



Comprehensive
Annual Financial Report
Fiscal Year Ended
June 30, 2017





CITY OF CARSON, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY:
FINANCE DEPARTMENT

KATHRYN DOWNS
DIRECTOR OF FINANCE
COMPREHENSIVE ANNUAL FINANCIAL REPORT



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INTRODUCTORY SECTION

CITY OF CARSON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT





CITY OF CARSON

March 30, 2018

Honorable Mayor and City Council
City of Carson, California

The Comprehensive Annual Financial Report (CAFR) of the City of Carson for the fiscal year ended June 30, 2017, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Carson issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Carson. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

The financial section of the CAFR includes Management's Discussion and Analysis (MD&A) of the financial activity. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

THE REPORTING ENTITY

The financial reporting entity includes all the funds of the primary government, the City of Carson as legally defined, as well as its component units. A component unit is a legally separate organization that must be included in the financial report of the primary government. The City has two component units that are reported as blended component units: the Carson Financing Authority, which was created to finance public capital improvements for the former Redevelopment Agency and the City; and the Carson Housing Authority, which was established to carry out the housing function of the dissolved Carson Redevelopment Agency. There is a third component unit with financial data reported separately from the City ("discretely presented"): the Carson Reclamation Authority, which was formed to oversee and facilitate the remediation of contaminated properties in the City.

CITY PROFILE

Located in the South Bay section of Los Angeles County, Carson has a documented population of approximately 93,000. 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 2017, the City of Carson is ranked 14th highest in assessed value of all Los Angeles County cities, recording a

total of \$14.5 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.

GOVERNMENTAL STRUCTURE

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 and sewer services. The Los Angeles County Fire Department and the Los Angeles Unified School District also serve the City's residents. Solid waste collection and disposal, gas, water, electric and communication services are provided by private companies.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

In November 2017, The City's voters approved a business license tax on "persons engaged in the business of operating any facility where petroleum or petroleum products are blended, mixed, processed, or refined and/or any facility that stores petroleum products." The tax is General Fund revenue; and is calculated as 0.25% of applicable business gross receipts. The tax became effective December 1, 2017 and collection of the tax began in January 2018. At the time this report was published, complete data was not available to estimate the annual revenue to the City. At the time the measure was placed on the ballot, annual revenue was estimated to be as much as \$24 million based upon information from the City's oil industry expert consultant.

In July 2017, the City entered into a Community Benefits Agreement with Tesoro Refining & Marketing Company (now called Andeavor). The agreement requires Andeavor to make payments to the City totaling \$28,759,800 over the next 15 years; including \$15,000,000 of payments that are a credit towards the new tax noted above.

The Public Works Department completed the following construction projects during FY 2016/17.

- Carson Street Master Plan improvements, including street lighting, medians, sidewalks, and bus shelters.
- Building improvement projects at Dolphin, Mills and Stevenson Parks.
- Improvements to the Wilmington Avenue/Interstate-405 interchange.
- Improvements to the Carson Park pool.
- Traffic signal improvements at 223rd Street and Lucerne Street.

The City secured numerous grants, including a \$13 million from the state for the Carriage Crest Park storm water improvement project.

The Union at South Bay, a major mixed-use project at Carson Street and Avalon, is currently under construction. The Union will have 357 multi-family residential units, ground floor commercial activity,

and a 10,000 square foot landscaped public plaza. The new development is expected to open spring 2019.

In December 2016 and March 2017, the Carson Successor Agency issued tax allocation bonds to refinance the 2009 series tax allocation bonds and lease revenue bonds. The refinancing released the City's Community Center as collateral for the lease revenue bonds, and derived total annual debt service savings of approximately \$355,000. The savings results in additional property tax available to distribute to the taxing entities, including the City which is expected to receive additional annual revenue of approximately \$25,000.

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, and budget preparation.

The Finance Department is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely derived, and the valuation of costs and benefits requires estimates and judgements by management.

The City of Carson maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council and the component unit Boards. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budgets of the government units. The level of budgetary control, that is the level at which expenditures cannot legally exceed the appropriated amount, is established at the department level within each fund. Formal budgetary integration is employed as a management control device. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control and the control of expenditures. Encumbrances lapse at fiscal year-end, and unspent balances are eligible to be carried over to the following year's budget appropriations with City Council approval.

OTHER INFORMATION

The City requires an annual audit by independent certified public accountants. The accounting firm of White Nelson Diehl Evans conducted this year's audit. The auditor's report on the financial statements is included in the financial section of this report.

As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on federal financial assistance programs, 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. For the year ended June 30, 2017, \$1,259,916 was expended on federal financial assistance programs. 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.

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, 2016. 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.

The Finance Department staff continuously strives to ensure the integrity of the financial information provided to elected officials, management and staff, and the public. I would like to thank the entire Finance Department; especially the Accounting Manager Hrant Manuelian, the Senior Accountant Daniel Zepeda, and the Accountants Phat Nguyen, Susan Delirio, and Claudia Buenrostro. I would like to thank the Directors and Analysts of the City's departments for all the information they patiently provided. Finally, I would like to thank the Mayor, the members of the City Council, the City Treasurer, the City Clerk, the City Manager, and the City Attorney for their support towards conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kathryn Downs".

Kathryn Downs
Director of Finance

City of Carson Elected Officials



Albert Robles
Mayor



Lula Davis-Holmes
Mayor Pro Tem



Elito M. Santarina
Councilmember



Jawane Hilton
Councilmember



Cedric L. Hicks, Sr.
Councilmember



Donesia L. Gause
City Clerk



Monica Cooper
City Treasurer

City Management

Kenneth C. Farfsing
City Manager

James Hart
Interim Assistant City Manager

Kathryn Downs
Director of Finance

Idris Al-Oboudi
Director of Community Services

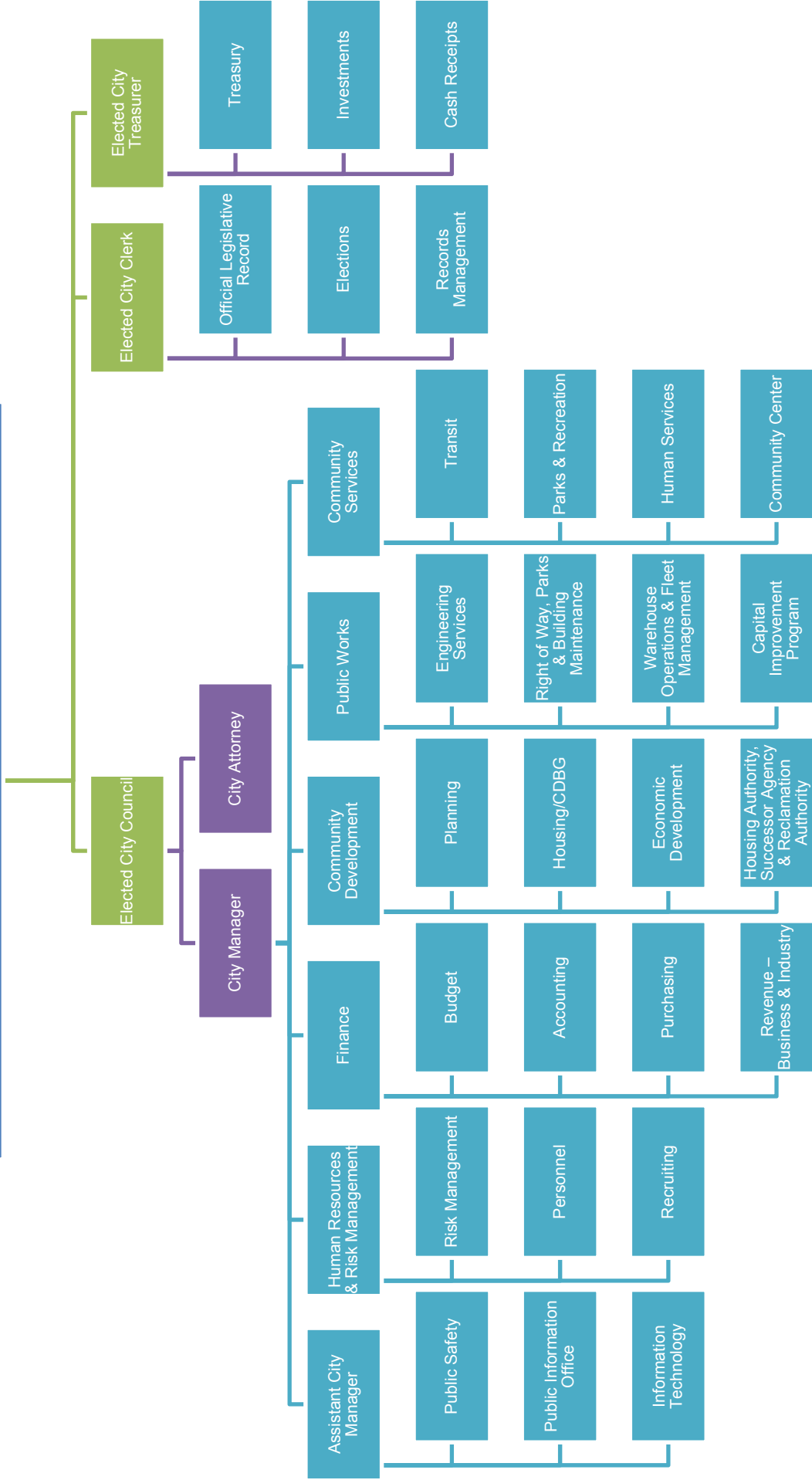
John S. Raymond
Director of Community Development

Maria Williams-Slaughter
Director of Public Works

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

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City of Carson Electorate





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, 2016

Christopher P. Morill

Executive Director/CEO