

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **BASIC FINANCIAL STATEMENTS**

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CITY OF CARSON, CALIFORNIA



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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CITY OF CARSON, CALIFORNIA



**CITY OF CARSON**  
Statement of Net Assets  
June 30, 2009

Assets:

Cash and investments (note 2)	\$ 163,590,312
Cash with fiscal agent (note 2)	33,529,653
Receivables:	
Taxes	5,337,525
Accounts	594,788
Accrued interest - loans	3,603,074
Accrued interest - other	355,251
Loans	30,863,124
Due from government agencies	1,665,321
Inventory	614,575
Prepays and other assets	514,374
Unamortized bond issuance costs	2,083,513
Land held for resale	49,891,732
Capital assets not being depreciated (note 3)	123,252,159
Capital assets, net of accumulated depreciation (note 3)	<u>220,149,762</u>
Total assets	<u>636,045,163</u>

Liabilities:

Accounts payable and accrued liabilities	10,762,803
Accrued interest payable	1,763,484
Accrued payroll	1,189,731
Due to governmental agencies	9,790
Refundable deposits	927,028
Retentions payable	802,770
Noncurrent liabilities (notes 5 and 6):	
Due within one year	7,935,921
Due in more than one year	<u>153,145,772</u>
Total liabilities	<u>176,537,299</u>

Net assets:

Invested in capital assets	343,401,921
Restricted for:	
Public services	365,563
Development services	5,163,559
Economic development	66,747,912
Low and moderate income housing	57,703,840
Unrestricted	<u>(13,874,931)</u>
Total net assets	<u>\$ 459,507,864</u>

See accompanying notes to the basic financial statements.

**CITY OF CARSON**

Statement of Activities

Year Ended June 30, 2009

	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Assets	
		Charges for Services	Operating Contributions and Grants		Capital Contributions and Grants
Governmental activities:					
General government:	\$ 27,028,260	8,547,556	-	(18,480,704)	
Public services	40,435,251	2,457,232	926,556	(36,368,327)	
Development services	13,221,772	244,349	5,279,667	(7,697,756)	
Economic development	49,624,372	727,815	1,561,409	(46,127,930)	
Capital maintenance programs	21,186,535	-	-	(21,186,535)	
Interest and other charges	6,429,807	-	-	(6,429,807)	
 Total governmental activities	 \$ 157,925,997	 11,976,952	 7,767,632	 1,890,354	 (136,291,059)

General revenues:

Taxes:

Property taxes	34,892,648
Sales taxes	19,262,212
Transient occupancy taxes	1,244,543
Franchise taxes	9,686,804
Admissions tax	105,019
Utility users tax	1,028
Motor vehicle license fee, unrestricted	334,137
Motor vehicle in lieu, unrestricted	7,235,463
Use of money and property, unrestricted	8,488,288
Other revenue	<u>638,428</u>

Total general revenues 81,888,570

Change in net assets (54,402,489)

Net assets at beginning of year,  
as restated (note 17) 513,910,353

Net assets at end of year \$ 459,507,864

See accompanying notes to the basic financial statements.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **FUND FINANCIAL STATEMENTS**

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CITY OF CARSON, CALIFORNIA





# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **GOVERNMENTAL FUND FINANCIAL STATEMENTS**

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CITY OF CARSON, CALIFORNIA





**CITY OF CARSON**  
Governmental Funds

Balance Sheet

June 30, 2009

	<u>Capital Projects</u>		
	<u>General Fund</u>	<u>Project Area 1</u>	<u>Project Area 2</u>
<u>Assets</u>			
Cash and investments	\$ 16,122,203	34,104,670	47,271,311
Cash and investments with fiscal agent	-	30,020	-
Receivables:			
Taxes	3,200,570	1,097,491	339,061
Accounts	564,329	-	-
Accrued interest - loans	-	256,884	93,716
Accrued interest - other	96,968	-	83,501
Loans	54,361	3,803,659	4,434,802
Due from other funds (note 4)	6,526,020	1,025,816	3,148,526
Due from government agencies	145,310	-	-
Advances to other funds (note 4)	-	-	6,152,234
Inventory	614,575	-	-
Prepays and other assets	354,267	420	780
Land held for resale	-	6,762,468	7,803,482
	<u>\$ 27,678,603</u>	<u>47,081,428</u>	<u>69,327,413</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 5,029,709	1,672,933	1,360,038
Accrued payroll	989,727	27,971	36,629
Due to other governmental agencies	-	-	-
Due to other funds (note 4)	-	1,774,124	12,195,465
Advances from other funds (note 4)	-	-	-
Retentions payable	47,733	176,414	109,222
Deferred revenue	4,250	3,907,992	4,528,518
Refundable deposits	22,236	374,822	435,443
Self insurance claims payable	795,555	-	-
	<u>6,889,210</u>	<u>7,934,256</u>	<u>18,665,315</u>
Fund balances:			
Reserved for:			
Encumbrances and continuing appropriations	2,091,544	910,254	574,960
Loans receivable	54,361	152,551	-
Advances to other funds	-	-	6,152,234
Inventory	614,575	-	-
Prepays and other assets	354,267	420	780
Land held for resale	-	6,762,468	7,803,482
Section 108 loan	-	-	-
Low-and moderate-income housing	-	-	-
Debt service	-	-	-
Unreserved:			
Designated reported in:			
Property tax refund	-	-	6,050,714
Capital projects	1,224,940	31,321,479	30,079,928
1% PEG Fees	44,241	-	-
Special revenue funds	-	-	-
Undesignated, reported in:			
General fund	16,405,465	-	-
	<u>20,789,393</u>	<u>39,147,172</u>	<u>50,662,098</u>
Total fund balances	<u>20,789,393</u>	<u>39,147,172</u>	<u>50,662,098</u>
Total liabilities and fund balances	<u>\$ 27,678,603</u>	<u>47,081,428</u>	<u>69,327,413</u>

See accompanying notes to the basic financial statements.

Capital Projects

Project Area 3	Project Area 4	Low-and-Moderate Income Housing	Non-Major Governmental Funds	Totals
10,445,601	5,645,921	33,474,111	16,526,495	163,590,312
-	22,653,108	-	10,846,525	33,529,653
503,499	196,904	-	-	5,337,525
-	-	30,459	-	594,788
5,793	-	3,399,232	-	3,755,625
20,813	-	-	1,418	202,700
3,010,000	-	19,560,302	-	30,863,124
18,765,196	3,245,916	32,057	156,831	32,900,362
-	-	-	1,520,011	1,665,321
-	-	-	-	6,152,234
-	-	-	-	614,575
-	154,451	1,037	3,419	514,374
<u>14,147,425</u>	<u>7,549,221</u>	<u>13,629,136</u>	<u>-</u>	<u>49,891,732</u>
<u>46,898,327</u>	<u>39,445,521</u>	<u>70,126,334</u>	<u>29,054,699</u>	<u>329,612,325</u>
220,925	1,243,596	139,902	1,095,700	10,762,803
-	4,109	16,517	114,778	1,189,731
-	-	-	9,790	9,790
62,453	3,807,358	12,266,075	2,794,887	32,900,362
-	6,152,234	-	-	6,152,234
-	244,006	-	225,395	802,770
3,015,793	-	22,959,534	1,016,633	35,432,720
21,513	73,014	-	-	927,028
-	-	-	-	795,555
<u>3,320,684</u>	<u>11,524,317</u>	<u>35,382,028</u>	<u>5,257,183</u>	<u>88,972,993</u>
-	801,669	118,443	177,337	4,674,207
-	-	-	-	206,912
-	-	-	-	6,152,234
-	-	-	-	614,575
-	154,451	1,037	3,419	514,374
<u>14,147,425</u>	<u>7,549,221</u>	<u>13,629,136</u>	<u>-</u>	<u>49,891,732</u>
-	-	-	6,046,013	6,046,013
-	-	20,995,690	-	20,995,690
-	-	-	10,846,525	10,846,525
-	-	-	-	6,050,714
29,430,218	19,415,863	-	-	111,472,428
-	-	-	-	44,241
-	-	-	6,724,222	6,724,222
-	-	-	-	16,405,465
<u>43,577,643</u>	<u>27,921,204</u>	<u>34,744,306</u>	<u>23,797,516</u>	<u>240,639,332</u>
<u>46,898,327</u>	<u>39,445,521</u>	<u>70,126,334</u>	<u>29,054,699</u>	<u>329,612,325</u>

**CITY OF CARSON**  
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Fund balances of governmental funds	\$ 240,639,332
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in the governmental funds.	
Capital assets	513,536,568
Accumulated depreciation	(170,134,647)
Long term liabilities and compensated absences have not been included in the governmental funds.	
Self insurance claims	(2,812,899)
Compensated absences	(5,020,909)
Net OPEB liability	(4,681,467)
Bonds payable	(147,770,863)
Unamortized bond issuance costs	2,083,513
Accrued interest payable has not been reported in the governmental funds.	(1,763,484)
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.	<u>35,432,720</u>
Net assets of governmental activities	<u>\$ 459,507,864</u>

See accompanying notes to the basic financial statements.



**CITY OF CARSON**  
Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2009

	Capital Projects		
	General Fund	Project Area 1	Project Area 2
Revenues:			
Taxes	\$ 45,067,318	13,797,715	9,996,626
Licenses and permits	5,643,875	-	-
Fines and forfeitures	1,591,191	-	-
Charges for services	1,830,074	-	-
Intergovernmental	353,644	-	-
Use of money and property	1,755,293	3,311,684	2,831,852
Charges to other funds	-	-	-
Miscellaneous	822,372	-	995
Total revenues	57,063,767	17,109,399	12,829,473
Expenditures:			
Current:			
General government	20,139,083	-	-
Interfund reimbursement	(3,995,295)	-	-
Economic development	1,364,869	43,034,592	4,309,190
Development services	9,654,899	-	-
Public services	35,127,771	-	-
Pass-through expenditures	-	1,851,411	2,145,726
Capital improvement programs	436,673	21,621,544	739,739
Debt service:			
Bond principal	-	-	-
Interest and other fiscal charges	-	-	-
Bond issuance costs	-	234,980	-
Total expenditures	62,728,000	66,742,527	7,194,655
Excess (deficiency) of revenues over (under) expenditures	(5,664,233)	(49,633,128)	5,634,818
Other financing sources (uses):			
Transfers in (note 4)	2,144,186	2,665,396	3,100,953
Transfers out (note 4)	(75,567)	(9,375,183)	(5,731,785)
Issuance of bonds	-	22,810,000	-
Discount on bonds	-	(390,683)	-
Total other financing sources (uses)	2,068,619	15,709,530	(2,630,832)
Net change in fund balance	(3,595,614)	(33,923,598)	3,003,986
Fund balances, July 1, 2008, as restated (note 17)	24,385,007	73,070,770	47,658,112
Fund balances, June 30, 2009	\$ 20,789,393	39,147,172	50,662,098

See accompanying notes to the basic financial statements.



Capital Projects				
Project Area 3	Project Area 4	Low-and-Moderate-Income Housing	Non-Major Governmental Funds	Totals
4,695,703	4,759,034	-	2,590,907	80,907,303
-	-	-	-	5,643,875
-	-	-	110,557	1,701,748
-	-	-	729,047	2,559,121
-	-	-	5,090,064	5,443,708
508,249	521,251	978,601	650,388	10,557,318
-	-	-	32,697	32,697
-	-	200,326	280,910	1,304,603
<u>5,203,952</u>	<u>5,280,285</u>	<u>1,178,927</u>	<u>9,484,570</u>	<u>108,150,373</u>
-	-	-	-	20,139,083
-	-	-	-	(3,995,295)
3,028,454	485,629	7,689,077	1,349,700	61,261,511
-	-	-	3,131,381	12,786,280
-	-	-	1,449,499	36,577,270
541,104	1,357,038	-	-	5,895,279
-	4,206,228	157,050	5,396,323	32,557,557
-	-	-	3,610,000	3,610,000
-	166,091	-	5,818,967	5,985,058
-	-	-	-	234,980
<u>3,569,558</u>	<u>6,214,986</u>	<u>7,846,127</u>	<u>20,755,870</u>	<u>175,051,723</u>
<u>1,634,394</u>	<u>(934,701)</u>	<u>(6,667,200)</u>	<u>(11,271,300)</u>	<u>(66,901,350)</u>
6,860	-	7,371,629	11,384,614	26,673,638
(989,141)	(2,611,372)	(4,820,070)	(3,070,520)	(26,673,638)
-	-	-	-	22,810,000
-	-	-	-	(390,683)
<u>(982,281)</u>	<u>(2,611,372)</u>	<u>2,551,559</u>	<u>8,314,094</u>	<u>22,419,317</u>
652,113	(3,546,073)	(4,115,641)	(2,957,206)	(44,482,033)
<u>42,925,530</u>	<u>31,467,277</u>	<u>38,859,947</u>	<u>26,754,722</u>	<u>285,121,365</u>
<u>43,577,643</u>	<u>27,921,204</u>	<u>34,744,306</u>	<u>23,797,516</u>	<u>240,639,332</u>

**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, 2009

Net change in fund balances - total governmental funds	\$ (44,482,033)
Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the statement of activities because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(9,319,788)
Capital outlay, net of disposals	13,547,824
Proceeds from the issuance of bonds and loans is reported as other financing sources in the governmental funds. The issuance of bonds increases liabilities in the statement of net assets, but does not result in an increase in the statement of activities.	
Proceeds from bond issuance	(22,810,000)
Bond issuance costs	234,980
Amortization of unamortized bond issuance costs	(61,304)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	3,610,000
Expenses in the Statement of Activities are increased by the City's actuarially determined annual required contribution for its other postemployment benefits whereas the governmental funds only report the actual cash payments the City made for insurance premiums on behalf retirees and their eligible family members.	
Net OPEB expense	(4,681,467)
The statement of net assets includes changes in accrued interest on long term debt.	7,238
Compensated absences and claims payable expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(1,511,830)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting	<u>11,063,891</u>
Change in net assets of governmental activities	<u>\$ (54,402,489)</u>

See accompanying notes to the basic financial statements.

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **FIDUCIARY FUND FINANCIAL STATEMENT**

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CITY OF CARSON, CALIFORNIA



**CITY OF CARSON**  
Agency Funds

Statement of Fiduciary Assets and Liabilities

June 30, 2009

Assets:

Cash and investments (note 2)	\$ 9,908,415
Cash and investments with fiscal agent (note 2)	2,509,772
Receivables:	
Accounts	<u>39,663</u>
Total assets	<u>\$ 12,457,850</u>

Liabilities:

Accounts payable and accrued liabilities	\$ 123,800
Refundable deposits payable	5,840,605
Due to bondholders	<u>6,493,445</u>
Total liabilities	<u>\$ 12,457,850</u>

See the accompanying notes to the basic financial statements.



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

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CITY OF CARSON, CALIFORNIA





## CITY OF CARSON

### Notes to the Basic Financial Statements

Year Ended June 30, 2009

#### **(1) Summary of Significant Accounting Policies**

A summary of the significant accounting policies of the City of Carson, California follows:

##### **(a) The 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 unit, which is a legally separate organization for which the elected officials of the primary government is 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 its 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

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### **(a) The Reporting Entity, (Continued)**

also serves as the governing board of the Authority. Separate financial statements of the Financing Authority are not issued.

##### **(b) Basis of Accounting and Measurement Focus**

The *basic financial statements* of the City are composed of the following:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

##### **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 transaction are recognized in accordance with the requirements of GASB Statement No. 33.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies. (Continued)**

##### **(b) Basis of Accounting and Measurement Focus. (Continued)**

###### **Government-wide Financial Statements. (Continued)**

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.

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 non-major 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

# CITY OF CARSON

## Notes to the Basic Financial Statements

(Continued)

### **(1) Summary of Significant Accounting Policies. (Continued)**

#### **(b) Basis of Accounting and Measurement Focus. (Continued)**

##### **Governmental Funds. (Continued)**

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 where 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,” since they do not represent net current assets.

# CITY OF CARSON

## Notes to the Basic Financial Statements

(Continued)

### **(1) Summary of Significant Accounting Policies, (Continued)**

#### **(b) Basis of Accounting and Measurement Focus, (Continued)**

##### **Governmental Funds, (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. Since 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 an *other financing sources* 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.

#### **(c) Fund Classifications**

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, 3 and 4: are used to account for all revenues and costs of implementing the redevelopment projects in accordance with the California

# CITY OF CARSON, CALIFORNIA

## Notes to the Basic Financial Statements

(Continued)

### **(1) Summary of Significant Accounting Policies. (Continued)**

#### **(c) Fund Classifications. (Continued)**

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.

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.

Agency 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, its purpose is to be custodial in nature (assets equal liabilities), and therefore, the measurement of results of operations is not appropriate.

#### **(d) Use of Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires 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.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### **(e) 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.

##### **(f) 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, once that amount becomes determinable by entering into a contract. 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.

##### **(g) 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 market 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 roads, streets, overpass, sidewalks, medians, 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.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(1) Summary of Significant Accounting Policies. (Continued)**

**(g) Capital Assets. (Continued)**

The following schedule summarizes capital asset 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

**(h) Inventory**

Inventory is valued 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.

**(i) Employee Compensated Absences**

It is the policy of the City to record the cost of employee-compensated absences 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 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.



**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(1) Summary of Significant Accounting Policies. (Continued)**

**(j) 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 \$7,347,396.

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

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(2) Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$163,590,312
Cash and investments with fiscal agent	33,529,653
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	9,908,415
Cash and investments with fiscal agent	<u>2,509,772</u>
Total cash and investments	<u>\$209,538,152</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 4,050
Deposits with financial institutions	83,606,668
Investments	<u>125,927,434</u>
Total cash and investments	<u>\$209,538,152</u>

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(2) Cash and Investments, (Continued)**

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

The table below 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.

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
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	No	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.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(2) Cash and Investments, (Continued)**

##### 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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment In One Issuer</u>
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
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

##### 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.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(2) Cash and Investments, (Continued)**

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:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturing (in Months)</u>		
		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
State investment pool	\$ 26,205,620	26,205,620	-	-
U.S. Agency Securities	66,192,160	5,843,980	46,345,000	14,003,180
Held by fiscal agent:				
U.S. Agency Securities	2,859,918	2,859,918	-	-
Money market funds	<u>30,669,736</u>	<u>30,669,736</u>	<u>-</u>	<u>-</u>
Total	<u>\$125,927,434</u>	<u>65,579,254</u>	<u>46,345,000</u>	<u>14,003,180</u>

**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.

<u>Investment Type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
State investment pool	\$ 26,205,620	N/A	-	-	26,205,620
U.S. Agency Securities	66,192,160	AAA	66,192,160	-	-
Held by fiscal agent:					
U.S. Agency Securities	2,859,918	N/A	2,859,918	-	-
Money market funds	<u>30,669,736</u>	<u>N/A</u>	<u>30,669,736</u>	<u>-</u>	<u>-</u>
Total	<u>\$125,927,434</u>		<u>99,721,814</u>	<u>-</u>	<u>26,205,620</u>

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Bank	Federal agency securities	\$29,188,980
Federal Home Mortgage Corp.	Federal agency securities	19,003,180
Federal Farm Credit Bank	Federal agency securities	14,000,000
Federal National Mortgage Assoc.	Federal agency securities	4,000,000

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, 2009, 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:

<u>Investment Type</u>	<u>Reported Amount</u>
Federal agency securities	\$66,192,160

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(2) Cash and Investments, (Continued)**

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.

##### 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 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.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(3) Capital Assets**

Capital asset activity for the year ended June 30, 2009 is as follows:

	<u>Balance at June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>
Depreciable assets:				
Buildings and improvements	\$ 65,824,915	220,317	-	66,045,232
Machinery and equipment	16,589,870	1,737,135	(280,260)	18,046,745
Infrastructure:				
Roadways	279,376,127	417,673	-	279,793,800
Sewer	20,123,476	-	-	20,123,476
Storm drain	<u>6,275,156</u>	<u>-</u>	<u>-</u>	<u>6,275,156</u>
Total cost of depreciable assets	<u>388,189,544</u>	<u>2,375,125</u>	<u>(280,260)</u>	<u>390,284,409</u>
Less accumulated depreciation:				
Buildings and improvements	(24,927,063)	(1,317,253)	-	(26,244,316)
Machinery and equipment	(12,088,126)	(1,268,560)	266,230	(13,090,456)
Infrastructure:				
Roadways	(107,716,745)	(6,266,190)	-	(113,982,935)
Sewer	(13,621,819)	(350,609)	-	(13,972,428)
Storm drain	<u>(2,727,336)</u>	<u>(117,176)</u>	<u>-</u>	<u>(2,844,512)</u>
Total accumulated depreciation	<u>(161,081,089)</u>	<u>(9,319,788)</u>	<u>266,230</u>	<u>(170,134,647)</u>
Net depreciable assets	<u>227,108,455</u>	<u>(6,944,663)</u>	<u>(14,030)</u>	<u>220,149,762</u>
Capital assets not depreciated:				
Land	15,250,502	-	-	15,250,502
Land rights	75,285,334	-	-	75,285,334
Land improvements	2,306,476	-	-	2,306,476
Infrastructure-street trees	10,385,577	-	-	10,385,577
Projects in progress	<u>8,837,541</u>	<u>13,026,121</u>	<u>(1,839,392)</u>	<u>20,024,270</u>
Total non-depreciable assets	<u>112,065,430</u>	<u>13,026,121</u>	<u>(1,839,392)</u>	<u>123,252,159</u>
Capital assets, net	<u>\$339,173,885</u>	<u>6,081,458</u>	<u>(1,853,422)</u>	<u>343,401,921</u>



**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(3) Capital Assets, (Continued)**

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

General government	\$1,932,478
Public services	3,792,289
Development services	1,665,390
Economic development	<u>1,929,631</u>
	<u><u>\$9,319,788</u></u>

**(4) Interfund Receivables, Payables and Transfers**

**Due From/Due to Other Funds**

Due from/due to other funds as of June 30, 2009 are as follows:

	Due To Other Funds						Totals
	Capital Project Area <u>1</u>	Capital Project Area <u>2</u>	Capital Project Area <u>3</u>	Capital Project Area <u>4</u>	Low/Moderate Income Housing	Non-Major Governmental Funds	
<b>Due From Other Funds:</b>							
General Fund	\$1,753,123	2,402,962	-	207,438	431,318	1,731,179	6,526,020
Capital Project Area 1	-	81,524	1,462	-	30,259	912,571	1,025,816
Capital Project Area 2	12,265	-	36,261	3,100,000	-	-	3,148,526
Capital Project Area 3	-	9,710,979	-	349,719	8,704,498	-	18,765,196
Capital Project Area 4	-	-	24,730	-	3,100,000	121,186	3,245,916
Low/Moderate Income Housing	2,106	-	-	-	-	29,951	32,057
Non-Major Governmental Funds	<u>6,630</u>	<u>-</u>	<u>-</u>	<u>150,201</u>	<u>-</u>	<u>-</u>	<u>156,831</u>
	<u>\$1,774,124</u>	<u>12,195,465</u>	<u>62,453</u>	<u>3,807,358</u>	<u>12,266,075</u>	<u>2,794,887</u>	<u>32,900,362</u>

Current interfund receivables and payables was (1) a result of short-term borrowings to eliminate negative cash, (2) reimbursement of certain administrative costs, (3) short-term borrowing for project cost, (4) short-term borrowings for land acquisition, (5) short-term borrowings for cash and investments, and (6) to accrue 20% tax increment set-aside for the Low/Moderate Income Housing.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(4) Interfund Receivables, Payables and Transfers, (Continued)**

**Interfund Advances**

Interfund advances consist of the following as of June 30, 2009:

Advances from Capital Projects – Project Area 2 to:	
Capital Projects – Project Area 4	\$5,110,000
Interest on Advance	<u>\$1,042,234</u>
 Total advances from Capital Projects – Project Area 2	 <u>\$6,152,234</u>

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, 2009 were as follows:

Transfers Out:	Transfers In						Totals
	General Fund	Capital Project Area 1	Capital Project Area 2	Capital Project Area 3	Low/Moderate Income Housing	Non-Major Governmental Funds	
General Fund	\$ -	-	-	-	-	75,567	75,567
Capital Project Area 1	-	-	-	-	2,953,176	6,422,007	9,375,183
Capital Project Area 2	-	38,204	-	2,362	2,477,505	3,213,714	5,731,785
Capital Project Area 3	-	-	-	-	989,141	-	989,141
Capital Project Area 4	-	-	-	-	951,807	1,659,565	2,611,372
Low/Moderate Income Housing	-	1,714,619	3,100,953	4,498	-	-	4,820,070
Non-Major Governmental Funds	<u>2,144,186</u>	<u>912,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,761</u>	<u>3,070,520</u>
	<u>\$2,144,186</u>	<u>2,665,396</u>	<u>3,100,953</u>	<u>6,860</u>	<u>7,371,629</u>	<u>11,384,614</u>	<u>26,673,638</u>

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 non-major governmental funds for street maintenance costs and other costs.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(5) Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2009:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2009</u>	<u>Amount due within <u>One</u> <u>Year</u></u>	<u>Amount due after <u>One Year</u></u>
Compensated absences	\$ 4,651,626	3,216,160	(2,846,877)	5,020,909	3,375,366	1,645,543
Net OPEB Obligation	-	5,833,142	(1,151,675)	4,681,467	-	4,681,467
Self insurance claims payable	2,465,907	9,089,703	(7,947,156)	3,608,454	795,555	2,812,899
Bonded debt – tax allocation bonds	<u>128,570,863</u>	<u>22,810,000</u>	<u>(3,610,000)</u>	<u>147,770,863</u>	<u>3,765,000</u>	<u>144,005,863</u>
Total	<u>\$135,688,396</u>	<u>40,949,005</u>	<u>(15,555,708)</u>	<u>161,081,693</u>	<u>7,935,921</u>	<u>153,145,772</u>

**(6) Tax Allocation Bonds and Loans Payable**

Balance at  
June 30, 2009

**Redevelopment Area 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 Area No. 1 to fund redevelopment projects within the project area. Principal installments are due annually beginning October 1, 2004 ranging from \$466,575 to \$3,940,000 plus interest at 2.0% to 5.25% through October 2034. As of June 30, 2009, the reserve requirement for the bonds was \$3,359,380. The balance in the reserve account as of June 30, 2009 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 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, 2009.

2,290,000

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(6) Tax Allocation Bonds and Loans Payable, (Continued)**

Balance at  
June 30, 2009

2001 Tax Allocation Refunding Bonds

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 bond 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 liabilities for the \$14,160,000 of the 1992 series and the entire 1993B series in the amount of \$15,000,000 have been removed from the balance sheet.

The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2009.

18,585,000

2009A Tax Allocation Bonds

On June 23, 2009, the Carson Redevelopment Agency issued \$22,810,000 of Tax Allocation Bonds, Series 2009A for Redevelopment 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, 2009, the reserve requirement for the bonds was \$2,372,522. The balance in the reserve account as of June 30, 2009 was \$1,774,320.

22,810,000

**Subtotal Redevelopment Project Area 1**

**75,945,863**

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(6) Tax Allocation Bonds and Loans Payable, (Continued)**

Balance at  
June 30, 2009

**Redevelopment Area Project Area 2:**

2003A Tax Allocation Refunding Bonds

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, 2009.

14,625,000

2003B Tax Allocation Refunding Bonds

In July 2003, the Carson Redevelopment Agency issued \$4,195,000 of Tax Allocation Refunding Bonds, Series 2003B for Redevelopment 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, 2009.

3,395,000

2003C Tax Allocation Bonds

In December 2003, the Carson Redevelopment Agency issued \$11,800,000 of Tax Allocation Bonds, Series 2003C for Redevelopment 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, 2009, the balance in the reserve requirement for the bonds was \$1,185,231. The balance in the reserve account as of June 30, 2009 was \$812,363.

9,935,000

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(6) Tax Allocation Bonds and Loans Payable, (Continued)**

Balance at  
June 30, 2009

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. The corresponding liabilities for the \$14,925,000 have been removed from the balance sheet. 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, 2009, the reserve requirement for the bonds was \$1,459,134. The balance in the reserve account as of June 30, 2009 was \$1,501,267.

16,845,000

**Subtotal Redevelopment Project Area 2**

**44,800,000**

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(6) Tax Allocation Bonds and Loans Payable, (Continued)**

Balance at  
June 30, 2009

**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 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, 2009.

27,025,000

**Total Redevelopment Tax Allocation Bonds Payable**

**\$147,770,863**

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(7) Debt Service Requirements to Maturity**

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2009:

Year Ending <u>June 30</u>	<u>Project Area 1</u> 2003B Tax Allocation Refunding Bonds		<u>Project Area 1</u> 2003 Tax Allocation Refunding Bonds		<u>Project Area 1</u> 2001 Tax Allocation Refunding Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	1,392,213	140,000	92,038	1,930,000	994,026
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
2015-2019	9,080,000	6,500,377	895,000	252,070	7,900,000	884,676
2020-2024	12,286,075	5,845,938	645,000	45,672	-	-
2025-2029	4,649,268	8,136,233	-	-	-	-
2030-2034	<u>6,245,519</u>	<u>6,548,481</u>	-	-	-	-
	<u>\$32,260,862</u>	<u>33,992,094</u>	<u>2,290,000</u>	<u>705,833</u>	<u>18,585,000</u>	<u>4,837,328</u>

Year Ending <u>June 30</u>	<u>Project Area 1</u> 2009A Tax Allocation Bonds		<u>Project Area 2</u> 2003A Tax Allocation Refunding Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ -	411,613	730,000	643,769
2011	375,000	1,438,646	750,000	621,088
2012	380,000	1,426,459	775,000	593,400
2013	405,000	1,412,209	810,000	561,700
2014	415,000	1,396,009	840,000	529,750
2015-2019	2,505,000	6,670,388	4,730,000	2,105,873
2020-2024	5,425,000	5,869,198	4,802,000	817,125
2025-2029	4,265,000	3,657,188	1,188,000	66,000
2030-2034	2,275,000	2,860,313	-	-
2035-2036	<u>6,765,000</u>	<u>1,141,763</u>	-	-
	<u>\$22,810,000</u>	<u>26,283,786</u>	<u>14,625,000</u>	<u>5,938,705</u>



**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(7) Debt Service Requirements to Maturity, (Continued)**

Year Ending June 30	<u>Project Area 2</u> 2003B Tax Allocation Refunding Bonds		<u>Project Area 2</u> 2003C Tax Allocation Refunding Bonds		<u>Project Area 2</u> 2007A Tax Allocation Refunding Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$180,000	126,669	380,000	422,019	-	765,100
2011	180,000	122,169	400,000	402,019	105,000	765,100
2012	185,000	117,219	415,000	388,324	115,000	760,900
2013	195,000	111,669	420,000	373,624	115,000	756,300
2014	200,000	15,331	435,000	356,224	125,000	751,700
2015-2019	1,110,000	415,002	2,470,000	1,497,245	685,000	3,681,300
2020-2024	1,345,000	176,096	5,415,000	893,275	835,000	3,531,431
2025-2029	-	-	-	-	4,720,000	7,812,973
2030-2034	-	-	-	-	6,910,000	1,762,335
2035-2036	-	-	-	-	3,235,000	232,274
	<u>\$3,395,000</u>	<u>1,084,155</u>	<u>9,935,000</u>	<u>4,332,730</u>	<u>16,845,000</u>	<u>20,819,413</u>

Year Ending June 30	<u>Project Area 4</u> 2006 Tax Allocation Bonds	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 405,000	1,127,985
2011	420,000	1,110,135
2012	435,000	1,091,648
2013	460,000	1,073,248
2014	475,000	1,054,248
2015-2019	2,665,000	4,978,688
2020-2024	3,200,000	4,414,063
2025-2029	3,905,000	3,670,378
2030-2034	4,825,000	2,705,875
2035-2039	5,975,000	1,503,625
2040-2041	4,260,000	197,325
	<u>\$27,025,000</u>	<u>22,927,218</u>

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(8) 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.

<u>Description of Pledged Revenue</u>	<u>Annual Amount of Pledged Revenue</u>	<u>Annual Debt Service Payments</u>	<u>Debt Service as a Percentage of Pledged Revenue</u>
Tax increment – Project Area 1	\$10,315,387	\$4,497,918	44%
Tax increment – Merged & Amended	10,189,972	3,392,665	33%
Tax increment – Project Area 4	3,332,266	1,538,378	46%

#### **(9) 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, the first \$500,000 for Employment Practices Liability claims, and the first \$1,000,000 for workers' compensation claims. The City carries insurance of individual general liability claims in excess of \$250,000 to \$15,000,000 (\$250,001 - \$10,000,000 with the Everest National Insurance Company and \$10,000,001 to \$15,000,000 with Clarendon 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, 2009, \$3,608,454 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, 2009 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.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(9) Self-Insurance Programs, (Continued)**

A summary of the City's claims activity for the two years ended June 30, 2009 is as follows:

	<b><u>Workers'</u></b> <b><u>Compensation</u></b> <b><u>Claims</u></b>	<b><u>General</u></b> <b><u>Liability</u></b> <b><u>Claims</u></b>	<b><u>Totals</u></b>
Balance at June 30, 2007	\$1,569,139	764,785	2,333,924
Additions	3,627,520	3,376,971	7,004,491
Payments	<u>(3,592,864)</u>	<u>(3,279,644)</u>	<u>(6,872,508)</u>
Balance at June 30, 2008	1,603,795	862,112	2,465,907
Additions	5,563,330	3,526,373	9,089,703
Payments	<u>(4,400,131)</u>	<u>(3,547,025)</u>	<u>(7,947,156)</u>
Balance at June 30, 2009	<u>\$2,766,994</u>	<u>841,460</u>	<u>3,608,454</u>

**(10) 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 makes the 7% while the employees pay the 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, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The contribution rate indicated for the period is 17.662% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(10) Defined Benefit Pension Plan (PERS), (Continued)**

prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were actually paid during the period from July 1, 2008 to June 30, 2009.

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

Valuation Date	June 30, 2006
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	29 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%.

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 of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded accrued liability to payroll.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(10) Defined Benefit Pension Plan (PERS), (Continued)**

*Required Supplementary Information – Miscellaneous*

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets)</u>	<u>Funded Status</u>	<u>Annual Covered Payroll</u>	<u>UAAL As a % of Payroll*</u>
2004	\$102,281,738	78,162,215	24,119,523	76.4%	17,568,909	137.3%
2005	111,490,413	85,413,561	26,076,852	76.6%	21,434,484	121.7%
2006	121,980,920	94,172,070	27,808,850	77.2%	22,328,225	124.5%

\*UAAL reports to unfunded actuarial accrued liability.

*Three-Year Trend Information*

Annual Pension Cost (Employer Contribution)

<u>Fiscal Year</u>	<u>Miscellaneous</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/07	\$5,694,772	100%	\$0
6/30/08	6,445,694	100%	\$0
6/30/09	6,396,422	100%	\$0

**(11) 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, dental and vision benefits up to a monthly maximum of \$1,024 effective January 1, 2008, 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, 2009, the City contributed \$1,151,675 to the plan, including \$1,151,675 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.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(11) 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:

Annual required contribution	\$5,833,142
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	5,833,142
Contributions made (including premiums paid)	<u>(1,151,675)</u>
Increase in net OPEB obligation	4,681,467
Net OPEB obligation—beginning of year	<u>-</u>
Net OPEB obligation—end of year	<u>\$ 4,681,467</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for during fiscal year 2009 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$5,833,142	19.74%	\$4,681,467
6/30/08	N/A	N/A	N/A
6/30/07	N/A	N/A	N/A

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(11) Other Post Employment Benefits. (Continued)**

*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 are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, 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 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 after 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.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/c)
7/1/08	\$0	\$5,833,142	5,833,142	0%	2,261,211	38.76%
7/1/07	n/a	n/a	n/a	n/a	n/a	n/a
7/1/06	n/a	n/a	n/a	n/a	n/a	n/a

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(12) Deficit Fund Balances**

The following fund reported an accumulated deficit in fund balance as of June 30, 2009:

	<u>Accumulated Deficit</u>
Special Revenue Funds:	
TDA Article 3 Fund	\$ (13,242)
Self Supporting Fund	(163,135)
State Park Bond Act Fund	(150,201)
Used Oil State Grant Fund	(25,558)
FTA Grant Fund	(834,077)
WIA Grant Fund	(173,089)

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

**(13) Expenditures Exceeding Appropriations**

Expenditures for the year ended June 30, 2009 exceeded the appropriations of the following funds of the City were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Amount Exceeding Appropriations</u>
Special Revenue Funds:			
Air Quality Improvement Fund	\$ 274,150	274,692	542
Youth Services Program Fund	12,200	17,119	4,919
Metropolitan Water District Fund	165,903	172,080	6,177
Los Angeles County Park District Fund	276,319	281,513	5,194
State Park Bond Act Fund	-	150,201	150,201
OTS DUI Program Grant Fund	20,000	32,662	12,662
WIA Grant Fund	410,983	467,194	56,211
Capital Projects Fund:			
Project Area 3	3,000,000	3,569,558	569,558



## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(14) 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 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, 2009 is \$24,235,000 and \$7,730,000, 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, signaling 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, 2009 is \$1,645,000.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(15) 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.

#### **(16) Commitments Under Development Agreements**

##### Altmanshofer Family 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 are due July 15, 2012, 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 is due on July 15, 2009.

##### Carson Terrace, L.P.

In June 1999, the Carson Redevelopment Agency entered into an Owner Participation Agreement with Carson Terrace, L.P., a California limited partnership (“Developer”) to provide development of very low, lower, and moderate income senior housing on property located in Carson in the amount of \$2,205,000. An amendment dated December 15, 2000 increased the amount to \$2,243,587 with a simple interest of 3% over the term of the construction note. The amount of Developer loan repayments are equal to 50% of the positive cash flow generated by the project.

##### Carson Mail 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.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(16) Commitments Under Development Agreements, (Continued)**

##### 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.

##### Tadashi Kajikawa and Misato Kajikawa

On June 7, 2006 the Carson Redevelopment Agency (Agency) entered into a disposition and development agreement with Tadashi Kajikawa and Misato Kajikawa (Owner), Trustees of the Kajikawa Trust, dated July 20, 1988, where the Agency has agreed to transfer a land parcel to the owner and the owner has agreed to lease both parcels back to a developer, selected by the Agency, for a long term ground lease. The project will provide an approximately 6,000 square foot restaurant and 4,000 square foot retail use. On March 18, 2008, the Agency entered into an Exclusive Negotiation Agreement with La Plaza Properties, LLC for development of the site.

##### 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 1. The proposed project will result in the development of a new commercial retail center of approximately 40,000 square feet in building area including a 6,500 square foot freestanding El Pescador restaurant, and an additional 33,500 square feet of commercial space.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(16) Commitments Under Development Agreements, (Continued)**

On January 31, 2008, the Agency sold the property to 501 Albertoni, LLC in the amount of \$2,245,654. Upon the close of escrow, the Developer made a cash payment of \$745,654 to the Agency. A promissory note and deed of trust was issued for the remaining \$1,500,000. The remaining \$1.5 million loan 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% for a period of 5 years.

##### 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 foot 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 is 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.

##### 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. The Participant will contribute \$25 million towards this project. During fiscal year 2008/09, \$59 million in financial assistance was granted to the developer.

## CITY OF CARSON

### Notes to the Basic Financial Statements

(Continued)

#### **(16) Commitments Under Development Agreements, (Continued)**

##### HREG Genesis Carson, LLC

On November 21, 2006, the Carson Redevelopment Agency (Agency) approved the Owner Participation Agreement (OPA) between the Agency and HREG Genesis Carson, LLC for the development of Phase II of the South Bay Pavilion Mall located in Project Area No. 1. Phase II includes the attraction of national tenants, renovation of tenant spaces, and modification of the facade. Pursuant to this the OPA, the Agency will provide \$5.0 million financial assistance to the Participant in the form of a forgivable loan. Loan funds will be disbursed once the conditions precedent to the financial assistance have been satisfied or waived. Payments made based on the written draw request from the developer totaled \$4,674,923 for FY 2008/09.

##### Thomas Safran

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 that includes 86 units of senior affordable housing with underground parking and a commercial component that includes 25,000 square feet of ground floor retail and restaurant space with surface parking and 150 units of for-sale housing with underground parking. This large scale development will be located on a 4.5 acre site at the southeast corner of Carson Street and Avalon Boulevard. The Agency has agreed to offer up to \$13,900,000 in financial assistance in the form of a residual receipts loan for the senior housing component and \$7,500,000 in financial assistance in the form of a grant for the commercial component. The Agency has agreed to sell at fair market value an agency owned property immediately adjacent to Mr. Safran's property. The Agency-owned property and Mr. Safran's property together constitute the full developable site.

#### **(17) Prior Period Adjustments**

During fiscal year 2007, the City overstated the loss reflected for the sale of the property located at 2254 E. 223<sup>rd</sup> Street because the City recorded the sale of the entire parcel of property instead of just the portion of land that was actually sold.

In addition, an adjustment has been reflected in the accompanying financial statements to treat loans due from developers consistently. In prior years, the City has offset certain loans against deferred revenue while treating other loans with similar characteristics differently (by not offsetting the receivable with a deferred revenue liability). In addition, the City recorded outstanding loans receivable for its First-Time Homebuyer loan program and accrued interest revenue for the outstanding loans receivable as of June 30, 2009.

**CITY OF CARSON**

Notes to the Basic Financial Statements

(Continued)

**(17) Prior Period Adjustments. (Continued)**

The following is a summary of the effect of these adjustments:

	Governmental Activities	Project Area 1 Capital Projects	Project Area 2 Capital Projects	Project Area 3 Capital Projects	Low and Moderate Income Housing
Beginning balance, as previously reported	\$505,866,858	76,065,578	48,758,112	39,695,531	41,814,947
Adjustment for land held for resale	3,229,999	-	-	3,229,999	-
Adjustment for loans receivable and accrued interest not recorded in prior years	4,813,496	-	-	-	-
Adjustment for deferred revenue related to loans receivable	-	(2,994,808)	(1,100,000)	-	(2,955,000)
Beginning balance, as restated	<u>\$513,910,353</u>	<u>73,070,770</u>	<u>47,658,112</u>	<u>42,925,530</u>	<u>38,859,947</u>

**(18) Subsequent Event**

In July 2009, the Carson Public Financing Authority issued \$12,165,000 of Lease Revenue Bonds, Series 2009 to fund redevelopment projects within the project area and to fund a portion of the costs related to the remediation of toxic conditions located at the Carson Marketplace.