BASIC FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

		Governmental Activities
ASSETS		
Cash and investments	$	75,667,197
Receivables		
Taxes		8,478,526
Accounts		2,398,260
Accrued interest - loans		3,736,388
Accrued interest - other		230,469
Loans		44,645,102
Cash and investments - restricted		92,563,301
Due from government agencies		2,188,540
Inventory		445,596
Prepaid and other assets		272,385
Unamortized bond issuance costs		2,347,171
Land held for resale		35,366,132
Capital assets not being depreciated		122,349,254
Capital assets, net of accumulated depreciation		216,768,154
Total assets		607,456,475
LIABILITIES		
Accounts payable and accrued liabilities		8,522,278
Accrued interest payable		2,098,196
Accrued payroll		1,103,904
Due to governmental agencies		17,902
Refundable deposits		794,391
Unearned revenues		122,136
Retentions payable		950,717
Noncurrent liabilities		
Due within one year		4,390,000
Due in more than one year		170,170,591
Total liabilities		188,170,115
NET ASSETS		
Invested in capital assets, net of related debt		339,117,408
Restricted for:		
Public services		437,501
Development services		6,218,413
Economic development		58,194,306
Low and moderate income housing		56,547,299
Unrestricted		(41,228,567)
Total net assets	$	419,286,360

See notes to financial statements.

City of Carson
Statement of Activities
Year ended June 30, 2010

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net Governmental Activities
Governmental Activities					
General government	$ 20,353,651	$ 7,742,538	$ -	$ -	$ (12,611,113)
Public services	42,720,041	2,502,102	987,362	70,305	(39,160,272)
Development services	16,439,031	248,050	4,435,559	-	(11,755,422)
Economic development	27,435,269	1,568,514	6,770,337	3,996,903	(15,099,515)
Capital maintenance programs	27,685,936	-	-	-	(27,685,936)
Pass-throughs	1,726,691	-	-	-	(1,726,691)
Interest and other charges	7,858,690	-	-	-	(7,858,690)
Total Governmental Activities	$ 144,219,309	$ 12,061,204	$ 12,193,258	$ 4,067,208	(115,897,639)
General revenues					
Taxes:					
Property taxes					32,874,557
Sales taxes					15,051,658
Transient occupancy taxes					1,121,092
Franchise taxes					6,876,484
Admissions tax					362,105
Utility users tax					6,722,319
Motor vehicle license fee, unrestricted					288,398
Motor vehicle in lieu, unrestricted					7,153,876
Use of money and property					4,842,082
Other revenue					5,212,274
Total general revenues					80,504,845
Change in net assets					(35,392,794)
Net asset - beginning, as restated					454,679,154
Net asset - ending					$ 419,286,360

See notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

COMPREHENSIVE ANNUAL FINANCIAL REPORT

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

		Capital Projects	
	General	Project Area 1	Project Area 2
ASSETS			
Cash and investments (Note 2)	$ 12,288,270	$ 6,492,705	$ 250
Cash and investments with fiscal agent (Note 2)	-	24,871,963	33,909,715
Receivables:			
Taxes	5,438,584	442,772	1,813,657
Accounts	2,384,585	2,626	-
Accrued interest - loans	-	117,236	-
Accrued interest - other	19,487	78,893	131,919
Loans	65,365	4,105,218	4,434,803
Due from other funds (Note 2)	5,694,050	3,220,793	3,129,437
Due from government agencies	227,180	83,080	-
Advances to other funds	-	-	6,310,083
Inventory	445,596	-	-
Prepaids and other assets	271,035	630	720
Land held for resale (Note 3)	-	5,633,593	7,750,000
Total assets	$ 26,834,152	$ 45,049,509	$ 57,480,584
LIABILITIES			
Accounts payable and accrued liabilities	$ 5,223,963	$ 963,705	$ 649,240
Accrued payroll	896,083	32,394	39,038
Due to other governmental agencies	-	-	-
Due to other funds (Note 5)	-	1,808,060	12,129,413
Advances from other funds	-	-	-
Retentions payable	-	19,857	116,241
Deferred revenue	1,714,191	4,222,454	4,534,526
Refundable deposits	22,236	347,700	402,942
Self insurance claims payable	795,555	-	-
Total liabilities	8,652,028	7,394,170	17,871,400
FUND BALANCES			
Reserved for:			
Encumbrances and continuing appropriations	162,842	224,713	198,398
Loans receivable	65,365	-	-
Advances to other funds	-	-	6,310,083
Inventory	445,596	-	-
Prepaids and other assets	271,035	630	720
Land held for resale	-	5,633,593	7,750,000
Section 108 loan	-	-	-
Low and moderate income housing	-	-	-
Debt service	-	-	-
Unreserved:			
Designated reported in:			
Capital projects	1,155,409	31,796,403	25,349,983
1% PEG fees	90,563	-	-
Equipment replacement	-	-	-
Special revenue funds	-	-	-
Undesignated, reported in:			
General fund	15,991,314	-	-
Total fund balances	18,182,124	37,655,339	39,609,184
Total liabilities and fund balances	$ 26,834,152	$ 45,049,509	$ 57,480,584

See notes to financial statements.

Capital Projects				
Project Area 3	Project Area 4	Low-and Moderate Income Housing	Non-Major Governmental Funds	Total
$ 14,181,756	$ 5,434,838	$ 22,017,825	$ 15,251,553	$ 75,667,197
-	21,885,666	-	11,895,957	92,563,301
579,024	204,489	-	-	8,478,526
-	-	-	11,049	2,398,260
6,165	-	3,612,987	-	3,736,388
-	-	-	170	230,469
3,010,000	-	33,029,716	-	44,645,102
18,416,606	3,100,000	4,321,352	52,811	37,935,049
-	-	-	1,878,280	2,188,540
-	-	-	-	6,310,083
-	-	-	-	445,596
-	-	-	-	272,385
7,354,999	3,853,269	10,774,271	-	35,366,132
$ 43,548,550	$ 34,478,262	$ 73,756,151	$ 29,089,820	$ 310,237,028
$ 15,739	$ 531,194	$ 191,149	$ 947,288	$ 8,522,278
-	5,649	16,511	114,229	1,103,904
-	-	11,939	5,963	17,902
1,494,317	3,280,547	16,539,033	2,683,679	37,935,049
-	6,310,083	-	-	6,310,083
-	-	450,220	364,399	950,717
3,016,165	-	36,642,700	402,394	50,532,430
21,513	-	-	-	794,391
-	-	-	-	795,555
4,547,734	10,127,473	53,851,552	4,517,952	106,962,309
-	107,717	67,178	187,963	948,811
-	-	-	-	65,365
-	-	-	-	6,310,083
-	-	-	-	445,596
-	-	-	-	272,385
7,354,999	3,853,269	10,774,271	-	35,366,132
-	-	-	6,140,594	6,140,594
-	-	9,063,150	-	9,063,150
-	-	-	11,895,957	11,895,957
31,645,817	20,389,803	-	7,207,126	117,544,541
-	-	-	-	90,563
-	-	-	696,171	696,171
-	-	-	(1,555,943)	(1,555,943)
-	-	-	-	15,991,314
39,000,816	24,350,789	19,904,599	24,571,868	203,274,719
$ 43,548,550	$ 34,478,262	$ 73,756,151	$ 29,089,820	$ 310,237,028

See notes to financial statements.

City of Carson
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2010

Fund balance of governmental funds		$ 203,274,719
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of governmental activities are not financial resources and are not reported in the governmental funds.		
Capital assets		512,677,726
Accumulated depreciation		(173,560,318)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Self insurance claims	$ (2,930,257)	
Compensated absences	(4,928,709)	
Net OPEB liability	(9,735,207)	
Bonds payable	(156,170,863)	
Unamortized bond issuance costs	2,347,171	(171,417,865)
Interest expenditures are recognized when due and accrued interest payable is not recorded in the governmental funds.		(2,098,196)
Deferred revenues are not available to pay for current period expenditures and therefore are deferred in the funds and recognized as revenue in the Statement of Activities.		50,410,294
Net assets of governmental activities		$ 419,286,360

See notes to financial statements.

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	General Fund	Capital Projects: Project Area 1	Capital Projects: Project Area 2
Revenues			
Taxes	$ 43,177,445	$ 11,779,628	$ 10,369,210
Licenses and permits	4,766,767	-	-
Fines and forfeitures	1,706,863	-	-
Charges for services	1,999,067	-	-
Intergovernmental	420,709	-	-
Use of money and property	1,357,473	1,037,626	1,386,100
Miscellaneous	5,945,042	172,361	3,461
Total revenues	59,373,366	12,989,615	11,758,771
Expenditures			
Current:			
General government	20,686,888	-	-
Interfund reimbursement	(3,770,394)	-	-
Economic development	1,373,604	3,791,287	16,186,681
Development services	9,036,800	-	-
Public services	35,352,688	-	-
Pass-throughs expenditures	-	408,134	1,167,314
Capital improvement programs	62,640	12,444,748	130,111
Debt service:			
Bond principal	-	-	-
Interest and other fiscal charges	-	-	-
Bond issuance costs	-	334,120	-
Total expenditures	62,742,226	16,978,289	17,484,106
Excess (deficiency) of revenues over expenditures	(3,368,860)	(3,988,674)	(5,725,335)
Other financing sources (uses)			
Transfers in (Note 5)	761,591	-	-
Transfers out (Note 5)	-	(9,395,774)	(5,327,579)
Issuance of bonds	-	12,165,000	-
Discount on bonds	-	(272,385)	-
Net other financing sources (uses)	761,591	2,496,841	(5,327,579)
Change in fund balance	(2,607,269)	(1,491,833)	(11,052,914)
Fund balance, beginning of year	20,789,393	39,147,172	50,662,098
Fund balance, end of year	$ 18,182,124	$ 37,655,339	$ 39,609,184

Capital Projects				
Project Area 3	Project Area 4	Low-and Moderate Income Housing	Nonmajor Governmental Funds	Total
$ 2,252,210	$ 4,310,289	$ -	$ 2,280,188	$ 74,168,970
-	-	-	-	4,766,767
-	-	-	82,637	1,789,500
-	-	-	808,325	2,807,392
-	-	-	12,607,160	13,027,869
170,690	72,100	205,537	375,283	4,604,809
-	-	84,245	245,260	6,450,369
2,422,900	4,382,389	289,782	16,398,853	107,615,676
-	-	-	-	20,686,888
-	-	-	-	(3,770,394)
65,090	709,058	1,380,853	1,804,692	25,311,265
-	-	-	4,658,845	13,695,645
-	-	-	1,327,301	36,679,989
(308,231)	459,474	-	-	1,726,691
6,792,426	4,227,128	19,520,692	8,084,824	51,262,569
-	-	-	3,765,000	3,765,000
-	-	-	7,181,131	7,181,131
-	-	-	-	334,120
6,549,285	5,395,660	20,901,545	26,821,793	156,872,904
(4,126,385)	(1,013,271)	(20,611,763)	(10,422,940)	(49,257,228)
-	-	5,772,056	12,056,288	18,589,935
(450,442)	(2,557,144)	-	(858,996)	(18,589,935)
-	-	-	-	12,165,000
-	-	-	-	(272,385)
(450,442)	(2,557,144)	5,772,056	11,197,292	11,892,615
(4,576,827)	(3,570,415)	(14,839,707)	774,352	(37,364,613)
43,577,643	27,921,204	34,744,306	23,797,516	240,639,332
$ 39,000,816	$ 24,350,789	$ 19,904,599	$ 24,571,868	$ 203,274,719

See notes to financial statements.

City of Carson
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2010

Change in Fund Balance - Governmental Funds	$	(37,364,613)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:		
Capital outlay, net of disposal		9,760,802
Depreciation expense		(9,216,605)
Proceeds from the issuance of bonds and loans is reported as other financing sources in governmental funds. The issuance of bonds both increases liabilities in the statement of net assets, but does not result in an increase in the statement of activities:		
Proceeds of bond issuance		(12,165,000)
Bond issuance cost		334,120
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Payment of principal		3,765,000
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Claims and judgments		(117,358)
Amortization of bond issuance costs		(70,462)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		
Compensated absences		92,200
Change in accrued interest on long-term debt		(334,712)
Other post-employment benefits		(5,053,740)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.		14,977,574
Change in net assets of governmental activities	$	(35,392,794)

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FIDUCIARY FUND FINANCIAL STATEMENT

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

City of Carson
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2010

		Totals
ASSETS		
Cash and investments	$	6,222,559
Cash and investments with fiscal agent		2,510,412
Due from the City of Carson		11,939
Receivables:		
Accounts		494,464
Interest		36
Total assets	$	9,239,410
LIABILITIES		
Accounts payable and accrued liabilities	$	173,648
Refundable deposits		2,633,698
Due to other funds		83,080
Due to bondholders		6,348,983
Total liabilities	$	9,239,409

See notes to financial statements.

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component financial reporting units, which are legally separate organizations for which the elected officials of the primary government are financially accountable.

The accompanying basic financial statements present the City of Carson (the primary government) and its component units, the Carson Redevelopment Agency (the Agency) and the Carson Joint Powers Financing Authority (Authority). The financial activities of the Agency and the Authority are blended with the financial activities of the City because of the significance of their operational and financial relationship with the City.

The City was incorporated under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides a full range of services, including city administration, economic development, public works, community development, transportation, public safety and recreational and cultural activities. The City contracts with the County of Los Angeles for police protection and building and safety services. Library services, fire protection and sewer services are provided by Special Districts of the County of Los Angeles.

The Agency is a separate government entity created to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in a separate session, serve as the governing board of the Agency, and all accounting and administrative functions are performed by the City. The financial activities of the Agency have been blended into the accompanying basic financial statements of the City within the Debt Service and Capital Projects Fund Types. Separate financial statements of the Agency are available at City Hall, 701 E. Carson Street, P.O. Box 6234, Carson, California 90749.

The Carson Joint Powers Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated November 17, 1992, between the City and the Carson Redevelopment Agency. The Authority was created for the purpose of providing financing for public capital improvements for the Agency. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Separate financial statements of the Financing Authority are not issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements report the governmental activities of the primary government (including its blended component units). The City has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Governmental Funds

In the fund financial statements, governmental funds and agency funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when the related cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government- mandated and voluntary non-exchange* transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus.* This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," because they do not represent net current assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of governmental fund type revenues represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities.

Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fund Classification

The funds designated as major funds are determined by a mathematical calculation consistent with GASB 34. The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to a specific fund are accounted for in this fund. Expenditures of this fund include general operating costs and capital improvement costs that are not paid through other funds.

Capital Projects Funds

Project Areas 1, 2 and 3 are used to account for all revenues and costs of implementing the redevelopment projects in accordance with the California Community Redevelopment Law, including acquisition of properties, cost of site improvements and other costs that benefit the Project Areas as well as administrative expenses incurred in sustaining Agency activities.

Low-and Moderate-Income Housing was established to increase and improve the supply of low-and moderate-income housing within the community. The primary source of funds has been the contribution of 20% of incremental property tax revenues generated by the Redevelopment Project Areas.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's fund structure also includes the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

Debt Service Funds are used to account for the payment of interest and principal on the Agency's tax allocation bonds for each project area. The principal sources of revenue of these funds are incremental property taxes and investment income.

Fiduciary Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds. Agency Funds are accounted for in essentially the same manner as governmental funds; however, their purpose is to be custodial in nature (assets equal liabilities), and therefore, the measurement of results of operations is not appropriate.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires City management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Investments

The City pools cash and investments of all funds, except for assets held by the Carson Redevelopment Agency and assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

Changes in fair value that occur during a fiscal year are recognized as uses of money and property reported for that fiscal year. Uses of money and property also reports interest earnings, rental income, and any gains or losses realized upon the liquidation, maturity, or sale of investments. Interest income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance. Investments are reported in the accompanying balance sheet at fair value except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Resale

Land held for resale represents land purchased by the Agency to further the Redevelopment Plan. Such land is recorded at the lower of acquisition cost or estimated net realizable value. Fund balance is reserved for such land held for resale at year-end as such recorded balances are not immediately subject to cash liquidation and therefore do not represent a readily expendable resource.

Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Generally, capital asset purchases in excess of $5,000 are capitalized if they have an expected useful life of one year or more.

Capital assets include additions to public domain (infrastructure) consisting of certain improvements including land rights, roads, streets, overpass, sidewalks, medians, trees and storm drains.

Depreciation has been provided using the straight-line method over the estimated useful life of the asset in the government-wide financial statements.

The following schedule summarizes capital assets' estimated useful lives:

Buildings and improvements	25-50 years
Equipment and machinery	5-20 years
Infrastructure:	
Roadways	7-100 years
Sewer	25-30 years
Storm drain	20-50 years

Inventory

Inventory is stated at cost on a first-in, first-out (FIFO) basis. Inventory in the General Fund consists principally of fuel, office supplies, recreational activity supplies and other miscellaneous materials and supplies. Materials and supplies are charged to inventories when purchased and treated as expenditure when issued. Inventory amounts are fully reserved since they do not represent available spendable resources.

Employee Compensated Absences

It is the policy of the City to record the cost of employee compensated absences in the government-wide financial statements as earned. In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon leave redemption, termination, or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

Property Taxes

Property tax revenue is recognized in accordance with GASB Code Section P70; that is, in the fiscal year for which the taxes have been levied providing they become available. Available means 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 in the current period.

The Carson Redevelopment Agency receives annual property tax increment funds from the County of Los Angeles. In addition, the City receives funds from the state of California via the County, as the City is considered to be a "no and low" property tax City. The City's current year allocation of the "no and low" property tax was $5,654,652.

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value plus other increases approved by the voters. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	March 1
Levy date	July 1 to June 30
Due date	November 1 – first installment
	March 1 – second installment
Collection date	December 10 – first installment
	April 10 – second installment

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2010 are classified in the accompanying financial statement as follows:

Statement of Net Assets:		
Cash and investments	$	75,667,197
Cash and investments with fiscal agents		92,563,301
Statement of Fiduciary Assets and Liabilities		
Cash and investments		6,222,559
Cash and investments with fiscal agents		2,510,412
Total cash and investments	$	176,963,469

Cash and investments as of June 30, 2010 consist of the following:

Cash on hand	$	9,750
Deposits with financial institutions		3,213,738
Investments		173,739,981
Total cash and investments	$	176,963,469

Investments Authorized by the California Government Code and the City's Investment Policy

The table in the following page identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
Local Agency Bonds	No	N/A	N/A	N/A
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	30%	30%
Commercial Paper	Yes	270 days	25%	10%
Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund	Yes	N/A	None	$40 million per account
JPA Pools (other investment pools)	No	N/A	N/A	N/A

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by fiscal agent 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 fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Investment Agreements	N/A	None	None

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk pertains to the changes in market interest rates that 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.

Information about the sensitivity of the fair values of the City's investments (including investments held by fiscal agent) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

		Remaining maturity in Months		
Investment Type	Total	12 Months Or Less	13 to 24 Months	25-60 Months
State investment pool (LAIF)	$ 22,382,952	$ 22,382,952	$ -	$ -
Certificates of deposits	50,860,403	27,662,403	23,198,000	-
Money market mutual funds	7,933,325	7,933,325	-	-
Held by fiscal agent:				
U.S. agency securities	77,168,947	17,894,475	15,352,462	43,922,010
Money market mutual funds	15,394,354	15,394,354	-	-
	$ 173,739,981	$ 91,267,509	$ 38,550,462	$ 43,922,010

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 as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Not Rated	Rating * AAA
State investment pool (LAIF)	$ 22,382,952	N/A	$ 22,382,952	$ -
Certificates of deposits	50,860,403	N/A	50,860,403	-
Money market mutual funds	7,933,325	N/A	-	7,933,325
Held by fiscal agent:				
U.S. agency securities	77,168,947	AAA	-	77,168,947
Money market mutual funds	15,394,354	N/A	-	15,394,354
Total	$ 173,739,981		$ 73,243,355	$ 100,496,626

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Investment Type	Investment Type		Reported Amount
Federal Home Loan Bank	U.S. agency securities	$	29,745,000
Federal Home Mortgage Corp.	U.S. agency securities		9,060,000
Federal National Mortgage Assoc.	U.S. agency securities		25,208,221

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 market 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. As of June 30, 2010, the City's investments in the following investments types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
Federal agency securities	$ 64,013,221

For investments identified herein as held by fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

NOTE 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 the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool of $22.38 million is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF's and the City's exposure to risk (credit, market or legal) is not currently available.

NOTE 3 LAND HELD FOR RESALE

During the fiscal year ended June 30, 2010, the Agency wrote down the carrying value of land held for resale to its net realizable value. This resulted in a write-down of approximately $15.8 million in the value of land held for resale. Account details as of June 30, 2010 are as follows:

Land held for resale - acquisition cost	$	51,191,717
Less allowance for decline in value		(15,825,585)
Net amount	$	35,366,132

NOTE 4 CAPITAL ASSETS

	Beginning Balance	Increases	Decreases/T ransfers	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	$ 66,082,959	$ 6,532,520	$ -	$ 72,615,479
Machinery and equipment	13,933,886	1,079,182	(34,039)	14,979,029
Infrastructure				
Roadways	274,319,716	1,909,283	-	276,228,999
Sewer	20,123,476	-	-	20,123,476
Storm drain	6,275,156	106,333	-	6,381,489
Total cost of depreciable capital assets	380,735,193	9,627,318	(34,039)	390,328,472
Less accumulated depreciation for:				
Buildings and Improvements	(24,102,639)	(1,319,456)	-	(25,422,095)
Machinery and equipment	(9,441,199)	(1,164,752)	34,039	(10,571,912)
Infrastructure				
Roadways	(113,982,935)	(6,299,544)		(120,282,479)
Sewer	(13,972,428)	(349,716)	-	(14,322,144)
Storm drain	(2,844,512)	(117,176)	-	(2,961,688)
Total accumulated depreciation	(164,343,713)	(9,250,644)	34,039	(173,560,318)
Net depreciable capital assets	216,391,480	376,674	-	216,768,154

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance at June 30, 2009	Additions	Deletions/ Transfers	Balance at June 30, 2010
Capital assets not being depreciated:				
Land	15,250,502	2,013,787	(15,057)	17,249,232
Land rights	75,285,334	-	-	75,285,334
Land improvements	2,306,476	-	-	2,306,476
Infrastructure-street trees	9,296,753	-	-	9,296,753
Construction in progress	20,042,666	6,825,703	(8,656,910)	18,211,459
Total capital assets not being depreciated	122,181,731	8,839,490	(8,671,967)	122,349,254
Governmental activities capital assets, net	$ 338,573,211	$ 9,216,164	$ (8,671,967)	$ 339,117,408

Depreciation expense was charged in the following functions in the Statement of Activities:

	Amount
General Government	$ 1,816,959
Public Services	3,797,563
Development Services	1,699,301
Economic Development	1,936,821
Total Depreciation Expense - Governmental Activities	$ 9,250,644

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due From/Due to Other Funds

Due from/due to other funds as of June 30, 2010 are as follows:

	Due To Other Funds						
Due From Other Funds:	Capital Project Area 1	Capital Project Area 2	Capital Project Area 3	Capital Project Area 4	Low/Moderate Income Housing	Non-Major Governmental Funds	Total
General Fund	$ 1,750,456	$ 2,328,862	$ -	$ 173,047	$ 394,982	$ 1,046,703	$ 5,694,050
Capital Project Area 1	-	69,193	1,494,317	-	30,257	1,627,026	3,220,793
Capital Project Area 2	29,437	-	-	3,100,000	-	-	3,129,437
Capital Project Area 3	-	9,712,108	-	-	8,704,498	-	18,416,606
Capital Project Area 4	-	-	-	-	3,100,000	-	3,100,000
Low/Moderate Income Housing	2,106	-	-	-	4,309,296	9,950	4,321,352
Non-Major Governmental Funds	26,061	19,250	-	7,500	-	-	- 52,811
	$ 1,808,060	$ 12,129,413	$ 1,494,317	$ 3,280,547	$ 16,539,033	$ 2,683,679	$ 37,935,049

Current interfund receivables and payables were (1) a result of short-term borrowings to eliminate negative cash, (2) reimbursement of certain administrative costs, (3) short-term borrowing for project costs, (4) short-term borrowings for land acquisition, and (5) short-term borrowings for cash and investments.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund Advances

Interfund advances consist of the following as of June 30, 2010:

Advance from Capital Projects – Project Area 2 to:

Capital Projects - Project Area 4	$	5,110,000
Interest on advances		1,200,083
	$	6,310,083

In July 2003, the Carson Public Financing Authority entered into a purchase agreement with the Agency in the amount of $5,110,000. The Authority purchased the note from Capital Projects Redevelopment Area 4 to finance the acquisition of property for the rehabilitation of a certain project located within the Project Area. The loan has an interest rate of 5.6% and matures on October 1, 2023.

Interfund Transfers

Transfers in and out for the year ended June 30, 2010 were as follows:

	Tranfers In			
Tranfers Out:	General Fund	Low/Moderate Income Housing	Non-Major Governmental Funds	Total
Capital Project Area 1	$ 761,591	$ 1,596,157	$ 7,038,026	$ 9,395,774
Capital Project Area 2	-	2,076,576	3,251,003	5,327,579
Capital Project Area 3	-	450,442	-	450,442
Capital Project Area 4	-	865,352	1,691,792	2,557,144
Non-Major Governmental Funds	-	783,529	75,467	858,996
	$ 761,591	$ 5,772,056	$ 12,056,288	$ 18,589,935

Interfund transfers were principally used to (1) set aside 20% tax increment revenues, (2) to transfer monies to make debt service payments on outstanding bonds, (3) to transfer monies to reimburse the General Fund and other nonmajor governmental funds for street maintenance costs and other costs, and (4) to implement council actions approving transfer of funds from Restricted Tow Fee Fund to General Fund.

NOTE 6 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2010:

	Balance at July 1, 2009	Additions	Retirements	Balance at June 30, 2010	Amount due Within One Year	Amount Due After One Year
Compensated absences	$ 5,020,909	$ 3,514,092	$ (3,606,292)	$ 4,928,709	$ 4,099,163	$ 829,546
Net OPEB Obligation	4,681,467	6,133,531	(1,079,791)	9,735,207	-	9,735,207
Self-insurance claims payable	3,608,454	1,041,060	(923,702)	3,725,812	795,555	2,930,257
Bonded debt - tax allocation bonds	147,770,863	12,165,000	(3,765,000)	156,170,863	4,390,000	151,780,863
	$ 161,081,693	$ 22,853,683	$ (9,374,785)	$ 174,560,591	$ 9,284,718	$ 165,275,873

NOTE 7 TAX ALLOCATION BONDS AND LOANS PAYABLE

	Balance at June 30, 2010
Redevelopment Project Area 1:	
2003B Tax Allocation Bonds In December 2003, the Carson Redevelopment Agency issued $32,495,863 of Tax Allocation Bonds, Series 2003B for Redevelopment Project Area No. 1 to fund redevelopment projects within the project area. The first principal installment was due on October 1, 2004; and then on October 1, 2017 annually thereafter ranging from $466,575 to $3,940,000 plus interest at 2.0% to 5.25% through October 2034. As of June 30, 2010, the reserve requirement for the bonds was $1,402,083. The balance in the reserve account as of June 30, 2010 was $1,402,083.	$ 32,260,863
2003 Tax Allocation Refunding Bonds In January 2003, the Carson Redevelopment Agency issued $3,155,000 of Tax Allocation Refunding Bonds, Series 2003 for Redevelopment Project Area No. 1 to partially advance refund outstanding 1992 series tax allocation bonds. Principal installments are due annually ranging from $125,000 to $215,000 plus interest at 2.0% to 5.25% through October 2016. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2010.	2,150,000

NOTE 7 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

		Balance at June 30, 2010
<u>2001 Tax Allocation Refunding Bonds</u> In July 2001, the Carson Redevelopment Agency issued $28,625,000 of Tax Allocation Refunding Bonds, Series 2001 for Redevelopment Project Area No. 1 to advance refund $14,160,000 of the outstanding 1992 Tax Allocation Refunding Bonds and $15,000,000 of the outstanding Tax Allocation Bonds, Series 1993B, establish a reserve account for the bonds, and to pay the cost of issuing the bonds. Principal installments are due annually ranging in amounts from $780,000 to $2,775,000 plus interest at 2.7% to 5.5% through October 1, 2016. Of the 2001 series proceeds, $31,174,303 were used to purchase U.S. Government securities to advance refund a portion of the 1992 series and advance refund in full the 1993B series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on $14,160,000 of the 1992 series and the entire outstanding balance of the 1993B series in the amount of $15,000,000. As a result, the portion of the 1992 series and the entire 1993B series tax allocation bonds are considered to be defeased. The corresponding liabilities for the $14,160,000 and $15,000,000, respectively, have been removed from the statement of net assets. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2010.	$	16,655,000
<u>2009A Tax Allocation Bonds</u> On June 23, 2009, the Carson Redevelopment Agency issued $22,810,000 of Tax Allocation Bonds, Series 2009A for Redevelopment Project Area No. 1 to fund redevelopment projects within the project area. Principal installments are due and begin October 1, 2010 annually ranging from $290,000 to $3,350,000 plus interest at 0.98% to 6.23% through October 2036. As of June 30, 2010, the reserve requirement for the bonds was $2,071,911. The balance in the reserve account as of June 30, 2010 was $2,071,911.		22,810,000

NOTE 7 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

		Balance at June 30, 2010
<u>2009 Revenue Bonds</u> In July 2009, the Carson Redevelopment Agency issued $12,165,000, of Revenue Bonds, Series 2009, for Redevelopment Project Area No.1 to fund redevelopment activities within the project area. Principal payments are due annually ranging from $260,000 to $375,000 plus interest at 3.75% to 5.5% through October 1, 2021. As of June 30, 2010, the reserve requirement for the bonds was $990,837. The balance in the reserve account as of June 30, 2010 was $990,837.		12,165,000
Subtotal Redevelopment Project Area 1		86,060,863
Redevelopment Project Area 2:		
<u>2003A Tax Allocation Refunding Bonds</u> In January 2003, the Carson Redevelopment Agency issued $18,500,000 of Tax Allocation Refunding Bonds, Series 2003A for Redevelopment Project Area No. 2 to advance refund a portion of outstanding 1993 Tax Allocation Refunding Bonds. Principal installments are due annually ranging from $470,000 to $7,015,000 plus interest at 2.0% to 5.25% through October 2020. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2010.	$	13,895,000
<u>2003B Tax Allocation Refunding Bonds</u> In July 2003, the Carson Redevelopment Agency issued $4,195,000 of Tax Allocation Refunding Bonds, Series 2003B for Redevelopment Project Area No. 2 to fully advance refund outstanding 1993 series tax allocation refunding bonds. Principal installments are due annually ranging from $125,000 to $290,000 plus interest at 2.5% through October 2023. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2010.		3,215,000
<u>2003C Tax Allocation Bonds</u> In December 2003, the Carson Redevelopment Agency issued $11,800,000 of Tax Allocation Bonds, Series 2003C for Redevelopment Project Area No. 2 to fund redevelopment activities within the project area. Principal installments are due annually ranging from $440,000 to $2,385,000 plus interest at 2.0% to 4.5% through October 2016. As of June 30, 2010, the reserve requirement for the bond was $812,363. The balance in the reserve account as of June 30, 2010 was $812,363.		9,555,000

NOTE 7 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

	Balance at June 30, 2010
2007A Tax Allocation Refunding Bonds In October 2007, the Carson Redevelopment Agency issued $16,845,000 of Tax Allocation Refunding Bonds, Series 2007A for Redevelopment Project Area No. 2 to advance refund $14,925,000 of the outstanding 2003D Tax Allocation Refunding Bonds, establish a reserve account for the bonds and to pay the cost of issuing the bonds. Principal installments are due annually ranging in amounts from $105,000 to $1,655,000 plus interest at 0.5% to 5.3% through January 1, 2036. Of the 2007A series proceeds, $16,361,635 were used to purchase U.S. Government securities to advance refund in full the 2003D series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the entire outstanding balance of $14,925,000. As a result, the entire 2003D series tax allocation bonds are considered to be defeased and were removed from the statement of net assets. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $611,384 and a reduction of total debt service payments of $98,889. As of June 30, 2010, the reserve requirement for the bonds was $1,459,134. The balance in the reserve account as of June 30, 2010 was $1,501,267.	16,845,000
Subtotal Redevelopment Project Area 2	43,510,000
Redevelopment Project Area 4:	
2006 Tax Allocation Bonds In December 2006, the Carson Redevelopment Agency issued $28,000,000 of Tax Allocation Bonds, Series 2006 for Redevelopment Project Area No. 4 to fund redevelopment projects within the project area. Principal installments are due and begin October 1, 2007 annually ranging from $385,000 to $1,485,000 plus interest at 3.5% to 4.25% through October 2041. The reserve requirement for the bonds was satisfied in the form of a surety bond as of June 30, 2010.	26,620,000
Subtotal Redevelopment Project Area 4	26,620,000
Total Redevelopment Agency Tax Allocation Bonds Payable	$ 156,170,863

NOTE 8 DEBT SERVICE REQUIREMENTS TO MATURITY

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2010:

Year Ending June 30,	Project Area 1 2003 B Tax Allocation Refunding Bonds		Project Area 1 2003 Tax Allocation Refunding Bonds		Project Area 1 2001 Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ -	$ 1,392,213	$ 145,000	$ 87,669	$ 2,025,000	$ 901,900
2012	-	1,392,213	150,000	82,687	2,130,000 `	804,650
2013	-	1,392,213	155,000	77,253	2,235,000	687,500
2014	-	1,392,213	160,000	71,444	2,365,000	564,576
2015	-	1,392,213	165,000	65,144	2,490,000	424,500
2016-2020	9,080,000	6,262,025	935,000	212,016	5,410,000	373,862
2021-2025	12,286,076	6,331,330	440,000	20,581	-	-
2026-2030	4,649,268	8,209,934	-	-	-	-
2031-2035	6,245,519	5,531,629	-	-	-	-
Total	$ 32,260,863	$ 33,295,983	$ 2,150,000	$ 616,794	$ 16,655,000	$ 3,756,988

Year Ending June 30,	Project Area 1 2009A Tax Allocation Refunding Bonds		Project Area 1 2009 Revenue Bonds	
	Principal	Interest	Principal	Interest
2011	$ 365,000	$ 1,440,475	$ -	$ 727,050
2012	370,000	1,428,294	-	727,050
2013	395,000	1,413,688	-	727,050
2014	405,000	1,396,675	260,000	722,175
2015	430,000	1,377,350	270,000	711,562
2016-2020	2,650,000	6,504,062	1,555,000	3,356,106
2021-2025	7,690,000	5,300,756	1,995,000	2,891,150
2026-2030	1,675,000	3,399,025	2,665,000	2,198,219
2031-2035	2,350,000	2,700,250	3,620,000	1,203,475
2036-2037	6,480,000	461,300	1,800,000	118,950
Total	$ 22,810,000	$ 25,421,875	$ 12,165,000	$ 13,382,787

NOTE 8 DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

Year Ending June 30,	Project Area 2 2003 A Tax Allocation Refunding Bonds Principal	Interest	Project Area 2 2003B Tax Allocation Refunding Bonds Principal	Interest	Project Area 2 2003C Tax Allocation Refunding Bonds Principal	Interest
2011	$ 750,000	$ 621,088	$ 180,000	$ 119,694	$ 400,000	$ 412,019
2012	775,000	593,400	185,000	114,444	415,000 `	395,171
2013	810,000	561,700	195,000	108,500	420,000	380,974
2014	840,000	529,750	200,000	101,831	435,000	364,924
2015	870,000	496,600	205,000	94,744	460,000	347,599
2016-2020	4,940,000	1,865,656	1,150,000	351,628	2,570,000	1,444,319
2021-2025	4,910,000	507,425	1,100,000	95,625	4,855,000	776,712
Total	$ 13,895,000	$ 5,175,619	$ 3,215,000	$ 986,466	$ 9,555,000	$ 4,121,718

Year Ending June 30,	Project Area 2 2007A Tax Allocation Refunding Bonds Principal	Interest	Project Area 4 2006 Tax Allocation Bonds Principal	Interest
2011	$ 105,000	$ 765,100	$ 420,000	$ 1,119,060
2012	115,000	760,900	435,000	1,100,891
2013	115,000	756,300	460,000	1,082,448
2014	125,000	751,700	475,000	1,063,748
2015	125,000	746,700	495,000	1,044,348
2016-2020	710,000	3,653,900	2,760,000	4,928,162
2021-2025	875,000	3,496,281	3,330,000	4,347,489
2026-2030	5,790,000	2,880,812	4,070,000	3,582,995
2031-2035	7,230,000	1,444,012	5,035,000	2,393,134
2036-2040	1,655,000	78,612	6,240,000	1,366,275
2041-2045	-	-	2,900,000	132,075
Total	$ 16,845,000	$ 15,334,317	$ 26,620,000	$ 22,160,625

NOTE 9 PLEDGED REVENUES

The City has outstanding debt issuances that are collateralized by pledged tax increment revenue. The term of the commitment of pledged revenues and the purposes for which the proceeds of these debt issuances were utilized are disclosed in the debt descriptions provided herein. The amount of the remaining commitment of the pledge is equal to the amount of the remaining debt service to maturity of the related debt issuances as disclosed above. For the current year, debt service payments as a percentage of pledged revenue, net of mandatory costs, is indicated in the table below.

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenues
Tax increment - Project Area 1	$ 8,872,815	$ 6,147,938	69%
Tax increment - Project Area 2	9,083,534	3,251,006	36%
Tax increment - Project Area 4	3,019,239	1,541,591	51%

NOTE 10 SELF-INSURANCE PROGRAMS

The City is self-insured for state unemployment insurance, dental insurance, and for long-term disability claims for the first 17 weeks of disability. Additionally, the City is self-insured for the first $250,000 for regular liability claims and Employment Practices Liability claims, and the first $1,000,000 for workers' compensation claims. The City carries insurance of commercial general liability claims in excess of $250,000 with Ace American Insurance Company. The City carries insurance of individual workers' compensation claims in excess of $1,000,000 to the $25,000,000 limit with the Safety National Casualty Corporation.

At June 30, 2010, $3,725,812 has been accrued for claims payable. Such amount represents estimates of amounts to be paid for reported claims as well as a provision for incurred but not reported claims which amount is based upon the City's past experience, as modified for current trends and information of the total liability. A total of $795,555 has been recorded in the General Fund as the City anticipates that such amount will be paid from current resources.

While the ultimate amount of losses incurred through June 30, 2010 is dependent on future developments, based upon information from the independent claims administrators and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses.

A summary of the City's claims activity for the two years through June 30, 2010 is as follows:

	Workers' Compensation Claims	General Liability Claims	Totals
Balance at June 30, 2008	$ 1,603,795	$ 862,112	$ 2,465,907
Additions	5,563,330	3,526,373	9,089,703
Payments	(4,400,131)	(3,547,025)	(7,947,156)
Balance at June 30, 2009	2,766,994	841,460	3,608,454
Additions	132,154	908,906	1,041,060
Payments	(186,695)	(737,007)	(923,702)
Balance at June 30, 2010	$ 2,712,453	$ 1,013,359	$ 3,725,812

NOTE 11 DEFINED BENEFIT PENSION PLAN (PERS)

The City of Carson contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 8% of their annual covered salary. The City pays the 7% while the employees pay 1% contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2010 has been determined by an actuarial valuation of the plan as of June 30, 2007. The contribution rate indicated for the period is 17.699% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2010, the contribution rate is multiplied by the payroll of covered employees that were actually paid during the period from July 1, 2009 to June 30, 2010.

A summary of assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30,2007
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	28 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.

NOTE 11 DEFINED BENEFIT PENSION PLAN (PERS) (CONTINUED)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The Schedule below shows the three-year trend information for City's annual contribution to the Plan.

Annual Pension Cost (Employer Contribution)

Fiscal Year	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	$ 6,445,694	100.0%	$ -
6/30/2009	6,396,422	100.0%	-
6/30/2010	6,429,602	100.0%	-

The Schedule of Funding Progress is presented as part of the Required Supplementary Information.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer defined benefit plan which provides medical insurance benefits to eligible retirees and qualified family members. The City pays for the cost of medical benefits up to a monthly maximum of $1,078 effective January 1, 2009, for eligible retirees and dependents.

City's Funding Policy

The contribution requirements of plan members and the City are established and may be amended by City Council. The contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as premiums become due). During the fiscal year ended June 30, 2010, the City contributed $1,079,791 to the plan, including $1,079,791 for current premiums (100% of total premiums).

The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

	06/30/10	06/30/09
Annual Required Contribution	$ 5,899,458	$ 5,833,142
Interest on Net OPEB Obligation	234,073	-
Adjustments to Annual Required Contribution	-	-
Annual OPEB Cost	6,133,531	5,833,142
Annual Contribution Made	(1,079,791)	(1,151,675)
Increase in Net OPEB Obligation	5,053,740	4,681,467
Net OPEB Obligation, beginning of year	4,681,467	-
Net OPEB Obligation, end of year	$ 9,735,207	$ 4,681,467

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2010 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Contribution Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2010	$ 6,133,531	$ 1,079,791	17.60%	$ 9,735,207
6/30/2009	5,833,142	1,151,675	19.74%	4,681,467
6/30/2008	N/A	N/A	N/A	N/A

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates

NOTE 12 OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

are made about the future. The schedule of funding progress, presented in the required supplementary information section, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial cost method used for determining the benefit obligations is the Project Unit Credit Method. The actuarial assumptions included a 5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and annual cost trend rate of 8.5 percent for HMO and 9 percent for PPO initially, reduced by decrements of 0.5 percent per year to an ultimate rate of 5 percent afler the eighth year. All the rates included a 3.25 percent inflation assumption. The UAAL is being amortized over 30 years using a level-dollar basis. It is assumed the City's payroll will increase 3.25% per year.

Refer to Required Supplementary Information Section for the Plan’s Schedule of Funding Progress.

NOTE 13 DEFICIT FUND BALANCES

The following fund reported an accumulated deficit in fund balance as of June 30, 2010:

		Accumulated Deficit
Special Revenue Funds:		
Bicycle Pathway TDA Article 3 Fund	$	(39,091)
Self Supporting Fund		(315,069)
Used Oil State Grant Fund		(25,223)
Federal Highway Planning Grant Fund		(280,308)
FTA Grant Fund		(19,916)
WIA Grant Fund		(172,637)
OTS/DUI Program Grant Fund		(3,837)

Management expects that these deficits will be remedied after the related reimbursements from the grants are received.

NOTE 14 EXPENDITURES EXCEEDING APPROPRIATIONS

Expenditures for the year ended June 30, 2010 which exceeded the appropriations of the following fund of the City were as follows:

	Final Budget	Actual	Amount Exceeding Appropriations
General fund			
General Government	$ 20,153,667	$ 20,686,885	$ (533,218)

NOTE 15 DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT

Assessment District No. 2006

In September 2006, the City of Carson issued $25,000,000 and $7,955,000 of Assessment District No. 2006-1 (Dominguez Technology Center West) Reassessment Revenue Bonds, Series A and Subordinate Series B, respectively. The Bonds were issued to finance the acquisition costs for improvements within the Assessment District, establish the Reserve Fund, pay the premium, and to pay the cost of issuing the bonds.

The City is not liable for repayment of this debt but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings for the benefit of the Bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded on the City's basic financial statements. The principal balance outstanding at June 30, 2010 is $23,575,000 and $7,535,000, respectively.

Assessment District No. 92-1

In October 1992, the City of Carson issued $13,100,000 of Assessment District No. 92-1 (Sepulveda Special District), Limited Obligation Improvement Bonds Series 1992 (collectively referred to as the "Bonds"). The Bonds were issued to finance a portion of the costs of the construction of certain street improvements, particularly the widening of a portion of Sepulveda Boulevard and included the reconstruction, removal, modification and relocation of pipelines, facilities, and the relocation of railroad tracks from the public right-of-way, storm drainage improvements, signalizing and landscaping. Bond proceeds were also used to establish the Reserve Fund, and to pay the cost of issuing the bonds.

The City's obligation to transfer funds to the Redemption Fund in the event of delinquent installments is limited to the balance in the Reserve Fund. The City is in no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings for the benefit of the Bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded on the City's basic financial statements. The principal balance outstanding at June 30, 2010 is $1,575,000.

NOTE 16 CONTINGENCIES – CLAIMS

The City is a defendant in several general damage and personal injury lawsuits and claims. These claims arise primarily from injuries sustained by the claimants while on property owned or maintained by the City. In the opinion of outside counsel and the City Attorney, the potential liability of the City for such claims will not have a material adverse effect upon the financial position of the various funds of the City.

NOTE 17 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS

Altmanshofer Familv Trust

On June 19, 2001, the Carson Redevelopment Agency entered into an agreement with David John Altmanshofer and Marlene Clare Altmanshofer, as trustees of the Altmanshofer Family Trust ("Developer") to fund the acquisition and construction of property in the amount of $1,685,000. Of the total amount, the forgivable loan of $635,000 bears interest at 6% and is due July 15, 2012. The loan will be forgiven in an amount equal to 50% of incremental annual sales tax generated above the amount of $65,000. The non-forgivable amount of $1,050,000 bears annual interest of 6% and was due on July 15, 2009.

Because of the economic downturn, on July 1, 2009, the Agency agreed to extend the loan terms and reduced the interest rates. The interest rates for the non-forgivable and the forgivable loans were reduced from 6% to 3% and will be due on July 15, 2016. The Agency will review the current status of the Note at the end of three (3) years.

Carson Terrace, L.P.

In June 1999, the Carson Redevelopment Agency entered into an Owner Participation Agreement (“OPA”) with Carson Terrace, L.P. (“Developer”) for development and operation of an affordable senior citizen housing project (“Project”). Pursuant to the OPA, the Developer executed a promissory note for a short-term construction loan in the amount of $2,205,000 with a simple interest rate of 3%. Subsequently, the Developer executed a promissory note for a long-term loan with a 5% simple interest rate for the purpose of retiring the construction loan. An amendment dated December 15, 2000 increased the amount of the long-term loan to $2,243,587. The amount of Developer loan repayments are equal to 50% of the positive cash flow generated by the Project. Pursuant to the OPA, the Agency is also required to provide the Developer a rent subsidy in the amount of $73,320 per year for 30 years following the date of the certificate of occupancy for the Project.

NOTE 17 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

Carson Mall Partners

In December 1991, the Carson Redevelopment Agency entered into an owner participation agreement with Carson Mall Partners, a California general partnership (Developer) and IKEA Property, Inc., a Delaware corporation to renovate, improve and expand the mall and replace the Broadway department store with an IKEA store. The Developer had entered into a lease arrangement with IKEA, and IKEA had entered into a sublease to the Agency. In consideration for the sublease, the Agency paid an initial rent payment in the sum of $1,000,000 and after the opening of the IKEA store on site, the Agency agreed to pay an annual rent which is the lesser of $478,187 or an amount equal to the portion of the local sales tax received by the City from the IKEA store. The term of the sublease expires 19 years after IKEA opened for business or November 2011.

BP West Coast Products, LLC

On November 15, 2005, the Carson Redevelopment Agency (Agency) entered into an agreement with BP West Coast Products, LLC, a Delaware limited liability company (Developer), for improvements within the merged and amended project area. The proposed project will result in development of a new office/business park campus of up to 280,000 square feet in a building area in potential of three different phases. The first phase will consist of an office building of approximately 125,000 square feet.

The Agency agreed to sell the 4.5 acre development parcel to the Developer for the sum of one dollar ($1.00) and a note amount equal to two million nine hundred sixty thousand dollars ($2,960,000). The performance promissory note is equal to the fair market value of the development parcel and the Agency's cash contribution of two hundred ten thousand dollars ($210,000) toward the required signal construction cost of the project. The term shall be for fifteen (15) years and simple interest shall accrue at two (2) percent. Each year, seventy-five percent (75%) of the increased site tax increment will be credited against any amounts outstanding under the performance promissory note. As of June 30, 2010, the balance of the loans receivable from BP West Coast Products is $2,960,000.

501 Albertoni, LLC

On May 16, 2006, the Carson Redevelopment Agency (Agency) entered into an agreement with 501 Albertoni, LLC, a Delaware limited liability company (Developer), for improvements within Project Area No. 1. The proposed project resulted in the development of a new commercial retail center of approximately 40,000 square feet in building area including a 6,500 square feet freestanding El Pescador restaurant, and an additional 33,500 square feet of commercial space. The Agency agreed to sell the land to the Developer in the amount of $3,049,200. Upon the close of escrow, the Developer made a cash payment of $750,000 to the Agency. A promissory note and deed of trust was issued for the remaining $2,299,200. After the

NOTE 17 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

completion of the project, $799,000 will be forgiven. Repayment of the remaining $1,500,000 will be tied to the operation of the El Pescador restaurant - each year the restaurant is in operation, the amount of the note will be reduced by 20%. On January 31, 2008, the Agency sold the property to 501 Albertoni, LLC.

A dispute arose over the meaning of Attachment No. 9 to the DDA entitled “Purchase Price Adjustment” and whether Developer was required to pay the Agency an additional purchase price of $586,654. On April 6, 2010, both parties entered into a settlement agreement whereas the Developer agreed to pay $400,000 in full consideration. Payment of the settlement was agreed as follows: $50,000 to be paid in the form of a certified check and $350,000 in the form of an unsecured promissory note at an interest rate of 3% per year. Specifically, the Developer will make an interest payment of $2,625 per quarter for 10 years commencing on June 30, 2010 with the $350,000 balance due at the earlier of March 20, 2020 or the date of the sale of the property.

Carson Real Estate Leasing, LLC

On May 18, 2004, the Carson Redevelopment Agency (Agency) entered into a disposition and development agreement with the Carson Real Estate Leasing, LLC, a California limited liability company (Developer) for the development of approximately 92,000 square feet new and used car sales facility in the merged and amended project area. The Agency agreed to sell the land to the Developer for a total purchase price of $8,581,718. The purchase price consists of a $4,666,848 cash payment and a promissory note of $3,914,870 - the Agency's subsidy to the project. The term shall be for 20 years with an option to extend for an additional five years. Each year, an amount equal to 50% of the sales tax generated from the site in excess of the average sales tax amount generated in year 2001-2003 shall be credited towards the payment of the principal amount and any interest accrued. As of June 30, 2010, the balance of the loan from this developer is $3,625,951.

Carson Marketplace, LLC

On July 25, 2006, the Carson Redevelopment Agency (Agency) entered into an Owner Participation Agreement (OPA) with Carson Marketplace LLC, a Delaware limited liability company, to effectuate the redevelopment plan for Redevelopment Project Area No. 1 by providing for public improvements and the remediation of the 157-acre portion of the total 168-acre property. Under the OPA, the Agency would commit to providing $110 million in public financial assistance. In addition, the Agency will finance the improvements to the I-405/Avalon Boulevard on-off ramp system. Participant will contribute $25 million towards this project. During fiscal year 2008/2009 and FY 2009/10, financial assistance were granted to the developer totaling $59 million and $ 10.5 million, respectively.

NOTE 17 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

Thomas Safran & Associates

On March 18, 2008, the Carson Redevelopment Agency entered into three separate agreements with Thomas Safran, an individual, for a mixed use development with two major components: a senior component and a commercial component. This large scale development will be located on a 4.5 acre site at the southeast corner of Carson Street and Avalon Boulevard.

On April 7, 2009, the Agency entered into an Owner Participation Agreement (OPA) with Thomas Safran to develop a mixed use project that includes 86 units of senior affordable housing, approximately 10,000 square foot of commercial, underground, and surface-level parking (Phase I). The Agency agreed to provide $13,900,000 in financial assistance in the form of a residual receipts loan for the senior housing component. Phase I and II are currently under construction. This development is located on 4.5 acres on the southeast corner of Carson Street and Avalon Boulevard.

On May 3, 2010, the Agency fully disbursed to the developer the $13,900,000.

On June 1, 2010, the Carson Redevelopment Agency (Agency) entered into a Disposition and Development Agreement with Thomas Safran & Associates, Inc. and Carson City Center South LLC to develop a mixed used project consisting of 150 new market rate rental housing units, approximately 14,000 square feet of commercial space, subterranean, and surface-level parking (Phase II). The Agency sold to the developer three parcels of properties that are immediately adjacent to the site for $2,340,000 (fair market value). The agency-owned properties together with Mr. Safran's properties constitute the full developable site. On July 29, 2010, the Agency provided $7,500,000 in financial assistance in the form of a grant to assist with the commercial component of the project.

Avalon Courtyard Senior Apartments

In July 1992, the Carson Redevelopment Agency entered into a Disposition & Development Agreement (DDA) with Thomas Safran & Associates (Developer) for development and operation of an affordable senior citizen housing project (Project). Pursuant to the DDA, the Developer executed a promissory note for a loan in the amount of $2,681,000 with a simple interest rate of 5%. The amount of Developer loan repayments are equal to 50% of the positive cash flow generated by the Project. As of June 30, 2010, the outstanding loans receivable from the Developer is $2,681,000. Pursuant to the DDA, as amended, the Agency is also required to provide the Developer a rent subsidy in the amount of $160,524 per year for 30 years following the date of the certificate of occupancy for the Project.

NOTE 17 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

C-P Land Company

On April 21, 2009, the Carson Redevelopment Agency approved the purchase of C-P Land Company (Developer)-owned property at 2201 E. 223rd Street and subsequent lease of that property to Cormier Chevrolet Company (Dealership) located at the same address.

The Agency purchased the Developer's land and buildings for the fair market value of $7.8 million (Purchase Price). Approximately $2.7 million towards the Purchase Price was credited to the Agency to pay off an Agency Note. The Agency placed $5.1 million of the Purchase Price into escrow. Of that amount, approximately $2.4 million will be used to pay off an outstanding Developer bank loan, and the Developer received the remaining approximately $2.7 million to pay GMAC.

The Agency's lease of the Property back to the Dealership will include land and buildings per lease agreement dated April 21, 2009. The term will be for five years beginning May 1, 2009, with a reevaluation at the end of that time. The lease rate will be as follows: 1) first year one dollar, ($1.00); 2) second year, one quarter of one percent (0.25% of 1.00%) of the Dealership's gross sales (minimum $25M) including new and used vehicle sales, parts and service business; 3) third year, 0.50% of 1.00% of the Dealership's gross sales (minimum $25M); 4) fourth year, 0.75% of 1.00% of the Dealership's gross sales (minimum $30M); fifth year, 1.00% of the Dealership's gross sales (minimum $30M). The estimated fair reuse value for the lease of the Property was determined to be the projected rental payments of $1,257,000 over the five-year lease term.

East Carson Housing Partners, L.P.

On June 15, 2010, the Carson Redevelopment Agency entered into a disposition and development agreement (DDA) with East Carson Housing Partners, L.P. (Developer) for the sale and development of 1.75 acres of Agency-owned property (Property) at 425 E. Carson Street. The Developer proposes to construct a 65-unit workforce housing project on the Property that would provide housing for very-low, low and moderate income households (Project). The product type ranges from one-bedroom to three-bedroom units. All units are designed to market rate quality.

The Agency will transfer the Property to Developer for the fair market value of $1,906,500 (Purchase Price). In addition, the Agency will provide project assistance in the amount of $6,888,000 towards Project development costs (Agency Assistance). The combined value of the land and set-aside funds will be evidenced by a promissory note and secured by a Deed of Trust. The Purchase Price and the Agency Assistance total of $8,794,500 will be repaid by Developer with residual receipts, with a credit for the Purchase Price made at close of escrow and interest accruing at 0.5% per annum (Note). The combined value of the land and Agency assistance, $8,794,500, will be repaid by residual receipts over a 55 year period. Any balance on the Note is due and payable at the end of 55 years.

NOTE 18 PRIOR PERIOD ADJUSTMENTS

The beginning net asset balance of the governmental activities in the Statement of Activities has been restated to reflect the adjustment to correct the balance of capital assets amounting to $4.8 million. The adjustment was a result of the update and reconciliation of detailed capital asset schedules with the balances per the general ledger and financial statements.

NOTE 19 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2010 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 28, 2011, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements other than the following:

In September 2010, the City Council and the Redevelopment Agency Board adopted a resolution approving the amendment to the redevelopment plans for Project Area No. 1, Merged and Amended Project Area, and Project Area No. 4. The purpose of the amendment is to merge the existing project areas; add one project to the approved capital improvement project list for Project Area No. 1; and reestablish and extend eminent domain authority within the existing project areas for 12 years except for property that is zoned or used for any residential purpose, which includes mobilehomes and trailer parks, as stated in the redevelopment plans.

In October 2010, the Carson Public Financing Authority issued $14,940,000 of Taxable Tax Allocation Housing Bonds, Series 2010A-T and $25,620,000 of Tax-exempt Tax Allocation Housing Bonds, Series 2010A. The proceeds of the bonds will be used to (a) increase, improve and preserve the supply of low and moderate income housing in the City of Carson, (2) fund a reserve account for the bonds, (c) fund capitalized interest on the Series 2010A bonds through October 1, 2013 and (d) pay the costs incurred in connection with the issuance, sale, and delivery of the bonds.

On March 8, 2011, the City Council passed a resolution establishing the Carson Housing Authority in accordance with the California Housing Authority Law. Accordingly, the City Council declared that its members shall serve as Commissioners of the Carson Housing Authority and shall have all the rights, powers, duties, privileges and immunities vested by the California Housing Authority law.

NOTE 19 SUBSEQUENT EVENTS (CONTINUED)

Also, on March 8, 2011, the Carson Redevelopment Agency passed a resolution approving agreements for the transfer of certain properties, owned by the Agency and acquired using the Housing Set-Aside funds, to the Carson Housing Authority and to the City to carry out redevelopment activities pursuant to the California Redevelopment law and in accordance with the California Housing Authority Law. In consideration of the transfer of the properties, the Housing Authority and the City are obligated to carry out the redevelopment and disposition of the properties in accordance with the agreement.