

City of Artesia California



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

CITY OF ARTESIA, CALIFORNIA

Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2017

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

CITY OF ARTESIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal	3
Organization Chart.....	9
Principal Officials	10

II. FINANCIAL SECTION

A. Independent Auditor's Report	11
B. Management's Discussion and Analysis	13
C. Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	31
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	32
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	33
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	34
Proprietary Funds:	
Statement of Net Position	35
Statement of Revenues, Expenses, and Changes in Net Position	36
Statement of Cash Flows	37
Fiduciary Funds:	
Statement of Fiduciary Net Position	39
Statement of Changes in Net Position – Private-Purpose Trust Fund	40
Notes to Basic Financial Statements	41
D. Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability – City Misc Plan	75
Schedule of Pension Contributions – City Misc Plan.....	76
Schedule of Funding Progress – Other Postemployment Benefits	77
Note to Required Supplementary Information	78
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.....	79

CITY OF ARTESIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

II. FINANCIAL SECTION (Continued)

E. Other Supplemental Information

Capital Projects Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	81
Nonmajor Governmental Funds	83
Combining Balance Sheet	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	87
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Gas Tax Special Revenue Fund	89
Federal STP-L Special Revenue Fund	90
Proposition A Special Revenue Fund	91
Parks & Recreation Grants Special Revenue Fund	92
Proposition C Special Revenue Fund	93
Air Quality Special Revenue Fund	94
California Beverage Recycling Special Revenue Fund	95
Artesia Lighting District Special Revenue Fund	96
C.O.P.S. Special Revenue Fund	97
Measure R Special Revenue Fund	98
Housing Authority Special Revenue Fund	99
Agency Funds	101
Combining Statement of Net Position	103
Combining Statement of Changes in Net Position	104

CITY OF ARTESIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2017

TABLE OF CONTENTS

III. STATISTICAL SECTION

Statistical Section	107
Financial Trends Information	
Net Position by Component – 10 Years	109
Changes in Net Position – 10 Years	110
Fund Balances of Governmental Funds – 10 Years	112
Changes in Fund Balances of Governmental Funds – 10 Years	113
General Governmental Tax Revenues by Source – 10 Years	115
Revenue Capacity Information	
Assessed Value of Taxable Property - 10 Years	116
Assessed Value of Taxable Property by Use - 10 Years	117
Property Tax Rates Direct and Overlapping Governments - Last 10 Years	118
Principal Property Owners	119
Debt Capacity Information	
Ratios of Outstanding Debt by Type – 10 Years.....	120
Ratios of Net General Bonded Debt Outstanding – 10 Years	121
Direct and Overlapping Governmental Activities Bonded Debt.....	122
Legal Debt Margin Information – 10 Years.....	123
Demographic and Economic Information	
Demographic and Economic Statistics – 10 Years	124
Principal Employers	125
Operating Information	
Employees by Function (Full Time Equivalents) – 3 Years	126
Capital Asset Statistics by Function– 3 Years.....	127

INTRODUCTORY SECTION

This page intentionally left blank

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, 2017 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, 2017. 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 to 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.

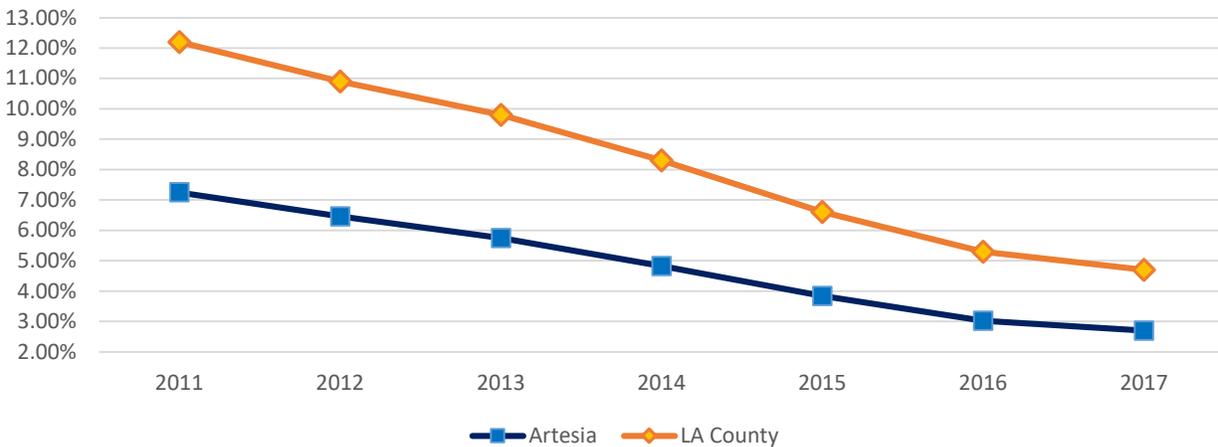
The City is included in the Los Angeles-Long Beach Metropolitan Statistical Area. The following table summarizes the civilian labor force, employment and unemployment, and employment rate in the County and the City for calendar year 2011 through October, 2015:

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

	2013		2014		2015		2016		2017	
	<u>County</u>	<u>City</u>								
Civilian Labor Force	4,967	7.53	5,004	7.64	5,002	7.70	5,055	7.83	5,096	8.0
Employment	4,483	7.10	4,591	7.27	4,671	7.40	4,790	7.59	4,853	7.8
Unemployment	485	0.43	413	0.37	331	0.30	265	0.24	242	0.2
Unemployment Rate	9.80%	5.74%	8.30%	4.82%	6.60%	3.84%	5.30%	3.03%	4.8%	2.9%

⁽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 \$30,665.84 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 2016/2017, a Resolution was adopted approving General Fund balance allocations. These allocations significantly increased the City’s reserve levels over prior years. Twenty-one categories were identified and unassigned fund balances were assigned:

	Accrued Leave Reserve	\$	100,000
	Business Façade Improvements	\$	100,000
	Business Improvement District	\$	125,000
	Business Improvement District WiFi	\$	85,000
	CalPERS Net Pension Unfunded Liability	\$	85,000
Liability	CalPERS Net Retiree Health Unfunded	\$	85,000
	City-Wide WiFi	\$	50,000
	City Facility Improvements	\$	80,000
	Disaster Response Training	\$	25,000
	Economic Development	\$	125,000
	General Contingencies	\$	123,000
	General Plan Update	\$	30,000
	Measure M	\$	100,000
	Organizational Development Plan	\$	125,000
	Preliminary Planning Projects	\$	190,000
	Sanitation District Consolidation Analysis	\$	50,000
	Specific Plan Development	\$	50,000
	Vehicle & Equipment Replacement	\$	75,000
	Water District Consolidation Analysis	\$	200,000
	Water Tower Project (Painting)	\$	50,000
	Water Tower Project (Repairs)	\$	50,000

Total reserves, inclusive of Contingency Dedicated funds of \$6,400,000, Operational Reserves, and Committed Fund Balances, for Fiscal Year 2016/2017 total \$11,089,393, which represents a 5% increase over the previous year. 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 fiscal year ending June 30, 2017. This means that the City’s financial records and statements are fairly and appropriately presented, and in accordance with Generally Accepted Accounting Principles (GAAP). An 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 2016/2017 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 leaders 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.

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

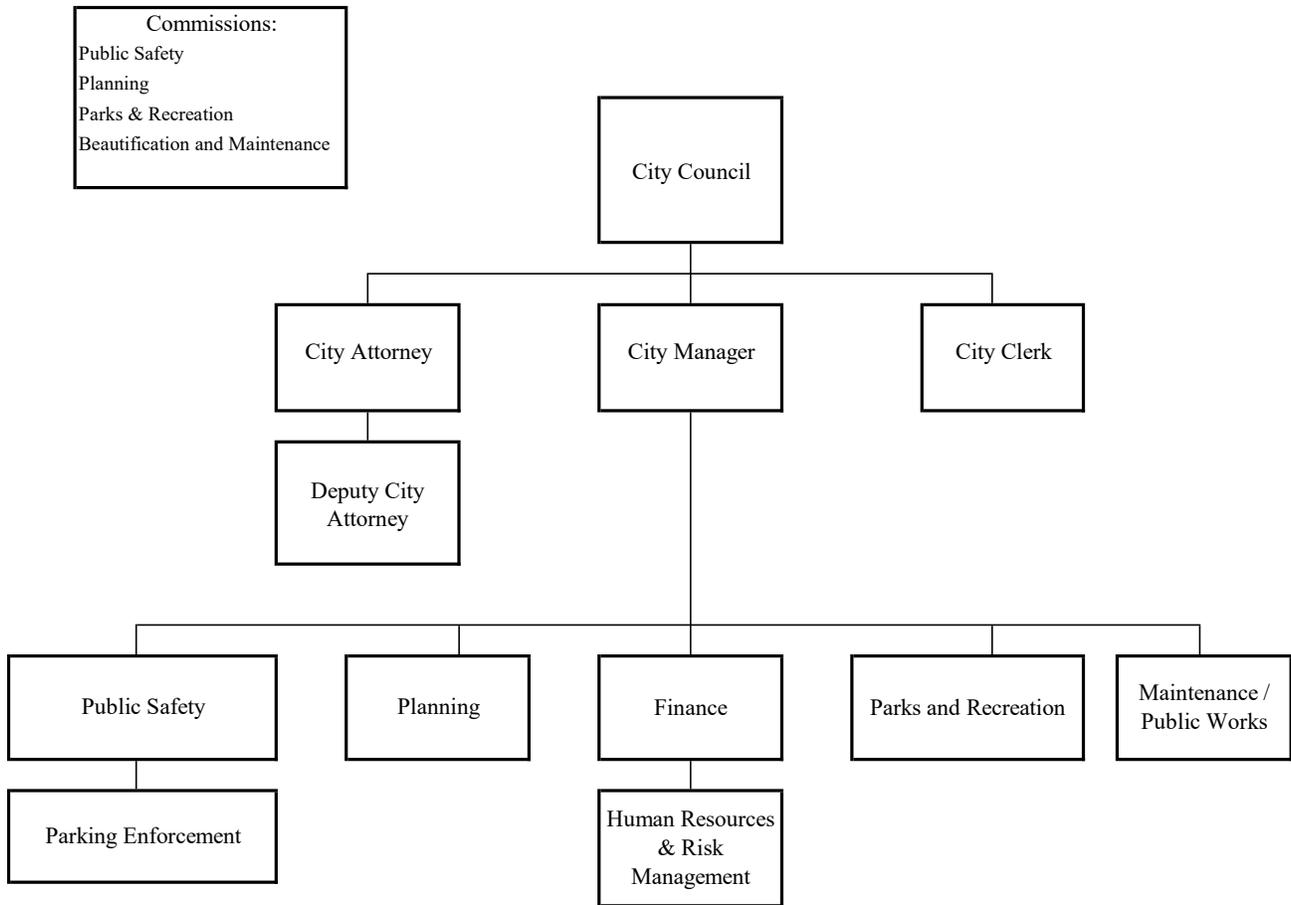
The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. We wish to thank all city departments for their assistance in providing the data necessary to prepare this report. I also want to acknowledge the Mayor 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, 2017



CITY OF ARTESIA, CALIFORNIA
List of Principal Officials
2016-2017

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Ali Sajjad Taj	November 2018
Mayor Pro Tem: Sally Flowers	November 2018
Council Members: Victor Manalo Tony Lima Miguel Canales	November 2018 November 2020 November 2020
<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * William Rawlings	November 2013
City Attorney: * Serita Young	March 2016
City Clerk/Treasurer: * Gloria Considine	March 2013
Fire Chief: ** Ralph M. Terrazas	August 2014
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

COMMERCIAL ACCOUNTING & TAX SERVICES

433 N. CAMDEN DRIVE, SUITE 730
BEVERLY HILLS, CA 90210
TEL: 310.273.2745
FAX: 310.670.1689
www.mlhcpas.com

GOVERNMENTAL AUDIT SERVICES

5800 HANNUM AVE., SUITE E
CULVER CITY, CA 90230
TEL: 310.670.2745
FAX: 310.670.1689
www.mlhcpas.com

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, 2017, 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, 2017, 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.

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, major capital project fund budgetary comparison schedule, and combining and individual 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 November 28, 2019, 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
November 28, 2019

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, 2017.

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 \$33,119,149 (*net position*). The Governmental Activities have unrestricted net position of \$6,065,087, which may be used to meet the government's ongoing obligations to citizens and creditors. Business-type Activities have unrestricted net position of \$964,577.
- The City's net position for governmental activities increased by \$704,252 over the prior fiscal year.
- The City's net position for business-type activities increased by \$1,566,694 over the prior fiscal year.
- The total cost of all City activities was \$10,762,133 for the current fiscal year. Net cost of all activities was \$6,995,431.
- As of June 30, 2017, the City of Artesia's governmental funds reported combined ending fund balances of \$14,191,942, an increase of \$1,860,050 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 27% is legally restricted by resolution or 3rd party covenants.
- As of June 30, 2017, the unassigned fund balance for all governmental funds was \$343,771.

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 thirteen 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 three proprietary funds. *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, paid parking and the Artesia Towne Center. 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, 2017, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,119,149.

By far the largest portion of the City of Artesia's net position, \$23,930,618 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 usually are not 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 \$2,158,867 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 \$2,270,946, or 7% during the fiscal year as a result of revenues exceeding expenditures during this fiscal year. The total cost of all City activities was \$10,762,133. Net cost of all activities was \$7,995,431. 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

	2017	2016
Current and other assets	\$ 15,050,299	\$ 13,403,910
Capital assets	23,272,375	24,091,518
Total assets	<u>38,322,674</u>	<u>37,495,428</u>
Deferred outflows of resources	409,192	110,672
Long-term liabilities outstanding	5,659,092	4,772,606
Other liabilities	842,577	1,032,529
Total liabilities	<u>6,501,669</u>	<u>5,805,135</u>
Deferred inflows of resources	733,868	1,008,888
Net position:		
Net investment in capital assets	23,272,375	23,993,612
Restricted	2,158,867	2,034,880
Unrestricted	6,065,087	4,763,585
Total net position	<u>\$ 31,496,329</u>	<u>\$ 30,792,077</u>

The net position of the governmental activities represents 95% 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 increased by \$123,987 or 6%.

Governmental activities. Governmental activities increased the City of Artesia's net position by \$704,252. Key elements of this increase are as follows:

Governmental Activities Change in Net Position

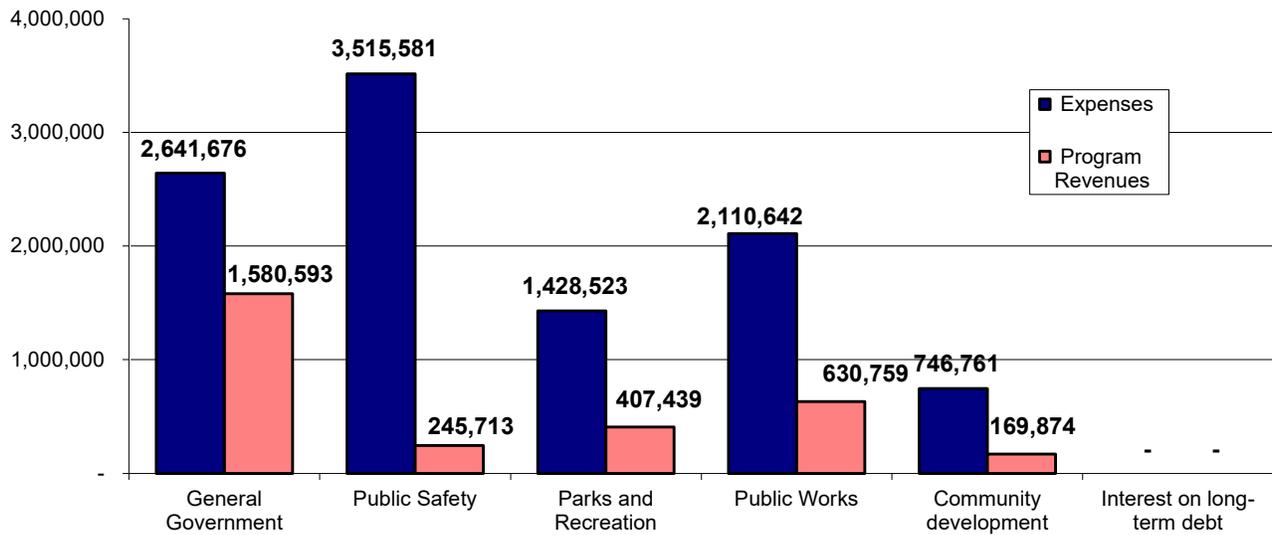
	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 1,064,393	\$ 1,688,726
Operating grants and contributions	1,294,978	1,763,400
Capital grants and contributions	675,007	-
General revenues:		
Property taxes	1,846,489	1,778,796
Transient occupancy taxes	512,631	553,188
Sales taxes	3,784,651	3,038,340
Franchise taxes	706,034	2,696,612
Business license taxes	545,391	518,569
Other taxes	176,636	192,493
Vehicle license fee collection in excess	7,563	6,798
Use of money and property	318,332	548,037
Other	41,075	12,686
Contribution from Successor Agency	1,283,731	-
Transfers	(1,153,320)	-
Total revenues	11,103,591	12,797,645
Expenses		
General government	2,641,676	2,458,793
Public safety	3,515,581	3,376,566
Parks and recreation	1,428,523	1,258,541
Public works	2,110,642	2,308,478
Community development	746,761	578,618
Interest on long-term debt	-	15,228
Total expenses	10,443,183	9,996,224
Change in net position	660,408	2,801,421
Beginning net position	30,792,077	27,990,656
Prior period adjustment	43,844	-
Beginning net position, restated	30,835,921	27,990,656
Ending net position	31,496,329	30,792,077

Charges for services decreased by \$624,333 or 37%. This is due to Paid Parking revenue being moved to an enterprise fund as well as a \$450,000 agreement with solid waste provider received in prior year.

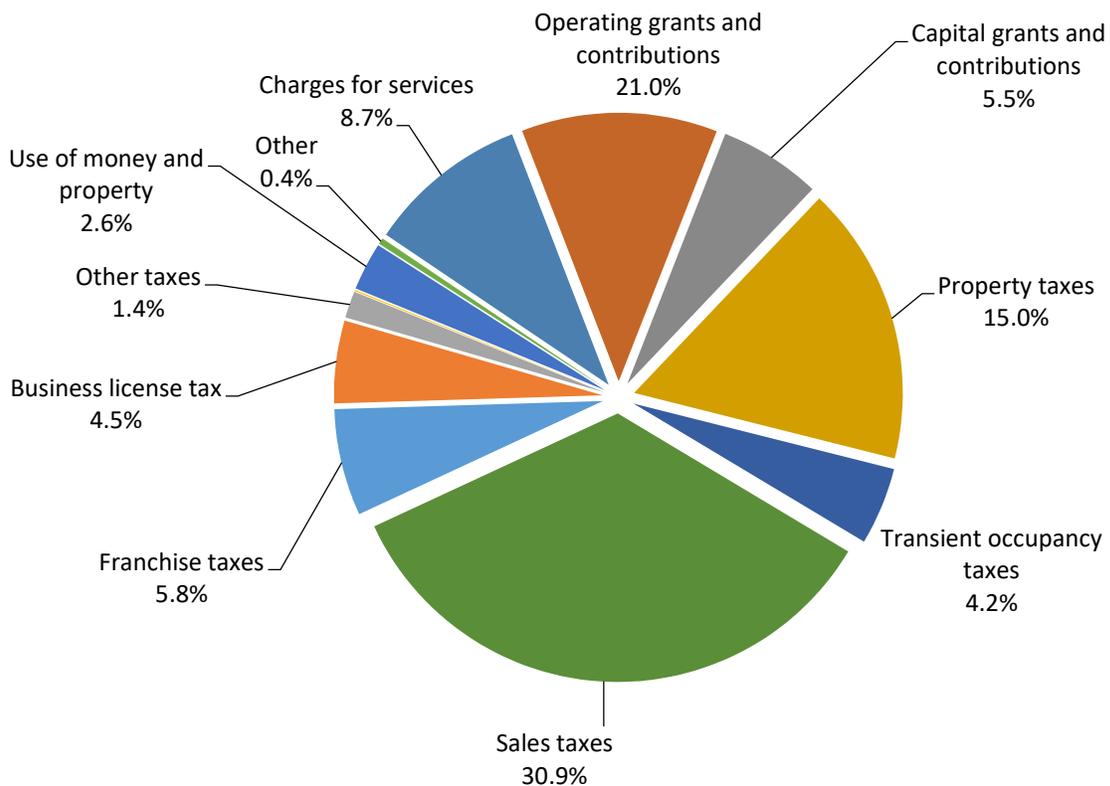
Capital grants and contributions increased from \$0 in the prior year to \$675,007. The City received a \$300,000 Trails Grant and also received exchange funds from LACMTA.

Total expenses increased \$446,959, or 4% overall. This slight increase was anticipated during the budget process.

Expenses and Program Revenues-Governmental Activities



Revenue Sources-Governmental Activities



Taxes, operating grants and contributions and charges for services provide 98.8% 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

	2017	2016
Current assets and other assets	\$ 1,080,525	\$ 56,125
Capital assets	658,243	-
Total assets	1,738,768	56,125
Other liabilities	115,948	-
Total liabilities	115,948	-
Net position:		
Net Investment in Capital Assets	658,243	-
Unrestricted	964,577	56,125
Total net position	\$ 1,622,820	\$ 56,125

The net position of the business-type activities represents 5% of the City's total net position. Business-type net position increased by \$1,566,694. The increase is mostly attributed to moving the Paid Parking Fund into an Enterprise Fund. There is also a new enterprise fund, Artesia Towne Center.

Business-type Change in Net Position

	2017	2016
Revenues		
Program revenues:		
Charges for services	\$ 732,324	\$ 398,788
General revenues-transfers	1,153,320	
Total Revenues	1,885,644	398,788
Expenses		
Residential refuse	-	376,870
Parking	162,474	
Artesia Towne Center	156,476	
Total Expenses	318,950	376,870
Change in net position	1,566,694	21,918
Beginning net position	56,126	34,208
Ending net position	\$ 1,622,820	\$ 56,126

The City's business-type program revenues exceeded expenses by \$1,566,694, meaning charges for services recovered operating expenses.

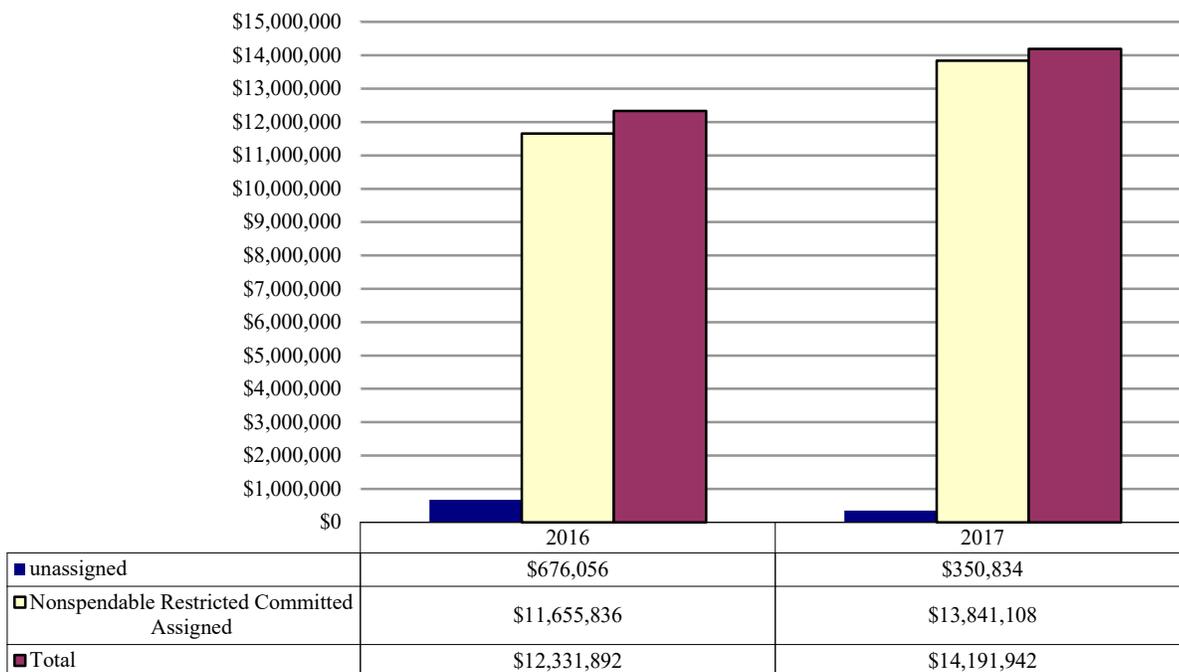
Financial Analysis of the Government's Funds

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 \$14,191,942 an increase of \$1,860,050 in comparison with the prior year. Of this amount, there is \$343,771 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 45% of this amount is committed to indicate that it is not available because it has committed for contingency reserves. Another 19% is restricted for specific uses. Approximately 33% 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 2016-2017:



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 \$9,444,690, with \$29,805 non-spendable for prepaid items and \$6,400,000 committed to funding future commitments and \$4,689,393 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 (\$8,782,004) and represents 0% of total general fund expenditures (\$8,311,762).

- The fund balance of the general fund increased by \$429,945 during the fiscal year. An increase was anticipated through the budgetary process and benchmarked at \$942,580. There was an overall increase of \$150,359 in actual revenue over budget. An overall increase of \$788,669 in expenditures over budget was primarily due to actual City Attorney fees coming in at \$331,379 over budget as well as actual Public safety fees coming in at \$492,710 over budget. The combined increase in revenue and increase in expenditures resulted in a General Fund increase.

The Capital Projects Fund qualifies as a major fund in 2016-17.

The Capital Projects Fund fund balance increased by \$1,239,422. The Successor Agency 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 three proprietary funds increased to \$1,622,820 in the fiscal year. The Paid Parking fund was moved from a special revenue fund and a new fund was created for the Artesia Towne Center. Other factors concerning the finances of this fund are addressed in the discussion of the business-type activities.

General Fund Budgetary Highlights

There was an increase between the original budget and the final amended budget for appropriations of \$125,675, in anticipation of higher public safety expenditures. Actual revenue, less transfers, was higher than the final budget by 2%.

Differences between the final appropriations and actual expenditures totaled \$788,669. Actual expenditures exceeded budget for general government, public safety, parks and recreation, public works and transfers out totaling \$996,820. Actual expenditures were less than budgeted in community development totaling \$208,151.

Capital Asset and Debt Administration

Capital assets. The City of Artesia's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$23,272,375 (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 decrease in the City of Artesia's capital assets (net of depreciation) for the 2016-17 fiscal years was \$819,143. The following is a summary of capital assets (net of depreciation) as of June 30, 2017 and 2016:

	Capital Assets (net of depreciation)	
	<u>2017</u>	<u>2016</u>
Governmental activities		
Land	\$ 6,233,216	\$ 6,233,216
Buildings	978,750	934,777
Improvements other than buildings	192,481	225,403
Automobile equipment	31,681	47,084
Office furniture and equipment	4,162	5,319
Other equipment	346,785	405,437
Infrastructure	10,888,491	10,391,442
Construction in progress	4,596,809	5,848,840
Total governmental activities	<u>\$ 23,272,375</u>	<u>\$ 24,091,518</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 \$5,659,092. This includes 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, 2017 and 2016:

Outstanding Debt

	2017	2016
Governmental activities		
Capital lease payable	-	97,908
Compensated absences	253,403	328,086
Other post-employment benefits obligation (OPEB)	2,800,036	2,445,970
Net pension liability	2,605,653	1,900,640
Total governmental activities	<u>5,659,092</u>	<u>4,772,604</u>

Long-term Debt. There was a decrease in long-term debt of \$485,699 over the prior year.

- Capital lease decreased by \$97,908 which were lease payments made.
- Compensated absences liability decreased \$74,683 for the decrease in accrued time off payable.
- OPEB liability increased \$354,066 for the increase in future benefits payable.
- Net pension liability increased \$705,013 for the increase 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 2017/2018.
- CalPERS Annual Unfunded Accrued Liability valuation as of 6/30/13 will increase 2017/2018 annual cost by an additional \$70,608.00.
- Employees will begin contributing to the CalPERS retirement program at 3% during 2017/2018.
- 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.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

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 is 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
- Public works
- Community development
-

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).

This page intentionally left blank

City of Artesia
Statement of Net Position
June 30, 2017

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and investments	\$ 13,806,932	\$ 1,062,507	\$ 14,869,439
Receivables:			
Accounts	1,125,117	17,598	1,142,715
Loan	43,843		43,843
Interest	37,539		37,539
Prepaid items	36,868	420	37,288
Capital assets:			
Nondepreciable assets	10,830,025		10,830,025
Depreciable assets, net	12,442,350	658,243	13,100,593
Total capital assets	23,272,375	658,243	23,930,618
Total assets	38,322,674	1,738,768	40,061,442
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - Pension related	409,192		409,192
Total deferred outflows of resources	409,192		409,192
LIABILITIES			
Accounts payable	726,251	70,382	796,633
Accrued liabilities	39,984		39,984
Deposits payable	76,342	45,566	121,908
Noncurrent liabilities:			
Net postemployment benefit obligation	2,800,036		2,800,036
Net pension liability	2,605,653		2,605,653
Due within one year	10,670		10,670
Due in more than one year	242,733		242,733
Total liabilities	6,501,669	115,948	6,617,617
DEFERRED OUTFLOWS OF RESOURCES			
Deferred inflow - Pension related	733,868		733,868
Total deferred outflows of resources	733,868		733,868
NET POSITION			
Net investment in capital assets	23,272,375	658,243	23,930,618
Restricted for:			
Public safety	409		409
Street projects	1,554,874		1,554,874
Housing	382,641		382,641
Other purposes	220,943		220,943
Total restricted	2,158,867		2,158,867
Unrestricted	6,065,087	964,577	7,029,664
Total net position	\$ 31,496,329	\$ 1,622,820	\$ 33,119,149

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Activities
For the fiscal year ended June 30, 2017

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	\$ 2,641,676	\$ 686,391	\$ 894,202	\$ -	\$ 1,580,593
Public safety	3,515,581	245,713			245,713
Parks and recreation	1,428,523	62,575		344,864	407,439
Public works	2,110,642		300,616	330,143	630,759
Community development	746,761	69,714	100,160		169,874
Total governmental activities	10,443,183	1,064,393	1,294,978	675,007	3,034,378
Business-type activities:					
Residential refuse		7,578			7,578
Parking	162,474	238,450			238,450
Artesia Towne Center	156,476	486,297			486,297
Total business-type activities	318,950	732,325			732,325
Total primary government	\$ 10,762,133	\$ 1,796,718	\$ 1,294,978	\$ 675,007	\$ 3,766,703

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
- Contribution from Successor Agency
- Transfers
- Total general revenues and transfers**
- Change in net position**
- Net position - beginning of fiscal year**
- Prior period adjustment**
- Net position - beginning of fiscal year, restated**
- Net position - end of fiscal year**

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (1,061,083)	\$ -	\$ (1,061,083)
(3,269,868)		(3,269,868)
(1,021,084)		(1,021,084)
(1,479,883)		(1,479,883)
(576,887)		(576,887)
<u>(7,408,805)</u>		<u>(7,408,805)</u>
	7,578	7,578
	75,976	75,976
	<u>329,821</u>	<u>329,821</u>
	413,375	413,375
<u>(7,408,805)</u>	<u>413,375</u>	<u>(6,995,430)</u>
1,846,489		1,846,489
512,631		512,631
3,784,651		3,784,651
706,034		706,034
545,391		545,391
176,636		176,636
7,563		7,563
318,332		318,332
41,075		41,075
1,283,731		1,283,731
<u>(1,153,320)</u>	<u>1,153,320</u>	
<u>8,069,213</u>	<u>1,153,320</u>	<u>9,222,533</u>
660,408	1,566,695	2,227,103
<u>30,792,077</u>	<u>56,125</u>	<u>30,848,202</u>
43,844		43,844
<u>30,835,921</u>	<u>56,125</u>	<u>30,892,046</u>
<u>\$ 31,496,329</u>	<u>\$ 1,622,820</u>	<u>\$ 33,119,149</u>

This page intentionally left blank

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, 2017

	General Fund	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 8,970,897	\$ 1,992,829	\$ 2,843,206	\$ 13,806,932
Receivables:				
Accounts	805,667	4,939	314,511	1,125,117
Loan		43,843		43,843
Interest	37,539			37,539
Prepaid items	29,805		7,063	36,868
Due from other funds	295,446			295,446
Total assets	\$ 10,139,354	\$ 2,041,611	\$ 3,164,780	\$ 15,345,745
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 644,557	\$ 7,485	\$ 74,209	\$ 726,251
Accrued liabilities	35,660		4,324	39,984
Deposit payable	14,447		61,895	76,342
Due to other funds			295,446	295,446
Total liabilities	694,664	7,485	435,874	1,138,023
Deferred Inflow of Resources:				
Unavailable revenues			15,780	15,780
Total Deferred Inflow of Resources			15,780	15,780
Fund Balances:				
Nonspendable:				
Prepaid items	29,805		7,063	36,868
Restricted for:				
Housing projects			382,641	382,641
Street projects			148,634	148,634
Transportation projects			1,482,092	1,482,092
Air quality projects			706,724	706,724
Parks and recreation			1,410	1,410
Public safety			409	409
Committed to:				
Contingency reserve	6,400,000			6,400,000
Assigned to:				
Operating Reserve	2,786,393			2,786,393
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	(1,674,508)	2,034,126	(15,847)	343,771
Total fund balances	9,444,690	2,034,126	2,713,126	14,191,942
Total liabilities and fund balances	\$ 10,139,354	\$ 2,041,611	\$ 3,164,780	\$ 15,345,745

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, 2017

Total Fund Balances - Total Governmental Funds	\$ 14,191,942
---	----------------------

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

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the governmental funds. Nondepreciable assets (\$10,830,025) and depreciable assets (\$19,680,337) net of accumulated depreciation (\$7,237,987) totals:	23,272,375
--	------------

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the governmental funds.

Compensated absences	(253,403)
Other postemployment benefits payable	(2,800,036)
Total long-term liabilities	(3,053,439)

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	409,192
Deferred inflows of resources	(733,868)
Pension liability	(2,605,653)
Total pension related items	(2,930,329)

Certain revenues were recorded as deferred inflows of resources 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.

	15,780
--	--------

Net Position of Governmental Activities	\$ 31,496,329
--	----------------------

City of Artesia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2017

	General Fund	Capital Project Fund Capital Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 6,689,339	\$ -	\$ 890,057	\$ 7,579,396
Licenses and permits	473,916			473,916
Intergovernmental	894,202	1,283,731	1,199,493	3,377,426
Charges for services	235,549	21,539		257,088
Use of money and property	219,304	4,608	94,419	318,331
Fines and forfeitures	163,675			163,675
Developer fees	69,713			69,713
Other revenues	36,306		4,769	41,075
Total revenues	8,782,004	1,309,878	2,188,738	12,280,620
EXPENDITURES:				
Current:				
General government	2,316,137		23,322	2,339,459
Public safety	3,394,966		100,031	3,494,997
Parks and recreation	1,125,286		165,480	1,290,766
Public works	810,066		457,725	1,267,791
Community development	577,911		168,850	746,761
Capital outlay	87,396	70,456	608,706	766,558
Total expenditures	8,311,762	70,456	1,524,114	9,906,332
REVENUES OVER (UNDER) EXPENDITURES	470,242	1,239,422	664,624	2,374,288
OTHER FINANCING SOURCES (USES):				
Transfers in			45,402	45,402
Transfers out	(40,297)		(563,187)	(603,484)
Total other financing sources (uses)	(40,297)		(517,785)	(558,082)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	429,945	1,239,422	146,839	1,816,206
FUND BALANCES (DEFICITS):				
Beginning of fiscal year	9,014,745	750,860	2,566,287	12,331,892
Prior period adjustment		43,844		43,844
Beginning of fiscal year, restated	9,014,745	794,704	2,566,287	12,375,736
End of fiscal year	\$ 9,444,690	\$ 2,034,126	\$ 2,713,126	\$ 14,191,942

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 fiscal year ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 1,816,206

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

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

Capital outlay	766,558
Less: Repairs and Maintenance	(205,990)
Transfer of fixed asset to Paid Parking Enterprise Fund	(693,146)

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

(686,565)

Compensated absences and other postemployment benefits were reported in the Government-Wide Statement of Activities and Changes in Net Position, but it did not require the use of current financial resources. Therefore, they were not reported as an expenditure in the governmental funds.

Change in compensated absences	74,683
Change in other postemployment benefits	(354,064)
Capital lease transferred to Paid Parking Enterprise Fund	97,908

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.

(131,473)

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

(23,709)

Change in Net Position of Governmental Activities

\$ 660,408

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).

Paid Parking is used to account for the operation of the City's paid parking program.

Artesia Towne Center is used to account for the operation of the City's Artesia Towne Center. The intent of this fund is to account for the rental income and maintenance expenditures of the Artesia Towne Center.

City of Artesia
Statement of Net Position
Proprietary Funds
June 30, 2017

	Residential Refuse Service	Paid Parking	Artesia Towne Center	Total
ASSETS				
Current assets:				
Cash and investments	\$ 62,500	\$ 615,623	\$ 384,384	\$ 1,062,507
Receivables:				
Accounts	1,203	6,684	9,711	17,598
Prepaid			420	420
Total current assets	<u>63,703</u>	<u>622,307</u>	<u>394,515</u>	<u>1,080,525</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment		249,110		249,110
Infrastructure		561,203		561,203
Less:				
Accumulated depreciation		(152,070)		(152,070)
Total noncurrent assets		<u>658,243</u>		<u>658,243</u>
Total assets	<u>63,703</u>	<u>1,280,550</u>	<u>394,515</u>	<u>1,738,768</u>
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable		51,254	19,128	70,382
Deposit payable			45,566	45,566
Total liabilities		<u>51,254</u>	<u>64,694</u>	<u>115,948</u>
Net position:				
Net investment in capital assets		658,243		658,243
Unrestricted	63,703	571,053	329,821	964,577
Total net position	<u>\$ 63,703</u>	<u>\$ 1,229,296</u>	<u>\$ 329,821</u>	<u>\$ 1,622,820</u>

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the fiscal year ended June 30, 2017

	Residential Refuse Service	Paid Parking	Artesia Towne Center	Total
OPERATING REVENUES:				
Charges for services	\$ 7,578	\$ 235,030	\$ 484,528	\$ 727,136
Use of money and property		3,420	1,769	5,189
Total revenues	<u>7,578</u>	<u>238,450</u>	<u>486,297</u>	<u>732,325</u>
OPERATING EXPENSES:				
Personnel		64,113		64,113
Materials and supplies		63,457	156,476	219,933
Depreciation		34,904		34,904
Total expenses		<u>162,474</u>	<u>156,476</u>	<u>318,950</u>
TRANSFERS:				
Transfers in		1,153,320		1,153,320
Total transfers		<u>1,153,320</u>		<u>1,153,320</u>
Change in net position	<u>7,578</u>	<u>1,229,296</u>	<u>329,821</u>	<u>1,566,695</u>
NET POSITION:				
Beginning of fiscal year	56,125			56,125
End of fiscal year	<u>\$ 63,703</u>	<u>\$ 1,229,296</u>	<u>\$ 329,821</u>	<u>\$ 1,622,820</u>

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2017

	Residential Refuse Service	Paid Parking	Artesia Towne Center	Totals
Cash flows from operating activities:				
Cash received from customers, users and grants	\$ 15,309	\$ 236,116	\$ 522,152	\$ 773,577
Cash paid to suppliers for goods and services		(22,615)	(137,768)	(160,383)
Cash paid to employees for services		(64,113)		(64,113)
Net cash provided (used) by operating activities	<u>15,309</u>	<u>149,388</u>	<u>384,384</u>	<u>549,081</u>
Cash flows from non-capital financing activities:				
Transfers from other funds		466,235		466,235
Net cash provided by non-capital financing activities		<u>466,235</u>		<u>466,235</u>
Net increase (decrease) in cash and cash equivalents	<u>15,309</u>	<u>615,623</u>	<u>384,384</u>	<u>1,015,316</u>
Cash and cash equivalents beginning of fiscal year	47,191			47,191
Cash and cash equivalents end of fiscal year	<u>\$ 62,500</u>	<u>\$ 615,623</u>	<u>\$ 384,384</u>	<u>\$ 1,062,507</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 7,578	\$ 75,976	\$ 329,821	\$ 413,375
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation		34,904		34,904
Change in operating assets and liabilities:				
Decrease (increase) in accounts receivable	7,731	(2,334)	(9,711)	(4,314)
Decrease (increase) in prepaid			(420)	(420)
Increase (decrease) in accounts payable		40,842	19,128	59,970
Increase (decrease) in deposits payable			45,566	45,566
Total adjustments	<u>7,731</u>	<u>73,412</u>	<u>54,563</u>	<u>135,706</u>
Net cash provided (used) by operating activities	<u>\$ 15,309</u>	<u>\$ 149,388</u>	<u>\$ 384,384</u>	<u>\$ 549,081</u>

See accompanying Notes to Basic Financial Statements.

This page intentionally left blank

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, 2017

	Successor Agency to the Artesia Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 738,803	\$ 1,157,620
Cash and investments with fiscal agent	1,141,336	
Receivables:		
Accounts Receivable		16,370
Total assets	\$ 1,880,139	\$ 1,173,990
LIABILITIES		
Accounts payable	\$ 4,450	\$ 85,689
Deposits payable		1,088,301
Accrued interest payable	73,055	
Long-term debt:		
Due within one year	251,849	
Due in more than one year	14,175,997	
Total liabilities	14,505,351	\$ 1,173,990
NET POSITION:		
Held in trust for other purposes	\$ (12,625,212)	

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 fiscal year ended June 30, 2017

Additions:	
Property taxes	\$ 1,262,774
Use of money and property	732
	<hr/>
Total additions	1,263,506
	<hr/>
Deductions:	
Community development	8,300
Administrative expenses	175,000
Reimbursement to the City of Artesia	1,283,731
Interest and fiscal charges	897,747
	<hr/>
Total deductions	2,364,778
	<hr/>
Change in net position	(1,101,272)
Net position - beginning	(11,523,940)
	<hr/>
Net position - ending	\$ (12,625,212)
	<hr/> <hr/>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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 Proprietary 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 or expenses. 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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017

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 fiscal year-end such that they are available to finance expenditures of the current period (generally 60 days after fiscal 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 fiscal year ended June 30, 2017

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 Funds 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 funds:

- The Residential Refuse Service Proprietary Fund's primary function is to account for the operations of the City's trash hauling service.
- The Paid Parking Proprietary Fund's primary function is to account for paid parking in the City of Artesia.
- The Artesia Towne Center Proprietary Fund's primary function is to account for rent and maintenance associated with the Artesia Towne Center.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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 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. 74

GASB has issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension" which was effective for fiscal years beginning after June 15, 2016. This statement had no material impact upon the City's financial statements for the fiscal year ended June 30, 2017.

Governmental Accounting Standards Board Statement No. 77

GASB has issued Statement No. 77, "Tax Abatement Disclosures" which was effective for fiscal years beginning after December 15, 2015. This statement had no material impact upon the City's financial statements for the fiscal year ended June 30, 2017.

Governmental Accounting Standards Board Statement No. 78

GASB has issued Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plan" which was effective for fiscal years beginning after December 15, 2015. This statement had no material impact upon the City's financial statements for the fiscal year ended June 30, 2017.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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:

Statement No. 75	"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 81	"Irrevocable Split-Interest Agreements"	The provision of this statement is effective for fiscal years beginning after December 15, 2016.
Statement No. 82	"Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 83	"Certain Asset Retirement Obligations"	The provision of this statement is effective for fiscal years beginning after June 15, 2018.
Statement No. 84	"Fiduciary Activities"	The provision of this statement is effective for fiscal years beginning after December 15, 2018.
Statement No. 85	"Omnibus 2017"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 86	"Certain Debt Extinguishment Issues"	The provision of this statement is effective for fiscal years beginning after June 15, 2017.
Statement No. 87	"Leases"	The provision of this statement is effective for fiscal years beginning after December 15, 2019.

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 fiscal year ended June 30, 2017

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 fiscal 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 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 fiscal year ended June 30, 2017

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 and proprietary 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 and proprietary 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 funds 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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017

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.

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 16-2606 and requires a four-fifths vote to expend the funds. The balance of this reserve as of June 30, 2017 was \$6,400,000.

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

Unassigned - This category is for any balances that have no restrictions placed upon them. 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 fiscal year ended June 30, 2017

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 US 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, 2017, 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	\$ 14,869,439	\$ 1,896,423	\$ 16,765,862
Restricted assets:			
Cash and investments held by fiscal agent		<u>1,141,336</u>	<u>1,141,336</u>
Total cash and investments	<u>\$ 14,869,439</u>	<u>\$ 3,037,759</u>	<u>\$ 17,907,198</u>

Cash and investments at June 30, 2017 consisted of the following:

Cash in hand (petty cash)	\$ 500
Demand deposits	228,051
Investments	<u>17,678,647</u>
Total cash and investments	<u>\$ 17,907,198</u>

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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	None	\$65,000,000
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 fiscal year ended June 30, 2017

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>	Remaining Maturity (in Years) <u>1 Year or Less</u>
Local Agency Investment Fund (LAIF)	\$ 16,537,311
Held by Fiscal Agent:	
Money market mutual funds	<u>1,141,336</u>
	<u>\$ 17,678,647</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>	Total as of June 30, 2017	Minimum Legal Rating	AAA	Not Rated
Local Agency Investment Fund (LAIF)	\$ 16,537,311	N/A	\$ -	\$ 16,537,311
Held by Fiscal Agent:				
Money market mutual funds	<u>1,141,336</u>	A	<u>1,141,336</u>	
	<u>\$ 17,678,647</u>		<u>\$ 1,141,336</u>	<u>\$ 16,537,311</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, 2017, 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 fiscal year ended June 30, 2017

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 fair 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, 2017, 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 \$1,141,336 of cash held by fiscal agent, \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$891,336 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, 2017 and are valued using quoted market prices (level 1 inputs). The City's investment in the State Investment Pool (LAIF) is exempt from fair value measurements disclosure.

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, 2017 the outstanding loan receivable is \$43,843.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance as of June 30, 2016	Additions	Deletions	Transfers	Balance as of June 30, 2017
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 6,233,216	\$ -	\$ -	\$ -	\$ 6,233,216
Construction in progress	5,848,839	560,568		(1,812,598)	4,596,809
Total nondepreciable capital assets	<u>12,082,055</u>	<u>560,568</u>		<u>(1,812,598)</u>	<u>10,830,025</u>
Depreciable capital assets					
Buildings	1,761,750			80,047	1,841,797
Improvements other than buildings	799,782			14,428	814,210
Automobile equipment	446,579				446,579
Office furniture and equipment	242,449				242,449
Other equipment	1,090,641		(249,110)	176,914	1,018,445
Infrastructure	14,336,851		(561,203)	1,541,209	15,316,857
Total depreciable capital assets	<u>18,678,052</u>		<u>(810,313)</u>	<u>1,812,598</u>	<u>19,680,337</u>
Less accumulated depreciation					
Buildings	(826,973)	(36,074)			(863,047)
Improvements other than buildings	(574,378)	(47,351)			(621,729)
Automobile equipment	(399,495)	(15,403)			(414,898)
Office furniture and equipment	(237,131)	(1,156)			(238,287)
Other equipment	(685,204)	(36,278)	49,822		(671,660)
Infrastructure	(3,945,408)	(550,303)	67,345		(4,428,366)
Total accumulated depreciation	<u>(6,668,589)</u>	<u>(686,565)</u>	<u>117,167</u>		<u>(7,237,987)</u>
Net depreciable capital assets	<u>12,009,463</u>	<u>(686,565)</u>	<u>(693,146)</u>	<u>1,812,598</u>	<u>12,442,350</u>
Net capital assets	<u>\$ 24,091,518</u>	<u>\$ (125,997)</u>	<u>\$ (693,146)</u>	<u>\$ -</u>	<u>\$ 23,272,375</u>

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

General government	\$ 26,455
Public works	559,696
Parks and recreation	95,733
Public safety	<u>4,681</u>
Total depreciation expense - governmental activities	<u>\$ 686,565</u>

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

4. CAPITAL ASSETS, Continued

Capital asset activity for the fiscal year ended June 30, 2017, was as follows (continued):

	Balance as of June 30, 2016	Additions	Deletions	Transfers	Balance as of June 30, 2017
Business-type Activities					
Depreciable capital assets					
Other equipment	\$ -	\$ 249,110	\$ -	\$ -	\$ 249,110
Infrastructure		561,203			561,203
Total depreciable capital assets		810,313			810,313
Less accumulated depreciation					
Other equipment		(62,278)			(62,278)
Infrastructure		(89,792)			(89,792)
Total accumulated depreciation		(152,070)			(152,070)
Net depreciable capital assets		658,243			658,243
Net capital assets	\$ -	\$ 658,243	\$ -	\$ -	\$ 658,243

Depreciation expense was charged to the Paid Parking enterprise fund.

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, 2017:

	Balance at June 30, 2016	Additions	Repayments	Balance at June 30, 2017	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 328,086	\$ 76,352	\$ (151,035)	\$ 253,403	\$ 10,670
OPEB	2,445,970	688,730	(334,664)	2,800,036	
Net pension liability	1,900,640	950,445	(245,432)	2,605,653	
Total	\$ 4,674,696	\$ 1,715,527	\$ (731,131)	\$ 5,659,092	\$ 10,670

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, 2017 was \$253,403.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2017, was as follows:

Due To / Due From Other Funds

At June 30, 2017, 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	<u>\$ 295,446</u>
		<u>\$ 295,446</u>

The above interfund balances resulted from temporary reclassifications made at June 30, 2017 to cover cash shortfalls.

Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 40,297
Non-major Governmental Funds	Paid Parking Enterprise Fund Major	558,082
Government-wide Governmental Activities	Paid Parking Enterprise Fund Major	595,238
	Non-major Governmental Funds	<u>5,105</u>
		<u>\$ 1,198,722</u>

The General Fund provided matching funds to the non-major Artesia Lighting District Special Revenue Fund. The non-major Hazard and Litigation Special Revenue Fund paid transfers to the non-major Safe Route to School Special Revenue Fund for the purpose of expenditure offset. The Paid Parking Enterprise Fund received transfers from the Paid Parking Special Revenue Fund as part of a reclassification of fund types. Transfers to the Paid Parking Enterprise Fund totaled \$1,153,320 and included fixed assets and capital lease payable from the primary government that was previously not recognized in the Paid Parking Special Revenue Fund.

7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Deficit Fund Balances

At June 30, 2017, the following funds had deficit fund balances:

Non-Major Special Revenue Fund:		
Artesia Lighting District	\$	(8,784)

The Special Revenue Fund with deficit fund balance will be reimbursed in future fiscal years for deficits incurred as part of its operations from the General Fund.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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 2017 as follows:

	<u>Actual</u> Amounts	<u>Budgeted</u> Amounts	<u>Excess</u> Expenditures Over Appropriations
Major Funds:			
General Fund:			
General government:			
City council	\$ 254,052	\$ 205,680	\$ 48,372
City attorney	550,423	219,044	331,379
City manager	286,493	283,237	3,256
Human resources/risk management	297,814	165,856	131,958
Business taxes & permits	44,597	18,948	25,649
City clerk/treasurer	212,782	206,625	6,157
Public safety	3,394,966	2,902,256	492,710
Parks and recreation:			
Community promotion	181,488	142,454	39,034
Park commission	21		21
Maintenance:			
Building and safety	259,363	143,061	116,302
Maintenance	546,221	394,540	151,681
Community development:			
Planning	436,360	409,475	26,885
Planning commission	800		800
Transfers out	40,297		40,297
Capital Projects:			
Capital outlay	70,456		70,456
Non-major Governmental Special Revenue Funds:			
Parks and Recreation Grants	298,590		298,590
C.O.P.S. Grant	100,031	100,000	31

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 fiscal year ended June 30, 2017

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, 2017, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
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

Proportionate
Share of Net

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of the City Miscellaneous Plan as follows:

Pension Liability:
\$ 2,605,653

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	City Miscellaneous Plan
Proportion - June 30, 2015	0.06597%
Proportion - June 30, 2016	0.07287%
Change - Increase (Decrease)	0.00690%

For the fiscal year ended June 30, 2017, the City recognized pension expense of \$102,746. At June 30, 2017, 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	\$ 99,359	\$ -
Net differences between projected and actual earnings on pension plan investments	305,057	
Differences based on actual experience	4,776	
Differences based on change of assumptions		(58,612)
Differences between actual vs proportionate contribution		(315,752)
Adjustment due to differences in proportions		(359,504)
Total	<u>\$ 409,192</u>	<u>\$ (733,868)</u>

\$99,359 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 fiscal year ending June 30, 2018. 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 fiscal year ended June 30, 2017

8. RETIREMENT PLANS, Continued

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

Fiscal Year Ended June 30,	
2018	\$ (331,777)
2019	(267,000)
2020	95,729
2021	79,013
Total	<u>\$ (424,035)</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2015
Actuarial Cost Method	June 30, 2016
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, 2015 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 fiscal year ended June 30, 2017

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	20.00%	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	1.00%	-0.55%	-1.05%
Total	100.00%		

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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	\$ 3,943,715
Current Discount Rate	7.65%
Net Pension Liability	\$ 2,605,653
1% Increase	8.65%
Net Pension Liability	\$ 1,364,028

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, 2017, the City had no outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2017.

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, 2017. 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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017, the City contributed \$193,213 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, 2016 actuarial valuation, the Annual Required Contribution (ARC) for the fiscal year ended June 30, 2017, was \$590,891. The following table shows the components of the City's annual OPEB cost for the fiscal 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	97,839
Adjustment to annual required contribution	<u>(141,451)</u>
Annual OPEB cost (expense)	547,279
Contributions made	<u>(193,213)</u>
Increase in net OPEB obligation	354,066
Net OPEB obligation - beginning of fiscal year	<u>2,445,970</u>
 Net OPEB obligation - end of fiscal year	 <u><u>\$ 2,800,036</u></u>

The City's annual OPEB cost, annual contribution, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding fiscal years are presented below.

Fiscal Year	Annual OPEB Cost	Actual Annual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 439,384	\$ 174,398	40%	\$ 2,068,932
6/30/2016	554,002	176,962	32%	2,445,970
6/30/2017	547,279	193,213	35%	2,800,036

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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017

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

B. Self-Insurance Programs of the Authority, Continued

Workers' Compensation Coverage, Continued:

For 2016-17 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 2016-17.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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 June 30,	Claims Payable (Receivable) July 1	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable (Receivable) June 30,
2015	\$ (223,822)	\$ 2,571	-	\$ (221,251)
2016	(221,251)	221,251	-	-
2017	-	-	-	-

11. 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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017

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 fiscal year ended June 30, 2017

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, 2017.

Long-Term Liabilities

Long-term liabilities activity for the year ended June 30, 2017 was as follows:

	Balance at June 30, 2016	Additions	Repayments	Balance at June 30, 2017	Due Within One Year
2007 Tax Allocation Bonds	\$ 11,595,000	\$ -	\$ (215,000)	\$ 11,380,000	\$ 225,000
Less: Issuance Discount	(215,305)	8,151		(207,154)	(8,151)
2009 Housing Tax Allocation Bonds	3,285,000		(30,000)	3,255,000	35,000
Total	<u>\$ 14,664,695</u>	<u>\$ 8,151</u>	<u>\$ (245,000)</u>	<u>\$ 14,427,846</u>	<u>\$ 251,849</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, 2017 was \$11,380,000.

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2017 was \$207,154.

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 \$21,277,332. Principal and interest paid for the current year was \$851,790.

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

12. SUCCESSOR AGENCY DISCLOSURES, Continued

Long-Term Liabilities, Continued

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 225,000	\$ 626,020	\$ 851,020
2019	240,000	614,556	854,556
2020	250,000	602,134	852,134
2021	260,000	589,216	849,216
2022	275,000	575,760	850,760
2023 - 2027	1,615,000	2,637,114	4,252,114
2028 - 2032	2,115,000	2,140,950	4,255,950
2033 - 2037	2,770,000	1,485,430	4,255,430
2038 - 2042	3,630,000	626,152	4,256,152
Totals	\$ 11,380,000	\$ 9,897,332	\$ 21,277,332

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, 2017 was \$3,255,000.

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 \$8,219,206. Principal and interest paid for the current year was \$282,945.

The annual requirements to amortize the 2009 Housing Tax Allocation Bonds outstanding at June 30, 2017, are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 35,000	\$ 250,636	\$ 285,636
2019	35,000	247,940	282,940
2020	40,000	245,246	285,246
2021	40,000	242,166	282,166
2022	45,000	239,086	284,086
2023 - 2027	280,000	1,138,062	1,418,062
2028 - 2032	405,000	1,012,552	1,417,552
2033 - 2037	585,000	830,834	1,415,834
2038 - 2042	845,000	568,646	1,413,646
2043 - 2046	945,000	189,038	1,134,038
Totals	\$ 3,255,000	\$ 4,964,206	\$ 8,219,206

City of Artesia
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2017

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, 2017, the City did not have any commitments and, in the opinion of City management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the City.

15. PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$43,843 was posted to the Capital Projects Fund due to the overstatement of deferred revenues in the prior fiscal year.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017**

Cost Sharing Defined Benefit Pension Plans

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Proportion of the net pension liability	0.07287%	0.06597%	0.08779%
Proportionate share of the net pension liability	\$ 2,605,653	\$ 1,900,640	\$ 2,169,712
Covered-employee payroll	\$ 1,456,843	\$ 1,437,166	\$ 1,562,635
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	178.86%	132.25%	138.85%
Plan's fiduciary net position	\$ 10,016,378	\$ 10,661,524	\$ 10,323,534
Plan's total pension liability	\$ 12,622,031	\$ 12,562,164	\$ 12,493,246
Plan fiduciary net position as a percentage of total pension liability	79.36%	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 changed to 7.65% during previous fiscal year.

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

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017**

Cost Sharing Defined Benefit Pension Plans

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractual required contribution (actuarially determined)	\$ 99,359	\$ 102,746	\$ 122,602
Contributions in relation to the actuarially determined contributions	<u>(99,359)</u>	<u>(102,746)</u>	<u>(122,602)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,456,843	\$ 1,437,166	\$ 1,562,635
Contributions as a percentage of covered employee payroll	6.82%	7.15%	7.85%

Notes to Schedule

Valuation Date: June 30, 2015

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 three years are shown.

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2017**

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, 2017

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: Hazard & Litigation, MAP 21 Exchange, Billboard, Sheriff, and Safe Route to School.

City of Artesia
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 9,014,745	\$ 9,014,745	\$ 9,014,745	\$ -
Resources (inflows):				
Taxes	7,025,373	7,025,373	6,689,339	(336,034)
Licenses and permits	467,275	467,275	473,916	6,641
Intergovernmental			894,202	894,202
Charges for services	341,837	341,837	235,549	(106,288)
Use of money and property	205,210	205,210	219,304	14,094
Fines and forfeitures	46,000	46,000	163,675	117,675
Developer fees	100,000	100,000	69,713	(30,287)
Other revenues	342,950	342,950	36,306	(306,644)
Transfers in	103,000	103,000		(103,000)
Amount available for appropriation	<u>8,631,645</u>	<u>8,631,645</u>	<u>8,782,004</u>	<u>150,359</u>
Charges to appropriations (outflows):				
General government:				
City council	205,680	205,680	254,052	(48,372)
City attorney	219,044	219,044	550,423	(331,379)
City manager	283,237	283,237	286,493	(3,256)
General operations	124,354	124,354	92,866	31,488
Human Resources/risk management	165,856	165,856	297,814	(131,958)
Business taxes & permits	18,948	18,948	44,597	(25,649)
City Clerk/Treasurer	206,625	206,625	212,782	(6,157)
Administrative services	850,797	850,797	682,136	168,661
Total general government	<u>2,074,541</u>	<u>2,074,541</u>	<u>2,421,163</u>	<u>(346,622)</u>
Public safety	<u>2,902,256</u>	<u>2,902,256</u>	<u>3,394,966</u>	<u>(492,710)</u>
Parks and recreation:				
Community promotion	142,454	142,454	181,488	(39,034)
Parks/recreation	966,449	966,449	944,750	21,699
Park commission			21	(21)
Total parks and recreation	<u>1,108,903</u>	<u>1,108,903</u>	<u>1,126,259</u>	<u>(17,356)</u>
Public Works:				
Building and safety	143,061	143,061	259,363	(116,302)
Maintenance	394,540	394,540	546,221	(151,681)
Public works	33,840	33,840		33,840
Storm Water Management	170,701	170,701	65,193	105,508
City engineer	28,800	28,800		28,800
Total public works	<u>770,942</u>	<u>770,942</u>	<u>870,777</u>	<u>(99,835)</u>

See accompanying note to required supplementary information.

City of Artesia
Budgetary Comparison Schedule
General Fund, Continued
For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Charges to appropriations (outflows) (continued):				
Community development:				
Planning	\$ 409,475	\$ 409,475	\$ 436,360	\$ (26,885)
Planning commission			800	(800)
Economic Development	297,273	297,273	61,437	235,836
Total community development	706,748	706,748	498,597	208,151
Transfers out			40,297	(40,297)
Total charges to appropriations	7,563,390	7,563,390	8,352,059	(788,669)
Excess of resources over charges to appropriations	1,068,255	1,068,255	429,945	(638,310)
Fund balance, June 30	\$ 10,083,000	\$ 10,083,000	\$ 9,444,690	\$ (638,310)

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 fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1, restated	\$ 794,704	\$ 794,704	\$ 794,704	\$ -
Resources (inflows):				
Charges for Services	25,000	25,000	21,539	(3,461)
Use of Money and Property	3,670	3,670	4,608	938
Transfer in			1,283,731	1,283,731
Amount available for appropriation	28,670	28,670	1,309,878	1,281,208
Charges to appropriations (outflows):				
Capital outlay			70,456	(70,456)
Total charges to appropriations			70,456	(70,456)
Excess of resources over (under) charges to appropriations	28,670	28,670	1,239,422	1,210,752
Fund balance, June 30	\$ 823,374	\$ 823,374	\$ 2,034,126	\$ 1,210,752

This page intentionally left blank

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.

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

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

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

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.

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

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.

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. This fund has been reclassified as an enterprise fund.

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.

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)

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.

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.

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.

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue								
	State Gas Tax	Federal STP-L	Proposition A	Parks & Recreation Grants	Proposition C	Air Quality	Hazard & Litigation Fund	California Beverage Recycling	Artesia Lighting District
ASSETS									
Cash and investments	\$ 97,886	\$ 59,197	\$ 746,629	\$ -	\$ 329,628	\$ 103,544	\$ 575,323	\$ 34,657	\$ -
Receivables:									
Accounts	2,521			300,000		5,480	3,500		3,010
Prepaid									
Total assets	\$ 100,407	\$ 59,197	\$ 746,629	\$ 300,000	\$ 329,628	\$ 109,024	\$ 578,823	\$ 34,657	\$ 3,010
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 8,676	\$ -	\$ 32,509	\$ 3,144	\$ 6,022	\$ -	\$ -	\$ -	\$ 11,794
Accrued liabilities	2,294		1,269		761				
Deposit payable									
Due to other funds				295,446					
Total liabilities	10,970		33,778	298,590	6,783				11,794
Deferred Inflow of Resources:									
Unavailable revenues							15,780		
Total deferred inflow of resources							15,780		
Fund Balances:									
Restricted for:									
Street projects	89,437	59,197							
Transportation projects			712,851		322,845				
Housing projects									
Air quality projects						109,024	563,043	34,657	
Parks and recreation				1,410					
Public safety									
Unassigned									(8,784)
Total fund balances	89,437	59,197	712,851	1,410	322,845	109,024	563,043	34,657	(8,784)
Total liabilities, deferred inflows and fund balances	\$ 100,407	\$ 59,197	\$ 746,629	\$ 300,000	\$ 329,628	\$ 109,024	\$ 578,823	\$ 34,657	\$ 3,010

(Continued)

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2017

	Special Revenue								Total Other Governmental Funds
	Paid Parking	MAP 21 Exchange	Billboard	Sheriff	C.O.P.S Grant	Safe Route to School	Measure R	Housing Authority	
ASSETS									
Pooled cash and investments	\$ -	\$ 163,562	\$ 89,187	\$ 409	\$ -	\$ -	\$ 198,598	\$ 444,586	\$ 2,843,206
Receivables:									
Accounts									314,511
Prepaid							7,063		7,063
Total assets	<u>\$ -</u>	<u>\$ 163,562</u>	<u>\$ 89,187</u>	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,661</u>	<u>\$ 444,586</u>	<u>\$ 3,164,780</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ -	\$ 89	\$ 11,925	\$ -	\$ -	\$ -	\$ -	\$ 50	\$ 74,209
Accrued liabilities									4,324
Deposit payable								61,895	61,895
Due to other funds									295,446
Total liabilities		89	11,925					61,945	435,874
Deferred Inflow of Resources:									
Unavailable revenues									15,780
Total deferred inflow of resources									15,780
Fund Balances:									
Restricted for:									
Street projects									148,634
Transportation projects		163,473	77,262				205,661		1,482,092
Housing projects								382,641	382,641
Air quality projects									706,724
Parks and recreation									1,410
Public safety				409					409
Unassigned									(8,784)
Total fund balances		163,473	77,262	409			205,661	382,641	2,713,126
Total liabilities, deferred inflows and fund balances	<u>\$ -</u>	<u>\$ 163,562</u>	<u>\$ 89,187</u>	<u>\$ 409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,661</u>	<u>\$ 444,586</u>	<u>\$ 3,164,780</u>

(Concluded)

City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2017

	Special Revenue								
	State Gas Tax	Federal STP-L	Proposition A	Parks & Recreation Grants	Proposition C	Air Quality	Hazard & Litigation Fund	California Beverage Recycling	Artesia Lighting District
REVENUES:									
Taxes	\$ -	\$ -	\$ 307,450	\$ -	\$ 255,423	\$ -	\$ -	\$ -	\$ 135,871
Intergovernmental	324,325			344,864		21,560	3,500	5,000	
Use of money and property	537	332	4,100		1,767	554	3,276	190	
Other	4,769								
Total revenues	329,631	332	311,550	344,864	257,190	22,114	6,776	5,190	135,871
EXPENDITURES:									
Current:									
General government								1,002	
Public safety									
Parks and recreation			165,355	125					
Public works	353,242				56,435	17,398			
Community Development									168,476
Capital outlay				298,465	103,535				
Total expenditures	353,242		165,355	298,590	159,970	17,398		1,002	168,476
REVENUES OVER (UNDER) EXPENDITURES	(23,611)	332	146,195	46,274	97,220	4,716	6,776	4,188	(32,605)
OTHER FINANCING SOURCES (USES):									
Transfers in									40,297
Transfers out							(5,105)		
Total other financing sources (uses)							(5,105)		40,297
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(23,611)	332	146,195	46,274	97,220	4,716	1,671	4,188	7,692
FUND BALANCES:									
Beginning of fiscal year	113,048	58,865	566,656	(44,864)	225,625	104,308	561,372	30,469	(16,476)
End of fiscal year	\$ 89,437	\$ 59,197	\$ 712,851	\$ 1,410	\$ 322,845	\$ 109,024	\$ 563,043	\$ 34,657	\$ (8,784)

City of Artesia
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds, Continued
For the fiscal year ended June 30, 2017

	Special Revenue								Total Other Governmental Funds
	Paid Parking	MAP 21 Exchange	Billboard	Sheriff	C.O.P.S. Grant	Safe Route to School	Measure R	Housing Authority	
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,313	\$ -	\$ 890,057
Intergovernmental		291,700	100,160		100,000	8,384			1,199,493
Use of money and property		1,436	522	3			995	80,707	94,419
Other									4,769
Total revenues		<u>293,136</u>	<u>100,682</u>	<u>3</u>	<u>100,000</u>	<u>8,384</u>	<u>192,308</u>	<u>80,707</u>	<u>2,188,738</u>
EXPENDITURES:									
Current:									
General government			22,320						23,322
Public safety					100,031				100,031
Parks and recreation									165,480
Public works							30,650		457,725
Community Development								374	168,850
Capital outlay		185,581	1,125				20,000		608,706
Total expenditures		<u>185,581</u>	<u>23,445</u>		<u>100,031</u>		<u>50,650</u>	<u>374</u>	<u>1,524,114</u>
REVENUES OVER (UNDER) EXPENDITURES		<u>107,555</u>	<u>77,237</u>	<u>3</u>	<u>(31)</u>	<u>8,384</u>	<u>141,658</u>	<u>80,333</u>	<u>664,624</u>
OTHER FINANCING SOURCES (USES):									
Transfers in						5,105			45,402
Transfers out	(558,082)								(563,187)
Total other financing sources (uses)	<u>(558,082)</u>					<u>5,105</u>			<u>(517,785)</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(558,082)</u>	<u>107,555</u>	<u>77,237</u>	<u>3</u>	<u>(31)</u>	<u>13,489</u>	<u>141,658</u>	<u>80,333</u>	<u>146,839</u>
FUND BALANCES:									
Beginning of fiscal year	558,082	55,918	25	406	31	(13,489)	64,003	302,308	2,566,287
End of fiscal year	\$ -	\$ 163,473	\$ 77,262	\$ 409	\$ -	\$ -	\$ 205,661	\$ 382,641	\$ 2,713,126

City of Artesia

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

State Gas Tax

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 113,048	\$ 113,048	\$ 113,048	\$ -
Resources (inflows):				
Intergovernmental	435,521	435,521	324,325	(111,196)
Use of money and property	1,000	1,000	537	(463)
Other	4,500	4,500	4,769	269
Amount available for appropriation	441,021	441,021	329,631	(111,390)
Charges to appropriations (outflows):				
Public Works	441,022	441,022	353,242	87,780
Transfer Out	118,575	118,575		118,575
Total charges to appropriations	559,597	559,597	353,242	206,355
Excess of resources over (under) charges to appropriations	(118,576)	(118,576)	(23,611)	94,965
Fund balance, June 30	\$ (5,528)	\$ (5,528)	\$ 89,437	\$ 94,965

City of Artesia

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

Federal STP-L

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 58,865	\$ 58,865	\$ 58,865	\$ -
Resources (inflows):				
Use of money and property	250	250	332	82
Amount available for appropriation	250	250	332	82
Excess of resources over (under) charges to appropriations	250	250	332	82
Fund balance, June 30	\$ 59,115	\$ 59,115	\$ 59,197	\$ 82

City of Artesia

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

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 566,656	\$ 566,656	\$ 566,656	\$ -
Resources (inflows):				
Taxes	309,759	309,759	307,450	(2,309)
Intergovernmental	6,356	6,356		(6,356)
Use of money and property	1,000	1,000	4,100	3,100
Amount available for appropriation	317,115	317,115	311,550	(5,565)
Charges to appropriations (outflows):				
Parks and recreation	317,115	317,115	165,355	151,760
Total charges to appropriations	317,115	317,115	165,355	151,760
Excess of resources over (under) charges to appropriations			146,195	146,195
Fund balance, June 30	\$ 566,656	\$ 566,656	\$ 712,851	\$ 146,195

City of Artesia

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

Parks & Recreation Grants

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (44,864)	\$ (44,864)	\$ (44,864)	\$ -
Resources (inflows):				
Intergovernmental	47,000	47,000	344,864	297,864
Amount available for appropriation	47,000	47,000	344,864	297,864
Charges to appropriations (outflows):				
Parks and recreation			125	(125)
Capital outlay			298,465	(298,465)
Total charges to appropriations			298,590	(298,590)
Excess of resources over (under) charges to appropriations	47,000	47,000	46,274	(726)
Fund balance, June 30	\$ 2,136	\$ 2,136	\$ 1,410	\$ (726)

City of Artesia

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

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 225,625	\$ 225,625	\$ 225,625	\$ -
Resources (inflows):				
Taxes	257,311	257,311	255,423	(1,888)
Use of money and property	100	100	1,767	1,667
Amount available for appropriation	257,411	257,411	257,190	(221)
Charges to appropriations (outflows):				
Public works	104,095	104,095	56,435	47,660
Capital outlay	125,000	125,000	103,535	21,465
Total charges to appropriations	229,095	229,095	159,970	69,125
Excess of resources over (under) charges to appropriations	28,316	28,316	97,220	68,904
Fund balance, June 30	\$ 253,941	\$ 253,941	\$ 322,845	\$ 68,904

City of Artesia

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

Air Quality

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 104,308	\$ 104,308	\$ 104,308	\$ -
Resources (inflows):				
Intergovernmental	20,000	20,000	21,560	1,560
Use of money and property	280	280	554	274
Amount available for appropriation	20,280	20,280	22,114	1,834
Charges to appropriations (outflows):				
Public works	11,500	11,500	17,398	(5,898)
Capital outlay	30,000	30,000		30,000
Total charges to appropriations	41,500	41,500	17,398	24,102
Excess of resources over (under) charges to appropriations	(21,220)	(21,220)	4,716	25,936
Fund balance, June 30	\$ 83,088	\$ 83,088	\$ 109,024	\$ 25,936

City of Artesia

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

California Beverage Recycling

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 30,469	\$ 30,469	\$ 30,469	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	5,000	
Use of money and property	60	60	190	130
Amount available for appropriation	5,060	5,060	5,190	130
Charges to appropriations (outflows):				
General government	2,500	2,500	1,002	1,498
Total charges to appropriations	2,500	2,500	1,002	1,498
Excess of resources over (under) charges to appropriations	2,560	2,560	4,188	1,628
Fund balance, June 30	\$ 33,029	\$ 33,029	\$ 34,657	\$ 1,628

City of Artesia

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

Artesia Lighting District

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (16,476)	\$ (16,476)	\$ (16,476)	\$ -
Resources (inflows):				
Taxes	138,109	138,115	135,871	(2,244)
Transfers in	42,491	42,491	40,297	(2,194)
Amount available for appropriation	180,600	180,606	176,168	(4,438)
Charges to appropriations (outflows):				
Community development	180,600	180,600	168,476	12,124
Total charges to appropriations	180,600	180,600	168,476	12,124
Excess of resources over (under) charges to appropriations		6	7,692	7,686
Fund balance, June 30	\$ (16,476)	\$ (16,470)	\$ (8,784)	\$ 7,686

City of Artesia

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

C.O.P.S. Grant

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 31	\$ 31	\$ 31	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	100,000	
Amount available for appropriation	100,000	100,000	100,000	
Charges to appropriations (outflows):				
Public safety	100,000	100,000	100,031	(31)
Total charges to appropriations	100,000	100,000	100,031	(31)
Excess of resources over (under) charges to appropriations			(31)	(31)
Fund balance, June 30	\$ 31	\$ 31	\$ -	\$ (31)

City of Artesia

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

Measure R

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 64,003	\$ 64,003	\$ 64,003	\$ -
Resources (inflows):				
Taxes	188,000	188,000	191,313	3,313
Use of money and property			995	995
Amount available for appropriation	188,000	188,000	192,308	4,308
Charges to appropriations (outflows):				
Public works	6,142	6,142	30,650	(24,508)
Capital outlay	181,858	181,858	20,000	161,858
Total charges to appropriations	188,000	188,000	50,650	137,350
Excess of resources over (under) charges to appropriations			141,658	141,658
Fund balance, June 30	\$ 64,003	\$ 64,003	\$ 205,661	\$ 141,658

City of Artesia

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

Housing Authority

For the fiscal year ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 302,308	\$ 302,308	\$ 302,308	\$ -
Resources (inflows):				
Use of money and property	71,770	71,770	80,707	8,937
Amount available for appropriation	71,770	71,770	80,707	8,937
Charges to appropriations (outflows):				
Community development	86,789	86,789	374	86,415
Total charges to appropriations	86,789	86,789	374	86,415
Excess of resources over (under) charges to appropriations	(15,019)	(15,019)	80,333	95,352
Fund balance, June 30	\$ 287,289	\$ 287,289	\$ 382,641	\$ 95,352

This page intentionally left blank

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.

This page intentionally left blank

City of Artesia
Combining Balance Sheet
All Agency Funds
June 30, 2017

	Trust and Agency	George Nelson Memorial	Senior Citizens	Total
ASSETS				
Cash and investments	\$ 1,147,923	\$ 2,425	\$ 7,272	\$ 1,157,620
Accounts receivable	16,370			16,370
Total assets	<u>\$ 1,164,293</u>	<u>\$ 2,425</u>	<u>\$ 7,272</u>	<u>\$ 1,173,990</u>
LIABILITIES				
Accounts payable	\$ 85,689	\$ -	\$ -	\$ 85,689
Deposits payable	1,078,604	2,425	7,272	1,088,301
Total liabilities	<u>\$ 1,164,293</u>	<u>\$ 2,425</u>	<u>\$ 7,272</u>	<u>\$ 1,173,990</u>

City of Artesia
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2017

	Balance July 1, 2016	Addition	Deductions	Balance June 30, 2017
Trust and Agency				
Assets:				
Cash and investments	\$ 419,123	\$ 788,619	\$ (59,819)	\$ 1,147,923
Accounts receivable	14,137	16,370	(14,137)	16,370
Total assets	\$ 433,260	\$ 804,989	\$ (73,956)	\$ 1,164,293
Liabilities:				
Account payable	\$ 59,819	\$ 85,689	\$ (59,819)	\$ 85,689
Deposits payable	373,441	719,300	(14,137)	1,078,604
Total liabilities	\$ 433,260	\$ 804,989	\$ (73,956)	\$ 1,164,293
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	\$ 201	\$ -	\$ 7,272
Total assets	\$ 7,071	\$ 201	\$ -	\$ 7,272
Liabilities:				
Deposits payable	\$ 7,071	\$ 201	\$ -	7,272
Total liabilities	\$ 7,071	\$ 201	\$ -	\$ 7,272
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 428,619	\$ 788,820	\$ (59,819)	\$ 1,157,620
Accounts receivable	14,137	16,370	(14,137)	16,370
Total assets	\$ 442,756	\$ 805,190	\$ (73,956)	\$ 1,173,990
Liabilities:				
Account payable	\$ 59,819	\$ 85,689	\$ (59,819)	\$ 85,689
Deposits payable	382,937	719,501	(14,137)	1,088,301
Total liabilities	\$ 442,756	\$ 805,190	\$ (73,956)	\$ 1,173,990

**STATISTICAL SECTION
(UNAUDITED)**

This page intentionally left blank

DESCRIPTION OF STATISTICAL SECTION CONTENTS

June 30, 2017

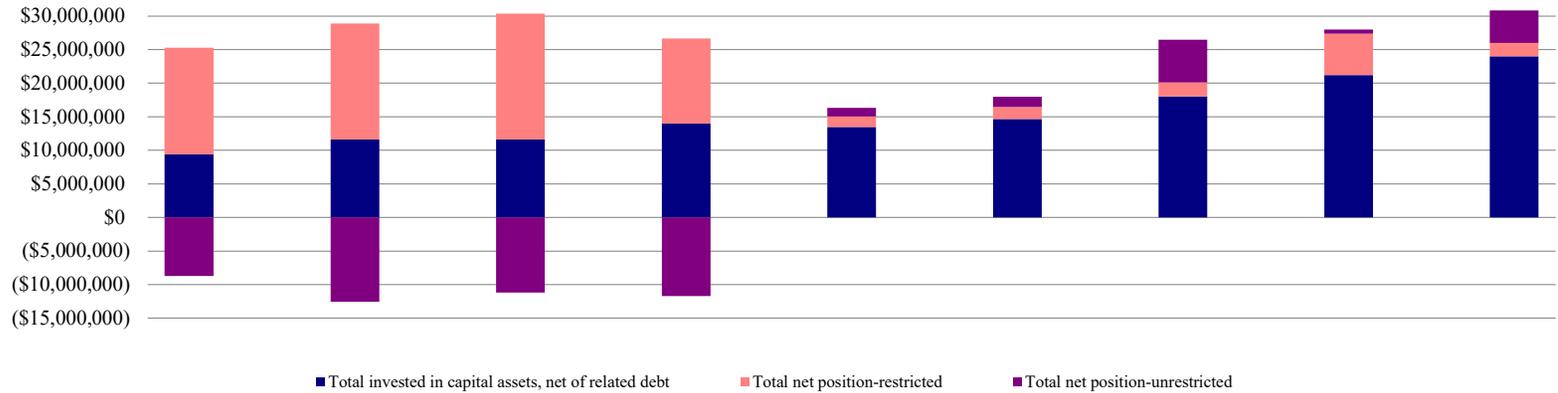
This part of the City of Artesia's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

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

This page intentionally left blank

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 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	\$ 23,272,375
Restricted	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	2,158,867
Unrestricted	(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	6,065,087
Total governmental activities net position	<u>\$ 16,595,715</u>	<u>\$ 16,316,026</u>	<u>\$ 14,822,791</u>	<u>\$ 14,948,321</u>	<u>\$ 16,312,428</u>	<u>\$ 17,975,970</u>	<u>\$ 26,476,269</u>	<u>\$ 27,990,656</u>	<u>\$ 30,792,077</u>	<u>\$ 31,496,329</u>
Business-type activities										
Unrestricted	-	-	-	-	-	-	-	34,207	56,125	1,622,820
Total business-type activities net assets	<u>\$ -</u>	<u>\$ 34,207</u>	<u>\$ 56,125</u>	<u>\$ 1,622,820</u>						
Total net assts										
Invested in capital assets, net of related debt	\$ 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	\$ 23,272,375
Restricted	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	2,158,867
Unrestricted	(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	7,687,907
Total net assets	<u>\$ 16,595,715</u>	<u>\$ 16,316,026</u>	<u>\$ 19,153,469</u>	<u>\$ 14,948,321</u>	<u>\$ 16,312,428</u>	<u>\$ 17,975,970</u>	<u>\$ 26,476,269</u>	<u>\$ 28,024,863</u>	<u>\$ 30,848,202</u>	<u>\$ 33,119,149</u>



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

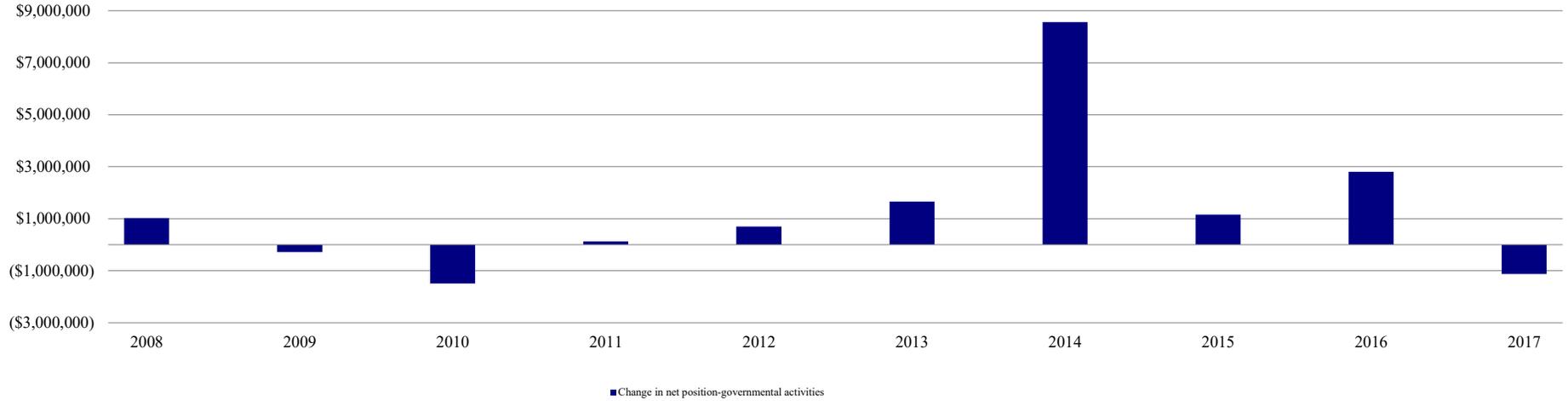
	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 4,724,668	\$ 5,797,704	\$ 4,050,337	\$ 3,537,799	\$ 3,459,101	\$ 3,447,935	\$ 3,321,825	\$ 1,657,600	\$ 2,458,793	\$ 2,641,676
Public safety	3,146,086	2,850,309	2,879,604	3,014,888	2,818,829	3,022,296	3,037,611	3,211,801	3,376,566	3,515,581
Parks and recreation	796,500	805,921	909,739	602,972	683,811	766,838	1,068,250	1,486,853	1,258,541	1,428,523
Public works	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	2,110,642
Community development	-	-	1,426,233	1,046,512	604,593	328,021	377,481	526,250	578,618	746,761
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	<u>10,579,931</u>	<u>11,532,962</u>	<u>11,980,688</u>	<u>10,790,129</u>	<u>9,863,595</u>	<u>9,198,544</u>	<u>9,259,703</u>	<u>9,156,331</u>	<u>9,996,224</u>	<u>10,443,183</u>
Business-type activities:										
Residential refuse	-	-	-	-	-	-	-	905,433	376,870	-
Parking	-	-	-	-	-	-	-	-	-	162,474
Artesia Town Center	-	-	-	-	-	-	-	-	-	156,476
Total business-type activities expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,433</u>	<u>376,870</u>	<u>318,950</u>
Total expenses	<u>\$ 10,579,931</u>	<u>\$ 11,532,962</u>	<u>\$ 11,980,688</u>	<u>\$ 10,790,129</u>	<u>\$ 9,863,595</u>	<u>\$ 9,198,544</u>	<u>\$ 9,259,703</u>	<u>\$ 10,061,764</u>	<u>\$ 10,373,094</u>	<u>\$ 10,762,133</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 880,156	\$ 451,247	\$ 407,894	\$ 345,978	\$ 415,865	\$ 349,938	\$ 494,057	\$ 60,149	\$ 551,206	\$ 686,391
Public safety	277,347	171,507	217,377	291,133	325,013	320,635	321,167	531,064	762,385	245,713
Parks and recreation	55,403	52,844	56,766	49,634	58,255	50,469	73,298	63,909	74,013	62,575
Public works	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	69,714
Operating grants and contributions	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	1,294,978
Capital grants and contributions	150,000	82,319	100,045	-	-	-	6,622,466	183,881	-	675,007
Total governmental activities program revenues	<u>4,138,594</u>	<u>3,472,769</u>	<u>3,510,153</u>	<u>3,506,772</u>	<u>3,877,324</u>	<u>4,597,563</u>	<u>11,393,348</u>	<u>3,414,788</u>	<u>3,452,126</u>	<u>3,034,378</u>
Business-type activities:										
Charges for services - Residential Refuse	-	-	-	-	-	-	-	939,640	398,788	7,577
Charges for services - Parking	-	-	-	-	-	-	-	-	-	238,450
Charges for services - Artesia Towne Center	-	-	-	-	-	-	-	-	-	486,297
Total business-type activities program revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>939,640</u>	<u>398,788</u>	<u>732,324</u>
Total program revenues	<u>\$ 4,138,594</u>	<u>\$ 3,472,769</u>	<u>\$ 3,510,153</u>	<u>\$ 3,506,772</u>	<u>\$ 3,877,324</u>	<u>\$ 4,597,563</u>	<u>\$ 11,393,348</u>	<u>\$ 4,354,428</u>	<u>\$ 3,850,914</u>	<u>\$ 3,766,702</u>
Net (expense) revenue										
Total net expense	<u>\$ (6,441,337)</u>	<u>\$ (8,060,193)</u>	<u>\$ (8,470,535)</u>	<u>\$ (7,283,357)</u>	<u>\$ (5,986,271)</u>	<u>\$ (4,600,981)</u>	<u>\$ 2,133,645</u>	<u>\$ (5,707,336)</u>	<u>\$ (6,522,180)</u>	<u>\$ (6,995,431)</u>
General revenues										
Taxes:										
Property taxes, levied for general purpose	\$ 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	\$ 186,489
Transient occupancy taxes	242,750	220,564	254,427	366,238	426,305	450,334	443,121	535,124	553,188	512,631
Sales taxes	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	3,784,651
Franchise taxes	310,621	343,716	349,210	373,187	369,695	369,843	390,601	407,926	2,696,612	706,034
Business license taxes	425,672	352,770	334,561	350,242	313,075	423,944	446,017	479,678	518,569	545,391
Other taxes	22,330	163,177	149,787	164,138	123,587	129,450	93,087	163,526	192,493	176,636
Motor vehicle in lieu, intergovernmental	76,534	113,801	133,338	167,967	-	-	-	-	-	-
Motor vehicle licence fee collection in excess	-	-	-	-	8,711	9,026	7,470	7,216	6,798	7,563
Use of money and property	385,527	857,948	560,596	445,762	481,177	336,232	335,972	436,094	548,037	318,332
Other	30,090	95,452	120,226	70,435	62,216	215,319	123,984	70,907	12,686	41,075
Total governmental activities	<u>7,463,609</u>	<u>7,780,504</u>	<u>6,977,300</u>	<u>7,408,887</u>	<u>6,688,544</u>	<u>6,264,523</u>	<u>6,424,377</u>	<u>6,895,254</u>	<u>9,345,519</u>	<u>6,278,802</u>

(Continued)

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

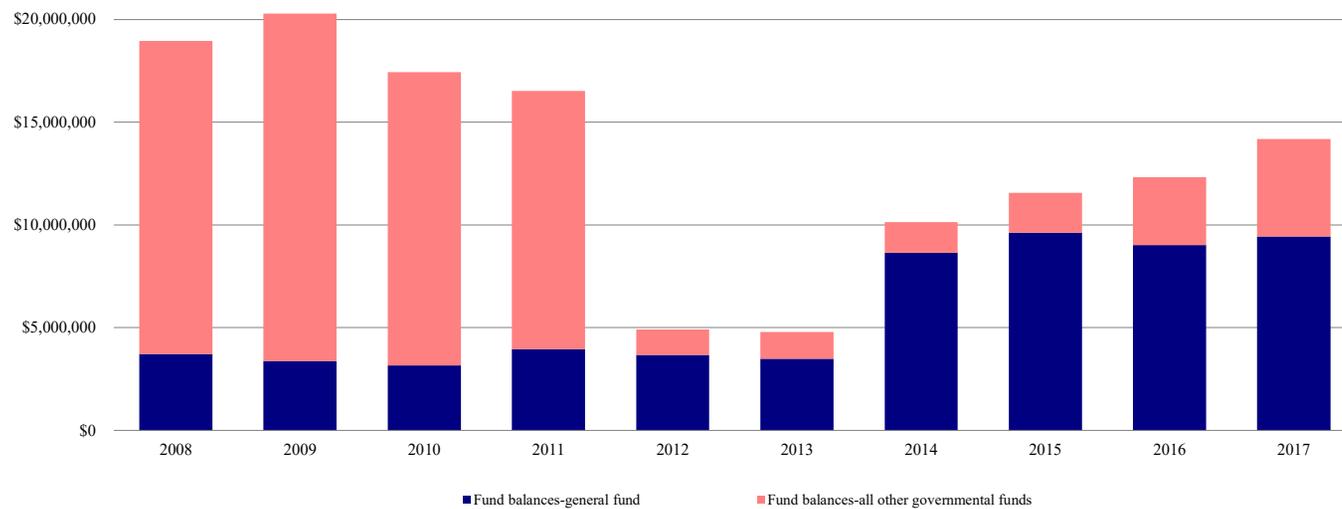
(Continued)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Change in net position										
Governmental activities	\$ 1,022,272	\$ (279,689)	\$ (1,493,235)	\$ 125,530	\$ 702,273	\$ 1,663,542	\$ 8,558,022	\$ 1,153,711	\$ 2,801,421	\$ (1,130,003)
Business-type activities	-	-	-	-	-	-	-	34,207	21,918	413,374
Total changes in net position	<u>\$ 1,022,272</u>	<u>\$ (279,689)</u>	<u>\$ (1,493,235)</u>	<u>\$ 125,530</u>	<u>\$ 702,273</u>	<u>\$ 1,663,542</u>	<u>\$ 8,558,022</u>	<u>\$ 1,187,918</u>	<u>\$ 2,823,339</u>	<u>\$ (716,629)</u>



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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Reserved	\$ 47,811	\$ 5,631	\$ 221,722							
Unreserved	-	3,367,203	2,930,021							
Undesignated	3,679,105									
Nonspendable				\$ 222,888	\$ 259,370	\$ 300,557	\$ 46,486	\$ 59,725	\$ 19,505	\$ 29,805
Restricted				-	-	-	-	3,504,933	-	-
Committed				731,555	731,555	1,387,664	1,715,726	2,328,476	6,400,000	6,400,000
Assigned				-	-	-	326,375	301,000	2,595,240	4,689,393
Unassigned				3,007,803	2,691,563	1,798,957	6,557,352	3,434,199	-	(1,674,508)
Total general fund	\$ 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	\$ 9,444,690
All other governmental funds										
Reserved	\$ 78,520	\$ 71,603	\$ 68,133							
Designated	14,019,296	16,072,413	13,176,510							
Unreserved, reported in:										
Special revenue funds	1,520,599	777,509	938,097							
Capital projects funds	65,290	(4,618)	106,697							
Debt service funds										
Undesignated	(455,280)									
Restricted				\$ 12,613,969	\$ 1,493,205	\$ 1,611,623	\$ 1,983,243	\$ 2,647,004	\$ 2,641,091	\$ 2,721,910
Assigned				48,979	74,390	102,124	130,847	-	-	-
Unassigned				(98,326)	(332,228)	(408,860)	(614,489)	(715,887)	676,056	2,025,342
Total all other governmental funds	\$ 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	\$ 4,747,252



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

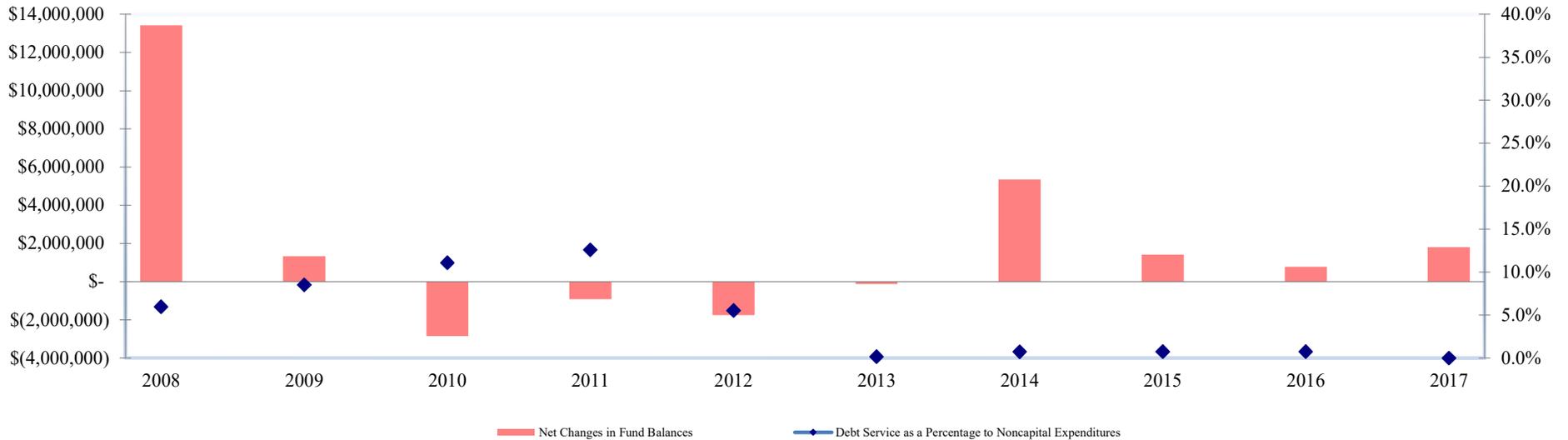
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 7,014,670	\$ 6,827,104	\$ 5,937,266	\$ 6,886,990	\$ 6,145,150	\$ 5,712,971	\$ 5,998,069	\$ 6,388,250	\$ 8,784,799	\$ 7,579,396
Licenses and permits	626,353	399,256	367,579	281,502	295,771	251,690	372,566	424,061	542,950	473,916
Intergovernmental	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	3,377,426
Charges for services	869,605	916,007	1,447,286	997,527	1,081,477	1,107,860	1,332,860	610,409	1,046,288	257,088
Use of money and property	584,263	859,332	559,599	442,290	481,176	326,205	330,117	436,087	548,034	318,331
Fines and forfeitures	278,282	171,507	217,377	291,133	324,477	318,726	321,167	70,913	40,883	163,675
Developer fees	20,935	25,300	22,894	36,475	47,668	42,539	153,495	47,667	58,606	69,713
Other	15,657	94,068	51,770	68,609	62,218	220,730	44,838	70,920	12,685	41,075
Reimbursement from successor agency	-	-	-	-	-	-	4,589,021	183,881	-	-
Total revenues	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	12,280,620
Expenditures										
General government	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	2,339,459
Public safety	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	3,494,997
Parks and recreation	708,763	722,428	722,803	530,390	527,010	610,943	921,798	1,354,629	1,115,548	1,290,766
Maintenance	-	-	-	-	-	-	-	-	945,292	-
Public works	1,316,719	531,454	1,185,020	1,008,256	945,914	1,234,983	1,001,938	1,373,756	422,054	1,267,791
Community development	-	-	1,424,415	1,044,694	603,533	328,021	377,481	526,250	578,618	746,761
Capital outlay	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	766,558
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	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	9,906,332
Excess of revenues over (under) expenditures	777,949	(2,135,600)	(2,848,561)	(925,812)	(1,752,488)	(125,790)	5,353,475	1,413,910	772,442	2,374,288

(Continued)

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

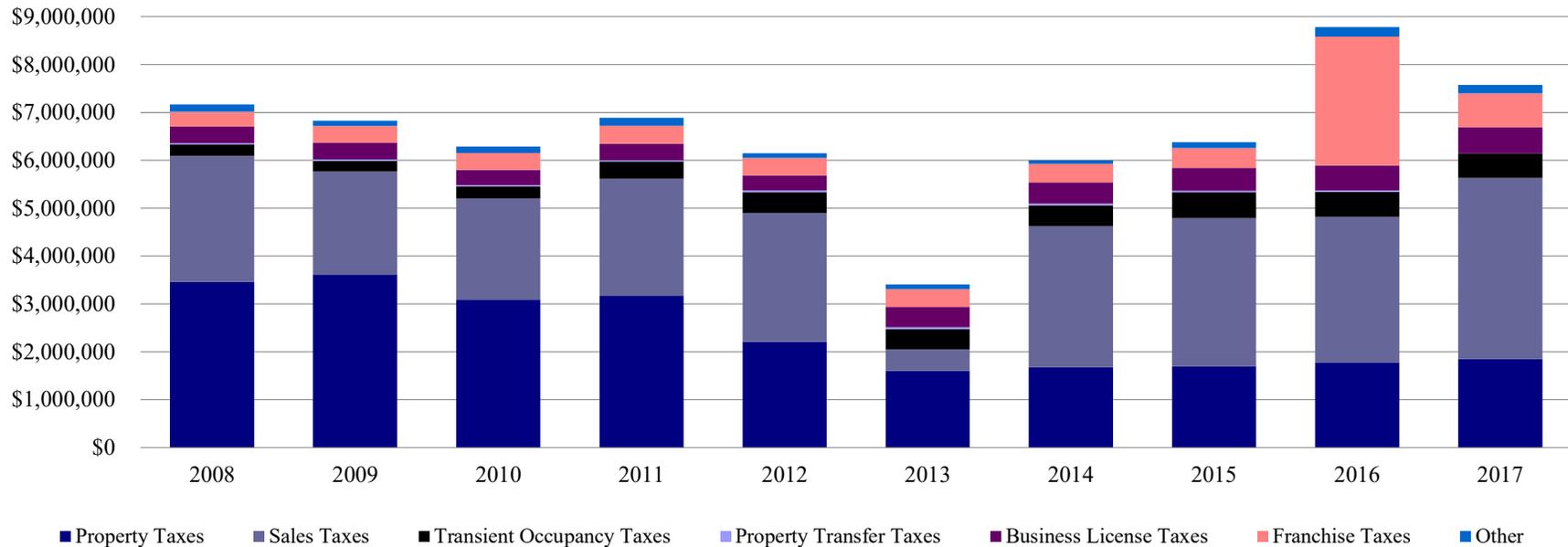
(Continued)

Other financing sources (uses)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Transfers in	\$ 7,744,965	\$ 3,253,354	\$ 493,638	\$ 245,413	\$ 319,011	\$ 133,295	\$ 375,643	\$ 299,599	\$ 4,317,595	\$ 45,402
Transfers out	(7,744,965)	(3,253,354)	(493,638)	(245,413)	(319,011)	(133,295)	(375,643)	(299,599)	(4,317,595)	(603,484)
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	-	-	-	-	-	-	-	(558,082)
Extraordinary loss from dissolution of Redevelopment Agency	-	-	-	-	-	(9,896,525)	-	-	-	-
Net changes in fund balances	\$ 13,412,685	\$ 1,334,400	\$ (2,848,561)	\$ (925,812)	\$ (1,752,488)	\$ (125,790)	\$ 5,353,475	\$ 1,413,910	\$ 772,442	\$ 1,816,206
Debt service as a percentage of noncapital expenditures	5.9%	8.5%	11.1%	12.6%	5.5%	0.2%	0.7%	0.8%	0.7%	0.0%



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

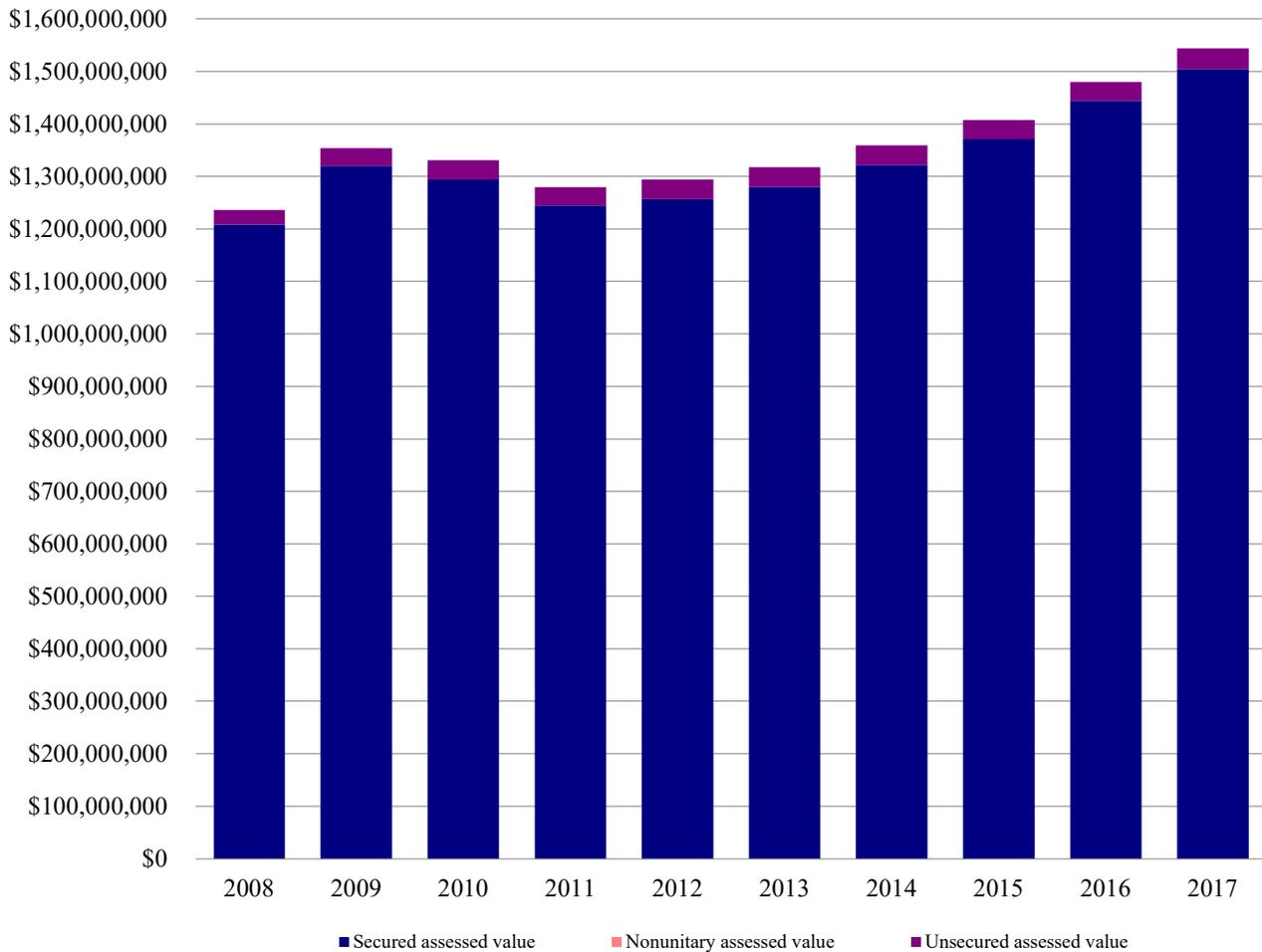
Fiscal Year	Property Taxes ⁽¹⁾	Sales Taxes	Transient Occupancy Taxes	Property Transfer Taxes	Business License Taxes	Franchise Taxes	Other Taxes	Total
2008	3,459,843	2,629,835	242,750	22,330	349,291	310,621	152,915	7,167,585
2009	3,603,729	2,160,945	220,564	31,579	352,770	343,716	113,801	6,827,104
2010	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
2017	1,846,489	3,784,651	512,631	54,317	545,390	706,034	176,636	7,626,148



⁽¹⁾ Includes both City property tax and Redevelopment Agency tax allocations up to 2012.

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	
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%
2017	1,504,821,751	-	38,979,785	1,543,801,536	0.0000%



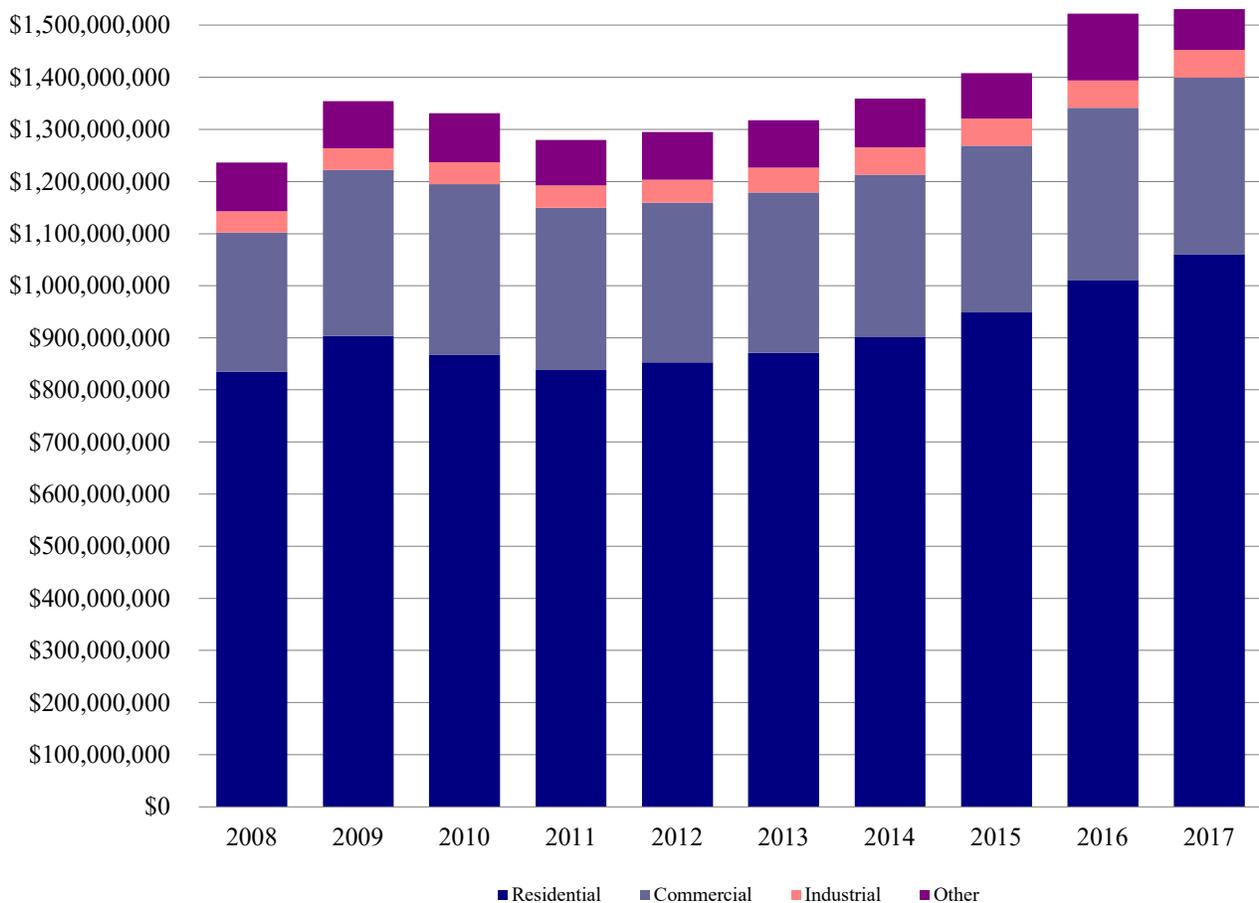
⁽¹⁾ Net of exemptions

⁽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		
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%
2017	1,060,563,143	338,932,250	52,874,890	135,117,200	1,587,487,483	0.0000%



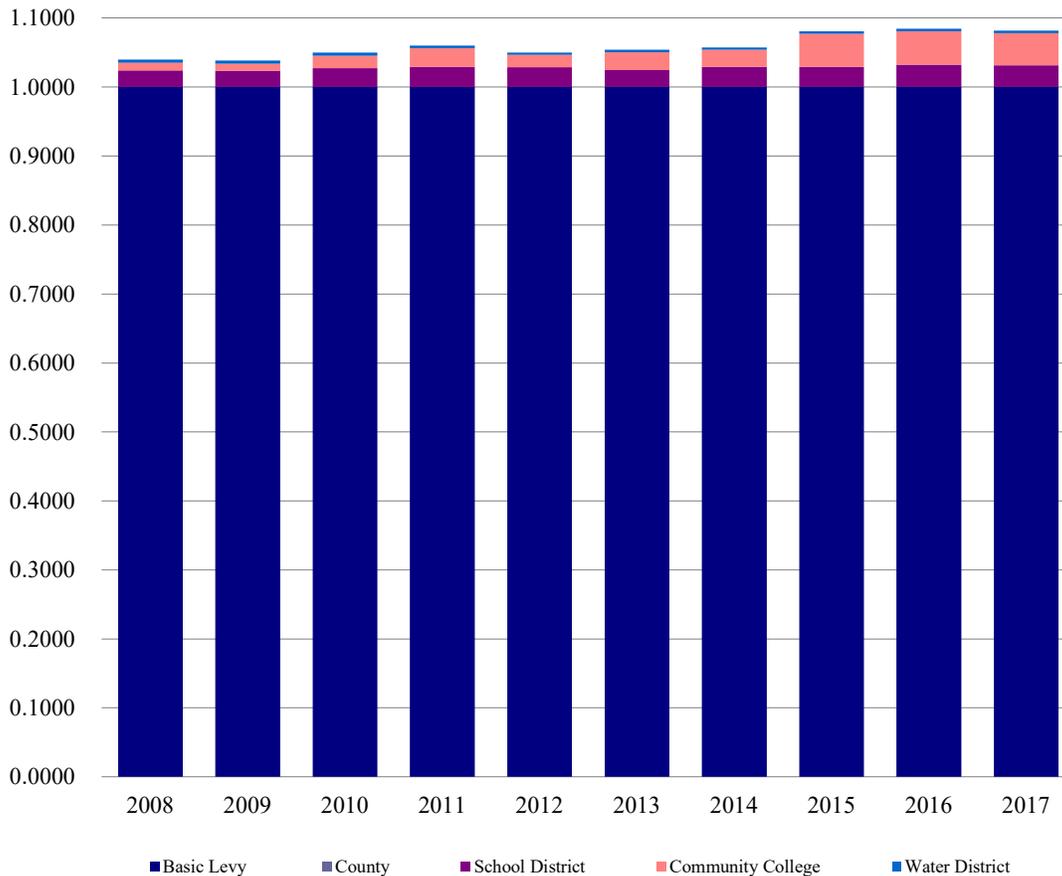
⁽¹⁾ Net of exemptions

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

Source: Los Angeles County/Hdl Companies

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

Fiscal Year	Basic Levy ⁽²⁾	County			School District ⁽³⁾	Community		Total Effective Rate ⁽⁵⁾
		Detention Facilities	Flood Control	Total		College District ⁽⁴⁾	Water District	
2008	1.0000	0.0000	0.0000	0.0000	0.0243	0.0107	0.0045	1.7258%
2009	1.0000	0.0000	0.0000	0.0000	0.0239	0.0099	0.0043	1.9580%
2010	1.0000	0.0000	0.0000	0.0000	0.0270	0.0185	0.0043	2.0278%
2011	1.0000	0.0000	0.0000	0.0000	0.0292	0.0268	0.0037	1.9399%
2012	1.0000	0.0000	0.0000	0.0000	0.0286	0.0178	0.0037	1.9304%
2013	1.0000	0.0000	0.0000	0.0000	0.0245	0.0259	0.0035	1.9066%
2014	1.0000	0.0000	0.0000	0.0000	0.0289	0.0250	0.0035	0.6563%
2015	1.0000	0.0000	0.0000	0.0000	0.0292	0.0481	0.0035	0.6566%
2016	1.0000	0.0000	0.0000	0.0000	0.0324	0.0483	0.0035	0.6571%
2017	1.0000	0.0000	0.0000	0.0000	0.0313	0.0470	0.0035	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 School District (\$0.19), Educational Rev Aug. Fund(\$0.203) and other agencies (\$0.028).

⁽³⁾ ABC Unified School District .

⁽⁴⁾ Cerritos Community College District .

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

CITY OF ARTESIA, CALIFORNIA
Principal Property Owners
June 30, 2017

Taxpayer	Primary Use	2017			2008		
		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	\$ 31,514,341	1	2.13%	-	-	-
Artesia Partners LLC	Commercial	30,000,000	2	2.03%	-	-	-
YSM Investment No 3 LLC	Commercial	26,000,000	3	1.76%	31,212,000	1	27.29%
California Milk Producers	Industrial	15,450,064	4	1.04%	12,426,783	4	10.86%
BSREP Socal 91 Freeway LLC	Commercial	14,704,590	5	0.99%	-	-	-
Realty Specialties Inc	Commercial	13,244,857	6	0.89%	-	-	-
11900 East Artesia Boulevard LLC	Institutional	13,835,136	7	0.93%	18,514,020	2	16.19%
Haw Lay I LLC	Commercial	12,432,330	8	0.84%	10,982,181	6	9.60%
Egari Family Trust	Commercial	10,922,178	9	0.74%	-	-	-
Hosanna Properties Inc	Commercial	10,173,504	10	0.69%	-	-	-
BRCP Realty So California Portfol	Commercial	-	-	-	16,285,000	3	14.24%
Rukmani Koka	Residential	-	-	-	11,188,823	5	9.78%
Khanna Enterprises Limited	Commercial	-	-	-	8,461,790	7	7.40%
Mei H Chu Trust	Commercial	-	-	-	8,277,422	8	7.24%
Manifield Partnership No 2	Industrial	-	-	-	7,924,430	9	6.93%
John P Sullivan Co Trust Et Al	Residential	-	-	-	7,477,926	10	6.54%
Total		\$ 178,277,000		12.05%	\$ 132,750,375		116.07%

Principal Property Owners



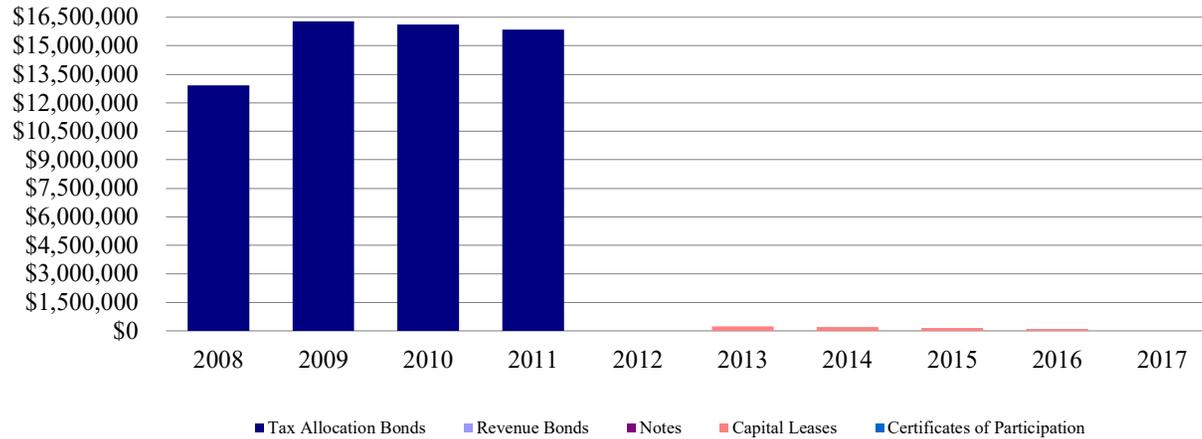
⁽¹⁾ Total assessed valuation of taxable property exclusive of exemptions.

Source: Los Angeles County/Hdl Companies

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			
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	-	-	148,385	148,385	244.67%	11.31%
2016	-	-	97,908	97,908	369.89%	17.24%
2017	-	-	-	-	0.00%	0.00%

Outstanding Debt by Type-Last Ten Fiscal Years



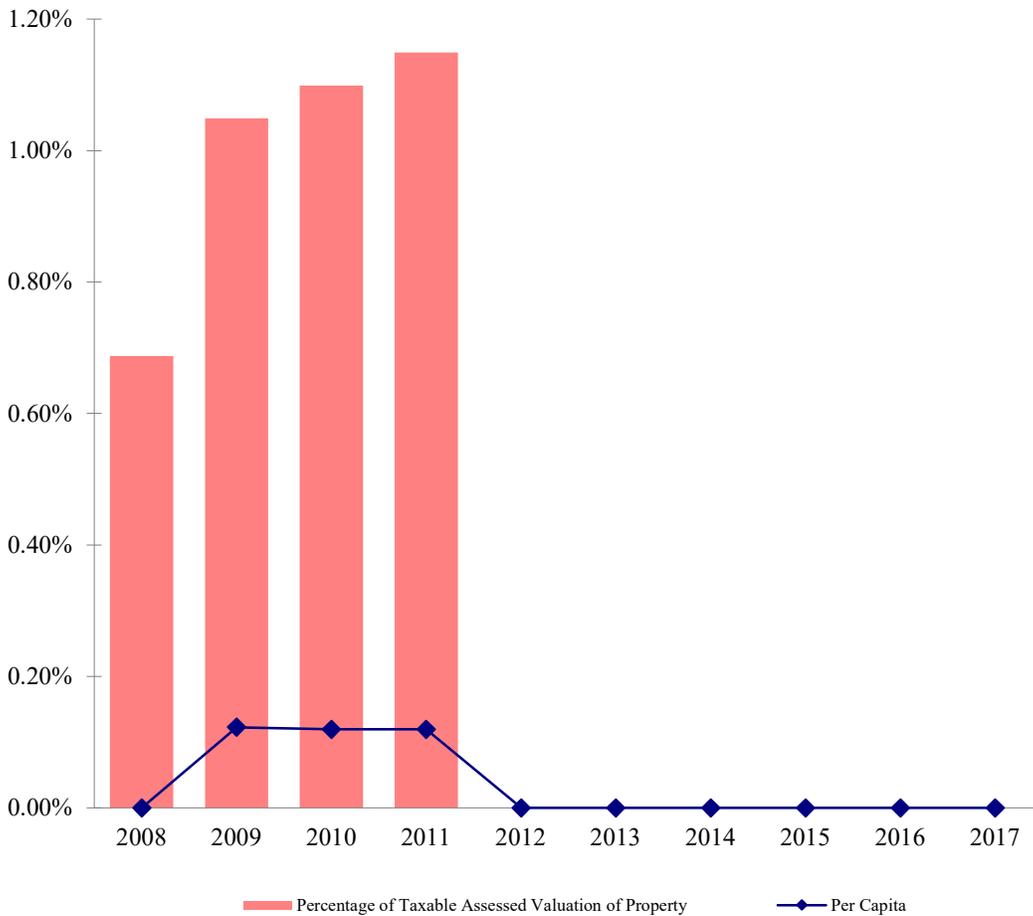
Note: Details regarding the City's outstanding debt can be found in the *notes to the financial statements*.

⁽¹⁾ See Demographic Statistics on page 124.

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

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

Fiscal Year	Tax Allocation Bonds ⁽³⁾	Less Amounts Available in Debt		Total	Percentage of Taxable Assessed Valuation ⁽¹⁾ of Property	Per Capita ⁽²⁾
			Service Fund			
2008	12,920,000		4,417,847	8,502,153	0.69%	0.00%
2009	16,275,000		2,073,247	14,201,753	1.05%	0.12%
2010	16,115,000		1,488,224	14,626,776	1.10%	0.12%
2011	15,845,000		1,134,221	14,710,779	1.15%	0.12%
2012	-		-	-	0.00%	0.00%
2013	-		-	-	0.00%	0.00%
2014	-		-	-	0.00%	0.00%
2015	-		-	-	0.00%	0.00%
2016	-		-	-	0.00%	0.00%
2017	-		-	-	0.00%	0.00%



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

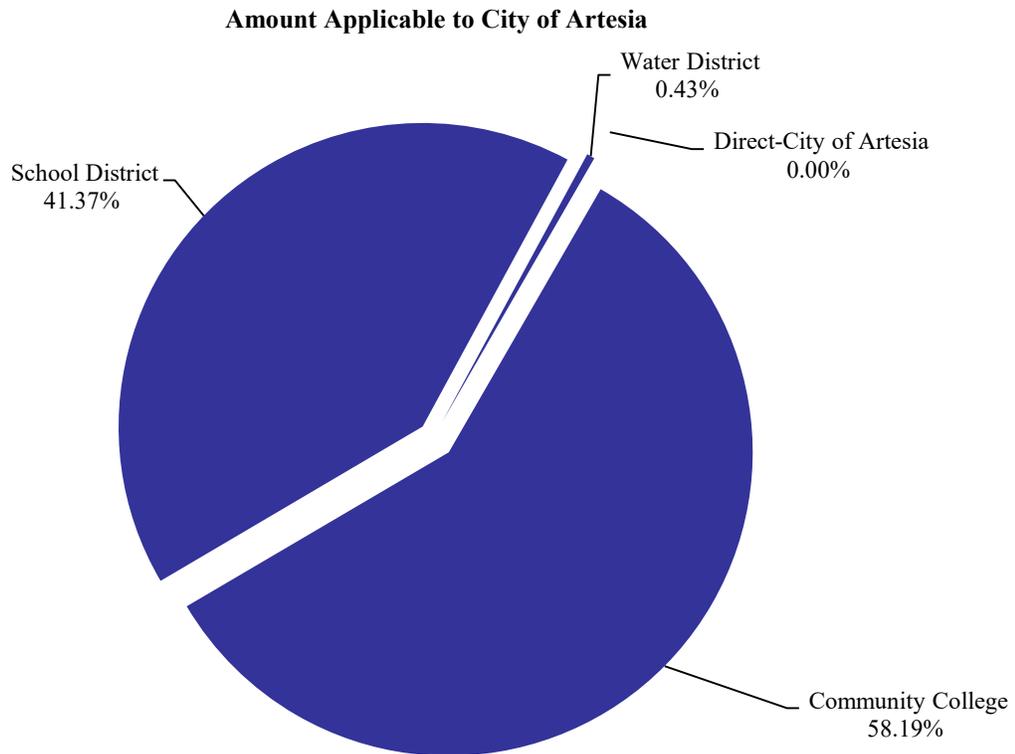
⁽¹⁾ See Assessed Value of Taxable Property-Last Ten Fiscal Years on page 116 .

⁽²⁾ See Demographic Statistics on page 124.

⁽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, 2017

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⁾	\$ -	100.000%	\$ -
Overlapping:			
Water District:			
Metropolitan Water District	36,281,674	0.123%	44,463
College:			
Cerritos CCD DS 2004 Series 2009C	3,610,000	3.590%	129,599
Cerritos CCD DS 2004 Series 2012D	81,752,021	3.590%	2,934,898
Cerritos CCD DS 2012 Series 2014A	81,355,000	3.590%	2,920,645
Cerritos CCD DS 2014 Ref Bonds Series 2014A	78,350,000	3.590%	2,812,765
Cerritos CCD DS 2014 Ref Bonds Series 2014B	15,670,000	3.590%	562,553
School District:			
ABC Unified 2003 Refund Bond Series A	29,626,700	10.976%	3,251,827
ABC Unified 2010 Refund Bonds	9,140,000	10.976%	1,003,206
Subtotal overlapping debt			<u>13,659,955</u>
Total direct and overlapping debt			<u>\$ 13,659,955</u>



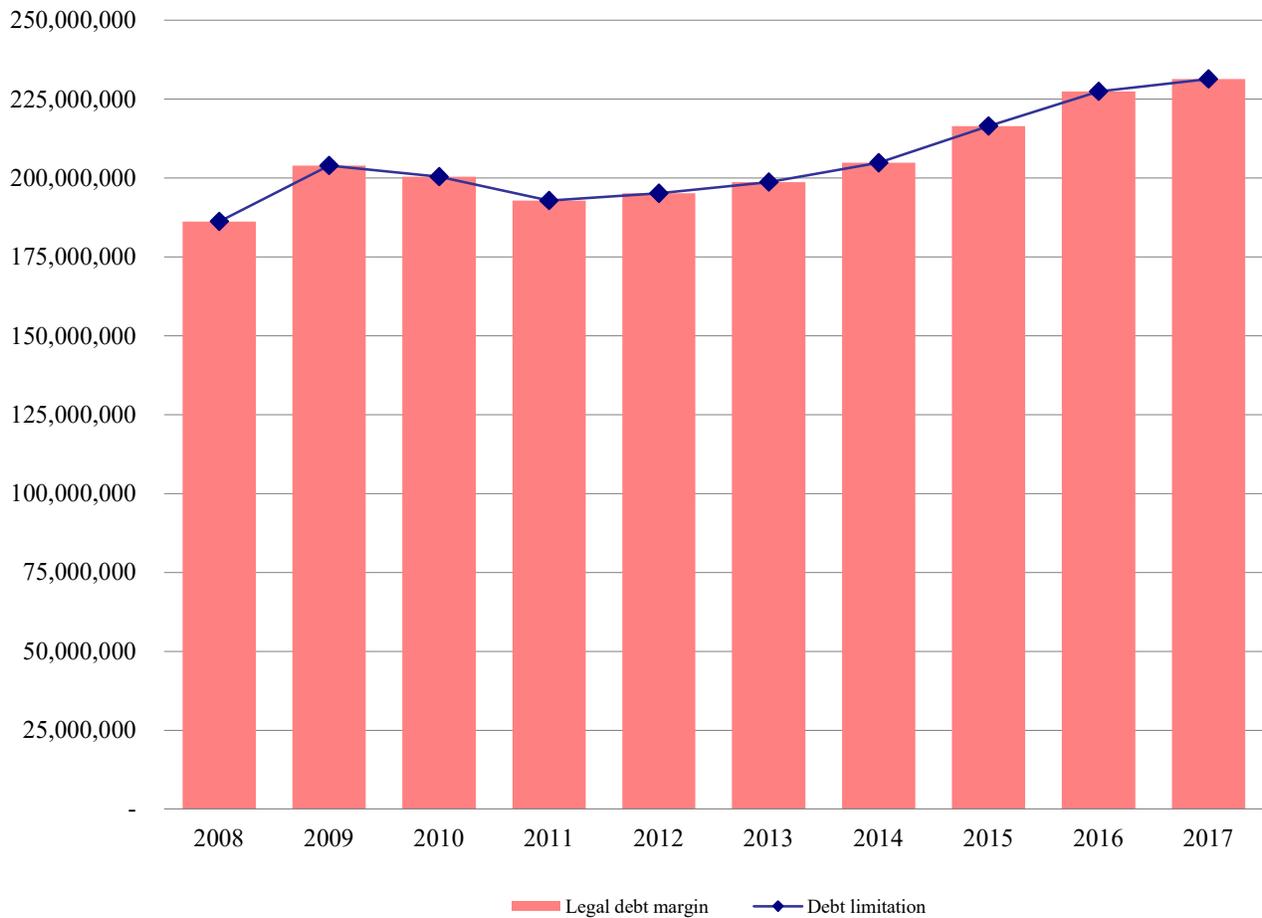
⁽¹⁾ Includes governmental activities debt reported in the Ratios of Outstanding Debt by Type on page 121.

⁽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

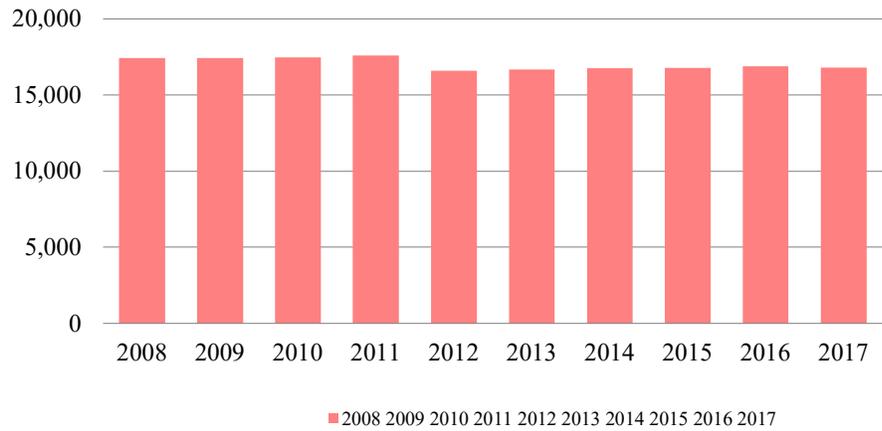
Fiscal Year	Assessed Valuations			Legal Debt Margin		
	Assessed Value	Add Exemptions	Total Assessed Value	Debt Limitation- 15% of Total Assessed Value	Total Debt Applicable to Limitation	Legal Debt Margin
2008	1,236,342,557	5,228,401	1,241,570,958	186,235,644	-	186,235,644
2009	1,353,882,581	5,442,341	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
2017	1,504,821,751	37,407,814	1,542,229,565	231,334,435	-	231,334,435



CITY OF ARTESIA, CALIFORNIA
Demographic and Economic Statistics

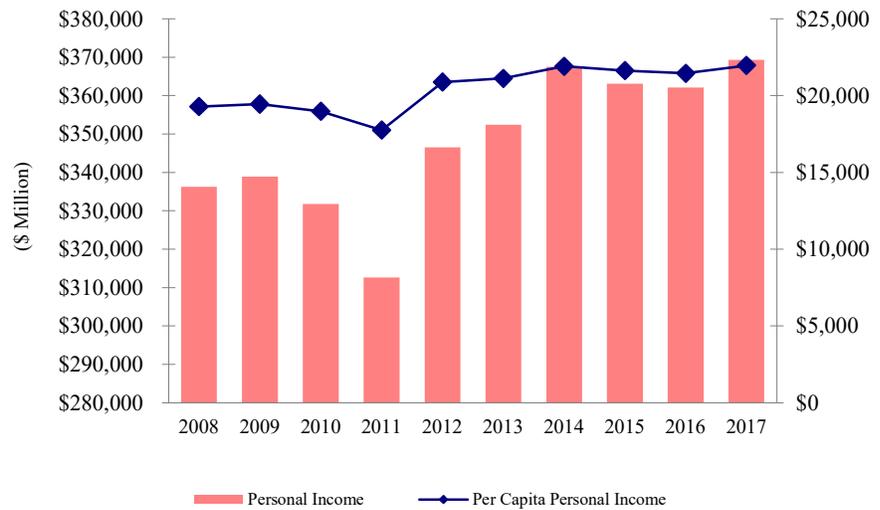
Last Ten Fiscal Years

Year	Population ⁽¹⁾
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
2017	16,816



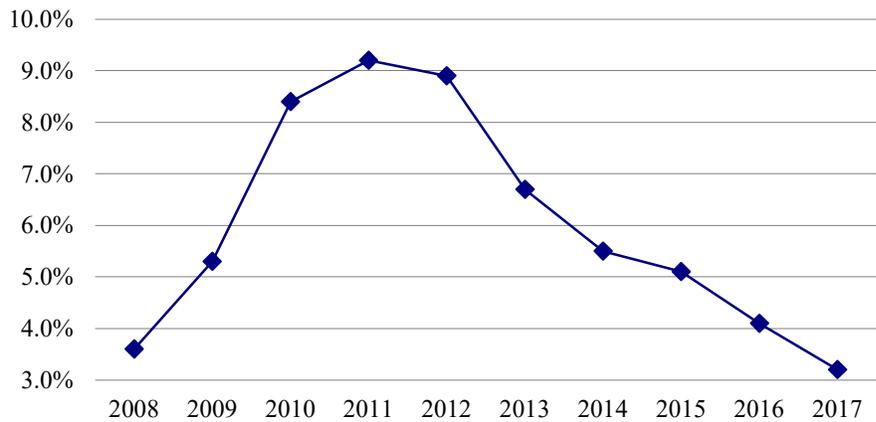
Last Ten Fiscal Years

Year	Personal Income ⁽²⁾ (\$ Thousand)	Per Capita Personal Income ⁽²⁾
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
2017	369,249	21,958



Last Ten Fiscal Years

Year	Unemployment Rate ⁽²⁾
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%
2017	3.2%



⁽¹⁾ State Department of Finance.

⁽²⁾ HdL, Coren & Cone.

CITY OF ARTESIA, CALIFORNIA

Principal Employers ⁽¹⁾

As of June 30, 2017

Employer	2017			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.

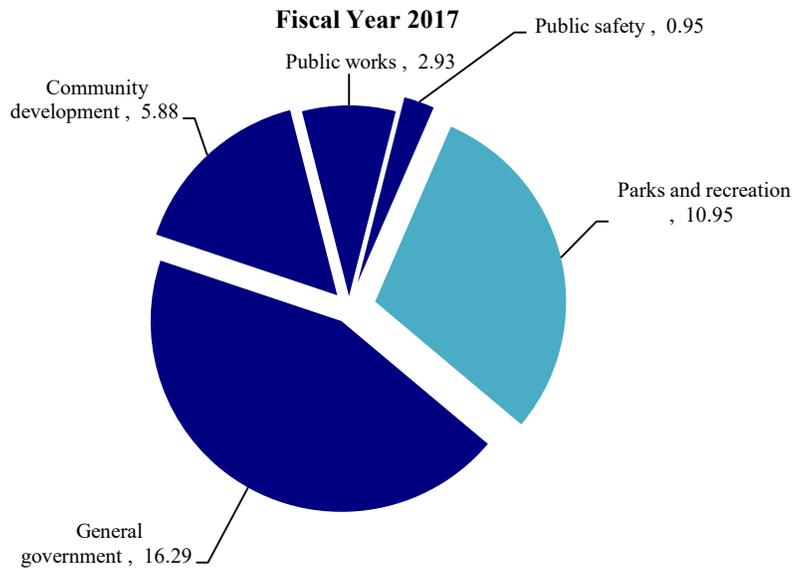
Source: City Business License Department

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

Last Four Fiscal Years

	2014	2015	2016	2017
	Total	Total	Total	Total
General government	18.00	17.00	19.00	16.29
Community development	-	-	-	5.88
Public works	8.00	8.00	7.00	2.93
Public safety	3.00	3.00	2.85	0.95
Parks and recreation	8.00	8.00	8.00	10.95
Total full-time equivalent positions	<u>37.00</u>	<u>36.00</u>	<u>36.85</u>	<u>37.00</u>

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



Source: Finance Department

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

	<u>2014⁽²⁾</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government				
Number of Buildings - City Hall	1	1	1	1
Number of Historical Museums	2	2	2	2
Historical Water Tower	1	1	1	1
General Government Vehicles	2	2	2	2
Park and Recreation				
Number of Buildings - Community Centers	5	5	5	5
Number of Buildings - Library	1	1	1	1
Acres of Park Space	16.98	16.98	16.98	16.98
Park Trees	202	202	202	202
Parks	3	3	3	3
Recreation Transit Vehicles	2	2	2	2
Playground Areas	5	5	5	5
Baseball Fields	7	7	7	7
Basketball Courts	3	3	3	3
Roller Hockey Rinks	1	1	1	1
Handball Court	1	1	1	1
Tennis Courts	1	1	1	1
Maintenance/Public works				
Number of Buildings	1	1	1	1
Street Trees	1,662	1,652	1,652	1,652
Miles of Streets and Service Roads	30.09	30.09	30.09	30.09
Number of Traffic Signals	23	25	25	25
Number of Street Lights	85	136	136	136
Vehicles	11	11	11	11
Public safety				
Number of Parking Pay Stations	29	28	28	28
Public Safety Vehicles	4	4	4	4

⁽¹⁾ Information provided by various departments

⁽²⁾ Information prior to this year is not available