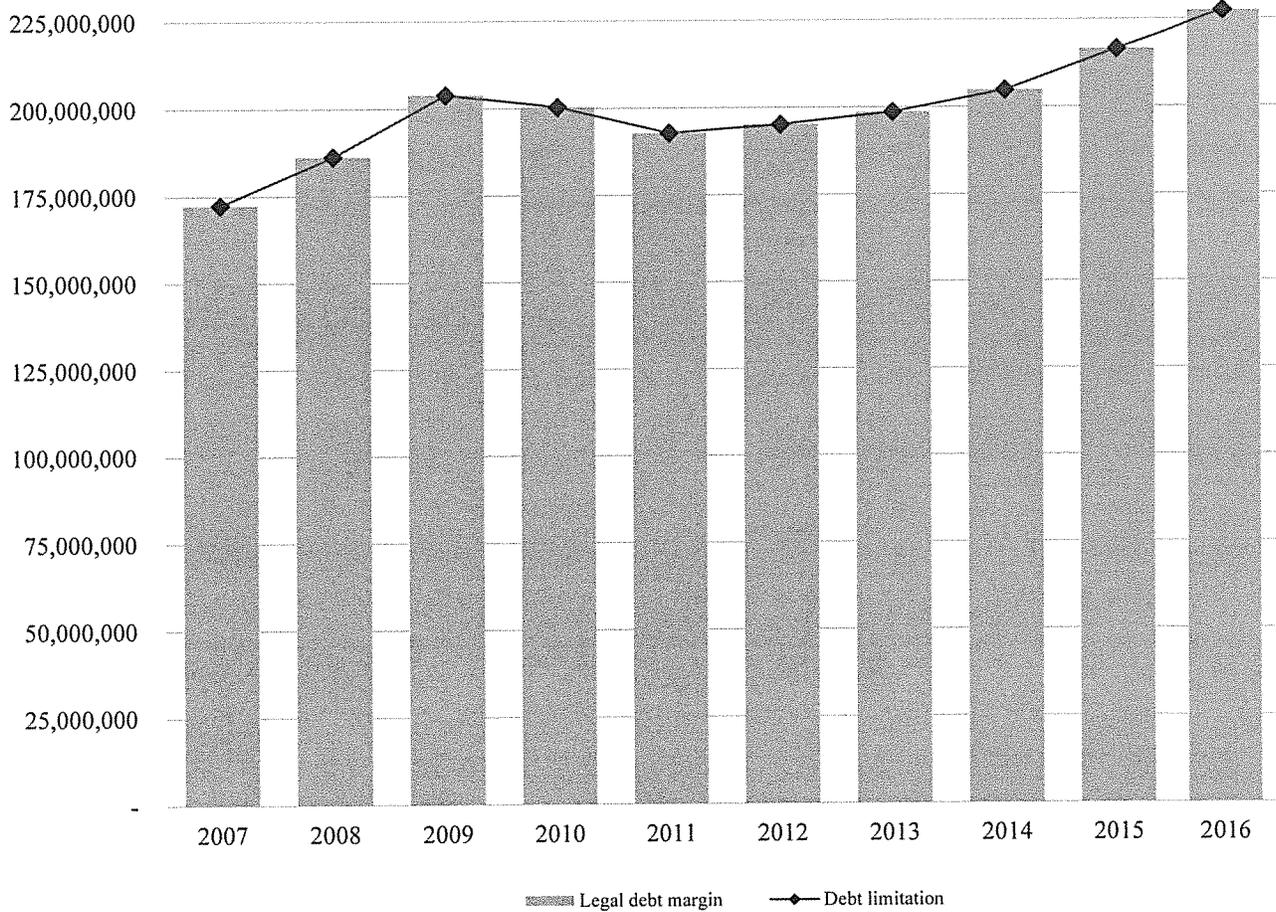
⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 138.

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

Source: Los Angeles County/Hdl Companies

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

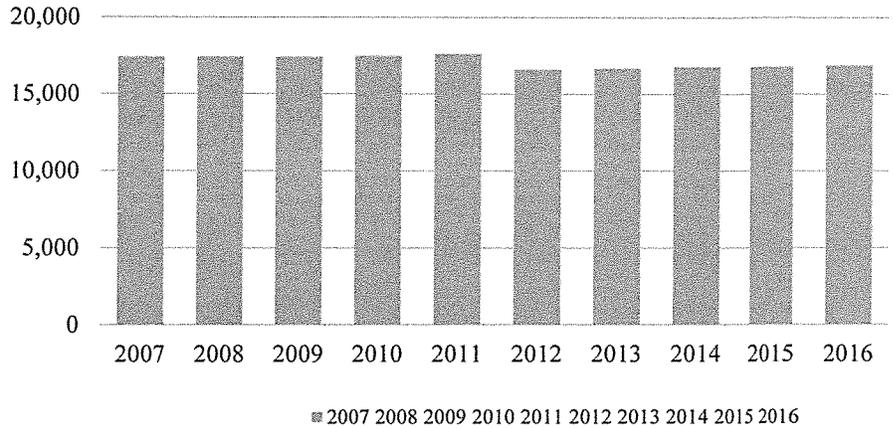
Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation- 15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
2007	\$ 1,143,809,958	\$ 5,204,422	\$ 1,149,014,380	\$ 172,352,157	\$ -	\$ 172,352,157
2008	1,236,342,557	5,228,401	1,241,570,958	186,235,644	-	186,235,644
2009	1,353,882,581	5,442,341	1,359,324,922	203,898,738	-	203,898,738
2010	1,330,575,946	5,442,341	1,336,018,287	200,402,743	-	200,402,743
2011	1,279,854,184	5,561,161	1,285,415,345	192,812,302	-	192,812,302
2012	1,294,309,394	6,742,068	1,301,051,462	195,157,719	-	195,157,719
2013	1,317,697,744	6,649,145	1,324,346,889	198,652,033	-	198,652,033
2014	1,359,239,177	6,276,033	1,365,515,210	204,827,282	-	204,827,282
2015	1,407,900,158	35,374,179	1,443,274,337	216,491,151	-	216,491,151
2016	1,480,098,981	35,844,707	1,515,943,688	227,391,553	-	227,391,553



CITY OF ARTESIA, CALIFORNIA
Demographic and Economic Statistics

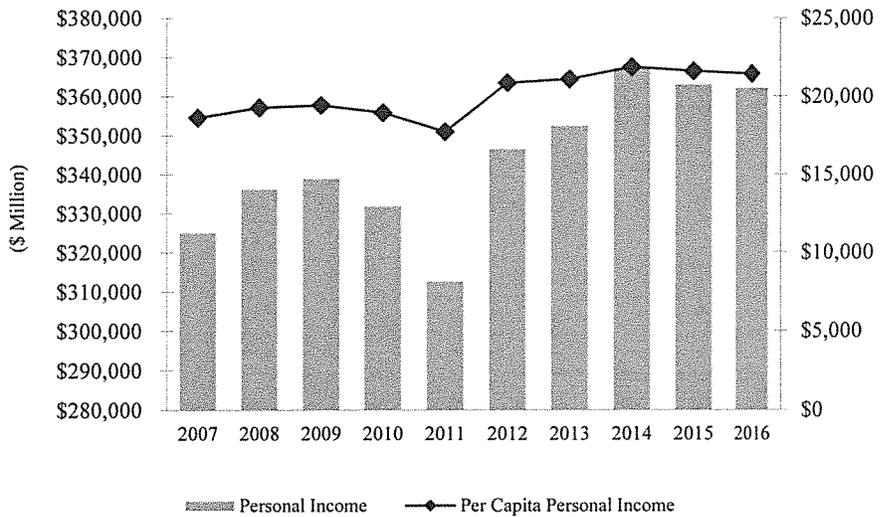
Last Ten Fiscal Years

Year	Population ⁽¹⁾
2007	17,432
2008	17,424
2009	17,428
2010	17,488
2011	17,608
2012	16,594
2013	16,681
2014	16,776
2015	16,781
2016	16,883



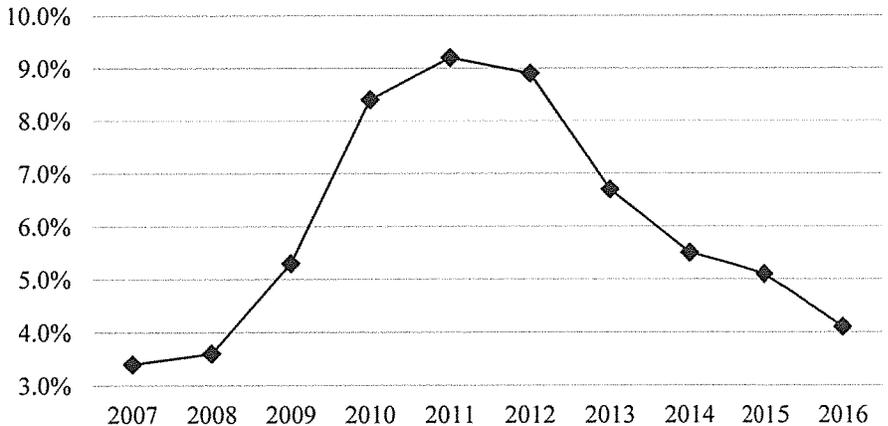
Last Ten Fiscal Years

Year	Personal Income ⁽²⁾ (\$ Thousand)	Per Capita Personal Income ⁽²⁾
2007	324,982	18,643
2008	336,216	19,296
2009	338,925	19,447
2010	331,816	18,974
2011	312,577	17,752
2012	346,516	20,882
2013	352,419	21,127
2014	367,428	21,902
2015	363,057	21,635
2016	362,149	21,450



Last Ten Fiscal Years

Year	Unemployment Rate ⁽²⁾
2007	3.4%
2008	3.6%
2009	5.3%
2010	8.4%
2011	9.2%
2012	8.9%
2013	6.7%
2014	5.5%
2015	5.1%
2016	4.1%



⁽¹⁾ State Department of Finance.

⁽²⁾ HdL, Coren & Cone.

CITY OF ARTESIA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2016

Employer	2016			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Artesia Christian Homes, Inc	139	1	2.46%	126	1	5.95%
Tawa Supermarket, Inc	93	2	1.65%	93	3	4.39%
California Dairies, Inc	90	3	1.60%	90	4	4.25%
Stater Bros. Market	81	4	1.44%	95	2	4.49%
Prime Grill Corporation	62	5	1.10%			
Automobile Club of So. California	52	6	0.92%	41	9	1.94%
Dejon Enterprises	52	7	0.92%	65	5	3.07%
Don Jose Restaurant	50	8	0.89%	50	6	2.36%
Aspen Healthcare Corp.	48	9	0.85%	48	7	2.27%
Hygieia Home Health Corp.	43	10	0.76%	43	8	2.03%
Denny's Restaurant				40	10	1.89%
	<u>710</u>		<u>12.59%</u>	<u>691</u>		<u>32.63%</u>
Total number of employees	<u>5,641</u>			<u>2,118</u>		
Number of businesses	1,054			1,041		

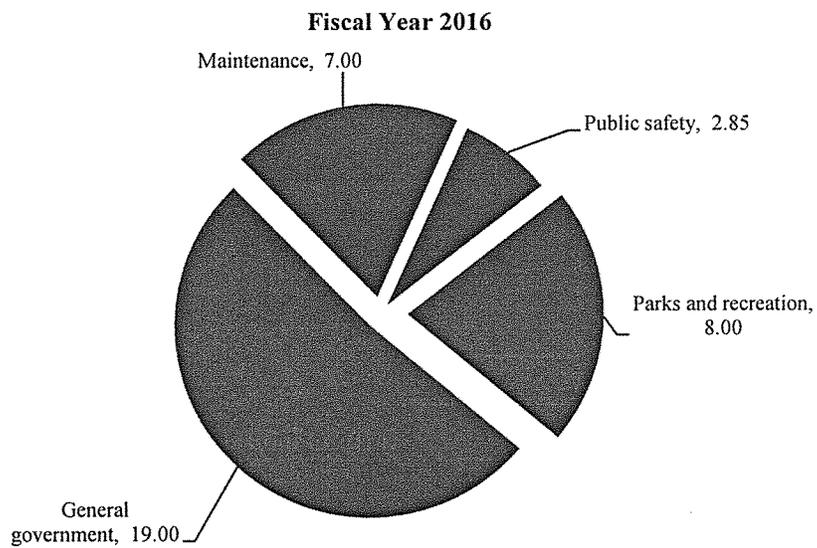
(1) No principal employer information available prior to 2014.

Source: City Business License Department
www.prospecter.com/communities/ca/city/artesia

CITY OF ARTESIA, CALIFORNIA
 Full-time Equivalent City Government Employees by Function ⁽¹⁾
 Last Three Fiscal Years

	2014	2015	2016
	Total	Total	Total
General government	18.00	17.00	19.00
Maintenance	8.00	8.00	7.00
Public safety	3.00	3.00	2.85
Parks and recreation	8.00	8.00	8.00
Total full-time equivalent positions	37.00	36.00	36.85

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



Source: Finance Department

CITY OF ARTESIA, CALIFORNIA

Operating Indicators by Function⁽¹⁾

Last Three Fiscal Years

	<u>2014⁽²⁾</u>	<u>2015</u>	<u>2016</u>
General Government			
City Council			
Regular Election	1	-	-
New or Amended Ordinances	16	5	
Business Licenses issued	1,041	1,054	
Passports			
Accepted	723	655	
Photos	240	201	
Finance			
Payroll Checks Issued	1,109	1,005	1,023
Accounts Payable Checks Issued	2,037	2,038	1,996
Purchase Orders Issued	138	149	
Community Development			
Building Permits Issued	589	551	
Planning Reviews	48	91	
Park and Recreation			
Facility Use Permits	27	32	
Field Use Permits	112	131	
Number of Youth Programs	152	154	
Number of Adult Programs	100	108	
Number of Senior Programs	45	67	
Number of Family Excursions	4	5	
Number of Senior Excursions	16	16	
Number of Teen Excursions	4	15	
Special Events	18	22	
Hours of Service to Public	3,529	4,059	
Public Works			
Tons collected			
Illegal Dumping Pick-Up	68	66	
Number of Graffiti Removal Locations	413	488	
Vines Trimmed (in lineal feet)	7,540	7,540	
Public Safety-Code Enforcement			
Number of Parking Violations	6,450	6,518	
Number of Parking Stations Maintained	28	28	
Number of Code Enforcement Cases	156	342	
Number of Notices of Violation	120	278	

⁽¹⁾ Information provided by various departments

⁽²⁾ Information prior to this year is not available

CITY OF ARTESIA, CALIFORNIA
 Capital Asset Statistics by Function ⁽¹⁾
 Last Three Fiscal Years

	<u>2014⁽²⁾</u>	<u>2015</u>	<u>2016</u>
General government			
Number of Buildings - City Hall	1	1	1
Number of Historical Museums	2	2	2
Historical Water Tower	1	1	1
General Government Vehicles	2	2	2
Park and Recreation			
Number of Buildings - Community Centers	5	5	5
Number of Buildings - Library	1	1	1
Acres of Park Space	16.98	16.98	16.98
Park Trees	202	202	202
Parks	3	3	3
Recreation Transit Vehicles	2	2	2
Playground Areas	5	5	5
Baseball Fields	7	7	7
Basketball Courts	3	3	3
Roller Hockey Rinks	1	1	1
Handball Court	1	1	1
Tennis Courts	1	1	1
Maintenance/Public works			
Number of Buildings	1	1	1
Street Trees	1,662	1,652	1,652
Miles of Streets and Service Roads	30.09	30.09	30.09
Number of Traffic Signals	23	25	25
Number of Street Lights	85	136	136
Vehicles	11	11	11
Public safety			
Number of Parking Pay Stations	29	28	28
Public Safety Vehicles	4	4	4

⁽¹⁾ Information provided by various departments

⁽²⁾ Information prior to this year is not available