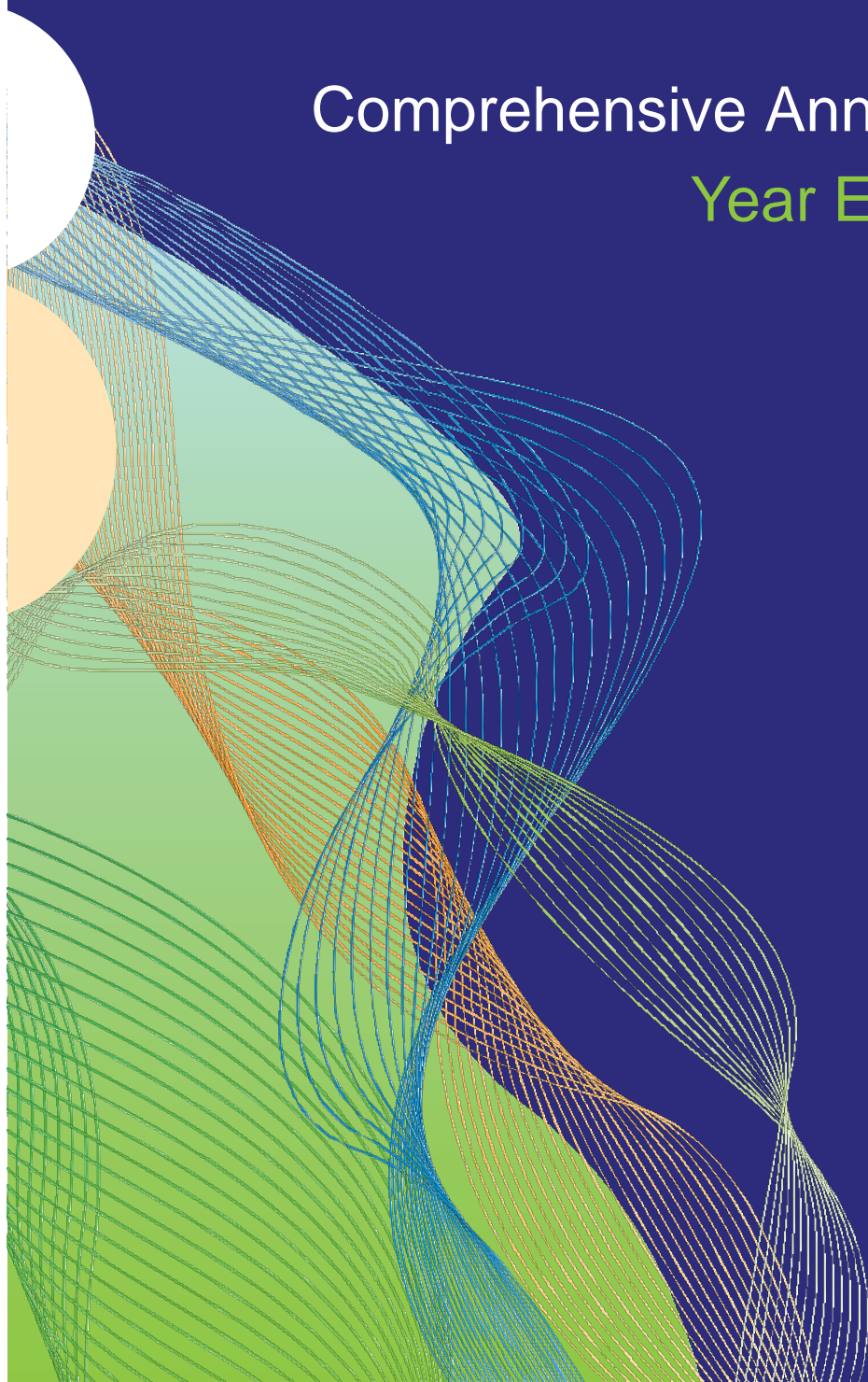




Comprehensive Annual Financial Report

Year Ended June 30, 2015



CITY OF CARSON, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015

PREPARED BY:
FINANCE DEPARTMENT

BORIS SZTORCH
ACTING DIRECTOR OF FINANCE
COMPREHENSIVE ANNUAL FINANCIAL REPORT



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INTRODUCTORY SECTION

CITY OF CARSON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT





CITY OF CARSON

December 22, 2015

Honorable Mayor and Council members
of the City of Carson, California:

It is my pleasure to present to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015 of the City of Carson (City), California, which consists of management's representation concerning the finances of the City. Responsibility for the completeness and reliability of all the information included in the report rests with management. To provide a reasonable basis for making these representations, management has established an internal control system which is designed to achieve reasonable, but not absolute, assurances that the assets of the City are protected from loss, theft or misuse, and that sufficient, reliable information is compiled to aid in the preparation of the City's financial statements in accordance with accounting principles generally accepted in the United States of America. The concept of reasonable assurance recognizes that the costs of internal controls should not outweigh the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgment by management. To the best of our knowledge and belief, the financial report is complete and reliable in all material respects.

THE REPORTING ENTITY

The financial reporting entity includes all the funds and capital assets of the primary government (i.e., the City of Carson as legally defined), as well as its component units that are legally separate entities for which the primary government is financially accountable. Component units are, in substance, part of the primary government's operations and are included as part of the primary government. The Carson Redevelopment Agency (Agency) was previously included within the reporting entity of the City as a blended component unit until June 30, 2011. However, on December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 (the Bill) that provides for the dissolution of redevelopment agencies. In accordance with the provision of the Bill, the City elected to serve as the Successor Agency. Accordingly, beginning with fiscal year ending June 30, 2012, the dissolved Carson Redevelopment Agency was excluded from the City-wide financial statements and reported as fiduciary fund. The Carson Housing Authority, which was established to carry out the housing function of the dissolved Carson Redevelopment Agency, was reported as a blended component unit. The Carson Joint Powers Financing Authority, established to provide financing for public capital improvements constructed by the former Redevelopment Agency, was also reported as a blended component unit.

CITY PROFILE

Carson was part of a Spanish Land Grant known as Rancho San Pedro deeded to Juan Jose Dominguez over 200 years ago. During the incorporation process, the community was named after George Henry Carson, a member of the Dominguez family. "Dominguez" finished a close second to "Carson" as the name for the newly incorporated city. The City adopted the motto of "Future Unlimited." Part of the reason for that statement is the City's unbridled optimism, its strategic location and abundant vacant land.

Located in the South Bay section of Los Angeles County, Carson has grown from a population of approximately 61,000 in 1968 to 92,636 in 2014. Over the years, three annexations have increased the City's size to 19.2 square miles. Steady and continued growth has enabled Carson to become a city of regional significance. Carson has been included in the top 20 highest valued cities in the county since 1998, according to the Annual Report of the Assessor's Office of the County of Los Angeles. For 2015, the City of Carson is ranked 12th highest in assessed value of all Los Angeles County cities, recording a total of \$14 billion. While Carson is well known as an industrial center with unparalleled access to transportation and the Pacific Rim, it is also a culturally diverse community that is an attractive place to live, work and play.

Form of Government

The City of Carson was incorporated as a General Law city on February 20, 1968. The City operates under the Council-Manager form of government. Policymaking and legislative authority are vested in the governing council, which consists of an elected Mayor and four Councilmembers. The Council is elected on a nonpartisan basis. The Mayor is elected to a four-year term. Councilmembers are elected to four-year, staggered terms with two Councilmembers elected every two years. The City Council is responsible for, among other things, setting City policies, adopting ordinances and resolutions, adopting the budget, appointing committees and hiring the City Manager and the City Attorney. The City Manager is responsible for carrying out the policies and directives of the Council, for overseeing the day-to-day operations of the City, and for appointing the directors and officers of the City's departments.

The City provides a broad range of services, including construction and maintenance of highways, streets and infrastructure, planning and zoning activities, public transit, recreational activities and cultural events for all ages. The City contracts with the County of Los Angeles for law enforcement, building and safety services, library services, fire protection and sewer services. The City's educational needs are served by the Los Angeles Unified School District and some private schools. Solid waste collection and disposal, gas, water, electric and communication services are provided by private companies.

Of regional significance is the California State University, Dominguez Hills (CSUDH), which is located within the City. Established in 1960, CSUDH offers an impressive variety of bachelor's and master's degree programs. In 2015, CSUDH ranked second on the "100 Most Affordable Universities in America" by Best Value Schools. The campus includes a privately financed 85-acre national training center known as the StubHub Center (previously Home Depot Center). The center features a state-of-the-art 27,000-seat soccer stadium, a 13,000-seat professional tennis stadium, a 4,800-seat track and field facility (expandable to 20,000), 18 tennis courts, five soccer training fields, and an indoor cycling velodrome.

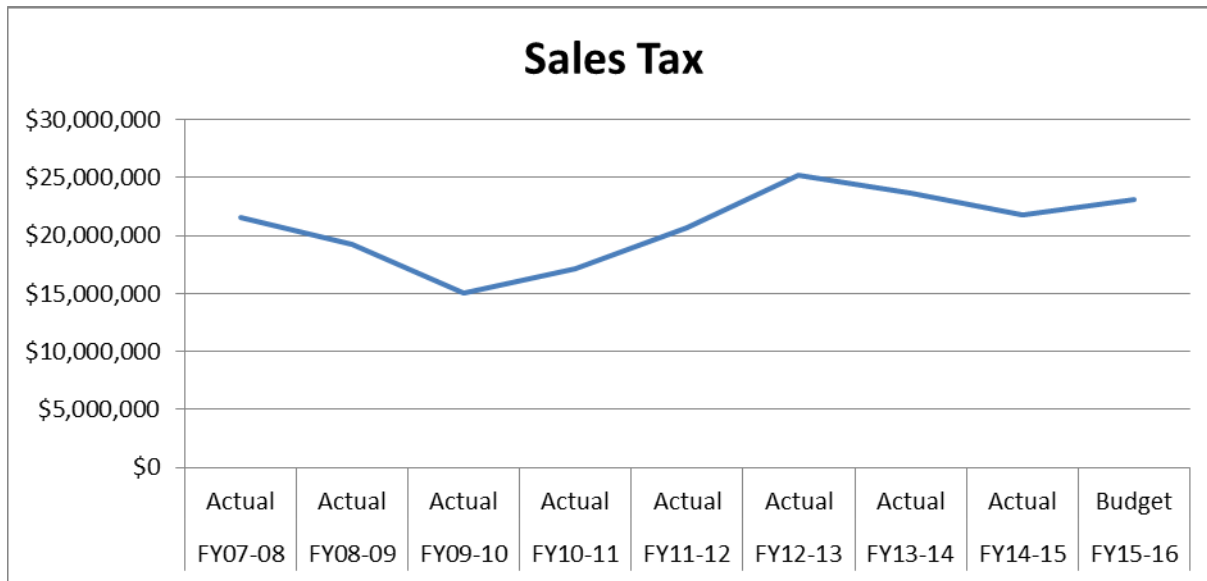
ECONOMIC CONDITION AND OUTLOOK

Primary Revenue Sources

The City's primary sources of revenue are sales tax, property tax, franchise tax and utility user tax; as summarized below.

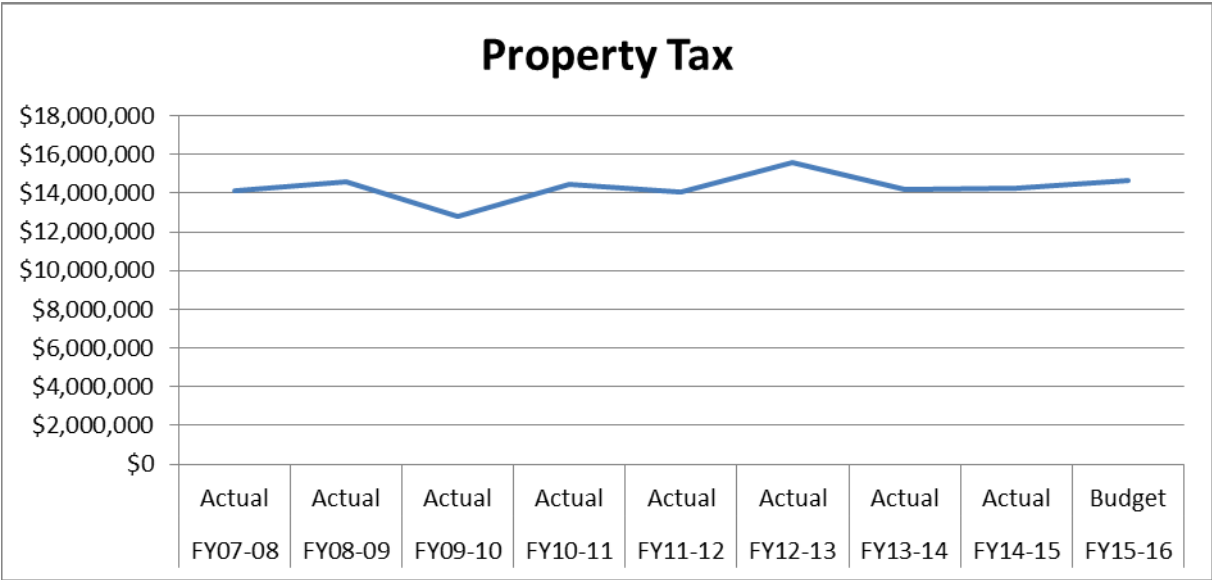
	FY14-15	Percentage
	in millions	of Total
Sales Tax	\$ 21.8	30%
Property Tax	14.3	20%
Franchise Tax	8.3	11%
Utility User Tax	8.1	11%
Other Sources	20.7	28%
Total General Fund Revenue	\$ 73.2	100%

Sales tax revenue fluctuates with the economy, and over the last 8 years has varied between \$15.1 million and \$25.2 million.

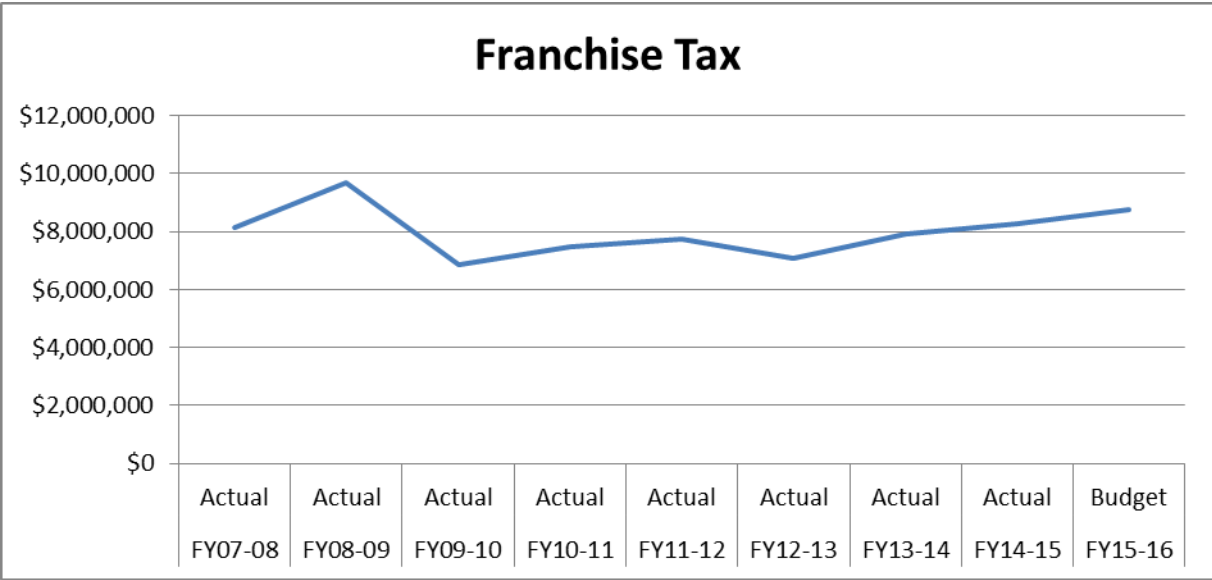


The sales tax decline over the last 2 years is primarily due to falling gas prices, auto sales, and sales of consumer goods. The City is expecting an increase in FY15-16 due to expected strong auto sales, the continued decline of unemployment, and the expected rebound of gasoline prices in the second half of FY15-16. Auto sales generate roughly one-quarter of the City’s sales tax, and gasoline sales account for about 7% of the total.

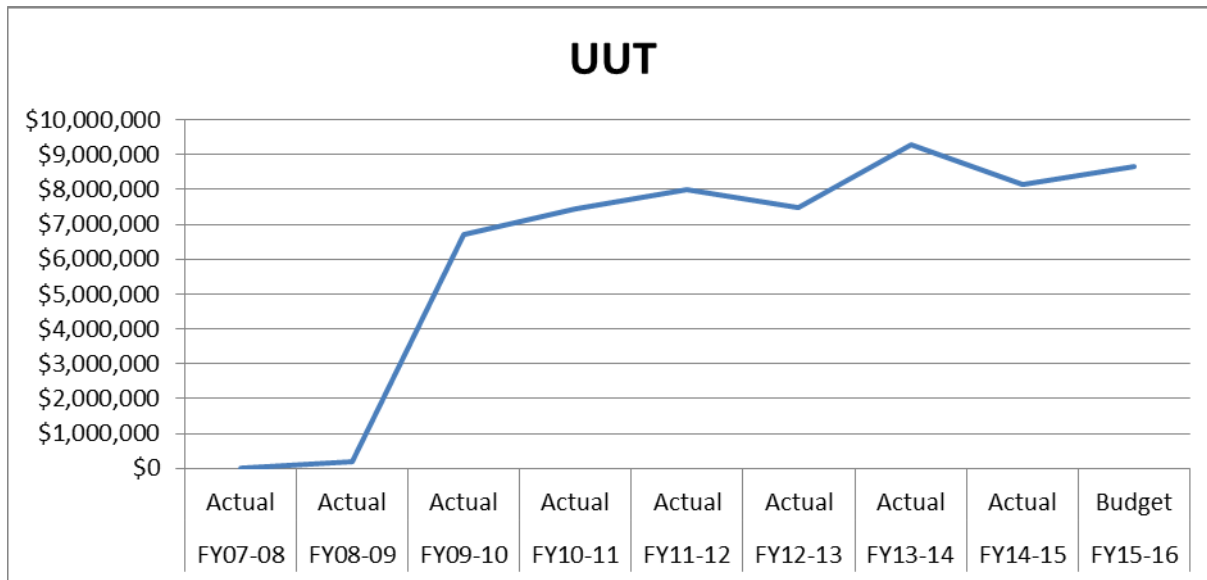
Property tax continues to be a stable revenue source for the City, as illustrated below. However after the 2008 recession, property values continued to decrease by an average of 0.6% over the following 5 years. The City’s property assessments finally started growing in FY 14-15 by 2.3% (and 3.9% for FY 15-16), for an overall 8-year average annual growth of 0.5%. As a comparison, Torrance property values grew by an annual average of 2.1% during that same period, and Long Beach property values grew by 1.5%.



The City enters into franchise agreements with private utility companies and waste haulers to provide service to Carson’s residents. The franchise tax is based on a percentage of service provider revenue, and will fluctuate with customer usage and rates.



A two percent (2%) utility tax on natural gas and electricity was approved by the City’s voters in 2009; and has become essential to providing City services including public safety, transportation, recreation and social services.



The FY14-15 decline in utility user tax (UUT) revenue was due to decreased consumption of both natural gas and electricity. The tax sunsets in 2016; and on June 7, 2016, voters will be asked to extend it. Loss of more than \$8 million of General Fund revenue would significantly impact City service levels.

General Fund Balance

At June 30, 2013 and June 30, 2014, the General Fund balance was \$36.4 million. In FY 14-15, General Fund expenditures exceeded revenue by \$7.5 million; and the General Fund balance at June 30, 2015 decreased to \$27.6 million. This included a \$3.5 million purchase of land from the Successor Agency to the former Redevelopment Agency. The FY 15-16 budget was adopted November 17, 2015 with \$72.9 million of General Fund appropriations (\$1.4 million in excess of expected revenue of \$71.5 million); and an estimated ending fund balance of \$26.5 million at June 30, 2016. City Management expects to develop a proposal during 2016 to bring the City's budget into balance. This will be a challenge, as 32 vacant staff positions were not funded for FY 15-16; and the City will need to provide for large expenditures, such as a replacement system for the City's aged software (about \$1 million) and the City's contribution to employee retirement benefits.

Liability for Employee Pension and Other Post-Employment Benefits (OPEB)

New accounting standards required the City to begin reporting its liabilities for employee pension this year. At the measurement date of June 30, 2014, the net pension liability was \$61.4 million. The employee pension plan had a funded ratio of 73% (plan fiduciary net position as a percentage of total pension liability). The City made its required employer contribution of 23.726% of payroll in FY 14-15 (26.140% required for FY 15-16 and 28.127% for FY16-17). The City's plan provider, California Public Employees Retirement System made recent changes to its actuarial assumptions and methods to improve the plan's stability, resulting in increasing employer contributions. The employer contribution rate is expected to increase to 35.8% of payroll by FY 21-22.

The City provides a retiree health benefit to the City's employees based on years of service. The net obligation for this benefit at June 30, 2015 was \$15.3 million (City obligation of \$16.9 million and Successor Agency asset of \$1.6 million). The plan's most recent calculated funded ratio was 15% (actuarial value of assets as a percentage of the accrued liability at July 1, 2013). In 2013, the City Council adopted a resolution to pre-fund this obligation with an additional 1% (of payroll) contribution to the OPEB trust account. However, the 1% contribution was not budgeted for FY15-16.

Funding for Infrastructure

Revenue from the Highway Users Tax Account (HUTA) is allocated to cities by the state, and is an important funding source to maintain the City's streets. About two-thirds of the City's HUTA revenue is based on a cents-per-gallon tax, which will fluctuate with usage. About one-third of the HUTA allocation is based on a percentage of gasoline sales, and subject to a "look-back" adjustment from the state; which amplifies the impact of falling gas prices. The City's FY 14-15 HUTA revenue was about \$2.8 million. The FY 15-16 revenue is expected to be about \$2.1 million. If gas prices rebound in FY 15-16, as discussed above, the City will not enjoy any corresponding increase to HUTA revenue until FY 17-18.

The economic downturn and dissolution of redevelopment agencies state-wide have created financial challenges to local governance. The dissolution of the redevelopment agency cut the City's revenue stream by approximately \$28 million per year in tax increment revenues, which was largely used to fund capital projects and certain development-related positions. Therefore, tough policy decisions remain, which will require that the City identify its highest priorities and make wise resource allocation choices.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Public Safety

One of the City Council's top priorities continues to be public safety. This is demonstrated by the City's goal to increase the actual and perceived level of public safety and to make our neighborhoods, businesses, and parks safer for all citizens. Cognizant of the fact that the City's continued growth and prosperity depends on the realization of this goal, the City Council approved a unique Park Safety Plan that calls for the deployment of Sheriff's deputies at City's parks.

The City's Code Enforcement program continues to respond to and resolve service requests on a daily basis in an effort to reduce urban blights and enhance quality of life. Emergency Services continues to respond to routine, minor, and major natural or manmade emergencies from chemical spills to winter storm emergencies. In addition to emergency response, Emergency Services continues emergency preparedness effort with Carson residents and business community through outreach and education. Youth Services continues to work in cooperation with the Sheriff's Department, Probation Department, District Attorney's Office, local community base organizations (CBO), and schools to address juvenile delinquency, prevention, intervention, and diversion. The Public Safety Services Center (PSSC) provides crime prevention support to the Sheriff's community relations office and coordinates the Block Captains and Community Emergency Response Team (CERT) programs. PSSC also coordinates crime prevention outreach effort with the Sheriff's Park Enforcement Team and residents living adjacent to City parks. The PSSC section also provides support for the Safety First Act Now (SFAN) program – crime survey, service improvement, and community outreach. Pedestrian Safety program continues its effort to improve safe routes to school and crossing guard service for elementary and middle school children in the community. Graffiti Apprehension Program continues coordination effort with the Sheriff's Department and Public Works Department to abate graffiti, prosecute vandals, and restitution recovery.

Parks and Recreation

The Parks and Recreation Division operates 12 parks, 4 swimming pools, 3 mini-parks, and 1 indoor sports complex. Recent park and recreation improvements include the renovation of Del Amo Park and the redesign of the standardized irrigation system at City parks. The City has also undertaken a significant park-related capital improvement project known as the Carson Park Master Plan project. It is an 11-acre park and recreation facility, which will include a new recreation building, ball fields, a gymnasium and various activity rooms.

The Congresswoman Juanita Millender-McDonald Community Center renovated in 2003 is a 73,000 square-foot facility used as a meeting center for community and business sponsored events. The Community Center houses both the Senior Technology Center, which provides computer services for the senior populace, and the improved Early Childhood Educational Center. These park and facility improvement projects, coupled with park security efforts, demonstrate the City's continued commitment to provide its residents with an enhanced quality of life.

Infrastructure

On a daily basis, approximately 400,000 cars travel through Carson's city limits via freeways and major thoroughfares. This significant amount of traffic provides great opportunities for community exposure, however, it also places an intense demand on the City's infrastructure. To respond to infrastructure demands and improve traffic operation and safety, the City has undertaken several major street and transportation projects including: extensive street improvements on Figueroa Street from the I-405 to Victoria Street, construction of a pedestrian bridge on 213th Street over the Dominguez Channel, modifications of the I-405 interchanges at Wilmington Avenue and Avalon Boulevard, and 1.75 miles of new and enhanced infrastructure on the Carson Corridor between the I-110 and I-405 freeways.

The gas tax and dedicated sales tax revenues for street maintenance projects, as well as available Federal, State and County grants are utilized for infrastructure improvements. The City is committed to employing a variety of assessment tools including a Pavement Management System, an annual concrete assessment, and a sidewalk assessment in order to maximize the utilization of infrastructure funds, and the City's Public Works Department continues to pursue alternate financing in order to dedicate general fund monies to the delivery of other essential public services.

Housing and Economic Development

Continuing to be at the forefront of the City's economic development initiative is the former Cal Compact site, an approximately 157-acre property, proposed as the site of the professional football stadium or, alternatively, a development of up to two million square feet of commercial/retail space including a factory outlet mall, big box retail and hotels. Either project is expected to generate sales tax and other revenues to the City, and create job opportunities for the residents of the City.

The City has had a policy of adopting low local tax rates, which have contributed to the marketability of Carson to businesses. There are large modern petro-chemical facilities (e.g. Phillips 66, Tesoro Refining, Shell), electronics manufacturers (e.g. Sony, Kenwood, Pioneer, Sansui), automobile dealers (e.g. WIN Chevrolet/Hyundai, Car Pros Kia, Toyota, Honda, Nissan, Back In the Day Vintage Autos), aerospace companies (e.g. In-Eros Corporation, Northrop), trucking and logistics companies (e.g. Yusen, Southwest Trails, Proceed USA, USC Intermodal Services Inc.), retail stores (e.g. IKEA, Sears, JC Penney, Target, Home Depot, Old Navy, and Staples) and restaurants (e.g. Chili's, Panera Bread, Tony Roma's, Buffalo Wild Wings, Olive Garden) within the City. The City Council's emphasis on quality developments, both commercial and residential, along with a city-wide beautification effort, has had a positive impact on the City. In recent years, well-known builders have chosen Carson as a location for their projects. Residential developments include the following recently completed or ongoing projects:

1. 12 single-family houses – 2535-2569 E. Carson Street
2. 40 unit apartment complex – 21227 Figueroa Street
3. 65 unit apartments – 425 E. Carson Street
4. 152 for-sale homes – 616 E. Carson Street
5. 40 unit apartments – 407-409 E. Carson Street
6. 150 unit market rate luxury apartments – 21720-21814 Avalon Blvd.
7. 86 unit senior apartments– 708-724 E. Carson Street

Although the redevelopment agency was dissolved as of February 1, 2012, Carson continues the effort to sustain the demand for commercial development. The Carson Redevelopment Agency had been involved in purchasing land and facilitating development that increases the general fund revenue, creates shopping opportunities for residents, adds to the existing housing stock, and eliminates blighted and contaminated sites. The City and Agency accomplishments toward that goal are described below.

Auto Row

The expansion of the Carson Auto Row on 223rd Street along the I-405 Freeway, formerly a Brownfields site, includes a new Nissan franchise with a state-of-the-art facility; a new Honda facility; the former Cormier Chevrolet dealership, now Win Chevrolet; Cruise America, a recreational vehicle rental business; the upgraded Carson Toyota dealership; and the former Altman's Winnebago recreational vehicle dealership, now the new site of Carson Car Pros Kia dealership, which shall be completed in early 2016.

Porsche Experience Center – 19800 Main Street

In November 2011, Porsche announced that City of Carson will be the future home of the Porsche Experience Center (PEC), a specialized vehicle experience center, one of only two in the USA and only one of five in the world. The 53-acre will sit mostly on the now-closed Dominguez Hills Golf Course (by I-405 freeway), formerly a landfill area. The project is located next to the former Boulevards at South Bay project site, which is now proposed as either an NFL stadium for the San Diego Chargers and the Oakland Raiders, or a project with hotel, retail, and entertainment space. The PEC will feature a state-of-the-art driving test track, driving skills course, simulators, a Porsche showroom, a retail facility for high-performance auto parts, and a four-star restaurant, among others. Porsche will also move its North American offices from Santa Ana to the Carson site.

The Los Angeles County Economic Development Corporation estimated that the construction of the project will generate \$45.5 million in additional economic activity in Southern California, while the ongoing operations will generate \$22.5 million annually. The Porsche Experience Center is projected to be completed in early Spring 2016.

The following is a full account of ongoing activities geared at achieving economic gains for the City.

- The former Cal Compact Site (formerly The Boulevards at Southbay): In FY 2008/09, the Agency provided approximately \$39 million assistance for site remediation. Total financial assistance granted to the Developer as of June 30, 2015 amounted to \$69.5 million. As of same date, total assessed value of the property increased to \$47.2 million or a seven-fold increase compared to 2006's \$6.6 million. Remediation of the site, which is located on Del Amo Boulevard west of the I-405 freeway, is about 65% complete. The site is now being contemplated for development of a professional football stadium or a commercial/retail center.
- 17505 S. Main Street: After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold, with the proceeds to be turned over to the Successor Agency account to be held for repayment of an enforceable obligation. The Successor Agency has received a number of inquiries about the site, but none has turned into a successful Purchase and Sale Agreement due to a number of challenging site constraints.
- 401, 425, 437 E. Carson Street: The Agency entered into a Disposition and Development Agreement (DDA) with The Related Companies for development of a 65-unit workforce housing apartment complex. The project was successfully completed in June of 2012. A second phase is adjacent to the site located at 401 E. Carson Street with a 40-unit affordable

apartment community. The second phase was completed in 2015 with a grand opening held on April 2, 2015.

- 20802 S. Main Street: After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold, with the proceeds to be turned over to a Successor Agency account to be held for repayment of an enforceable obligation.
- 22020 Recreation Road. The Agency had a loan with the owner of this property, which was used for the sale of recreational vehicles. In the summer of 2011, when the owner defaulted on the Agency's loan, as well as two other loans with two different banks, in accordance with the terms of the Agency's loan agreement with the owner, the Agency foreclosed on the property. To do so meant that the Agency had to also acquire the other two bank loans first, which it did. At that time, the site became a Successor Agency property and acquisition of the property was in keeping with the law to maintain the value of such property prior to disposing of it.

Because the property is along the I-405 freeway it is well suited for operation as an auto dealership, the local KIA automobile dealership asked to purchase the site from the Agency at fair market value and the Agency sold the property to the dealership in September 2012 for the appraised fair market value. The site is now under construction and the dealership, Car Pros, will transition its operation from its existing off-freeway location to the new site which should substantially increase its exposure and sales. The project will be completed in early 2016.

- Cormier/Win Chevrolet: In 2009 the former Carson Redevelopment Agency acquired the property located at 2201 E. 223rd Street and leased it back to Cormier Chevrolet for dealership operations. Upon dissolution of redevelopment, the lease became an enforceable obligation of the Successor Agency. One of the lease provisions required that the Agency sell the site back to Cormier at fair market value upon Cormier's request to repurchase the site. In September of 2011, Cormier advised Agency staff that it desired to exercise its repurchase rights. During negotiations with the Agency, Cormier was approached by WIN Chevrolet with an offer to both assume the lease and create a new dealership. WIN assumed the lease and the property was sold to WIN in 2011 for continued operations of a Chevrolet dealership.
- 2254 E. 223rd Street: A seven-year purchase option on a remnant 5-acre property adjacent to the former BP Refinery (now Tesoro) with BP expired on November 15, 2012. After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold with the proceeds to be turned over to a Successor Agency account to be held for repayment of an enforceable obligation. The property is currently in escrow to be sold for development of warehouse/office space.
- 2403 E. 223rd Street: After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold, with the proceeds to be turned over to a Successor Agency account to be held for repayment of an enforceable obligation. The City of Carson acquired the property and currently leases a portion of the site to CALTRANS and Win Chevrolet.
- 616 E. Carson Street: The Agency entered into a DDA with CityView in February 2011. The project consists of mixed-use commercial/retail and residential uses including approximately 13,000 square feet of ground floor retail space and one hundred fifty-two (152) for-sale residential units. Fifteen percent (15%) of the residential units will be sold to qualified affordable buyers. The project is currently under construction with 60 homes having been

completed and 92 under construction. A number of buyers are in escrow pending completion of construction.

- 21208 Shearer Street: After receiving a No Further Action letter from the Regional Water Quality Control Board (RWQCB) to allow for the development of a passive park the Agency hired AHBE landscape architects to design a passive park for the site. The park was completed in January 2012. Once completed the park was transferred to the City of Carson. The transfer was formally approved by the Department of Finance on September 4, 2015.
- 21009 S. Prospect Avenue: The property was assembled with contiguous parcels for a site with a total developable area of 1.55 acres. Because the property was purchased with Agency low-mod housing set-aside funds and intended for residential development, it, along with the rest of the contiguous property, was transferred to the Carson Housing Authority rather than the Successor Agency. The property was sold to City Ventures in October 2014 for development of the Carson Collection, a 13-unit single-family market rate housing development, which was completed in 2015. Each unit is a three-bedroom, two-bathroom detached home with a 2-car garage. Funds received by the Authority from the sale of the property were set-aside for future development of affordable housing on a different location.
- 21521 Avalon Boulevard: After the State's dissolution of redevelopment in California, this property was transferred to the City's Housing Successor Agency, which is the Carson Housing Authority (Authority). Unlike property held by the Successor Agency, property transferred to the Authority is subject to Authority law and shall be developed in accordance thereto. Subsequent to the year end, the Authority sold the property to a developer for a mixed-use project which consists of 357 apartment units and 30,000 square feet of retail space.
- Carson City Center: Phase II (known as The Renaissance at City Center) completed construction in 2013 and includes: 150 market-rate rental housing units (1, 2 and 3 bedroom), 25,000 square feet of lifestyle-oriented shops, and subterranean parking. The former Redevelopment Agency assisted the development of this project by assembling the land and providing relocation assistance to displaced commercial tenants.

Community Awareness and Communication

Recognizing that an informed citizenry is an asset to City government, the City of Carson has been proactive in providing public access to information. The Public Information Division of the City Manager's office provides a variety of information to Carson residents, including information on transit services, demographics, upcoming events, as well as the production and distribution of publications pertaining to Carson. Major publications include the quarterly issues of the Carson Report, which present both information about city government and the community. Additionally, the City maintains a website at <http://ci.carson.ca.us>, which contains a wealth of information about the City, including information on employment opportunities, job training, youth services, local events, Council and commission meetings, as well as providing links to other related websites. Moreover, through the website, the public can watch the live broadcast of City Council meetings on video stream, from practically anywhere in the world.

Beautification

As no economy can thrive without an effective infrastructure, no community can continue to grow and prosper without continual efforts to imbue a sense of pride in its citizenry. To this end, the Public Works Department has been working diligently to improve the City's appearance. For example, street maintenance crews routinely replace street name signs, remove weeds on City property, maintain and monitor approximately 2,000 City trees, and strive to maintain zero potholes throughout the City. The Landscape and Building Maintenance Division is responsible for the City's graffiti abatement program,

as well as the maintenance of all of the City's buildings, facilities and landscaped grounds. These crews are out daily making sure that all City facilities and landscaped grounds are kept in tip-top shape. In FY 2014/15, they removed 199,307 square feet of graffiti. The Community Development Department also strives to create a more beautiful Carson by administering such programs as "Neighborhood Pride" and the "Business Beautification Program." Additionally, Public Works assists numerous developers and landowners to revitalize old, and/or build new, commercial, industrial and housing developments in the City.

Energy Efficiency

The City has also formed a "Green Task Force" to identify "green" programs and create an environmental action plan in an effort to support the local and global environment. The following are examples of energy-saving projects completed in recent years:

- Utilized solar energy as an 85 Kilowatt contribution system to the Community Center, which produced renewable energy.
- Converted all lighting to LED at the Community Center parking and walk areas, which reduces energy usage and provides a cleaner and brighter light for patrons.
- Installed retro lighting throughout the City, which reduced energy consumption.
- Participated annually in the Southern California Edison Demand Bid program, which reduces energy consumption.
- Installed Cal-sense irrigation system in all City facilities with Smart Clocks and Smart Valves, which reduces water usage by approximately 26%.
- Upgraded exterior lighting at Dominguez Park
- Installed new pool pumps at Scott Park and Carson Park to reduce pump speed to 40% when pool is not in operation
- Installed LED lights at City facilities through a free Direct Install (DI) program by SCE

The City is currently working on more energy-saving projects including 1) installing an ocean-friendly garden system for aesthetics and reduction of water usage, 2) installing the "Cool" roofs for City facilities, and 3) implementing a turf reduction program throughout City facilities.

Upcoming energy-efficiency projects include:

1. Carson Street median street lights – Upgrade to LED lights
2. City-wide median street lights – Upgrade to LED lights
3. City-wide safety lighting (on traffic signals) – Upgrade to LED or Induction Lighting
4. Lighting at City parks
5. Solar power projects
6. Carson Street Pedestrian Lights – Upgrade to LED lights

The City of Carson is a leader in the South Bay area in the Energy Conservation program.

FINANCIAL INFORMATION

The officials having direct responsibility for the financial administration and management of the City are the City Manager, the City Treasurer and the Director of Finance. Fiscal operations include general accounting, financial reporting, treasury and investment management, business license, payroll, accounts payable, accounts receivable, procurement of supplies and services, budget preparation and monitoring and information technology.

Financial Report Preparation

The City has presented its CAFR in accordance with Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements for State and Local Governments since June of 2003. The GASB is the authoritative body in establishing U.S. generally accepted accounting principles for state and local governments. GASB 34 financial reporting requirements for state and

local governments throughout the United States aim to make annual reports more comprehensive, easier to understand and more useful. In addition, this financial reporting model hopes to improve government's accountability in financial reporting and provide additional information for decision-making.

GASB also issued Statement No. 44 which applies to state and local governments preparing a statistical section accompanying basic financial statements. In compliance with this requirement, the City has included the following information categories in the Statistical Section of its CAFR: (1) financial trends, (2) revenue capacity, (3) debt capacity, (4) demographic and economic information, and (5) operating information. While the City was not able to present the 10-year historical information on some schedules, it was able to provide data extracted from government-wide financial statements retroactively from the City's year of GASB implementation in June 2003.

Beginning with FY 2008/09, the City was required to comply with another GASB pronouncement, GASB Statement No. 45, which requires accrual accounting for the expensing of other post-employment benefits (OPEB). The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis. Based on the analysis prepared by an actuarial consultant, the City's net OPEB obligation increased by \$1,135,289 at June 30, 2015, after applying the contributions made during the fiscal year of \$3,281,346 from the annual OPEB cost of \$4,416,635. The net OPEB obligation at June 30, 2015, is \$16,893,859. Additional information can be found in Note 9 to the basic financial statements of this report. The Successor Agency has recorded a net OPEB asset of (\$1,568,684) at June 30, 2015.

Beginning with the fiscal year ended June 30, 2011, the City classified its fund balance components in accordance with GASB 54 - Fund Balance Reporting and Governmental Fund Type Definitions, segregating its fund balance into spendable and non-spendable resources.

Finally, beginning with the fiscal year ended June 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and 50*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Single Audit

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to this single audit, including a schedule of Federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings are included in a separately issued single audit report.

As a recipient of Federal, State and local financial assistance, the City's internal control structure must also ensure, as well as document, compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management, staff and the independent auditors.

Independent Audit

The Carson Municipal Code requires an annual audit by independent certified public accountants. Through a selection process, the City awarded the audit contract to Vasquez & Company, LLP, beginning with the fiscal year ended June 30, 2010. The auditors' report on the government-wide financial statements, and individual fund statements and schedules, is included in the financial section of this Comprehensive Annual Financial Report. The report expresses the auditor's unqualified opinion as to the fair presentation, in all material respects, of the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in

financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principle and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The staff of the Finance Department continuously strives to enhance the quality and ensure the integrity of the financial information provided to elected officials, management and staff, as well as to the citizens of the great City of Carson. I would also like to sincerely thank staff of the Finance Department especially the Accounting Division personnel for their diligent and dedicated work with Vasquez & Company, LLP staff, their technical expertise, their sage advice, and their assistance in the preparation of this document. Finally, I would like to express my gratitude to the Mayor, the members of the City Council, and the City Manager for their interest and support towards conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,



Boris Sztorch
Acting Director of Finance

CITY OF CARSON ELECTED OFFICIALS



Albert Robles
Mayor



Elito M. Santarina
Mayor Pro Tem



Lula Davis-Holmes
Councilmember



Jawane Hilton
Councilmember



Donesia L. Gause
Councilmember



Jim Dear
City Clerk



Monica Cooper
City Treasurer

CITY MANAGEMENT

Kenneth C. Farfsing
City Manager

Cecil W. Rhambo, Jr.
Assistant City Manager

Boris Sztorch
Acting Director of Finance

Cedric L. Hicks, Sr.
Director of Community Services

John S. Raymond
Director of Community Development

Maria Williams-Slaughter
Director of Public Works

Gail A. Dixon-McMahon
Director of Human Resources & Risk Management

City of Carson

Position Statement

Carson is a vibrant city with a small town atmosphere where relationships are important. This is clearly visible throughout the community, from the stable single family neighborhoods, which make up nearly eighty percent of the City's residences, to the partnerships between businesses and volunteer-driven agencies, which strengthen the City's remarkable social fabric.

The social composition of Carson is California miniature. It is a city with a balanced ethnic and cultural mix living together in harmony and prosperity.

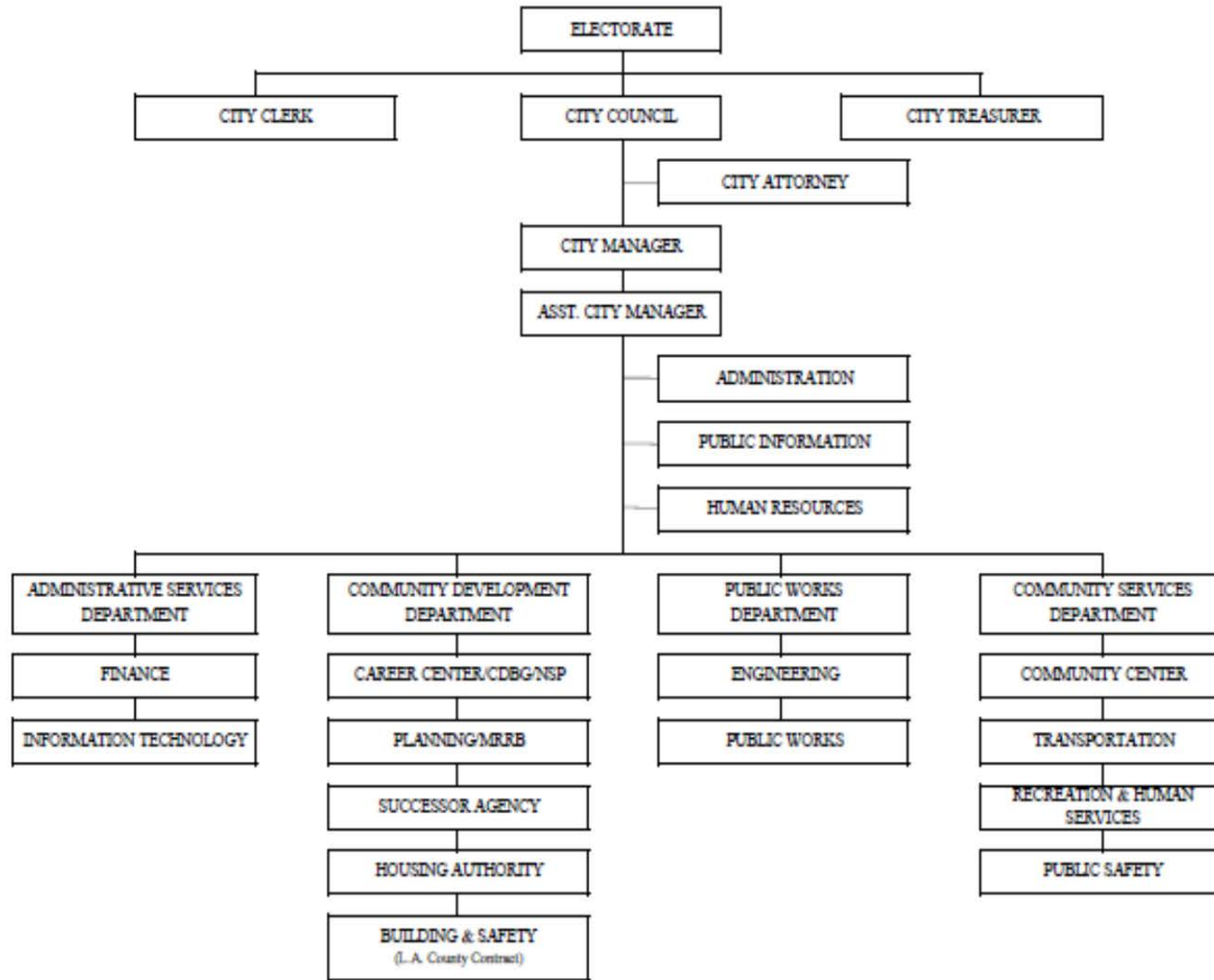
The community takes pride in the large percentage of Carson students who attend college, many to California State University, Dominguez Hills, a valuable asset to the City.

Carson's strategic position in the heart of the powerful economic engine that is Southern California attracts international corporations, which recognize the City's bright future. The City's proximity to the West Coast's two major ports, as well as its intersection by four Southland freeways, makes it a major gateway to the Pacific Rim.

We, the people who live and work in Carson, take pride in our City and will continue to build relationships which ensure that future.

CITY OF CARSON

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Carson
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO