

**CITY OF ARTESIA**  
**MANAGEMENT REPORT**  
**AND**  
**AUDITOR'S COMMUNICATION LETTER**

**June 30, 2021**

**CITY OF ARTESIA**

June 30, 2021

**TABLE OF CONTENTS**

<b>Transmittal/Management Letter .....</b>	<b>1</b>
<b>Required Communication under Statement on Auditing Standards No. 114 .....</b>	<b>3</b>
<b>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> .....</b>	<b>6</b>
<b>Current Year Recommendations.....</b>	<b>8</b>
<b>Status of Prior Year Recommendations.....</b>	<b>12</b>



# 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, 2021, 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 2021-01 that we consider to be a material weakness and 2021-02 to 2021-09 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 subject 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  
June 6, 2023



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June 6, 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, 2021. 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, 2023. 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 June 6, 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*

MOSS, LEVY & HARTZHEIM, LLP  
Culver City, CA  
June 6, 2023



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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 6, 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 2020-9, 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  
June 6, 2023

## CURRENT YEAR RECOMMENDATIONS

### Material Weakness

2021-01 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, 2021, in a timely manner.

The City did complete other required audits for the year ended June 30, 2021, 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, 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

2021-02 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 is 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, 2021, 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 are committed to ensuring that bank reconciliations will continue to be prepared in a timely manner going forward.

### 2021-03 Finding – Lack of internal control over cash receipts

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

1. 1 instance where the City had 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 rent was 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 receipt 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, 2021, was lacking. The City has taken several steps to address this, as of the issuance of these Financial Statements. 1) The City has hired a professional property management company that has put lease agreements in place with all tenants, and ensure rent collected is in line with those lease agreements. 2) Due to staff turnover and closure of City Hall due to the COVID pandemic during this audited fiscal year, cash was collected and stored in the safe until cash was able to be deposited at the bank.

### 2021-04 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, 2021, 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.

### 2021-05 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. As of the issuance of these Financial Statements, the City Council was presented with, and adopted, a Statement of Investment Policy for future use.

### 2021-06 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 resubmitting 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.

### 2021-07 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.

### 2021-08 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 make 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 the 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.

2021-09 Finding – Lack of internal control over disbursements:

During our review of the City’s disbursements, it was noted that the City posted the wrong amount to a general ledger account

Effect:

A lack of internal control over disbursements makes it easier for the misappropriation of funds and fraud to occur.

Recommendation:

We recommend that the City reviews disbursement entries on a monthly basis and ensure that the data entry is accurate.

Management’s Response:

The City acknowledges that internal control over disbursements for the fiscal year June 30, 2021, was lacking. Additional controls have been put in place to ensure accuracy of the General Ledger postings.

## **STATUS OF PRIOR 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.

Current Status:

Not implemented see Finding 2021-01.

### **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.

## STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

### 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 2021-02.

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

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

1. 21 instances where there was a significant delay between date of collection and day of deposit.
2. 3 instances where rent was being charged did not agree with rental agreements.
3. 4 instances where there was no backup documentation provided i.e., rental agreements or bills

### 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 receipt 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, 2021, 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. 12 instances where personnel action forms were either not approved properly or missing.
2. 9 instances where employee I-9 forms were missing.
3. 1 instance where employee w-4 was 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.

## STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)

### 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 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.

### Current Status:

Not implemented see Finding 2021-05.

### 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, and/or submitting to the State Controller's office.

### Effect:

The 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 2021-06.

### 2020-07 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.

## **STATUS OF PRIOR YEAR RECOMMENDATIONS (CONTINUED)**

### 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 2021-07.

CITY OF ARTESIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
Fiscal Year Ended June 30, 2021

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, 2021

TABLE OF CONTENTS

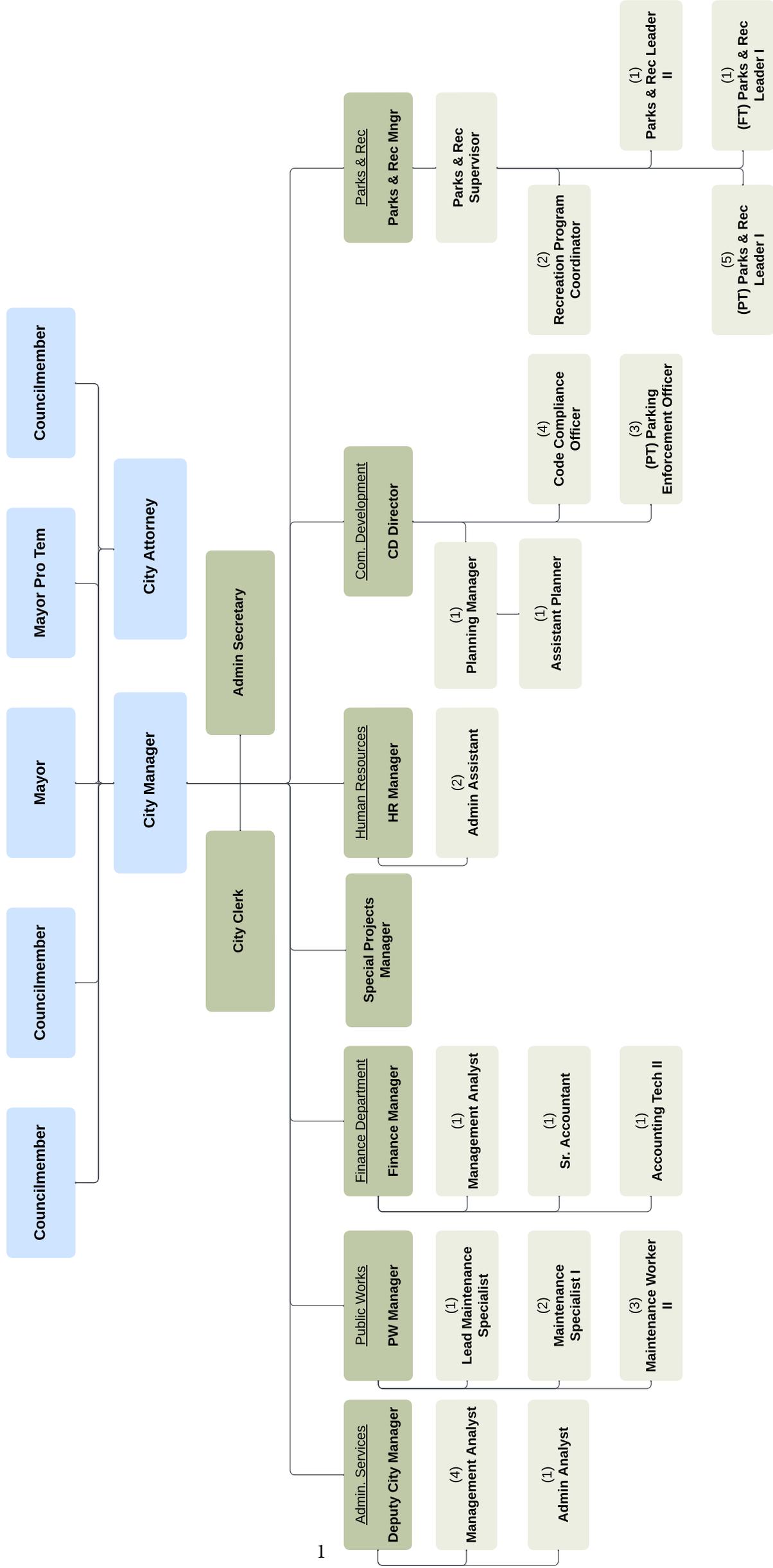
II. FINANCIAL SECTION (Continued)

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

# City of Artesia Organizational Chart



CITY OF ARTESIA, CALIFORNIA  
 List of Principal Officials  
 2020-2021

<u>Elected Officials</u>	<u>Term Expires</u>
Mayor: Rene Trevino	November 2022
Mayor Pro Tem: Melissa Ramoso	November 2022
Council Members: Ali Taj	November 2022
Tony Lima	November 2024
Monica Manalo	November 2024
<u>Administrative Staff</u>	<u>Date of Hire</u>
City Manager: * William Rawlings	November 2013
City Attorney: * HongDao Nguyen	December 2020
City Clerk: Ernesto Sanchez	June 2018
City Treasurer: Melissa Burke	June 2017
Finance Manager Jamie Murguia	March 2021
Fire Chief: ** Daryl L. Osby	February 2011
Sheriff: *** Alex Villanueva	December 2018
Community Development Director: Okina Dor	June 2010
Parks and Recreation Manager: Rosa Pinuelas	July 2019

\* Appointed by City Council

\*\* Appointed by Los Angeles County Fire District

\*\*\* Elected by Los Angeles County Voters



**PARTNERS**

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

**COMMERCIAL ACCOUNTING & TAX SERVICES**

9465 WILSHIRE BLVD., 3<sup>RD</sup> FLOOR  
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**GOVERNMENTAL AUDIT SERVICES**

5800 HANNUM AVE., SUITE E  
CULVER CITY, CA 90230  
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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, 2021, 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, 2021, 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 June 6, 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  
June 6, 2023

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# BASIC FINANCIAL STATEMENTS

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**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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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, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash and investments	\$ 14,373,239	\$ 1,021,426	\$ 15,394,665
Receivables:			
Accounts	3,126,157	16,012	3,142,169
Loan	29,964		29,964
Interest	12,228		12,228
Prepaid items	29,964		29,964
Capital assets:			
Nondepreciable assets	12,461,856		12,461,856
Depreciable assets, net	14,884,811	541,831	15,426,642
Total capital assets	27,346,667	541,831	27,888,498
<b>Total assets</b>	44,918,219	1,579,269	46,497,488
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow - Pension related	922,132		922,132
Deferred outflow - OPEB related	1,177,952		1,177,952
<b>Total deferred outflows of resources</b>	2,100,084		2,100,084
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Accounts payable	1,860,950	10,399	1,871,349
Deposits payable	1,155,336	55,916	1,211,252
Noncurrent liabilities:			
Net postemployment benefit obligation	8,286,203		8,286,203
Net pension liability	3,785,700		3,785,700
Due within one year	49,491		49,491
Due in more than one year	445,422		445,422
<b>Total liabilities</b>	15,583,102	66,315	15,649,417
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow - Pension related	520,046		520,046
Deferred inflow - OPEB related	429,309		429,309
Deferred inflow - unearned revenue	410,801		410,801
<b>Total deferred inflows of resources</b>	1,360,156		1,360,156
<b>NET POSITION</b>			
Net investment in capital assets	27,346,667	541,831	27,888,498
Restricted for:			
Public safety	901,474		901,474
Street projects	3,553,756		3,553,756
Housing	660,557		660,557
Other purposes	465,321		465,321
Total restricted	5,581,108		5,581,108
Unrestricted	(2,852,730)	971,123	(1,881,607)
<b>Total net position</b>	\$ 30,075,045	\$ 1,512,954	\$ 31,587,999

See Accompanying Notes to Basic Financial Statements.

City of Artesia  
Statement of Activities  
For the fiscal year ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Total Program Revenues
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>					
<b>Governmental activities:</b>					
General government	\$ 4,523,432	\$ 562,013	\$ -	\$ -	\$ 562,013
Public safety	3,792,862		401,560		401,560
Parks and recreation	1,148,427	34,427			34,427
Public works	2,685,133	57,463	980,148	4,065,409	5,103,020
Community development	1,006,978	492,762			492,762
<b>Total governmental activities</b>	<b>13,156,832</b>	<b>1,146,665</b>	<b>1,381,708</b>	<b>4,065,409</b>	<b>6,593,782</b>
<b>Business-type activities:</b>					
Parking	149,334	175,610			175,610
Artesia Towne Center	177,918	375,062			375,062
<b>Total business-type activities</b>	<b>327,252</b>	<b>550,672</b>			<b>550,672</b>
<b>Total primary government</b>	<b>\$ 13,484,084</b>	<b>\$ 1,697,337</b>	<b>\$ 1,381,708</b>	<b>\$ 4,065,409</b>	<b>\$ 7,144,454</b>

**General revenues:**

Taxes:

Property taxes, levied for general purpose

Transient occupancy taxes

Sales taxes

Franchise taxes

Business licenses taxes

Use of money and property

Other

**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
\$ (3,961,419)	\$ -	\$ (3,961,419)
(3,391,302)		(3,391,302)
(1,114,000)		(1,114,000)
2,417,887		2,417,887
(514,216)		(514,216)
(6,563,050)		(6,563,050)
	26,276	26,276
	197,144	197,144
	223,420	223,420
(6,563,050)	223,420	(6,339,630)
2,085,778		2,085,778
406,026		406,026
3,272,693		3,272,693
888,495		888,495
682,807		682,807
371,655		371,655
258,931		258,931
7,966,385		7,966,385
1,403,335	223,420	1,626,755
28,671,710	1,289,534	29,961,244
\$ 30,075,045	\$ 1,512,954	\$ 31,587,999

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# FUND FINANCIAL STATEMENTS

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

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**GOVERNMENTAL FUND  
FINANCIAL STATEMENTS**

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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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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, 2021**

	General Fund	Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 6,818,594	\$ 1,329,314	\$ 6,225,331	\$ 14,373,239
Receivables:				
Accounts	1,270,617	8,561	1,846,979	3,126,157
Loan		29,964		29,964
Interest	12,228			12,228
Prepaid items	21,901		8,063	29,964
Due from other funds	1,518,545			1,518,545
<b>Total assets</b>	<u>\$ 9,641,885</u>	<u>\$ 1,367,839</u>	<u>\$ 8,080,373</u>	<u>\$ 19,090,097</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,100,031	\$ -	\$ 760,919	\$ 1,860,950
Deposit payable	1,086,899		68,437	1,155,336
Due to other funds			1,518,545	1,518,545
<b>Total liabilities</b>	<u>2,186,930</u>		<u>2,347,901</u>	<u>4,534,831</u>
<b>Deferred Inflow of Resources:</b>				
Unearned revenues	410,801			410,801
<b>Total Deferred Inflow of Resources</b>	<u>410,801</u>			<u>410,801</u>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid items	21,901		8,063	29,964
Restricted for:				
Housing projects			635,892	635,892
Street projects			1,407,395	1,407,395
Transportation projects			2,928,469	2,928,469
Air quality projects			185,041	185,041
Public safety			901,474	901,474
Committed to:				
Contingency reserve	5,315,000			5,315,000
Assigned to:				
CalPERS Rate Increase	65,000			65,000
Future Retiree Medical	14,000			14,000
Water District Consolidation Analysis	20,000			20,000
Sanitation District Consolidation Analysis	25,000			25,000
Preliminary Planning Projects	45,000			45,000
Organizational Development Plan	25,000			25,000
Economic Development	13,000			13,000
General Contingencies	96,000			96,000
Business Improvement District	50,000			50,000
City Facility Improvements	74,782			74,782
CERT Training	20,000			20,000
Vehicle & Equipment Replacement	50,000			50,000
Specific Plan Development	20,000			20,000
Street projects	200,000	1,367,839		1,567,839
CalPERS Net Pension Unfunded Liability	130,000			130,000
CalPERS Net Retiree Health Unfunded Liability	130,000			130,000
Unassigned	729,471		(333,862)	395,609
<b>Total fund balances</b>	<u>7,044,154</u>	<u>1,367,839</u>	<u>5,732,472</u>	<u>14,144,465</u>
<b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 9,641,885</u>	<u>\$ 1,367,839</u>	<u>\$ 8,080,373</u>	<u>\$ 19,090,097</u>

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, 2021**

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<b>Total Fund Balances - Total Governmental Funds</b>	<b>\$ 14,144,465</b>
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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:	<u>27,346,667</u>
--	-------------------

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

Compensated absences	(494,913)
Net other postemployment benefits payable	(8,286,203)
Deferred outflows of resources - OPEB Related	1,177,952
Deferred inflows of resources - OPEB Related	<u>(429,309)</u>
Total long-term liabilities	<u>(8,032,473)</u>

Pension related debt applicable to the City governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pension are only reported in the Statement of Net Position as the changes in these amounts affects only the government-wide statements for governmental activities.

Deferred outflows of resources	922,132
Deferred inflows of resources	(520,046)
Net Pension liability	<u>(3,785,700)</u>
Total pension related items	<u>(3,383,614)</u>

<b>Net Position of Governmental Activities</b>	<b>\$ 30,075,045</b>
--	----------------------

**City of Artesia**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the fiscal year ended June 30, 2021**

	General Fund	Capital Project Fund Capital Projects	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 7,335,799	\$ -	\$ 980,148	\$ 8,315,947
Licenses and permits	607,207			607,207
Intergovernmental	1,067,977		3,456,799	4,524,776
Charges for services	503,538	20,672		524,210
Use of money and property	279,131	880	91,644	371,655
Fines and forfeitures	15,248			15,248
Other revenues	93,596		165,335	258,931
<b>Total revenues</b>	<u>9,902,496</u>	<u>21,552</u>	<u>4,693,926</u>	<u>14,617,974</u>
<b>EXPENDITURES:</b>				
Current:				
General government	3,367,663		7,526	3,375,189
Public safety	3,669,952		122,405	3,792,357
Parks and recreation	950,685			950,685
Public works	636,067		392,564	1,028,631
Community development	747,231		259,747	1,006,978
Capital outlay	56,382	3,410	1,091,551	1,151,343
<b>Total expenditures</b>	<u>9,427,980</u>	<u>3,410</u>	<u>1,873,793</u>	<u>11,305,183</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>474,516</u>	<u>18,142</u>	<u>2,820,133</u>	<u>3,312,791</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	100,489		12,534	113,023
Transfers out	(12,534)		(100,489)	(113,023)
<b>Total other financing sources (uses)</b>	<u>87,955</u>		<u>(87,955)</u>	<u>-</u>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>562,471</u>	<u>18,142</u>	<u>2,732,178</u>	<u>3,312,791</u>
<b>FUND BALANCES:</b>				
Beginning of fiscal year	6,481,683	1,349,697	3,000,294	10,831,674
End of fiscal year	<u>\$ 7,044,154</u>	<u>\$ 1,367,839</u>	<u>\$ 5,732,472</u>	<u>\$ 14,144,465</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, 2021

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Net Change in Fund Balances - Total Governmental Funds \$ 3,312,791

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	1,151,343
Less: Repairs and Maintenance	(831,053)

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. (1,049,998)

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	(112,518)
Change in other postemployment benefits and related deferred outflows	(659,190)

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. (350,233)

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. (57,807)

**Change in Net Position of Governmental Activities** \$ 1,403,335

See Accompanying Notes to the Basic Financial Statements.

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**PROPRIETARY FUND  
FINANCIAL STATEMENTS**

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# PROPRIETARY FUND FINANCIAL STATEMENTS

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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.

***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, 2021**

	Paid Parking	Artesia Towne Center	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and investments	\$ 618,281	\$ 403,145	\$ 1,021,426
Receivables:			
Accounts	10,010	6,002	16,012
<b>Total current assets</b>	<u>628,291</u>	<u>409,147</u>	<u>1,037,438</u>
<b>Noncurrent assets:</b>			
<b>Capital assets:</b>			
Machinery and equipment	254,958		254,958
Infrastructure	561,203	66,718	627,921
Less:			
Accumulated depreciation	(329,928)	(11,120)	(341,048)
<b>Total noncurrent assets</b>	<u>486,233</u>	<u>55,598</u>	<u>541,831</u>
<b>Total assets</b>	<u>1,114,524</u>	<u>464,745</u>	<u>1,579,269</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>Liabilities:</b>			
Accounts payable	3,930	6,469	10,399
Deposits payable		55,916	55,916
<b>Total liabilities</b>	<u>3,930</u>	<u>62,385</u>	<u>66,315</u>
<b>Net position:</b>			
Net investment in capital assets	486,233	55,598	541,831
Unrestricted	624,361	346,762	971,123
<b>Total net position</b>	<u>\$ 1,110,594</u>	<u>\$ 402,360</u>	<u>\$ 1,512,954</u>

See accompanying Notes to Basic Financial Statements.

**City of Artesia**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2021**

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	Paid Parking	Artesia Towne Center	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 174,065	\$ 374,257	\$ 548,322
Use of money and property	1,545	805	2,350
<b>Total revenues</b>	<u>175,610</u>	<u>375,062</u>	<u>550,672</u>
<b>OPERATING EXPENSES:</b>			
Personnel	61,905	31,867	93,772
Materials and supplies	39,485	141,603	181,088
Depreciation	47,944	4,448	52,392
<b>Total expenses</b>	<u>149,334</u>	<u>177,918</u>	<u>327,252</u>
<b>Change in net position</b>	26,276	197,144	223,420
<b>NET POSITION:</b>			
Beginning of fiscal year	1,084,318	205,216	1,289,534
End of fiscal year	<u>\$ 1,110,594</u>	<u>\$ 402,360</u>	<u>\$ 1,512,954</u>

See accompanying Notes to Basic Financial Statements.

**City of Artesia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the fiscal year ended June 30, 2021**

	Paid Parking	Artesia Towne Center	Totals
Cash flows from operating activities:			
Cash received from customers, users, and grants	\$ 169,240	\$ 373,977	\$ 543,217
Cash paid to suppliers for goods and services	(44,220)	(134,453)	(178,673)
Cash paid to employees for services	(61,905)	(31,867)	(93,772)
Net cash provided (used) by operating activities	<u>63,115</u>	<u>207,657</u>	<u>270,772</u>
Net increase (decrease) in cash and cash equivalents	<u>63,115</u>	<u>207,657</u>	<u>270,772</u>
Cash and cash equivalents beginning of fiscal year	555,166	195,488	750,654
Cash and cash equivalents end of fiscal year	<u>\$ 618,281</u>	<u>\$ 403,145</u>	<u>\$ 1,021,426</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	<u>\$ 26,276</u>	<u>\$ 197,144</u>	<u>\$ 223,420</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	47,944	4,448	52,392
Change in operating assets and liabilities:			
Decrease (increase) in accounts receivable	(6,370)	(1,085)	(7,455)
Increase (decrease) in accounts payable	(4,735)	2,110	(2,625)
Increase (decrease) in deposits payable		5,040	5,040
Total adjustments	<u>36,839</u>	<u>10,513</u>	<u>47,352</u>
Net cash provided (used) by operating activities	<u>\$ 63,115</u>	<u>\$ 207,657</u>	<u>\$ 270,772</u>

See accompanying Notes to Basic Financial Statements.

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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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.

**City of Artesia**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

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	Successor Agency to the Artesia Redevelopment Agency Private Purpose Trust Fund
<b>ASSETS</b>	
Cash and investments	\$ 782,749
Cash and investments with fiscal agent	1,141,020
<b>Total assets</b>	<b>\$ 1,923,769</b>
<b>LIABILITIES</b>	
Deposits payable	\$ 619,012
Accrued interest payable	67,948
Long-term debt:	
Due within one year	328,150
Due in more than one year	13,007,296
<b>Total liabilities</b>	<b>14,022,406</b>
<b>NET POSITION:</b>	
Held in trust for other purposes	<b>\$ (12,098,637)</b>

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, 2021**

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Additions:	
Property taxes	\$ 1,395,682
Use of money and property	430
Total additions	1,396,112
Deductions:	
Community development	8,324
Administrative expenses	250,000
Interest and fiscal charges	838,197
Total deductions	1,096,521
Change in net position	299,591
Net position - beginning	(12,398,228)
Net position - ending	\$ (12,098,637)

See accompanying Notes to Basic Financial Statements.

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**NOTES TO BASIC  
FINANCIAL STATEMENTS**

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**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

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**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.

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.

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.

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 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, 2021**

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**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 Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units, and/or other funds. Trust funds, such as Successor Agency to the Redevelopment Agency, use the flow of economic resources measurement focus and the accrual basis of accounting.

***C. Future Accounting Pronouncements***

Statement No. 87 "Leases"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 89 "Accounting for Interest Cost incurred before the End of a Construction Period"	The provisions of this statement are effective for fiscal years beginning after December 15, 2020.
Statement No. 91 "Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 92 "Omnibus 2020"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.
Statement No. 93 "Replacement of Interbank Offered Rates"	The provisions of this statement are effective for fiscal years beginning after December 31, 2021.
Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96 "Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans"	The provisions of this statement are effective for fiscal years beginning after June 15, 2021.

City of Artesia  
Notes to Basic Financial Statements  
June 30, 2021

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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, 2021

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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, 2018 (the beginning of the measurement period ended June 30, 2020), which is 3.8 years.

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

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**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. Employees hired prior to April 30, 2015 will be paid 50% of unused sick leave based upon 100% of the current wage in effect for sick leave earned after June 30, 2015. They will be paid 100% for sick leave accrued prior to June 30, 2015 and not subsequently used. Employees hired on or 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".

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 three-fifths vote to expend the funds. The balance of this reserve as of June 30, 2021 was \$5,315,000.

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

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

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, 2021**

**2. CASH AND INVESTMENTS**

As of June 30, 2021, 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	\$ 15,394,665	\$ 782,749	\$ 16,177,414
Restricted assets:			
Cash and investments held by fiscal agent		<u>1,141,020</u>	<u>1,141,020</u>
Total cash and investments	<u>\$ 15,394,665</u>	<u>\$ 1,923,769</u>	<u>\$ 17,318,434</u>

Cash and investments at June 30, 2021 consisted of the following:

Cash on hand (petty cash)	\$ 500
Demand deposits	473,919
Investments	<u>16,844,015</u>
Total cash and investments	<u>\$ 17,318,434</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, 2021**

**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	1,141,020
	<u>\$ 16,844,015</u>

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

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**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:

<u>Investment Type</u>	<u>Total as of June 30, 2021</u>	<u>Minimum Legal Rating</u>	<u>AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 15,702,995	N/A	\$ -	\$ 15,702,995
Held by Fiscal Agent:				
Money market mutual funds	<u>1,141,020</u>	A	<u>1,141,020</u>	
	<u>\$ 16,844,015</u>		<u>\$ 1,141,020</u>	<u>\$ 15,702,995</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, 2021, 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, 2021, the City deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California Law, with the exception of cash held by fiscal agent. Of the \$1,141,020 of cash held by fiscal agent, \$250,000 is insured by the Federal Deposit Insurance Corporation (FDIC) and the remaining \$891,020 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, 2021 the outstanding loan receivable is \$29,964.

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2021, is as follows:

	Balance as of June 30, 2020	Additions	Deletions	Transfers	Balance as of June 30, 2021
<b>Governmental Activities</b>					
Nondepreciable capital assets					
Land	\$ 8,735,828	\$ -	\$ -	\$ -	\$ 8,735,828
Construction in progress	3,752,112	320,290		(346,374)	3,726,028
Total nondepreciable capital assets	12,487,940	320,290		(346,374)	12,461,856
Depreciable capital assets					
Buildings	1,841,797				1,841,797
Improvements other than buildings	1,147,578			346,374	1,493,952
Automobile equipment	1,301,935				1,301,935
Office furniture and equipment	311,588				311,588
Other equipment	1,048,151				1,048,151
Infrastructure	19,978,789				19,978,789
Total depreciable capital assets	25,629,838			346,374	25,976,212
Less accumulated depreciation					
Buildings	(969,104)	(31,393)			(1,000,497)
Improvements other than buildings	(784,720)	(55,077)			(839,797)
Automobile equipment	(557,326)	(124,995)			(682,321)
Office furniture and equipment	(280,898)	(17,300)			(298,198)
Other equipment	(827,070)	(27,345)			(854,415)
Infrastructure	(6,622,285)	(793,888)			(7,416,173)
Total accumulated depreciation	(10,041,403)	(1,049,998)			(11,091,401)
Net depreciable capital assets	15,588,435	(1,049,998)		346,374	14,884,811
Net capital assets	\$ 28,076,375	\$ (729,708)	\$ -	\$ -	\$ 27,346,667

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

General government	\$ 26,302
Public safety	505
Public works	825,449
Parks and recreation	197,742
Total depreciation expense - governmental activities	<u>\$ 1,049,998</u>

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**4. CAPITAL ASSETS, Continued**

Capital asset activity for the fiscal year ended June 30, 2021, is as follows (continued):

	Balance as of June 30, 2020	Additions	Deletions	Balance as of June 30, 2021
<b>Business-type Activites</b>				
Depreciable capital assets				
Other equipment	\$ 254,958	\$ -	\$ -	\$ 254,958
Infrastructure	627,921			627,921
Total depreciable capital assets	882,879			882,879
Less accumulated depreciation				
Other equipment	(124,848)	(25,496)		(150,344)
Infrastructure	(163,808)	(26,896)		(190,704)
Total accumulated depreciation	(288,656)	(52,392)		(341,048)
Net depreciable capital assets	594,223	(52,392)		541,831
Net capital assets	\$ 594,223	\$ (52,392)	\$ -	\$ 541,831

Depreciation expense was charged to the Paid Parking enterprise fund (\$47,944) 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, 2021:

	Balance at June 30, 2020	Additions	Repayments	Balance at June 30, 2021	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 382,395	\$ 143,105	\$ (30,587)	\$ 494,913	\$ 49,491
Total	\$ 382,395	\$ 143,105	\$ (30,587)	\$ 494,913	\$ 49,491

**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, 2021 was \$494,913.

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

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**6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021, is as follows:

**Due To / Due From Other Funds**

At June 30, 2021, 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	\$ 1,518,545
		<u>\$ 1,518,545</u>

The above interfund balances resulted from temporary reclassifications made at June 30, 2021 to cover cash shortfalls.

**Interfund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Non-major Governmental Fund	\$ 12,534
Non-major Governmental Fund	General Fund	<u>100,489</u>
		<u>\$ 113,023</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, 2021, the following funds had a deficit fund balance:

Non-Major Special Revenue Fund:	
CDBG	\$ (55,749)
Air Quality	(69,519)
Parks and Recreation Grants	(45,359)
Artesia Lighting District	(10,059)
Clean Air Bus Grant	(10,548)
Metro TOD 4	(22,482)
Cal Fire Ruban Grant	(120,146)

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, 2021**

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**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 2021 are as follows:

	Actual Amounts	Budgeted Amounts	Excess Expenditures Over Appropriations
Major Funds:			
General Fund:			
Parks and recreation	\$ 950,685	\$ 812,526	\$ 138,159
Public works	636,067	603,522	32,545
Community development	747,231	739,492	7,739
Capital outlay	56,382		56,382
Non-major Governmental Special Revenue Funds:			
Proposition C	509,116	174,324	334,792
California Beverage Recycling	7,526	5,000	2,526
Measure R	349,289	130,757	218,532

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, 2021**

**8. RETIREMENT PLANS, Continued**

Benefits Provided (Continued)

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

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

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the 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, 2021, 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>\$ 3,785,700</u>

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**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, 2020, 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, 2019 rolled forward to June 30, 2020 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, 2019 and 2020 were as follows:

	City Miscellaneous Plan
Proportion - June 30, 2019	0.08571%
Proportion - June 30, 2020	0.08975%
Change - Increase (Decrease)	0.00404%

For the fiscal year ended June 30, 2021, the City recognized pension expense of \$164,630. At June 30, 2021, 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	\$ 233,135	\$ -
Net differences between projected and actual earnings on pension plan investments	112,460	
Differences based on actual experience	195,088	
Differences based on change of assumptions		(27,001)
Differences between actual vs proportionate contribution		(493,045)
Adjustment due to differences in proportions	381,449	
Total	<u>\$ 922,132</u>	<u>\$ (520,046)</u>

\$233,135 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, 2022. 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, 2021**

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**8. RETIREMENT PLANS, Continued**

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

Fiscal Year Ended June 30,		
2022	\$	79,165
2023		1,575
2024		34,273
2025		53,938
Total	\$	<u>168,951</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2019
Actuarial Cost Method	June 30, 2020
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, 2019 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, 2021**

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**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%		

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

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**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	\$ 5,890,118
Current Discount Rate	7.15%
Net Pension Liability	\$ 3,785,700
1% Increase	8.15%
Net Pension Liability	\$ 2,046,886

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, 2021, the City had no outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2021.

**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, 2021**

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**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 \$720 per month for single coverage, \$1,080 per month for retiree plus one, and \$1,275 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 (\$139/mo. for 2020 and \$143/mo. for 2021). 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.

Inactive plan members or beneficiaries currently receiving benefit payments	29
Active plan members	35

**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 July 1, 2020 actuarial report was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial cost method	Entry Age, Level Percent of Pay
Valuation of fiduciary net position	No assets held in an irrevocable trust as of the measurement date.
Recognition of deferred inflows and outflows of resources	Closed period equal to the average of the expected remaining service lives of all employees provided with OPEB
Salary increases	3.00 percent
Inflation rate	2.75 percent
Healthcare cost trend rate	5.80 percent for 2021, 5.60 percent for 2022, 5.40 percent for 2023, 5.20 percent for 2024-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.00 percent for all years.
Preretirement Mortality	Preretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.
Postretirement Mortality	Postretirement Mortality Rates for Public Agency Miscellaneous from 2021 CalPERS Experience Study.

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**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, 2021. The City's total OPEB liability of \$8,286,203 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

**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**

<b>Total OPEB Liability</b>	
Service Cost	344,922
Interest	186,267
Changes of benefit terms	0
Difference between expected and actual experience	(563,468)
Changes in assumptions or other inputs	907,796
Benefit payments <sup>1</sup>	(222,071)
<b>Net change in total OPEB liability</b>	<b>653,446</b>
<b>Total OPEB liability – June 30, 2020 (a)</b>	<b>\$7,632,757</b>
<b>Total OPEB liability – June 30, 2021 (b)</b>	<b>\$8,286,203</b>

<sup>1</sup> Includes \$192,103 of pay-as-you-go contributions made from sources outside of trust, plus an implicit subsidy amount of \$29,968.

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 (0.92%)	Discount Rate (1.92%)	1% Increase (2.92%)
Total OPEB liability	9,650,866	8,286,203	7,192,550

**Healthcare Trend Rate**

	1% Decrease <sup>2</sup>	Trend Rate	1% Increase <sup>3</sup>
Total OPEB liability	7,489,775	8,286,203	9,054,675

<sup>2</sup> Trend rate for each future year reduced by 1.00%.

<sup>3</sup> Trend rate for each future year increased by 1.00%.

## 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 2020-21 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, 2019 through July 1, 2021. 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 \$50,000,000. There is a \$10,000 deductible per occurrence. 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 2020-21.

**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, 2021**

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**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, 2021.

**Long-Term Liabilities**

	Balance at June 30, 2020	Additions	Repayments	Balance at June 30, 2021	Due Within One Year
2007 Tax Allocation Bonds	\$ 10,665,000	\$ -	\$ (260,000)	\$ 10,405,000	\$ 275,000
Less: Issuance Discount	(182,704)		8,150	(174,554)	(8,150)
2009 Housing Tax Allocation Bonds	3,145,000		(40,000)	3,105,000	45,000
Total	<u>\$ 13,627,296</u>	<u>\$ -</u>	<u>\$ (291,850)</u>	<u>\$ 13,335,446</u>	<u>\$ 311,850</u>

Long-term liabilities activity for the fiscal year ended June 30, 2021 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, 2021 was \$10,405,000.

Original bond issuance discount on the bonds was \$285,264, and the unamortized balance of the discount as of June 30, 2021 was \$174,554.

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 \$17,870,403. Principal and interest paid for the current year was \$849,216.

**City of Artesia**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

**12. SUCCESSOR AGENCY DISCLOSURES, Continued**

**Long-Term Liabilities, Continued**

The annual requirements to amortize the 2007 Tax Allocation Bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	340,000	510,839	850,839
2027 - 2031	2,005,000	2,251,888	4,256,888
2032 - 2036	2,625,000	1,631,145	4,256,145
2037 - 2041	3,440,000	817,100	4,257,100
2042	805,000	44,685	849,685
Totals	<u>\$ 10,405,000</u>	<u>\$ 7,465,402</u>	<u>\$ 17,870,402</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, 2021 was \$3,105,000.

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 \$7,083,205. Principal and interest paid for the current year was \$282,165. The annual requirements to amortize the 2009 Housing Tax Allocation Bonds outstanding at June 30, 2021, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
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	60,000	223,685	283,685
2027 - 2031	375,000	1,041,425	1,416,425
2032 - 2036	545,000	872,795	1,417,795
2037 - 2041	785,000	629,090	1,414,090
2042 - 2046	1,140,000	276,815	1,416,815
Totals	<u>\$ 3,105,000</u>	<u>\$ 3,978,205</u>	<u>\$ 7,083,205</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.

##### ***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, 2021, 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CITY OF ARTESIA  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2021**

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

	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net pension liability	0.08975%	0.08571%	0.08207%	0.05112%	0.07287%	0.06597%	0.08779%
Proportionate share of the net pension liability	\$ 3,785,700	\$ 3,432,285	\$ 3,092,846	\$ 2,015,175	\$ 2,605,653	\$ 1,900,640	\$ 2,169,712
Covered-employee payroll	\$ 2,312,883	\$ 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	163.68%	225.29%	211.53%	138.32%	181.30%	121.63%	144.71%
Plan's fiduciary net position	\$ 12,028,002	\$ 12,377,615	\$ 11,139,639	\$ 6,172,484	\$ 10,016,378	\$ 10,661,524	\$ 10,323,534
Plan's total pension liability	\$ 15,813,702	\$ 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	76.06%	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 1<sup>st</sup> year of implementation, therefore only seven years are shown.

**CITY OF ARTESIA  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2021**

**Schedule of Pension Contributions – Last 10 Years\***

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractual required contribution (actuarially determined)	\$ 233,135	\$ 164,630	\$ 193,376	\$ 105,958	\$ 99,359	\$ 102,746	\$ 122,602
Contributions in relation to the actuarially determined contributions	(233,135)	(164,630)	(193,376)	(105,958)	(99,359)	(102,746)	(122,602)
Contribution deficiency (excess)	<u>\$ -</u>						
Covered employee payroll	\$ 2,872,837	\$ 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	8.12%	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 <sup>(1)</sup>	Derived using CalPERS' Membership Data for all Funds

<sup>(1)</sup>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 1<sup>st</sup> year of implementation, therefore only seven years are shown.

**CITY OF ARTESIA  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2021**

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

	<b>Fiscal Year Ending 6/30/2021</b>	<b>Fiscal Year Ending 6/30/2020</b>	<b>Fiscal Year Ending 6/30/2019</b>	<b>Fiscal Year Ending 6/30/2018</b>
<b>Total OPEB Liability</b>				
Service cost	\$ 344,922	\$ 247,789	\$ 218,038	\$ 211,687
Interest	186,267	213,975	222,388	214,547
Changes of assumptions	907,796	691,274	434,702	
Difference between expected and actual experience	(563,468)			
Benefit payments	(222,071)	(215,848)	(207,850)	(223,948)
<b>Net change in total OPEB liability</b>	<b>653,446</b>	<b>937,190</b>	<b>667,278</b>	<b>202,286</b>
<b>Total OPEB Liability - beginning of fiscal year</b>	<b>7,632,757</b>	<b>6,695,567</b>	<b>6,028,289</b>	<b>5,826,003</b>
<b>Total OPEB Liability - end of fiscal year</b>	<b>\$ 8,286,203</b>	<b>\$ 7,632,757</b>	<b>\$ 6,695,567</b>	<b>\$ 6,028,289</b>
<b>Covered payroll</b>	<b>\$ 2,828,429</b>	<b>\$ 2,354,019</b>	<b>\$ 2,312,883</b>	<b>\$ 2,087,473</b>
<b>Total OPEB Liability as a % of eligible payroll</b>	<b>293.0%</b>	<b>324.2%</b>	<b>289.5%</b>	<b>288.8%</b>

*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 1<sup>st</sup> year of implementation, therefore only four years are shown.

**CITY OF ARTESIA  
REQUIRED SUPPLEMENTAL INFORMATION  
JUNE 30, 2021**

**Schedule of OPEB Employer Contributions – Last 10 Years\***

	<b>Fiscal Year Ending 6/30/2021</b>	<b>Fiscal Year Ending 6/30/2020</b>	<b>Fiscal Year Ending 6/30/2019</b>	<b>Fiscal Year Ending 6/30/2018</b>
Actuarially determined contribution (ADC) <sup>1</sup>	N/A	N/A	N/A	N/A
Contributions in relation to the ADC	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	N/A	N/A	N/A	N/A
OPEB-eligible payroll for reporting period (fiscal year)	\$ 2,828,429	\$ 2,354,019	\$ 2,312,883	\$ 2,087,473
Contributions as a percent of payroll	N/A	N/A	N/A	N/A

<sup>1</sup> 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 1<sup>st</sup> year of implementation, therefore only four years are shown.

**City of Artesia**  
**Note to Required Supplementary Information**  
**For the fiscal year ended June 30, 2021**

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**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, SB1, HOME, Measure W, Development Impact Fees and CFD.

**City of Artesia**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 6,481,683	\$ 6,481,683	\$ 6,481,683	\$ -
<b>Resources (inflows):</b>				
Taxes	6,534,847	6,534,847	7,335,799	800,952
Licenses and permits	438,740	438,740	607,207	168,467
Intergovernmental	445,805	445,805	1,067,977	622,172
Charges for services	478,239	478,239	503,538	25,299
Use of money and property	474,005	474,005	279,131	(194,874)
Fines and forfeitures	125,000	125,000	15,248	(109,752)
Other revenues			93,596	93,596
Amount available for appropriation	<u>8,496,636</u>	<u>8,496,636</u>	<u>9,902,496</u>	<u>1,405,860</u>
<b>Charges to appropriations (outflows):</b>				
General government	3,392,964	3,551,044	3,367,663	183,381
Public safety	4,054,760	4,054,760	3,669,952	384,808
Parks and recreation	812,526	812,526	950,685	(138,159)
Public works	761,602	603,522	636,067	(32,545)
Community development	739,492	739,492	747,231	(7,739)
Capital outlay			56,382	(56,382)
Total charges to appropriations	<u>9,761,344</u>	<u>9,761,344</u>	<u>9,427,980</u>	<u>333,364</u>
Transfers in	1,092,278	1,092,278	100,489	(991,789)
Transfers out	(64,789)	(64,789)	(12,534)	
Total transfers	<u>1,027,489</u>	<u>1,027,489</u>	<u>87,955</u>	<u>(991,789)</u>
Excess of resources over charges to appropriations	<u>(237,219)</u>	<u>(237,219)</u>	<u>562,471</u>	<u>747,435</u>
<b>Fund balance, June 30</b>	\$ <u>6,244,464</u>	\$ <u>6,244,464</u>	\$ <u>7,044,154</u>	\$ <u>799,690</u>

See accompanying note to required supplementary information.

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# SUPPLEMENTARY INFORMATION

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# NON-MAJOR GOVERNMENTAL FUNDS

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## 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.

Measure W - To account for monitoring and implementing federal, state and local programs to ensure surface water quality, water conservation and recycling efforts, maintaining the storm water management plan, improving storm water drainage quality and maintaining the City-owned drainage system.

Development Impact Fees - To account for fees charged on specific developments for the purpose of defraying all or a portion of the cost of public facilities related to the development project.

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.

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# NON-MAJOR GOVERNMENTAL FUNDS

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## SPECIAL REVENUE FUNDS (CONTINUED)

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.

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, 2021

	Special Revenue											Artesia Lighting District			
	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		Measure W	Development Impact Fees	SBI
<b>ASSETS</b>															
Cash and investments	\$ 403,910	\$ 64,684	\$ 6,206	\$ 1,102,345	\$ -	\$ -	\$ 3,146	\$ 593,729	\$ -	\$ -	\$ 7,651	\$ 177,719	\$ 9,705	\$ 940,281	\$ -
Receivables:															
Accounts	33,892							5,475	1,743,003						3,129
Prepaid items															
<b>Total assets</b>	<b>\$ 437,802</b>	<b>\$ 64,684</b>	<b>\$ 6,206</b>	<b>\$ 1,102,345</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,146</b>	<b>\$ 593,729</b>	<b>\$ 5,475</b>	<b>\$ 1,743,003</b>	<b>\$ 7,651</b>	<b>\$ 177,719</b>	<b>\$ 9,705</b>	<b>\$ 940,281</b>	<b>\$ 3,129</b>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>															
Liabilities:															
Accounts payable	\$ 69,742	\$ -	\$ -	\$ 2,392	\$ 1,365	\$ -	\$ -	\$ 299,956	\$ -	\$ -	\$ -	\$ 329	\$ -	\$ -	\$ 13,188
Deposits payable															
Due to other funds				2	54,384	45,359		74,994	1,257,777						
<b>Total liabilities</b>	<b>69,742</b>			<b>2,394</b>	<b>55,749</b>	<b>45,359</b>		<b>299,956</b>	<b>74,994</b>	<b>1,257,777</b>		<b>329</b>			<b>13,188</b>
<b>Fund Balances:</b>															
Nonspendable															
Restricted for:															
Street projects	368,060	64,684											9,705	940,281	
Transportation projects								293,773		485,226					
Housing projects															
Public works															
Public safety											7,651	177,390			
Unassigned															
<b>Total fund balances</b>	<b>368,060</b>	<b>64,684</b>	<b>6,206</b>	<b>1,099,951</b>	<b>(55,749)</b>	<b>(45,359)</b>	<b>3,146</b>	<b>293,773</b>	<b>(69,519)</b>	<b>485,226</b>	<b>7,651</b>	<b>177,390</b>	<b>9,705</b>	<b>940,281</b>	<b>(10,059)</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 437,802</b>	<b>\$ 64,684</b>	<b>\$ 6,206</b>	<b>\$ 1,102,345</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,146</b>	<b>\$ 593,729</b>	<b>\$ 5,475</b>	<b>\$ 1,743,003</b>	<b>\$ 7,651</b>	<b>\$ 177,719</b>	<b>\$ 9,705</b>	<b>\$ 940,281</b>	<b>\$ 3,129</b>

(Continued)

City of Artesia  
 Combining Balance Sheet  
 Non-Major Governmental Funds, Continued  
 June 30, 2021

	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	\$ 20,299	\$ 178,626	\$ -	\$ 793,329	\$ 484,425	\$ 447	\$ -	\$ 122,505	\$ 24,470	\$ 590,671	\$ 701,183	\$ -	\$ 6,225,331
Receivables:													
Accounts								61,285	195	8,063			1,846,979
Prepaid items													8,063
Total assets	\$ 20,299	\$ 178,626	\$ -	\$ 793,329	\$ 484,425	\$ 447	\$ -	\$ 183,790	\$ 24,665	\$ 598,734	\$ 701,183	\$ -	\$ 8,080,373
LIABILITIES, DEFERRED INFLOWS, AND													
FUND BALANCES													
Liabilities:													
Accounts payable	\$ -	\$ -	\$ -	\$ 76,092	\$ 26,755	\$ -	\$ -	\$ -	\$ -	\$ 203,953	\$ -	\$ 67,147	\$ 760,919
Deposits payable										68,437			68,437
Due to other funds			10,548				22,482					52,999	1,518,545
Total liabilities			10,548	76,092	26,755		22,482			203,953	68,437	120,146	2,347,901
Fund Balances:													
Nonspendable									8,063				8,063
Restricted for:													
Street projects								24,665					1,407,395
Transportation projects	20,299	178,626		457,670					386,718				2,928,469
Housing projects										632,746			635,892
Public works													185,041
Public safety				717,237		447		183,790					901,474
Unassigned			(10,548)				(22,482)					(120,146)	(333,862)
Total fund balances	20,299	178,626	(10,548)	717,237	457,670	447	(22,482)	183,790	24,665	394,781	632,746	(120,146)	5,732,472
Total liabilities, deferred inflows, and fund balances	\$ 20,299	\$ 178,626	\$ -	\$ 793,329	\$ 484,425	\$ 447	\$ -	\$ 183,790	\$ 24,665	\$ 598,734	\$ 701,183	\$ -	\$ 8,080,373

City of Artesia  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Non-Major Governmental Funds  
 For the fiscal year ended June 30, 2021

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	Measure W	Development Impact Fees	SBI	Artesia Lighting District
<b>REVENUES:</b>															
Taxes															
Intergovernmental	\$ 364,291			\$ 340,412	\$ -	\$ -	\$ -	\$ 362,360	\$ 21,533	\$ 1,880,627	\$ -	\$ 206,996	\$ -	\$ 303,985	\$ 138,884
Use of money and property	1,336		16	2,538		267,851	9	1,560		1,880,627	34	220	11		
Other	5,641												9,694		
<b>Total revenues</b>	<b>371,268</b>	<b>172</b>	<b>16</b>	<b>342,950</b>	<b>14,814</b>	<b>267,851</b>	<b>9</b>	<b>263,920</b>	<b>21,533</b>	<b>1,880,627</b>	<b>34</b>	<b>207,216</b>	<b>9,705</b>	<b>303,985</b>	<b>138,884</b>
<b>EXPENDITURES:</b>															
Current:															
General government										7,526					
Public safety															
Public works	294,232			38,484	14,814			12,960		10,000		29,826			187,244
Community Development										60,332					
Capital outlay	90,546			14,028				496,156							
<b>Total expenditures</b>	<b>384,778</b>	<b>172</b>	<b>16</b>	<b>52,512</b>	<b>14,814</b>	<b>267,851</b>	<b>9</b>	<b>509,116</b>	<b>-</b>	<b>70,532</b>	<b>7,526</b>	<b>29,826</b>	<b>9,705</b>	<b>303,985</b>	<b>187,244</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(15,510)</b>	<b>172</b>	<b>16</b>	<b>290,438</b>	<b>(14,814)</b>	<b>267,851</b>	<b>9</b>	<b>(225,196)</b>	<b>21,533</b>	<b>1,810,095</b>	<b>(7,492)</b>	<b>177,390</b>	<b>9,705</b>	<b>303,985</b>	<b>(48,360)</b>
<b>OTHER FINANCING SOURCES (USES):</b>															
Transfers in															
Transfers out				(489)											
<b>Total other financing sources (uses)</b>				<b>(489)</b>											<b>12,534</b>
<b>REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(15,510)</b>	<b>172</b>	<b>16</b>	<b>289,949</b>	<b>(14,814)</b>	<b>267,851</b>	<b>9</b>	<b>(225,196)</b>	<b>21,533</b>	<b>1,810,095</b>	<b>(7,492)</b>	<b>177,390</b>	<b>9,705</b>	<b>303,985</b>	<b>(35,826)</b>
<b>FUND BALANCES:</b>															
Beginning of fiscal year	\$ 381,570	\$ 64,512	\$ 6,190	\$ 810,002	\$ (40,935)	\$ (313,210)	\$ 3,117	\$ 516,969	\$ (91,052)	\$ (1,324,869)	\$ 15,143	\$ 177,390	\$ 9,705	\$ 303,985	\$ 25,767
End of fiscal year	\$ 368,060	\$ 64,664	\$ 6,206	\$ 1,099,951	\$ (55,749)	\$ (313,210)	\$ 3,146	\$ 293,773	\$ (69,519)	\$ (85,226)	\$ 7,651	\$ 177,390	\$ 9,705	\$ 303,985	\$ (10,059)

(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, 2021**

	Special Revenue											Total Other Governmental Funds
	Traffic Congestion	MAP 21 Exchange	Clean Air Bus Grant	Measure M	Billboard	Sheriff	Metro TOD-1	C.O.P.S. Grant	Community Facility District	Measure R	Housing Authority	
REVENUES:												
Taxes												
Intergovernmental												
Use of money and property												
Other												
<b>Total revenues</b>												
EXPENDITURES:												
Current:												
General government												
Public safety												
Public works												
Community Development												
Capital outlay												
<b>Total expenditures</b>												
REVENUES OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES):												
Transfers in												
Transfers out												
<b>Total other financing sources (uses)</b>												
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES												
FUND BALANCES:												
Beginning of fiscal year												
End of fiscal year												

# 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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 381,570	\$ 381,570	\$ 381,570	\$ -
Resources (inflows):				
Intergovernmental	530,143	530,143	364,291	(165,852)
Use of money and property	1,882	1,882	1,336	(546)
Other			5,641	5,641
Amount available for appropriation	532,025	532,025	371,268	(160,757)
Charges to appropriations (outflows):				
Public Works	532,025	532,025	294,232	237,793
Capital outlay			90,546	(90,546)
Total charges to appropriations	532,025	532,025	384,778	147,247
Excess of resources over (under) charges to appropriations			(13,510)	(13,510)
<b>Fund balance, June 30</b>	\$ 381,570	\$ 381,570	\$ 368,060	\$ (13,510)

**City of Artesia**

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

**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ (40,935)	\$ (40,935)	\$ (40,935)	\$ -
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	14,814	485,186
Total charges to appropriations	500,000	500,000	14,814	485,186
Excess of resources over (under) charges to appropriations			(14,814)	
<b>Fund balance, June 30</b>	\$ (40,935)	\$ (40,935)	\$ (55,749)	\$ -

# City of Artesia

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

### Proposition A

For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 810,002	\$ 810,002	\$ 810,002	\$ -
Resources (inflows):				
Taxes	210,162	210,162	340,412	130,250
Intergovernmental	296,494	296,494		(296,494)
Use of money and property	6,795	6,795	2,538	(4,257)
Amount available for appropriation	513,451	513,451	342,950	(170,501)
Charges to appropriations (outflows):				
Public works	262,454	262,454	38,484	223,970
Capital outlay			14,028	(14,028)
Transfers out			489	(489)
Total charges to appropriations	262,454	262,454	53,001	209,453
Excess of resources over (under) charges to appropriations	250,997	250,997	289,949	38,952
<b>Fund balance, June 30</b>	\$ 1,060,999	\$ 1,060,999	\$ 1,099,951	\$ 38,952

# City of Artesia

## Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Proposition C For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 518,969	\$ 518,969	\$ 518,969	\$ -
Resources (inflows):				
Taxes	174,324	174,324	282,360	108,036
Use of money and property			1,560	1,560
Amount available for appropriation	174,324	174,324	283,920	109,596
Charges to appropriations (outflows):				
Public works	48,905	48,905	12,960	35,945
Capital outlay	125,419	125,419	496,156	(370,737)
Total charges to appropriations	174,324	174,324	509,116	(334,792)
Excess of resources over (under) charges to appropriations			(225,196)	(225,196)
<b>Fund balance, June 30</b>	\$ 518,969	\$ 518,969	\$ 293,773	\$ (225,196)

**City of Artesia**

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

**Air Quality**

**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ (91,052)	\$ (91,052)	\$ (91,052)	\$ -
Resources (inflows):				
Intergovernmental	20,000	20,000	21,533	1,533
Amount available for appropriation	20,000	20,000	21,533	1,533
Charges to appropriations (outflows):				
Public works	16,557	16,557		16,557
Capital outlay	3,968	3,968		3,968
Total charges to appropriations	20,525	20,525		20,525
Excess of resources over (under) charges to appropriations	(525)	(525)	21,533	22,058
<b>Fund balance, June 30</b>	\$ (91,577)	\$ (91,577)	\$ (69,519)	\$ 22,058

# 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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 15,143	\$ 15,143	\$ 15,143	\$ -
Resources (inflows):				
Intergovernmental	5,000	5,000	-	
Use of money and property			34	34
Amount available for appropriation	5,000	5,000	34	(4,966)
Charges to appropriations (outflows):				
General government	5,000	5,000	7,526	(2,526)
Total charges to appropriations	5,000	5,000	7,526	(2,526)
Excess of resources over (under) charges to appropriations			(7,492)	(7,492)
<b>Fund balance, June 30</b>	\$ 15,143	\$ 15,143	\$ 7,651	\$ (7,492)

**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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 122,074	\$ 122,074	\$ 122,074	\$ -
Resources (inflows):				
Intergovernmental	100,000	100,000	161,285	(61,285)
Use of money and property			431	(431)
Amount available for appropriation	100,000	100,000	161,716	(61,716)
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			61,716	(61,716)
<b>Fund balance, June 30</b>	\$ 122,074	\$ 122,074	\$ 183,790	\$ (61,716)

**City of Artesia**

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

**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 530,520	\$ 530,520	\$ 530,520	\$ -
Resources (inflows):				
Taxes	130,757	130,757	212,063	81,306
Use of money and property			1,487	1,487
Amount available for appropriation	130,757	130,757	213,550	82,793
Charges to appropriations (outflows):				
Public works	33,151	33,151	7,062	26,089
Capital outlay	97,606	97,606	342,227	(244,621)
Total charges to appropriations	130,757	130,757	349,289	(218,532)
Excess of resources over (under) charges to appropriations			(135,739)	(135,739)
<b>Fund balance, June 30</b>	\$ 530,520	\$ 530,520	\$ 394,781	\$ (135,739)

**City of Artesia**

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

**Housing Authority**

**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<u>\$ 552,481</u>	<u>\$ 552,481</u>	<u>\$ 552,481</u>	<u>\$ -</u>
Resources (inflows):				
Use of money and property	<u>82,432</u>	<u>82,432</u>	<u>80,265</u>	<u>(2,167)</u>
Amount available for appropriation	<u>82,432</u>	<u>82,432</u>	<u>80,265</u>	<u>(2,167)</u>
Charges to appropriations (outflows):				
Community development	<u>228,022</u>	<u>228,022</u>		<u>228,022</u>
Total charges to appropriations	<u>228,022</u>	<u>228,022</u>		<u>228,022</u>
Excess of resources over (under) charges to appropriations	<u>(145,590)</u>	<u>(145,590)</u>	<u>80,265</u>	<u>225,855</u>
<b>Fund balance, June 30</b>	<u><u>\$ 406,891</u></u>	<u><u>\$ 406,891</u></u>	<u><u>\$ 632,746</u></u>	<u><u>\$ 225,855</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 25,767	\$ 25,767	\$ 25,767	\$ -
Resources (inflows):				
Taxes	138,162	138,162	138,884	722
Transfers in	64,789	64,789	12,534	
Amount available for appropriation	202,951	202,951	151,418	(51,533)
Charges to appropriations (outflows):				
Community development	202,951	202,951	187,244	15,707
Total charges to appropriations	202,951	202,951	187,244	15,707
Excess of resources over (under) charges to appropriations			(35,826)	(35,826)
<b>Fund balance, June 30</b>	\$ 25,767	\$ 25,767	\$ (10,059)	\$ (35,826)

**City of Artesia**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Bicycle & Pedestrian  
For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 6,190	\$ 6,190	\$ 6,190	\$ -
Resources (inflows):				
Intergovernmental	56,440	56,440		(56,440)
Use of money and property			16	16
Amount available for appropriation	56,440	56,440	16	(56,424)
Charges to appropriations (outflows):				
Public works	45,737	45,737		45,737
Capital outlay	10,703	10,703		10,703
Total charges to appropriations	56,440	56,440		56,440
Excess of resources over (under) charges to appropriations			16	16
<b>Fund balance, June 30</b>	\$ 6,190	\$ 6,190	\$ 6,206	\$ 16

**City of Artesia**

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

**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ 563,205	\$ 563,205	\$ 563,205	\$ -
Resources (inflows):				
Intergovernmental	148,175	148,175	240,275	92,100
Use of money and property			1,819	1,819
Amount available for appropriation	148,175	148,175	242,094	93,919
Charges to appropriations (outflows):				
Public works	29,635	29,635		29,635
Capital outlay	118,540	118,540	88,062	30,478
Total charges to appropriations	148,175	148,175	88,062	60,113
Excess of resources over (under) charges to appropriations			154,032	154,032
<b>Fund balance, June 30</b>	\$ 563,205	\$ 563,205	\$ 717,237	\$ 154,032

**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, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive/ (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ (22,482)	\$ (22,482)	\$ (22,482)	\$ -
Resources (inflows):				
Intergovernmental	437,923	437,923		(437,923)
Amount available for appropriation	437,923	437,923		(437,923)
Charges to appropriations (outflows):				
Public works	437,923	437,923		437,923
Total charges to appropriations	437,923	437,923		437,923
Excess of resources over (under) charges to appropriations				
<b>Fund balance, June 30</b>	\$ (22,482)	\$ (22,482)	\$ (22,482)	\$ -