

City of Artesia California

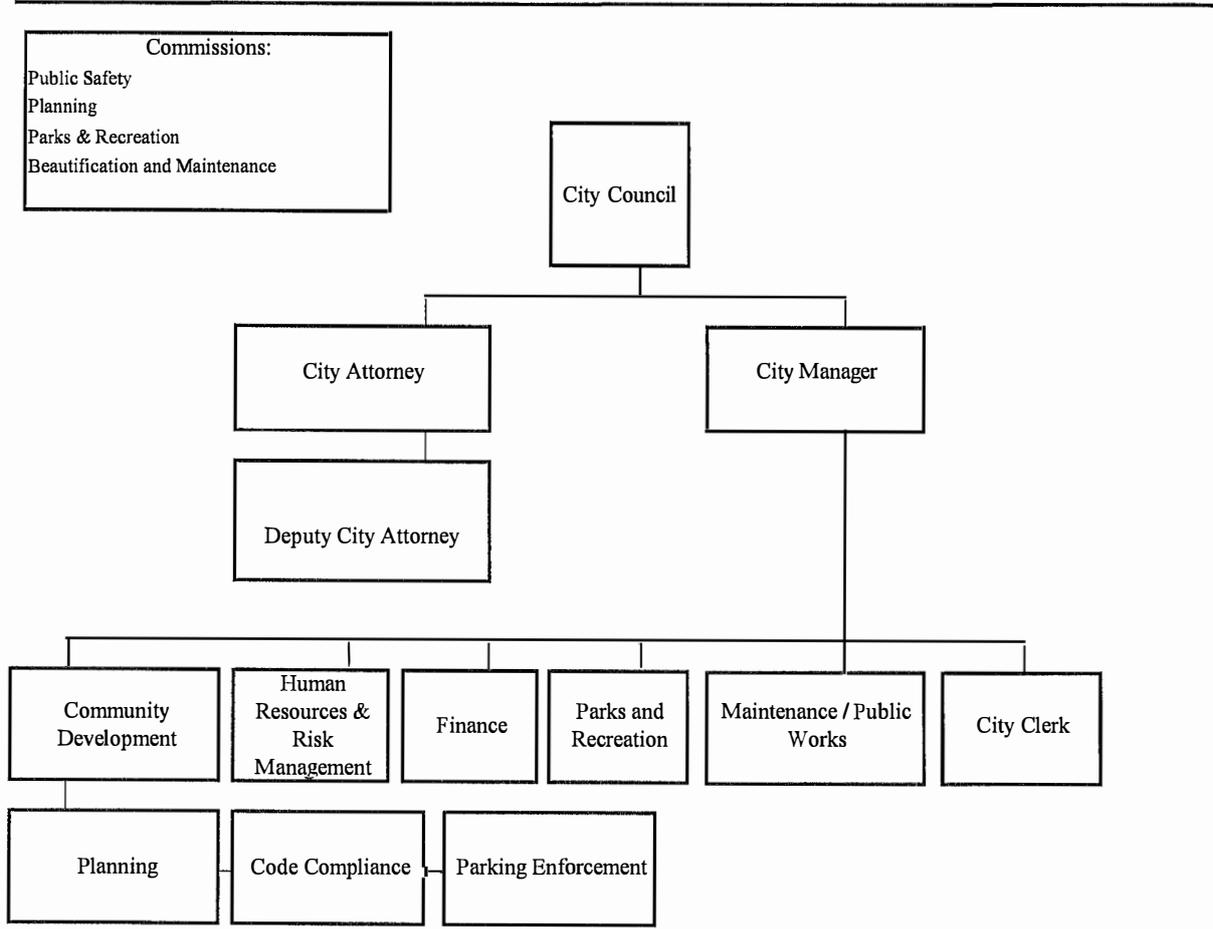


ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020

CITY OF ARTESIA, CALIFORNIA

Organizational Chart
June 30, 2020



CITY OF ARTESIA, CALIFORNIA
List of Principal Officials
2019-2020

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Monica Manalo	November 2024
Mayor Pro Tem: Tony Lima	November 2024
Council Members: Ali Taj	November 2026
Rene Trevino	November 2026
Melissa Ramoso	November 2026

<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * Aldo E. Schindler	November 2022
City Attorney: * Christi Hogin	June 2019
City Clerk: Jennifer Alderete	June 2022
City Treasurer: Melissa Burke	June 2017
Finance Manager Jamie Murguia	March 2021
Fire Chief: ** Kristin M. Crowley	March 2022
Sheriff: *** Alex Villanueva	December 2018
Planning Director: Okina Dor	June 2010
Parks and Recreation Manager: Edith Guerra	October 2021

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

CITY OF ARTESIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

I. INTRODUCTORY SECTION	
Organization Chart.....	1
Principal Officials	2
II. FINANCIAL SECTION	
A. Independent Auditor’s Report.....	3
B. Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities.....	6
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	9
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Proprietary Funds:	
Statement of Net Position.....	13
Statement of Revenues, Expenses, and Changes in Net Position.....	14
Statement of Cash Flows	15
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Statement of Changes in Net Position – Private-Purpose Trust Fund.....	18
Notes to Basic Financial Statements.....	19
D. Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability – City Misc Plan	52
Schedule of Pension Contributions – City Misc Plan	53
Schedule of Changes in Total OPEB Liability and Related Ratios	54
Schedule of OPEB Employer Contributions.....	55
Note to Required Supplementary Information.....	56
General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.....	57

CITY OF ARTESIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 Fiscal Year Ended June 30, 2020

TABLE OF CONTENTS

II. FINANCIAL SECTION (Continued)

E. Other Supplemental Information

Nonmajor Governmental Funds

Combining Balance Sheet.....	59
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	61
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
Gas Tax Special Revenue Fund	63
CDBG Special Revenue Fund.....	64
Proposition A Special Revenue Fund.....	65
Proposition C Special Revenue Fund	66
Air Quality Special Revenue Fund.....	67
California Beverage Recycling Special Revenue Fund.....	68
C.O.P.S. Special Revenue Fund.....	69
Measure R Special Revenue Fund.....	70
Housing Authority Special Revenue Fund	71
Artesia Lighting District Special Revenue Fund.....	72
Bicycle & Pedestrian Special Revenue Fund.....	73
Measure M Special Revenue Fund.....	74
Metro TOD 4 Special Revenue Fund	75
Agency Funds	77
Combining Statement of Net Position	78
Combining Statement of Changes in Net Position	79



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Artesia, California as of and for the fiscal year ended June 30, 2020, 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, 2020, 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, Schedule of Changes in Total OPEB Liability and Related Ratios and Schedule of OPEB Employer Contributions to be presented to supplement the basic financial statements. Management has chosen not to present a Management's Discussion and Analysis. 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, combining governmental, combining proprietary, and individual non-major governmental fund information, major capital project fund budgetary comparison schedule, and combining fiduciary fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The non-major governmental combining and individual fund information, major capital project fund budgetary comparison schedule, and combining fiduciary fund financial statements 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 non-major governmental combining and individual fund information, major capital project fund budgetary comparison schedule, and fiduciary fund combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023, 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
February 10, 2023

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 requires 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).

City of Artesia
Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and investments	\$ 11,636,630	\$ 750,654	\$ 12,387,284
Receivables:			
Accounts	1,096,778	8,557	1,105,335
Loan	33,434		33,434
Interest	51,510		51,510
Prepaid items	35,798		35,798
Capital assets:			
Nondepreciable assets	12,487,940		12,487,940
Depreciable assets, net	15,588,435	594,223	16,182,658
Total capital assets	28,076,375	594,223	28,670,598
Total assets	40,930,525	1,353,434	42,283,959
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - Pension related	873,387		873,387
Deferred outflow - OPEB related	754,387		754,387
Total deferred outflows of resources	1,627,774		1,627,774
LIABILITIES			
Accounts payable	1,888,659	13,024	1,901,683
Deposits payable	76,010	50,876	126,886
Noncurrent liabilities:			
Net postemployment benefit obligation	7,632,757		7,632,757
Net pension liability	3,432,285		3,432,285
Due within one year	69,846		69,846
Due in more than one year	312,549		312,549
Total liabilities	13,412,106	63,900	13,476,006
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow - Pension related	474,483		474,483
Total deferred inflows of resources	474,483		474,483
NET POSITION			
Net investment in capital assets	28,076,375	594,223	28,670,598
Restricted for:			
Public safety	685,725		685,725
Street projects	3,146,455		3,146,455
Housing	573,799		573,799
Other purposes	379,341		379,341
Total restricted	4,785,320		4,785,320
Unrestricted	(4,189,985)	695,311	(3,494,674)
Total net position	\$ 28,671,710	\$ 1,289,534	\$ 29,961,244

See Accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Activities
For the fiscal year ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues
Primary government:					
Governmental activities:					
General government	\$ 4,187,313	\$ 486,898	\$ 248,745	\$ -	\$ 735,643
Public safety	5,006,881		212,674		212,674
Parks and recreation	1,459,468	34,427			34,427
Public works	2,179,759	57,463	947,547	1,639,598	2,644,608
Community development	1,009,598	492,762			492,762
Total governmental activities	13,843,019	1,071,550	1,408,966	1,639,598	4,120,114
Business-type activities:					
Parking	200,947	120,292			120,292
Artesia Towne Center	258,058	403,107			403,107
Total business-type activities	459,005	523,399			523,399
Total primary government	\$ 14,302,024	\$ 1,594,949	\$ 1,408,966	\$ 1,639,598	\$ 4,643,513

General revenues:

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Other taxes

Use of money and property

Other

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning of fiscal year

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
\$ (3,451,670)	\$ -	\$ (3,451,670)
(4,794,207)		(4,794,207)
(1,425,041)		(1,425,041)
464,849		464,849
(516,836)		(516,836)
(9,722,905)		(9,722,905)
	(80,655)	(80,655)
	145,049	145,049
	64,394	64,394
(9,722,905)	64,394	(9,658,511)

1,999,302		1,999,302
434,010		434,010
3,989,411		3,989,411
893,480		893,480
614,271		614,271
13,391		13,391
372,674		372,674
165,818		165,818
359,527	(359,527)	
8,841,884	(359,527)	8,482,357
(881,021)	(295,133)	(1,176,154)
29,552,731	1,584,667	31,137,398
\$ 28,671,710	\$ 1,289,534	\$ 29,961,244

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FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

The governmental fund financial statements include all the major individual governmental funds and the total of non-major funds of the City of Artesia. The governmental fund financial statements are prepared on the 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 fund that 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, 2020

	General Fund	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 5,471,425	\$ 1,307,519	\$ 4,857,686	\$ 11,636,630
Receivables:				
Accounts	950,252	8,744	137,782	1,096,778
Loan		33,434		33,434
Interest	51,510			51,510
Prepaid items	28,735		7,063	35,798
Due from other funds	1,840,497			1,840,497
Total assets	\$ 8,342,419	\$ 1,349,697	\$ 5,002,531	\$ 14,694,647
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,788,814	\$ -	\$ 99,845	\$ 1,888,659
Deposit payable	14,115		61,895	76,010
Due to other funds			1,840,497	1,840,497
Total liabilities	1,802,929		2,002,237	3,805,166
Deferred Inflow of Resources:				
Unearned revenues	57,807			57,807
Total Deferred Inflow of Resources	57,807			57,807
Fund Balances:				
Nonspendable:				
Prepaid items	28,735		7,063	35,798
Restricted for:				
Housing projects			555,618	555,618
Street projects			1,100,559	1,100,559
Transportation projects			2,421,212	2,421,212
Air quality projects			15,143	15,143
Public safety			685,725	685,725
Committed to:				
Contingency reserve	7,015,296			7,015,296
Assigned to:				
Water District Consolidation Analysis	100,000			100,000
Sanitation District Consolidation Analysis	25,000			25,000
Preliminary Planning Projects	90,000			90,000
Water Tower Project	80,000			80,000
Organizational Development Plan	25,000			25,000
Accrued Leave Reserve	100,000			100,000
Economic Development	25,000			25,000
General Contingencies	123,000			123,000
Measure M	100,000			100,000
Business Façade Improvements	25,000			25,000
Business Improvement District	125,000			125,000
City Facility Improvements	80,000			80,000
CERT Training	25,000			25,000
Vehicle & Equipment Replacement	95,000			95,000
Specific Plan Development	50,000			50,000
General Plan Update	30,000			30,000
Street projects	230,000	1,349,697		1,579,697
CalPERS Net Pension Unfunded Liability	105,000			105,000
CalPERS Net Retiree Health Unfunded Liability	100,000			100,000
Unassigned	(2,095,348)		(1,785,026)	(3,880,374)
Total fund balances	6,481,683	1,349,697	3,000,294	10,831,674
Total liabilities and fund balances	\$ 8,342,419	\$ 1,349,697	\$ 5,002,531	\$ 14,694,647

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, 2020

Total Fund Balances - Total Governmental Funds \$ 10,831,674

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

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the governmental funds. Nondepreciable assets and depreciable assets net of accumulated depreciation totals: 28,076,375

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

Compensated absences	(382,395)
Net other postemployment benefits payable	(7,632,757)
Deferred outflows of resources - OPEB Related	754,387
Total long-term liabilities	(7,260,765)

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 affects only the government-wide statements for governmental activities.

Deferred outflows of resources	873,387
Deferred inflows of resources	(474,483)
Net Pension liability	(3,432,285)
Total pension related items	(3,033,381)

Certain revenues are recorded as deferred inflows of resources in the governmental funds because they did not meet the revenue recognition criteria. However, they are treated as revenues in the Government-Wide Financial Statements.

57,807

Net Position of Governmental Activities **\$ 28,671,710**

See Accompanying Notes to the Basic Financial Statements.

City of Artesia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the fiscal year ended June 30, 2020

	General Fund	Capital Project Fund Capital Projects	Non-major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 7,943,865	\$ -	\$ 943,210	\$ 8,887,075
Licenses and permits	492,762			492,762
Intergovernmental	816,585		1,284,432	2,101,017
Charges for services	411,767	22,365		434,132
Use of money and property	164,938	7,046	200,690	372,674
Fines and forfeitures	144,656			144,656
Other revenues	14,816		151,002	165,818
Total revenues	<u>9,989,389</u>	<u>29,411</u>	<u>2,579,334</u>	<u>12,598,134</u>
EXPENDITURES:				
Current:				
General government	3,099,578		209	3,099,787
Public safety	4,961,998		41,533	5,003,531
Parks and recreation	1,266,334			1,266,334
Public works	637,513		365,377	1,002,890
Community development	691,162		318,436	1,009,598
Capital outlay	87,401	678,546	3,249,081	4,015,028
Total expenditures	<u>10,743,986</u>	<u>678,546</u>	<u>3,974,636</u>	<u>15,397,168</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(754,597)</u>	<u>(649,135)</u>	<u>(1,395,302)</u>	<u>(2,799,034)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	460,527		59,071	519,598
Transfers out	(59,071)		(101,000)	(160,071)
Total other financing sources (uses)	<u>401,456</u>		<u>(41,929)</u>	<u>359,527</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(353,141)</u>	<u>(649,135)</u>	<u>(1,437,231)</u>	<u>(2,439,507)</u>
FUND BALANCES:				
Beginning of fiscal year	6,834,824	1,998,832	4,437,525	13,271,181
End of fiscal year	<u>\$ 6,481,683</u>	<u>\$ 1,349,697</u>	<u>\$ 3,000,294</u>	<u>\$ 10,831,674</u>

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (2,439,507)

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 are allocated over the estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period:

Capital outlay	4,015,028
Less: Repairs and Maintenance	(352,304)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities and Changes in Net Position, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(1,053,446)
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Compensated absences and other postemployment benefits are reported in the Government-Wide Statement of Activities and Changes in Net Position, but they do not require the use of current financial resources. Therefore, they are not reported as an expenditure in the governmental funds.	
Change in compensated absences	(41,711)
Change in other postemployment benefits and related deferred outflows	(514,005)

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.	(499,413)
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Certain revenues are recorded as deferred inflows of resources in the governmental funds because they do not meet the revenue recognition criteria of availability. However, they are included as revenue in the Governmental-Wide Statement of Activities and Changes in Net Position under the full accrual basis.	4,337
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Change in Net Position of Governmental Activities	\$ (881,021)
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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, Paid Parking, and Artesia Towne Center enterprise funds 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, 2020

	Residential Refuse Service	Paid Parking	Artesia Towne Center	Total
ASSETS				
Current assets:				
Cash and investments	\$ -	\$ 555,166	\$ 195,488	\$ 750,654
Receivables:				
Accounts		3,640	4,917	8,557
Total current assets		558,806	200,405	759,211
Noncurrent assets:				
Capital assets:				
Machinery and equipment		254,958		254,958
Infrastructure		561,203	66,718	627,921
Less:				
Accumulated depreciation		(281,984)	(6,672)	(288,656)
Total noncurrent assets		534,177	60,046	594,223
Total assets		1,092,983	260,451	1,353,434
LIABILITIES AND NET POSITION				
Liabilities:				
Accounts payable		8,665	4,359	13,024
Deposits payable			50,876	50,876
Total liabilities		8,665	55,235	63,900
Net position:				
Net investment in capital assets		534,177	60,046	594,223
Unrestricted		550,141	145,170	695,311
Total net position	\$ -	\$ 1,084,318	\$ 205,216	\$ 1,289,534

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, 2020

	Residential Refuse Service	Paid Parking	Artesia Towne Center	Total
OPERATING REVENUES:				
Charges for services	\$ -	\$ 107,865	\$ 382,891	\$ 490,756
Use of money and property		12,427	20,216	32,643
Total revenues		120,292	403,107	523,399
OPERATING EXPENSES:				
Personnel		62,286	43,419	105,705
Materials and supplies		91,009	210,191	301,200
Depreciation		47,652	4,448	52,100
Total expenses		200,947	258,058	459,005
TRANSFERS:				
Transfers out	(75,025)		(284,502)	(359,527)
Total transfers	(75,025)		(284,502)	(359,527)
Change in net position	(75,025)	(80,655)	(139,453)	(295,133)
NET POSITION:				
Beginning of fiscal year	75,025	1,164,973	344,669	1,584,667
End of fiscal year	\$ -	\$ 1,084,318	\$ 205,216	\$ 1,289,534

See accompanying Notes to Basic Financial Statements.

City of Artesia
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended June 30, 2020

	Residential Refuse Service	Paid Parking	Artesia Towne Center	Totals
Cash flows from operating activities:				
Cash received from customers, users, and grants	\$ -	\$ 123,517	\$ 398,190	\$ 521,707
Cash paid to suppliers for goods and services		(84,465)	(216,363)	(300,828)
Cash paid to employees for services		(62,286)	(43,419)	(105,705)
Net cash provided (used) by operating activities		(23,234)	138,408	115,174
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(5,849)		(5,849)
Net cash provided by (used for) capital and related financing activities		(5,849)		(5,849)
Cash flows from non-capital financing activities:				
Transfers to other funds	(75,025)		(284,502)	(359,527)
Net cash used for non-capital financing activities	(75,025)		(284,502)	(359,527)
Net increase (decrease) in cash and cash equivalents	(75,025)	(29,083)	(146,094)	(250,202)
Cash and cash equivalents beginning of fiscal year	75,025	584,249	341,582	1,000,856
Cash and cash equivalents end of fiscal year	\$ -	\$ 555,166	\$ 195,488	\$ 750,654
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ -	\$ (80,655)	\$ 145,049	\$ 64,394
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation		47,652	4,448	52,100
Change in operating assets and liabilities:				
Decrease (increase) in accounts receivable		3,225	(4,917)	(1,692)
Increase (decrease) in accounts payable		6,544	(6,172)	372
Total adjustments		57,421	(6,641)	50,780
Net cash provided (used) by operating activities	\$ -	\$ (23,234)	\$ 138,408	\$ 115,174

See accompanying Notes to Basic Financial Statements.

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

City of Artesia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Successor Agency to the Artesia Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$ 753,230	\$ 1,447,120
Cash and investments with fiscal agent	1,172,811	
Receivables:		
Accounts receivable		5,234
Total assets	\$ 1,926,041	\$ 1,452,354
LIABILITIES		
Accounts payable	\$ -	\$ 68,143
Deposits payable	627,691	1,384,211
Accrued interest payable	69,282	
Long-term debt:		
Due within one year	291,849	
Due in more than one year	13,335,447	
Total liabilities	14,324,269	\$ 1,452,354
NET POSITION:		
Held in trust for other purposes	\$ (12,398,228)	

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, 2020

Additions:	
Property taxes	\$ 1,401,682
Use of money and property	<u>10,770</u>
Total additions	<u>1,412,452</u>
Deductions:	
Community development	8,300
Administrative expenses	250,000
Interest and fiscal charges	<u>854,198</u>
Total deductions	<u>1,112,498</u>
Change in net position	299,954
Net position - beginning	<u>(12,698,182)</u>
Net position - ending	<u>\$ (12,398,228)</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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 council. 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
June 30, 2020

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 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
June 30, 2020

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 Funds 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
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Funds 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 proprietary funds are charges to customers for services such as refuse, parking, and rent. The primary operating expense includes payments to the refuse service provider for the cost of these services, repairs and maintenance on properties and meter maintenance. 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
June 30, 2020

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. Future Accounting Pronouncements

The provisions of Statement Number 84 "Fiduciary Activities" are effective for fiscal years beginning after December 15, 2019.

The provisions of Statement Number 87 "Leases" are effective for fiscal years beginning after June 15, 2021.

The provisions for Statement Number 89 "Accounting for Interest Cost Incurred before the End of a Construction Period" are effective for fiscal years beginning after December 15, 2020.

The provisions for Statement Number 90 "Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61" are effective for fiscal years beginning after December 15, 2019.

The provisions of Statement Number 91 "Conduit Debt Obligations" are effective for reporting periods beginning after December 15, 2021.

The provisions of Statement Number 92 "Omnibus 2020" are effective for reporting periods beginning after June 15, 2021.

The provisions of Statement Number 93 "Replacement of Interbank Offered Rates" are effective for reporting periods beginning after June 15, 2021.

The provisions of Statement Number 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" are effective for reporting periods beginning after June 15, 2022.

The provisions of Statement Number 96 "Subscription-Based Information Technology Arrangements" are effective for reporting periods beginning after June 15, 2022.

The provisions of Statement Number 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32" are effective for reporting periods beginning after June 15, 2021.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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". 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.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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 two items that qualifies for reporting in this category. These items are the deferred outflow related to pensions and OPEB. These amounts are equal to employer contributions made after the measurement date of the net pension liability and any other deviance from actuarial determined assumptions that are to be amortized relating to the net pension liability or OPEB.

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, 2016 (the beginning of the measurement period ended June 30, 2018), which is 3.8 years.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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. Normally, an employee cannot accrue more than 400 hours of sick leave. Upon termination, an employee will be paid for any unused vacation based upon 100% of the current wage rate in effect. In addition, an employee hired prior to May 1, 2015 will be paid for 50% of unused sick leave based upon 100% of the current wage in effect. Employees hired after May 1, 2015 will not be paid for unused sick leave upon termination.

All vacation and sick leave pay is accrued when incurred in the Government-Wide Financial Statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are paid, if matured, out of the General Fund.

Long-Term Obligations

In the Government-Wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net 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 enabling legislation, 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".

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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.

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, 2020 was \$7,015,296.

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.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS

As of June 30, 2020, cash and investments were reported in the accompanying financial statements as follows:

	Government Wide Statement of <u>Net Position</u>	Fiduciary Funds Statement of <u>Net Position</u>	<u>Total</u>
Unrestricted assets:			
Cash and investments	\$ 12,387,284	\$ 2,200,350	\$ 14,587,634
Restricted assets:			
Cash and investments held by fiscal agent		<u>1,172,811</u>	<u>1,172,811</u>
Total cash and investments	<u>\$ 12,387,284</u>	<u>\$ 3,373,161</u>	<u>\$ 15,760,445</u>

Cash and investments at June 30, 2020 consisted of the following:

Cash on hand (petty cash)	\$ 500
Demand deposits	400,811
Investments	<u>15,359,134</u>
Total cash and investments	<u>\$ 15,760,445</u>

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 fiscal 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	\$75,000,000
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.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS, Continued

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

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u>
Local Agency Investment Fund (LAIF)	<u>1 Year or Less</u>
Held by Fiscal Agent:	
Money market mutual funds	<u>1,172,811</u>
	<u>\$ 15,359,134</u>

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

2. CASH AND INVESTMENTS, Continued

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 fiscal year end for each investment type:

Investment Type	Total as of June 30, 2020	Minimum Legal Rating	Not	
			AAA	Rated
Local Agency Investment Fund (LAIF) Held by Fiscal Agent:	\$ 14,186,323	N/A	\$ -	\$ 14,186,323
Money market mutual funds	<u>1,172,811</u>	A	<u>1,172,811</u>	
	<u>\$ 15,359,134</u>		<u>\$ 1,172,811</u>	<u>\$ 14,186,323</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, 2020, the City's investments were with LAIF and money market mutual funds held by fiscal agent which are exempt from this requirement.

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, 2020, 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 \$1,172,811 of cash held by fiscal agent, \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$922,811 was neither insured by the FDIC nor collateralized as required under California law.

2. CASH AND INVESTMENTS, Continued

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 is 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 assets 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's investment in the State Investment Pool (LAIF) and money market mutual funds are 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, 2020 the outstanding loan receivable is \$33,434.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Balance as of June 30, 2019	Additions	Deletions	Transfers	Balance as of June 30, 2020
Governmental Activities					
Nondepreciable capital assets					
Land	\$ 8,735,828	\$ -	\$ -	\$ -	\$ 8,735,828
Construction in progress	814,717	2,937,395			3,752,112
Total nondepreciable capital assets	<u>9,550,545</u>	<u>2,937,395</u>			<u>12,487,940</u>
Depreciable capital assets					
Buildings	1,841,797				1,841,797
Improvements other than buildings	912,445	235,133			1,147,578
Automobile equipment	887,720	414,215			1,301,935
Office furniture and equipment	311,588				311,588
Other equipment	1,048,151				1,048,151
Infrastructure	19,902,808	75,981			19,978,789
Total depreciable capital assets	<u>24,904,509</u>	<u>725,329</u>			<u>25,629,838</u>
Less accumulated depreciation					
Buildings	(936,797)	(32,307)			(969,104)
Improvements other than buildings	(726,927)	(57,793)			(784,720)
Automobile equipment	(461,318)	(96,008)			(557,326)
Office furniture and equipment	(258,284)	(22,614)			(280,898)
Other equipment	(774,716)	(52,354)			(827,070)
Infrastructure	(5,829,915)	(792,370)			(6,622,285)
Total accumulated depreciation	<u>(8,987,957)</u>	<u>(1,053,446)</u>			<u>(10,041,403)</u>
Net depreciable capital assets	<u>15,916,552</u>	<u>(328,117)</u>			<u>15,588,435</u>
Net capital assets	<u>\$ 25,467,097</u>	<u>\$ 2,609,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,076,375</u>

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

General government	\$ 32,397
Public safety	3,350
Public works	824,565
Parks and recreation	193,134
Total depreciation expense - governmental activities	<u>\$ 1,053,446</u>

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

4. CAPITAL ASSETS, Continued

Capital asset activity for the fiscal year ended June 30, 2020, is as follows (continued):

	Balance as of June 30, 2019	Additions	Deletions	Balance as of June 30, 2020
Business-type Activities				
Depreciable capital assets				
Other equipment	\$ 249,110	\$ 5,848	\$ -	\$ 254,958
Infrastructure	627,921			627,921
Total depreciable capital assets	877,031	5,848		882,879
Less accumulated depreciation				
Other equipment	(99,644)	(25,204)		(124,848)
Infrastructure	(136,912)	(26,896)		(163,808)
Total accumulated depreciation	(236,557)	(52,100)		(288,656)
Net depreciable capital assets	640,474	(46,252)		594,223
Net capital assets	\$ 640,474	\$ (46,252)	\$ -	\$ 594,223

Depreciation expense was charged to the Paid Parking enterprise fund (\$47,652) and Artesia Towne Center enterprise fund (\$4,448).

5. LONG-TERM LIABILITIES

The following is a schedule of changes in long-term liabilities of the City for the fiscal year ended June 30, 2020:

	Balance at June 30, 2019	Additions	Repayments	Balance at June 30, 2020	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 340,684	\$ 77,361	\$ (35,650)	\$ 382,395	\$ 69,846
Total	\$ 340,684	\$ 77,361	\$ (35,650)	\$ 382,395	\$ 69,846

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, 2020 was \$382,395.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020, is as follows:

Due To / Due From Other Funds

At June 30, 2020, 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	\$ 1,840,497
		<u>\$ 1,840,497</u>

The above interfund balances resulted from temporary reclassifications made at June 30, 2020 to cover cash shortfalls.

Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Non-major Governmental Fund	\$ 59,071
Non-major Governmental Fund	General Fund	101,000
Artesia Towne Center Enterprise Fund	General Fund	<u>359,527</u>
		<u>\$ 519,598</u>

Transfers to and from the General Fund are to offset expenditures made in the General Fund for the non-major special revenue funds and vice versa.

7. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Deficit Fund Balance

At June 30, 2020, the following funds had a deficit fund balance:

Non-Major Special Revenue Fund:	
CDBG	\$ (40,935)
Air Quality	(91,052)
Parks and Recreation Grants	(313,210)
Hazard & Litigation Fund	(1,324,869)
Clean Air Bus Grant	(10,548)
Metro TOD 4	(22,482)
Cal Fire Ruban Grant	(7,697)

The Special Revenue Funds with deficit fund balances will be reimbursed in future fiscal years for deficits incurred as part of operations from future revenues if available or the General Fund.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

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 2020 are as follows:

	Actual Amounts	Budgeted Amounts	Excess Expenditures Over Appropriations
Major Funds:			
General Fund:			
General government:	\$ 3,099,578	\$ 2,824,631	\$ 274,947
Public safety	4,961,998	4,937,224	24,774
Parks and recreation	1,266,334	947,157	319,177
Community development	691,162	557,961	133,201
Capital outlay	87,401		87,401
Non-major Governmental Special Revenue Funds:			
Air Quality	306,353	70,525	235,828

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 Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan 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.

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.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

8. RETIREMENT PLANS, Continued

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2020, 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 fiscal year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

As of June 30, 2020, the City reported net pension liabilities for its proportionate shares of the net pension liability of the City Miscellaneous Plan as follows:

Proportionate Share of Net Pension Liability
<u>\$ 3,432,285</u>

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 were as follows:

	City Miscellaneous Plan
Proportion - June 30, 2018	<u>0.08207%</u>
Proportion - June 30, 2019	<u>0.08571%</u>
Change - Increase (Decrease)	<u><u>0.00364%</u></u>

For the fiscal year ended June 30, 2020, the City recognized pension expense of \$193,377. At June 30, 2020, 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	\$ 164,630	\$ -
Net differences between projected and actual earnings on pension plan investments		(60,007)
Differences based on actual experience	219,917	
Differences based on change of assumptions	105,649	
Differences between actual vs proportionate contribution		(414,476)
Adjustment due to differences in proportions	<u>383,191</u>	
Total	<u><u>\$ 873,387</u></u>	<u><u>\$ (474,483)</u></u>

\$164,630 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, 2021. 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
June 30, 2020

8. RETIREMENT PLANS, Continued

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

Fiscal Year	
Ended June 30,	
2021	\$ 168,420
2022	66,977
2023	(13,249)
2024	12,126
Total	<u>\$ 234,274</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2018
Actuarial Cost Method	June 30, 2019
Actuarial Assumptions:	Entry-Age Normal Cost Method
Discount Rate	7.15%
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, 2017 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 7.15% for all plans. The projection of cash flows used to determine the discount rate assumed the contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

8. RETIREMENT PLANS, Continued

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

Discount Rate, Continued

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%		

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	6.15%
Net Pension Liability	\$ 5,558,765
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,432,285
1% Increase	8.15%
Net Pension Liability	\$ 1,677,026

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, 2020, the City had no outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2020.

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.

Benefits Provided

Employees become eligible to retire under PEMHCA and receive lifetime City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by attaining qualifying disability retirement status. The City contributes 100% of the cost of retiree coverage and 50% of the cost of dependent coverage, for medical and dental insurance. Vision insurance is offered on a self-paid basis. Survivor benefits are paid until all covered dependents are either deceased or no longer eligible because of age limitations.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Eligibility

For employees hired before May 1, 2015 and retiring after that date, the City's contribution will be limited to the Cafeteria Plan contribution on behalf of active employees in the year of retirement. The 2020 contribution cap amounts are \$760 per month for single coverage, \$1,130 per month for employee plus one, and \$1,475 per month for family coverage.

Employees hired after May 1, 2015 must have at least 10 years of service to be eligible for City-paid retiree health benefits. Benefits for these retirees will be limited to \$560 per month for single coverage, \$730 per month for retiree plus one, and \$975 per month for family coverage. Regardless of date of hire or date of retirement, eligible retirees receive a minimum City contribution equal to the statutory minimum employer contribution under PEMHCA (\$136/mo. for 2019 and \$139/mo. for 2020). The City also pays a 0.23% of premium administrative fee on behalf of employees and retirees.

The table below presents a summary of the basic participant information for the active and retired participants covered under the terms of the Plan.

	Valuation Date
Participants eligible for OPEB	<u>July 1, 2018</u>
Inactive plan members currently receiving payments	28
Active plan members	<u>36</u>
Total	<u><u>64</u></u>

Funding Policy

The contribution requirements of Plan members and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Actuarial Method and Assumptions

The total OPEB liability in the June 30, 2020 actuarial report was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Salary increases	3.00 percent
Inflation rate	3.00 percent
Healthcare cost trend rate	5.90 percent for 2019; 5.80 percent for 2020; 5.70 percent for 2021; and 5.00 percent for 2028 and later years

Reporting Date	Measurement Date	Fidelity GO AA 20 Years Municipal Index	Discount Rate
June 30, 2019	June 30, 2019	3.13%	3.13%
June 30, 2020	June 30, 2020	2.45%	2.45%

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

9. OTHER POST-EMPLOYMENT BENEFITS, Continued

Total OPEB Liability

The following tables show the components of the City's annual OPEB cost, the amount paid by the employer as benefits came due, and changes in the OPEB liability for fiscal year June 30, 2020. The City's total OPEB liability of \$7,632,757 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Discount Rate

Per GASB guidance, the single rate that produces the same present of expected benefit payments as 1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and 2) the 20 year municipal bond rate after assets are projected to be exhausted. The Fidelity 20 year Municipal GO AA Index is used because it meets the GASB requirements and is based on a large amount municipal security data.

Changes in Total OPEB Liability

Total OPEB Liability	
Service Cost	247,789
Interest	213,975
Changes of benefit terms	0
Difference between expected and actual experience	0
Changes in assumptions or other inputs	691,274
Benefit payments ¹	(215,848)
Net change in total OPEB liability	937,190
Total OPEB liability – June 30, 2019 (a)	\$6,695,567
Total OPEB liability – June 30, 2020 (b)	\$7,632,757

There is sensitivity of the total OPEB liability due to changes in the discount rate and healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using the discount and trend rate that were 1 percentage point lower or 1 percentage point higher than the current discount and healthcare cost trend rates.

Discount Rate

	1% Decrease (1.45%)	Discount Rate (2.45%)	1% Increase (3.45%)
Total OPEB liability	8,851,833	7,632,757	6,648,522

Healthcare Trend Rate

	1% Decrease	Trend Rate	1% Increase
Total OPEB liability	6,765,655	7,632,757	8,586,735

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.

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 2019-20, 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.

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

B. Self-Insurance Programs of the Authority, Continued

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.

For 2019-20 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, 2018 through July 1, 2020. 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.

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

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 2019-20.

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.

**11. 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

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

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.

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
June 30, 2020

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 activities for the fiscal year ended June 30, 2020.

Long-Term Liabilities

	Balance at June 30, 2019	Additions	Repayments	Balance at June 30, 2020	Due Within One Year
2007 Tax Allocation Bonds	\$ 10,915,000	\$ -	\$ (250,000)	\$ 10,665,000	\$ 260,000
Less: Issuance Discount	(190,854)		8,150	(182,704)	(8,150)
2009 Housing Tax Allocation Bonds	3,185,000		(40,000)	3,145,000	40,000
Total	<u>\$ 13,909,146</u>	<u>\$ -</u>	<u>\$ (281,850)</u>	<u>\$ 13,627,296</u>	<u>\$ 291,850</u>

Long-term liabilities activity for the fiscal year ended June 30, 2020 were as follows:

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, 2020 was \$10,665,000.

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2020 was \$182,704.

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 \$18,719,618. Principal and interest paid for the current year was \$852,135.

City of Artesia
Notes to Basic Financial Statements
June 30, 2020

12. SUCCESSOR AGENCY DISCLOSURES, Continued

Long-Term Liabilities, Continued

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 260,000	\$ 589,216	\$ 849,216
2022	275,000	575,760	850,760
2023	290,000	560,750	850,750
2024	305,000	544,936	849,936
2025	320,000	528,299	848,299
2026 - 2030	1,900,000	2,356,681	4,256,681
2031 - 2035	2,485,000	1,769,080	4,254,080
2036 - 2040	3,260,000	998,060	4,258,060
2041 - 2042	1,570,000	131,836	1,701,836
Totals	<u>\$ 10,665,000</u>	<u>\$ 8,054,618</u>	<u>\$ 18,719,618</u>

2009 Tax Allocation Bonds

On June 30, 2009, the Agency issued \$3,470,000 in Housing Tax Allocation Bonds for the purpose of financing low and moderate income housing projects of the Agency. The bonds mature annually on June 1, from 2012 to 2046, in amounts ranging from \$40,000 to \$265,000. Interest is payable semiannually on June 1 and December 1, with a yield of 7.70%. \$286,030 is maintained in a reserve account that meets conditions as set forth in the Bond Indenture. The balance outstanding at June 30, 2020 was \$3,145,000.

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 \$7,365,370. Principal and interest paid for the current year was \$285,245. The annual requirements to amortize the 2009 Housing Tax Allocation Bonds outstanding at June 30, 2020, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 40,000	\$ 242,165	\$ 282,165
2022	45,000	239,085	284,085
2023	50,000	235,620	285,620
2024	50,000	231,770	281,770
2025	55,000	227,920	282,920
2026 - 2030	350,000	1,068,375	1,418,375
2031 - 2035	505,000	911,680	1,416,680
2036 - 2040	730,000	685,300	1,415,300
2041 - 2045	1,055,000	358,050	1,413,050
2046	265,000	20,405	285,405
Totals	<u>\$ 3,145,000</u>	<u>\$ 4,220,370</u>	<u>\$ 7,365,370</u>

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, 2020, 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. SUBSEQUENT EVENTS

Subsequent to fiscal year-end, the City may be negatively impacted by the effects of the worldwide coronavirus pandemic. The City is closely monitoring its operations, liquidity, and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the City's financial position is not known.

Subsequent to fiscal year-end, during the fiscal year ended June 30, 2022, the City Manager has resigned. A permanent replacement was hired on November 29, 2022.

Subsequent to fiscal year-end, in May of 2022, the Successor Agency has refunded both the 2007 Tax Allocations Bonds as well as the 2009 Housing Tax Allocation Bonds.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020**

Schedule of Changes in the Net Pension Liability and Related Ratios - Last 10 Years*

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.08571%	0.08207%	0.05112%	0.07287%	0.06597%	0.08779%
Proportionate share of the net pension liability	\$ 3,432,285	\$ 3,092,846	\$ 2,015,175	\$ 2,605,653	\$ 1,900,640	\$ 2,169,712
Covered-employee payroll	\$ 1,523,499	\$ 1,462,122	\$ 1,456,843	\$ 1,437,166	\$ 1,562,635	\$ 1,499,322
Proportionate Share of the net pension liability as a percentage of covered-employee payroll	225.29%	211.53%	138.32%	181.30%	121.63%	144.71%
Plan's fiduciary net position	\$ 12,377,615	\$ 11,139,639	\$ 6,172,484	\$ 10,016,378	\$ 10,661,524	\$ 10,323,534
Plan's total pension liability	\$ 15,809,900	\$ 14,232,486	\$ 8,187,659	\$ 12,622,031	\$ 12,562,164	\$ 12,493,246
Plan fiduciary net position as a percentage of total pension liability	78.29%	78.27%	75.39%	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: In the 2016 valuation, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

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

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020**

Schedule of Pension Contributions – Last 10 Years*

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	\$ 164,630	\$ 193,376	\$ 105,958	\$ 99,359	\$ 102,746	\$ 122,602
Contributions in relation to the actuarially determined contributions	(164,630)	(193,376)	(105,958)	(99,359)	(102,746)	(122,602)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 2,312,883	\$ 1,523,499	\$ 1,462,122	\$ 1,456,843	\$ 1,437,166	\$ 1,562,635
Contributions as a percentage of covered employee payroll	7.12%	12.69%	7.25%	6.82%	7.15%	7.85%

Notes to Schedule

Valuation Date: June 30, 2018

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 six years are shown.

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020**

Schedule of Changes in Total OPEB Liability and Related Ratios – Last 10 Years*

	<u>Fiscal Year Ending 6/30/2020</u>	<u>Fiscal Year Ending 6/30/2019</u>	<u>Fiscal Year Ending 6/30/2018</u>
Total OPEB Liability			
Service cost	\$ 247,789	\$ 218,038	\$ 211,687
Interest	213,975	222,388	214,547
Changes of assumptions	691,274	434,702	
Benefit payments	<u>(215,848)</u>	<u>(207,850)</u>	<u>(223,948)</u>
Net change in total OPEB liability	937,190	667,278	202,286
Total OPEB Liability - beginning of fiscal year	<u>6,695,567</u>	<u>6,028,289</u>	<u>5,826,003</u>
Total OPEB Liability - end of fiscal year	<u>\$ 7,632,757</u>	<u>\$ 6,695,567</u>	<u>\$ 6,028,289</u>
Covered payroll	\$ 2,354,019	\$ 2,312,883	\$ 2,087,473
Total OPEB Liability as a % of eligible payroll	324.2%	289.5%	288.8%

Notes to Schedule

Funding Policy: The City funds the benefits on a pay-as-you-go basis. No assets are accumulated in a trust.

*Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

**CITY OF ARTESIA
REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2020**

Schedule of OPEB Employer Contributions – Last 10 Years*

	<u>Fiscal Year Ending 6/30/2020</u>	<u>Fiscal Year Ending 6/30/2019</u>	<u>Fiscal Year Ending 6/30/2018</u>
Actuarially determined contribution (ADC) ¹	N/A	N/A	N/A
Contributions in relation to the ADC	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A
OPEB-eligible payroll for reporting period (fiscal year)	\$ 2,354,019	\$ 2,312,883	\$ 2,087,473
Contributions as a percent of payroll	N/A	N/A	N/A

¹ Per GASB 75 paragraph 57c., these disclosures are only required if the employer calculates an Actuarially Determined Contribution (ADC). The City does not currently calculate an ADC.

*Fiscal year 2018 was the 1st year of implementation, therefore only three years are shown.

City of Artesia
Note to Required Supplementary Information
For the fiscal year ended June 30, 2020

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 fiscal 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 fiscal year, several supplementary appropriations were necessary.

The City did not adopt a budget for the following Non-major Governmental Special Revenue Funds: Federal STP-L, Parks & Recreation Grants, Hazard & Litigation, Traffic Congestion, MAP 21 Exchange, Clean Air Bus Grant, Billboard, Sheriff, SBI, HOME and CFD.

City of Artesia
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 6,834,824	\$ 6,834,824	\$ 6,834,824	\$ -
Resources (inflows):				
Taxes	6,864,414	6,864,414	7,943,865	1,079,451
Licenses and permits	555,318	555,318	492,762	(62,556)
Intergovernmental	905,269	905,269	816,585	(88,684)
Charges for services	555,318	555,318	411,767	(143,551)
Use of money and property	310,805	310,805	164,938	(145,867)
Fines and forfeitures	218,493	218,493	144,656	(73,837)
Other revenues	20,928	20,928	14,816	(6,112)
Amount available for appropriation	<u>9,430,545</u>	<u>9,430,545</u>	<u>9,989,389</u>	<u>558,844</u>
Charges to appropriations (outflows):				
General government	2,824,631	2,824,631	3,099,578	(274,947)
Public safety	4,937,224	4,937,224	4,961,998	(24,774)
Parks and recreation	947,157	947,157	1,266,334	(319,177)
Public works	775,789	775,789	637,513	138,276
Community development	557,961	557,961	691,162	(133,201)
Capital outlay			87,401	(87,401)
Total charges to appropriations	<u>10,042,762</u>	<u>10,042,762</u>	<u>10,743,986</u>	<u>(701,224)</u>
Transfers in	1,086,860	1,086,860	460,527	(626,333)
Transfers out	(59,071)	(59,071)	(59,071)	
Total transfers	<u>1,027,789</u>	<u>1,027,789</u>	<u>401,456</u>	<u>(626,333)</u>
Excess of resources over charges to appropriations	<u>415,572</u>	<u>415,572</u>	<u>(353,141)</u>	<u>(768,713)</u>
Fund balance, June 30	\$ <u>7,250,396</u>	\$ <u>7,250,396</u>	\$ <u>6,481,683</u>	\$ <u>(768,713)</u>

See accompanying note to required supplementary information.

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SUPPLEMENTARY INFORMATION

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.

Bicycle & Pedestrian - To account for funds received for improvements made for planning and construction of bicycle and pedestrian facilities.

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

Community Development Block Grant - To account for grant funds received for programs that assist low- and moderate-income residents with single family housing rehabilitation.

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

HOME - To receive grant funds as part of the HOME program

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.

SB1 - To account for revenue and expenditures associated with State Assembly Bill 1 funding for streets and roads.

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

Traffic Congestion - To account for funding received for transportation projects that improve traffic mobility and relieve congestion.

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.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Clean Air Bus Grant - To account for federal grant to purchase electric bus.

Measure M - To account for funds received for public transit system improvements.

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

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.

Metro TOD 4 - To account for grant funds received for transit-oriented development planning for downtown Artesia.

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

Community Facility District - To account for taxes collected within the district which pay for public safety, flood, and storm protection services as well as maintenance of lighting, parkways, streets, roads, and open spaces.

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.

Cal Fire Urban Grant - To account for the State-funded grant received to help expand the City's Urban Forest and reduce greenhouse gasses and urban heat island impacts through tree planting.

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue												
	State Gas Tax	Federal SIP-L	Bicycle & Pedestrian	Proposition A	Community Development Block Grant	Parks & Recreation Grants	HOME	Proposition C	Air Quality	Hazard & Litigation Fund	California Beverage Recycling	SB1	Artesia Lighting District
ASSETS													
Cash and investments	\$ 384,053	\$ 64,512	\$ -	\$ 815,773	\$ -	\$ -	\$ 3,137	\$ 546,028	\$ -	\$ -	\$ 15,143	\$ 636,296	\$ 25,640
Receivables:													
Accounts	21,099		15,438	7,371					5,295				2,279
Prepaid items													
Total assets	<u>\$ 405,152</u>	<u>\$ 64,512</u>	<u>\$ 15,438</u>	<u>\$ 823,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,137</u>	<u>\$ 546,028</u>	<u>\$ 5,295</u>	<u>\$ -</u>	<u>\$ 15,143</u>	<u>\$ 636,296</u>	<u>\$ 27,919</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ 23,582	\$ -	\$ -	\$ 13,142	\$ 7,468	\$ -	\$ -	\$ 27,059	\$ -	\$ -	\$ -	\$ -	\$ 2,152
Deposits payable													
Due to other funds			9,248		33,467	313,210			96,347	1,324,869			
Total liabilities	<u>23,582</u>		<u>9,248</u>	<u>13,142</u>	<u>40,935</u>	<u>313,210</u>		<u>27,059</u>	<u>96,347</u>	<u>1,324,869</u>			<u>2,152</u>
Fund Balances:													
Nonspendable													
Restricted for:													
Street projects	381,570	64,512										636,296	
Transportation projects			6,190	810,002				518,969					
Housing projects							3,137						
Air quality projects										15,143			
Public safety													
Unassigned					(40,935)	(313,210)			(91,052)	(1,324,869)			25,767
Total fund balances	<u>381,570</u>	<u>64,512</u>	<u>6,190</u>	<u>810,002</u>	<u>(40,935)</u>	<u>(313,210)</u>	<u>3,137</u>	<u>518,969</u>	<u>(91,052)</u>	<u>(1,324,869)</u>	<u>15,143</u>	<u>636,296</u>	<u>25,767</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 405,152</u>	<u>\$ 64,512</u>	<u>\$ 15,438</u>	<u>\$ 823,144</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,137</u>	<u>\$ 546,028</u>	<u>\$ 5,295</u>	<u>\$ -</u>	<u>\$ 15,143</u>	<u>\$ 636,296</u>	<u>\$ 27,919</u>

(Continued)

City of Artesia
Combining Balance Sheet
Non-Major Governmental Funds, Continued
June 30, 2020

	Special Revenue											Total Other Governmental Funds	
	Traffic Congestion	MAP 21 Exchange	Clean Air Bus Grant	Measure M	Billboard	Sheriff	Metro TOD 4	C.O.P.S Grant	Community Facility District	Measure R	Housing Authority		Cal Fire Urban Grant
ASSETS													
Pooled cash and investments	\$ 20,245	\$ 178,151	\$ -	\$ 572,405	\$ 370,638	\$ 446	\$ -	\$ 65,347	\$ 18,181	\$ 527,315	\$ 614,376	\$ -	\$ 4,857,686
Receivables:													
Accounts							56,727					29,573	137,782
Prepaid items									7,063				7,063
Total assets	\$ 20,245	\$ 178,151	\$ -	\$ 572,405	\$ 370,638	\$ 446	\$ -	\$ 122,074	\$ 18,181	\$ 534,378	\$ 614,376	\$ 29,573	\$ 5,002,531
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ 9,200	\$ 6,440	\$ -	\$ -	\$ -	\$ -	\$ 3,858	\$ -	\$ 6,944	\$ 99,845
Deposits payable											61,895		61,895
Due to other funds			10,548				22,482					30,326	1,840,497
Total liabilities			10,548	9,200	6,440		22,482			3,858	61,895	37,270	2,002,237
Fund Balances:													
Nonspendable										7,063			7,063
Restricted for:													
Street projects									18,181				1,100,559
Transportation projects	20,245	178,151			364,198					523,457			2,421,212
Housing projects											552,481		555,618
Air quality projects													15,143
Public safety				563,205		446		122,074					685,725
Unassigned			(10,548)				(22,482)					(7,697)	(1,785,026)
Total fund balances	20,245	178,151	(10,548)	563,205	364,198	446	(22,482)	122,074	18,181	530,520	552,481	(7,697)	3,000,294
Total liabilities, deferred inflows, and fund balances	\$ 20,245	\$ 178,151	\$ -	\$ 572,405	\$ 370,638	\$ 446	\$ -	\$ 122,074	\$ 18,181	\$ 534,378	\$ 614,376	\$ 29,573	\$ 5,002,531

City of Artesia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the fiscal year ended June 30, 2020

	Special Revenue												
	State Gas Tax	Federal STP-L	Bicycle & Pedestrian	Proposition A	Community Development Block Grant	Parks & Recreation Grants	HOME	Proposition C	Air Quality	Hazard & Litigation Fund	California Beverage Recycling	SB1	Artesia Lighting District
REVENUES:													
Taxes	\$ -	\$ -	\$ -	\$ 325,887	\$ -	\$ -	\$ -	\$ 270,324	\$ -	\$ -	\$ -	\$ -	\$ 138,328
Intergovernmental	369,692		15,438			5,284			69,824	1,500	5,000	343,363	
Use of money and property	20,222	1,466		16,318			1,108	13,326	7,676		278		
Other	1,002												
Total revenues	390,916	1,466	15,438	342,205		5,284	1,108	283,650	77,500	1,500	5,278	343,363	138,328
EXPENDITURES:													
Current:													
General government											209		
Public safety													
Public works	246,981			92,697				11,860					
Community Development					40,935								163,497
Capital outlay	137,082		16,520	337,446		106,606		253,660	306,353	1,939,279			
Total expenditures	384,063		16,520	430,143	40,935	106,606		265,520	306,353	1,939,279	209		163,497
REVENUES OVER (UNDER) EXPENDITURES	6,853	1,466	(1,082)	(87,938)	(40,935)	(101,322)	1,108	18,130	(228,853)	(1,937,779)	5,069	343,363	(25,169)
OTHER FINANCING SOURCES (USES):													
Transfers in													59,071
Transfers out											(1,000)		
Total other financing sources (uses)											(1,000)		59,071
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	6,853	1,466	(1,082)	(87,938)	(40,935)	(101,322)	1,108	18,130	(228,853)	(1,937,779)	4,069	343,363	33,902
FUND BALANCES:													
Beginning of fiscal year	374,717	63,046	7,272	897,940		(211,888)	2,029	500,839	137,801	612,910	11,074	292,933	(8,135)
End of fiscal year	\$ 381,570	\$ 64,512	\$ 6,190	\$ 810,002	\$ (40,935)	\$ (313,210)	\$ 3,137	\$ 518,969	\$ (91,052)	\$ (1,324,869)	\$ 15,143	\$ 636,296	\$ 25,767

(Continued)

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, 2020

	Special Revenue											Total Other Governmental Funds
	Traffic Congestion	MAP 21 Exchange	Clean Air Bus Grant	Measure M	Billboard	Sheriff	Metro TOD 4	C.O.P.S. Grant	Community Facility District	Measure R	Housing Authority	
REVENUES:												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,218	\$ 202,453	\$ -	\$ -
Intergovernmental				227,821				212,674			33,836	
Use of money and property	1,128	4,051		13,249	7,939	10		9,400	339	13,178	91,002	
Other					150,000							
Total revenues	1,128	4,051		241,070	157,939	10		222,074	6,557	215,631	91,002	33,836
EXPENDITURES:												
Current:												
General government												209
Public safety											41,533	41,533
Public works							1,692			12,147		365,377
Community Development					83,060						30,944	318,436
Capital outlay			5,550	108,361						38,224		3,249,081
Total expenditures			5,550	108,361	83,060		1,692			50,371	30,944	41,533
REVENUES OVER (UNDER) EXPENDITURES	1,128	4,051	(5,550)	132,709	74,879	10	(1,692)	222,074	6,557	165,260	60,058	(7,697)
OTHER FINANCING SOURCES (USES):												
Transfers in												59,071
Transfers out								(100,000)				(101,000)
Total other financing sources (uses)								(100,000)				(41,929)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,128	4,051	(5,550)	132,709	74,879	10	(1,692)	122,074	6,557	165,260	60,058	(7,697)
FUND BALANCES:												
Beginning of fiscal year	19,117	174,100	(4,998)	430,496	289,319	436	(20,790)		11,624	365,260	492,423	4,437,525
End of fiscal year	\$ 20,245	\$ 178,151	\$ (10,548)	\$ 563,205	\$ 364,198	\$ 446	\$ (22,482)	\$ 122,074	\$ 18,181	\$ 530,520	\$ 552,481	\$ 3,000,294

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 374,717</u>	<u>\$ 374,717</u>	<u>\$ 374,717</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental	674,333	674,333	369,692	(304,641)
Use of money and property	3,045	3,045	20,222	17,177
Other			1,002	1,002
Amount available for appropriation	<u>677,378</u>	<u>677,378</u>	<u>390,916</u>	<u>(286,462)</u>
Charges to appropriations (outflows):				
Public Works	677,378	677,378	246,981	430,397
Capital outlay			137,082	(137,082)
Total charges to appropriations	<u>677,378</u>	<u>677,378</u>	<u>384,063</u>	<u>293,315</u>
Excess of resources over (under) charges to appropriations			<u>6,853</u>	<u>6,853</u>
Fund balance, June 30	<u><u>\$ 374,717</u></u>	<u><u>\$ 374,717</u></u>	<u><u>\$ 381,570</u></u>	<u><u>\$ 6,853</u></u>

City of Artesia

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

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	500,000	500,000		(500,000)
Amount available for appropriation	500,000	500,000		(500,000)
Charges to appropriations (outflows):				
Community development	500,000	500,000	40,935	459,065
Total charges to appropriations	500,000	500,000	40,935	459,065
Excess of resources over (under) charges to appropriations			(40,935)	
Fund balance, June 30	\$ -	\$ -	\$ (40,935)	\$ -

City of Artesia

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

Proposition A

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 897,940	\$ 897,940	\$ 897,940	\$ -
Resources (inflows):				
Taxes	340,068	340,068	325,887	(14,181)
Intergovernmental	6,795	6,795		(6,795)
Use of money and property	2,081	2,081	16,318	14,237
Amount available for appropriation	348,944	348,944	342,205	(6,739)
Charges to appropriations (outflows):				
Public works	834,617	834,617	92,697	741,920
Capital outlay			337,446	(337,446)
Total charges to appropriations	834,617	834,617	430,143	404,474
Excess of resources over (under) charges to appropriations	(485,673)	(485,673)	(87,938)	397,735
Fund balance, June 30	\$ 412,267	\$ 412,267	\$ 810,002	\$ 397,735

City of Artesia

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

Proposition C

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 500,839	\$ 500,839	\$ 500,839	\$ -
Resources (inflows):				
Taxes	282,078	282,078	270,324	(11,754)
Use of money and property	2,257	2,257	13,326	11,069
Amount available for appropriation	284,335	284,335	283,650	(685)
Charges to appropriations (outflows):				
Public works	74,867	74,867	11,860	63,007
Capital outlay	209,468	209,468	253,660	(44,192)
Total charges to appropriations	284,335	284,335	265,520	18,815
Excess of resources over (under) charges to appropriations			18,130	18,130
Fund balance, June 30	\$ 500,839	\$ 500,839	\$ 518,969	\$ 18,130

City of Artesia

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

Air Quality

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 137,801	\$ 137,801	\$ 137,801	\$ -
Resources (inflows):				
Intergovernmental	70,000	70,000	69,824	(176)
Use of money and property	525	525	7,676	7,151
Amount available for appropriation	70,525	70,525	77,500	6,975
Charges to appropriations (outflows):				
Public works	16,557	16,557		16,557
Capital outlay	53,968	53,968	306,353	(252,385)
Total charges to appropriations	70,525	70,525	306,353	(235,828)
Excess of resources over (under) charges to appropriations			(228,853)	(228,853)
Fund balance, June 30	\$ 137,801	\$ 137,801	\$ (91,052)	\$ (228,853)

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 11,074	\$ 11,074	\$ 11,074	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	5,000	
Use of money and property			278	278
Amount available for appropriation	5,000	5,000	5,278	278
Charges to appropriations (outflows):				
General government	5,000	5,000	209	4,791
Transfers out			1,000	(1,000)
Total charges to appropriations	5,000	5,000	1,209	3,791
Excess of resources over (under) charges to appropriations			4,069	4,069
Fund balance, June 30	\$ 11,074	\$ 11,074	\$ 15,143	\$ 4,069

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	212,674	(112,674)
Use of money and property			9,400	(9,400)
Amount available for appropriation	100,000	100,000	222,074	(122,074)
Charges to appropriations (outflows):				
Public safety	100,000	100,000		100,000
Transfer out			(100,000)	100,000
Total charges to appropriations	100,000	100,000	(100,000)	
Excess of resources over (under) charges to appropriations			122,074	(122,074)
Fund balance, June 30	\$ -	\$ -	\$ 122,074	\$ (122,074)

City of Artesia

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

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 365,260	\$ 365,260	\$ 365,260	\$ -
Resources (inflows):				
Taxes	211,581	211,581	202,453	(9,128)
Use of money and property			13,178	13,178
Amount available for appropriation	211,581	211,581	215,631	4,050
Charges to appropriations (outflows):				
Public works	134,316	134,316	12,147	122,169
Capital outlay	77,265	77,265	38,224	39,041
Total charges to appropriations	211,581	211,581	50,371	161,210
Excess of resources over (under) charges to appropriations			165,260	165,260
Fund balance, June 30	\$ 365,260	\$ 365,260	\$ 530,520	\$ 165,260

City of Artesia

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

Housing Authority

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 492,423</u>	<u>\$ 492,423</u>	<u>\$ 492,423</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	<u>667</u>	<u>667</u>	<u>91,002</u>	<u>90,335</u>
Amount available for appropriation	<u>667</u>	<u>667</u>	<u>91,002</u>	<u>90,335</u>
Charges to appropriations (outflows):				
Community development	<u>306,022</u>	<u>306,022</u>	<u>30,944</u>	<u>275,078</u>
Total charges to appropriations	<u>306,022</u>	<u>306,022</u>	<u>30,944</u>	<u>275,078</u>
Excess of resources over (under) charges to appropriations	<u>(305,355)</u>	<u>(305,355)</u>	<u>60,058</u>	<u>365,413</u>
Fund balance, June 30	<u><u>\$ 187,068</u></u>	<u><u>\$ 187,068</u></u>	<u><u>\$ 552,481</u></u>	<u><u>\$ 365,413</u></u>

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, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (8,135)	\$ (8,135)	\$ (8,135)	\$ -
Resources (inflows):				
Taxes	138,162	138,162	138,328	166
Transfers in	59,071	59,071	59,071	
Amount available for appropriation	197,233	197,233	197,399	166
Charges to appropriations (outflows):				
Community development	197,232	197,232	163,497	33,735
Total charges to appropriations	197,232	197,232	163,497	33,735
Excess of resources over (under) charges to appropriations			33,902	33,901
Fund balance, June 30	\$ (8,135)	\$ (8,135)	\$ 25,767	\$ 33,901

City of Artesia

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

Bicycle & Pedestrian

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 7,272	\$ 7,272	\$ 7,272	\$ -
Resources (inflows):				
Intergovernmental	56,440	56,440	15,438	(41,002)
Amount available for appropriation	56,440	56,440	15,438	(41,002)
Charges to appropriations (outflows):				
Public works	45,737	45,737		45,737
Capital outlay	10,703	10,703	16,520	(5,817)
Total charges to appropriations	56,440	56,440	16,520	39,920
Excess of resources over (under) charges to appropriations			(1,082)	(1,082)
Fund balance, June 30	\$ 7,272	\$ 7,272	\$ 6,190	\$ (1,082)

City of Artesia

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

Measure M

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ 430,496	\$ 430,496	\$ 430,496	\$ -
Resources (inflows):				
Intergovernmental	239,766	239,766	227,821	(11,945)
Use of money and property	2,278	2,278	13,249	10,971
Amount available for appropriation	242,044	242,044	241,070	(974)
Charges to appropriations (outflows):				
Public works	47,953	47,953		47,953
Capital outlay	194,091	194,091	108,361	85,730
Total charges to appropriations	242,044	242,044	108,361	133,683
Excess of resources over (under) charges to appropriations			132,709	132,709
Fund balance, June 30	\$ 430,496	\$ 430,496	\$ 563,205	\$ 132,709

City of Artesia

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Metro TOD 4**

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Fund balance, July 1	\$ (20,790)	\$ (20,790)	\$ (20,790)	\$ -
Resources (inflows):				
Intergovernmental	375,000	375,000		(375,000)
Amount available for appropriation	375,000	375,000		(375,000)
Charges to appropriations (outflows):				
Public works	375,000	375,000	1,692	373,308
Total charges to appropriations	375,000	375,000	1,692	373,308
Excess of resources over (under) charges to appropriations			(1,692)	(1,692)
Fund balance, June 30	\$ (20,790)	\$ (20,790)	\$ (22,482)	\$ (1,692)

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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.

City of Artesia
Combining Balance Sheet
All Agency Funds
June 30, 2020

	Trust and Agency	George Nelson Memorial	Senior Citizens	Total
ASSETS				
Cash and investments	\$ 1,438,605	\$ 2,243	\$ 6,272	\$ 1,447,120
Accounts receivable	5,234			5,234
Total assets	\$ 1,443,839	\$ 2,243	\$ 6,272	\$ 1,452,354
LIABILITIES				
Accounts payable	\$ 68,143	\$ -	\$ -	\$ 68,143
Deposits payable	1,375,696	2,243	6,272	1,384,211
Total liabilities	\$ 1,443,839	\$ 2,243	\$ 6,272	\$ 1,452,354

City of Artesia
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Fiscal Year Ended June 30, 2020

	Balance June 30, 2019	Addition	Deductions	Balance June 30, 2020
Trust and Agency				
Assets:				
Cash and investments	\$ 1,209,146	\$ 248,966	\$ (19,507)	\$ 1,438,605
Accounts receivable	19,451	5,234	(19,451)	5,234
Total assets	\$ 1,228,597	\$ 254,200	\$ (38,958)	\$ 1,443,839
Liabilities:				
Account payable	\$ 38,958	\$ 68,143	\$ (38,958)	\$ 68,143
Deposits payable	1,189,639	186,057		1,375,696
Total liabilities	\$ 1,228,597	\$ 254,200	\$ (38,958)	\$ 1,443,839
George Nelson Memorial				
Assets:				
Cash and investments	\$ 2,243	\$ -	\$ -	\$ 2,243
Total assets	\$ 2,243	\$ -	\$ -	\$ 2,243
Liabilities:				
Deposits payable	\$ 2,243	\$ -	\$ -	2,243
Total liabilities	\$ 2,243	\$ -	\$ -	\$ 2,243
Senior Citizens				
Assets:				
Cash and investments	\$ 6,272	\$ -	\$ -	\$ 6,272
Total assets	\$ 6,272	\$ -	\$ -	\$ 6,272
Liabilities:				
Deposits payable	\$ 6,272	\$ -	\$ -	6,272
Total liabilities	\$ 6,272	\$ -	\$ -	\$ 6,272
Totals - All Agency Funds				
Assets:				
Cash and investments	\$ 1,217,661	\$ 248,966	\$ (19,507)	\$ 1,447,120
Accounts receivable	19,451	5,234	(19,451)	5,234
Total assets	\$ 1,237,112	\$ 254,200	\$ (38,958)	\$ 1,452,354
Liabilities:				
Account payable	\$ 38,958	\$ 68,143	\$ (38,958)	\$ 68,143
Deposits payable	1,198,154	186,057		1,384,211
Total liabilities	\$ 1,237,112	\$ 254,200	\$ (38,958)	\$ 1,452,354

CITY OF ARTESIA
MANAGEMENT REPORT
AND
AUDITOR'S COMMUNICATION LETTER

June 30, 2020

CITY OF ARTESIA
June 30, 2020

TABLE OF CONTENTS

Transmittal/Management Letter	1
Required Communication under Statement on Auditing Standards No. 114	3
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	6
Current Year Recommendations	8
Status of Prior Year Recommendations	12



MOSS, LEVY & HARTZHEIM LLP

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Members of the City Council
City of Artesia
Artesia, California

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Artesia (City), as of and for the fiscal year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weakness and therefore, significant deficiencies or material weakness may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we identified the deficiencies presented in the current year recommendation section as Finding 2020-01 that we consider to be a material weakness and 2020-02 to 2020-08 that we consider to be significant deficiencies in internal control.

The City's response to the findings identified in our audit is described in the current year recommendations section. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. In addition, we would be pleased to discuss the recommendations in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We have included in this letter a summary of communications with the members of the City Council as required by professional auditing standards. We would like to thank the City's management and staff for the courtesy and cooperation extended to us during the course of our engagement. The accompanying communications and recommendations are intended solely for the information and use of management, the members of the City Council, and others within the City, and are not intended to be, and should not be, used by anyone other these specified parties.

Moss, Levy & Hartzheim

MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA
February 10, 2023



MOSS, LEVY & HARTZHEIM LLP

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February 10, 2023

Members of the City Council
City of Artesia
Artesia, California

We have audited the financial statements of the City of Artesia (City) as of and for the fiscal year ended June 30, 2020. Professional standards require that we provide you with the information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to the basic financial statements. We noted no transactions entered into by the City during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management has made estimates of the funding progress and net pension liability of CalPERS, the estimated historical cost and useful lives of capital assets, estimated allowances for doubtful accounts, estimates regarding contingent liabilities, and the assumptions used for estimating the other postemployment benefits liability. These estimates are based on CalPERS' actuarial estimates for net pension liability, historical data and industry guidelines for capital assets, historical collection data, advice from legal counsel, and actuarial tables provided by GASB and a third party actuarial report for other postemployment benefits payable, respectively. We evaluated the key factors and assumptions used to develop the estimates above in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We proposed adjusting journal entries for net pension liability, and deferred inflows and outflows. All entries proposed were accepted by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual, the Schedule of Funding Progress – Post-employment Health Insurance Benefits, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of Contributions, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the Schedule of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual, combining statements for nonmajor governmental funds, combining statements for nonmajor enterprise funds, combining statements for internal service funds, and combining statements for agency funds which accompanies the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



MOSS, LEVY & HARTZHEIM, LLP
Culver City, CA



MOSS, LEVY & HARTZHEIM LLP

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

Members of the City Council
City of Artesia
Artesia, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Artesia (City), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies, presented in the current year recommendations section as finding 2020-1 that we consider to be a material weakness in internal controls and findings 2020-2 through 2020-8, that we consider to be significant deficiencies in internal controls. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
February 10, 2023

CURRENT YEAR RECOMMENDATIONS

Material Weakness

2020-01 Finding – Financial reports are not issued in a timely manner:

During our review of internal controls it was noted that financial statements are not being issued by the City in a timely manner. It is also not known whether a single audit was required during the same time period, due to the unavailability of financial data.

Effect:

The City is not in compliance with Local, State and Federal requirements regarding financial reporting and can cause issues with various oversight agencies and make it impossible for the City to acquire Federal and State grants and other intergovernmental funding. In addition, the residents of the City are not being informed regarding the financial health of the City.

Recommendation:

We recommend that the City ensure that the financial statements are issued within 9 months of each fiscal year end.

Management's Response:

The City acknowledges that staff did not complete work for the year ended June 30, 2019 in a timely manner, which delayed the audit work for the year ended June 30, 2020. However, the audit has now been completed. Further, audit schedules for the year ended June 30, 2021 and June 30, 2022 have been prepared and the audit fieldwork has already begun for both years.

The City did complete other required audits for the year ended June 30, 2020; including the annual MTA Audit of local return funds, as well as the SCAQMD audit. A single audit – defined as an organization-wide financial statement and federal awards' audit of a non-federal entity that expends \$750,000 or more in federal funds in one year – was not performed because the City's federal awards expenditures for the year were less than the audit threshold of \$750,000, therefore not required.

Furthermore, once the financial statements for June 30, 2021 and June 30, 2022 have been completed, the City now has Staff in place that will ensure that financial statements for future years will be completed in a timely manner.

Significant Deficiencies

2020-02 Finding – Bank Reconciliations not performed properly in a timely manner:

During our review of bank reconciliations, it was noted that bank reconciliations are not being completed in a timely manner. In addition, we noted a lack of documentation of approval on the bank reconciliations.

Effect:

When bank reconciliations are not being completed in a timely manner and there isn't clear documentation regarding the approval of said reconciliations, errors and misappropriations may occur and go on occurring undetected.

Recommendation:

We recommend that the City ensure that all bank reconciliations be prepared within 30 days of the month close and that the approval of the bank reconciliation are clearly documented on each reconciliation.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Management's Response:

The City acknowledges that staff did not complete work for the year ended June 30, 2020 in a timely manner. However, as of the date of this letter, bank reconciliations are being completed in a timely manner each month, and Finance personnel is committed to ensuring that bank reconciliations will continue to be prepared in a timely manner, going forward.

2020-03 Finding – Lack of internal control over cash receipts

During our review of cash receipts, the following were noted:

1. One instances where the City did not obtained updated lease agreements with a tenant while charging them a higher rate.
2. 9 instances where there was a significant delay between date of collection and day of deposit.
3. 5 instances where rents being charged did not agree with rental agreements.

Effect:

A lack of internal control over cash receipts can both create opportunities for misappropriation of assets that can go undetected, as well as the possibility of charging customers rates that were not approved by governance and/or agreed upon with the customer.

Recommendation:

We recommend that the City ensure that updated rental agreements are on file for all rental customers as well as updating cash receipting software to ensure that only council approved fee schedules are being charged.

Management's Response:

The City acknowledges that internal control over cash receipts for the fiscal year June 30, 2020 was lacking. The City has taken several steps to address this. 1) The City has had a dedicated review of all leases performed by an employee and reviewed by the Deputy City Manager. New lease agreements have been executed for all current tenants. 2) Due to staff turnover and closure of City Hall due to the COVID pandemic during this fiscal year, cash was collected and stored in the safe until cash was able to be deposited at the bank. 3) Rents did not agree with rental agreements, as during the fiscal year, the City began charging tenants a Common Area Maintenance (CAM) fee. However, the rental/lease agreements were not updated to reflect these new amounts.

2020-04 Finding – Lack of internal control over payroll and personnel files

During our review of payroll and personnel files, we noted the following:

1. 9 instances where personnel action forms were either not approved properly or missing.
2. 8 instances where an employee's timesheet was missing.
3. 8 instances where employee I-9 forms were missing.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Effect:

A lack of internal control over payroll and personnel files can create opportunities for misappropriation of funds as well as opportunities for non-compliance with Federal, State or local laws.

Recommendation:

We recommend that the City review personnel files for all employees to ensure compliance with human resources requirements as well as Federal, State, and local regulations. In addition, we recommend that the City ensure that all payroll withholdings be reviewed by an appropriate member of management for mathematical accuracy as well as regulatory requirements.

Management's Response:

The City acknowledges that internal control over payroll and personnel files for the fiscal year June 30, 2020 was lacking. The City has hired a competent Human Resources Manager who has reviewed the personnel files of each active employee to ensure that all required forms and paperwork has been appropriately received and filed. In addition, the Finance Manager reviews payroll reports to ensure that timesheets and employee withholding is accurate.

2020-05 Finding – Investment policy not updated:

During our review of policies and procedures, it was noted that the City's investment policy has not been updated in a timely manner. The policy was last updated in 2010 and was required to have been updated by 2014 per City resolution.

Effect:

Without an updated investment policy, the City is not in compliance with its own City resolution that requires that the investment policy to be updated every 4 years.

Recommendation:

We recommend that the City updates its investment policy as soon as possible to be in compliance with City resolutions.

Management's Response:

In 2018, City staff sought and received direction from the Finance Subcommittee of the City Council to include in the revised Investment Policy the ability for the City to invest its reserves in Certificates of Deposit. A revised Investment Policy was drafted by staff, but was not presented to the City Council for approval. Due to staff turnover, the adoption of an investment policy has not yet been addressed. The City is currently in the process of contracting a consultant to draft a policy for adoption by the City Council. Staff is anticipating this process to be completed and a policy adopted by the end of the fiscal year of 2023.

2020-06 Finding – Stale dated checks not reviewed and updated:

During our review of the bank reconciliations, it was noted that some stale dated checks on the bank reconciliation have been outstanding for more than 5 years. The City does not have policies and procedures to address the checks by contacting the vendor, reissuing or submitting to the State Controller's office.

Effect:

The City may not be in compliance with State requirements regarding unclaimed property.

CURRENT YEAR RECOMMENDATIONS (CONTINUED)

Recommendation:

We recommend that the City review and address long outstanding checks by contacting vendors, reissuing, and/or submitting to the State Controller's office as required.

Management's Response:

The City has implemented a policy in which the outstanding checks listed on the bank reconciliation are being handled in accordance with Section 50050 and 50051 of the Government Code, and vendors of uncashed checks are being contacted to determine whether the check needs to be voided and reissued.

2020-07 Finding – Lack of internal control over contractor deposits:

During our review of deposits payable, it was noted that the City did not have procedures to reconcile deposits held by the City from contractors and builders.

Effect:

A lack of internal control over deposits payable makes it impossible for the City to determine when deposits should be returned to contractors or recognized as revenue upon completion of a certain project or after a certain time period.

Recommendation:

We recommend that the City review all deposits on an annual basis and determine the accuracy and appropriateness of deposit accounts.

Management's Response:

Deposits were reconciled for the year ended June 30, 2018, however, due to staff turnover, the current fiscal year has not been able to be reconciled. Deposits will again be reconciled by the end of the calendar year 2022.

2020-08 Finding – Budget was not prepared and adopted in an appropriate manner:

During our review of the budget, it was noted that the annual budget was not prepared with accurate fund balance amounts from the accounting records. In addition, the budget does not disclose actual operating results from the prior fiscal year.

Effect:

The budget is an essential document that allows the City Council, residents, and management to monitor the operating results of the City, assess its financial health, and make fiscally responsible financial plans for the future. Without providing accurate fund balance amounts and accurate prior year operating results, the budget is missing key components that makes it useful as a tool to gauge the city's operational results. In addition, it makes it impossible to use budget as a key audit tool to detect misappropriations and internal budgetary controls.

Recommendation:

We recommend that the City ensure that a budget is passed in a timely manner and in an appropriate format.

Management's Response:

The current Finance Manager came on board in October 2020, at which time the books had not been closed since 2018. The then-City Manager closely drove the budget process and made the decision not to include prior year actuals. The arrival of an Interim City Manager in January 2022 led to budget changes, including the inclusion of actuals. As of the fiscal year ended June 30, 2022, fund balances are routinely reviewed to ensure accuracy of the budget.

STATUS OF PRIOR YEAR RECOMMENDATIONS

Material Weakness

2019-01 Finding – Financial reports are not issued in a timely manner:

During our review of internal controls it was noted that financial statements are not being issued by the City in a timely manner. It is also not known whether a single audit was required during the same time period, due to the unavailability of financial data.

Effect:

The City is not in compliance with Local, State and Federal requirements regarding financial reporting and can cause issues with various oversight agencies and make it impossible for the City to acquire Federal and State grants and other intergovernmental funding. In addition, the residents of the City are not being informed regarding the financial health of the City.

Recommendation:

We recommend that the City ensure that the financial statements are issued within 9 months of each fiscal year end.

Current Status:

Not implemented see Finding 2020-01.

Significant Deficiencies

2019-02 Finding – Bank Reconciliations not performed properly in a timely manner:

During our review of bank reconciliations, it was noted that bank reconciliations are not being completed in a timely manner. In addition, we noted a lack of documentation of approval on the bank reconciliations.

Effect:

When bank reconciliations are not being completed in a timely manner and there isn't clear documentation regarding the approval of said reconciliations, errors and misappropriations may occur and go on occurring undetected.

Recommendation:

We recommend that the City ensure that all bank reconciliations be prepared within 30 days of the month close and that the approval of the bank reconciliation are clearly documented on each reconciliation.

Current Status:

Not implemented see Finding 2020-02.

2019-03 Finding – Lack of internal control over cash receipts

During our review of cash receipts, the following were noted:

4. 13 instances where the City did not obtain updated lease agreements with a tenant while charging them a higher rate.
5. One instance where the City did not retain grant reimbursement requests.
6. 9 instances where there was a significant delay between date of collection and day of deposit.
7. 11 instances where rents being charged did not agree with rental agreements.
8. One instance where a fee being charged on a building permit could not be found on City's fee schedules.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Effect:

A lack of internal control over cash receipts can both create opportunities for misappropriation of assets that can go undetected, as well as the possibility of charging customers rates that were not approved by governance and/or agreed upon with the customer.

Recommendation:

We recommend that the City ensure that updated rental agreements are on file for all rental customers as well as updating cash receipting software to ensure that only council approved fee schedules are being charged.

Current Status:

Not implemented see Finding 2020-03.

2019-04 Finding – Lack of internal control over payroll and personnel files

During our review of payroll and personnel files, we noted the following:

4. 14 instances where personnel action forms were either not approved properly or missing.
5. One instance where an employee's timesheet was missing.
6. 7 instances where employee withholdings for CalPERS contributions were not made by the employer.
7. 3 instances where employee I-9 forms were missing.

Effect:

A lack of internal control over payroll and personnel files can create opportunities for misappropriation of funds as well as opportunities for non-compliance with Federal, State or local laws.

Recommendation:

We recommend that the City review personnel files for all employees to ensure compliance with human resources requirements as well as Federal, State, and local regulations. In addition, we recommend that the City ensure that all payroll withholdings be reviewed by an appropriate member of management for mathematical accuracy as well as regulatory requirements.

Current Status:

Not implemented see Finding 2020-04.

2019-05 Finding – Investment policy not updated:

During our review of policies and procedures, it was noted that the City investment policy has not been updated in a timely manner. The policy was last updated in 2010 and was required to have been updated by 2014 per City resolution.

Effect:

Without an updated investment policy, the City is not in compliance with its own City resolution that requires that the investment policy to be updated every 4 years.

Recommendation:

We recommend that City update its investment policy as soon as possible to be in compliance with City resolutions.

STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

Current Status:

Not implemented see Finding 2020-05.

2019-06 Finding – Stale dated checks not reviewed and updated:

During our review of the bank reconciliations, it was noted that some stale dated checks on the bank reconciliation have been outstanding for more than 5 years. The City does not have policies and procedures to address the checks by contacting the vendor, reissuing, and/or submitting to the State Controller’s office.

Effect:

They City may not be in compliance with State requirements regarding unclaimed property.

Recommendation:

We recommend that the City review and address long outstanding checks by contacting vendors, reissuing, and/or submitting to the State Controller’s office as required.

Current Status:

Not implemented see Finding 2020-06.

2019-07 Finding – Lack of internal control over contractor deposits:

During our review of deposits payable, it was noted that the City does not have procedures to reconcile deposits held by the City from contractors and builders.

Effect:

A lack of internal control over deposits payable makes it impossible for the City to determine when deposits should be returned to contractors or recognized as revenue upon completion of a certain project or after a certain time period.

Recommendation:

We recommend that the City review all deposits on an annual basis and determine the accuracy and appropriateness of deposit accounts.

Current Status:

Not implemented see Finding 2020-07.