# 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

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | $ | 45,685,395 |
| Receivables | | |
| Taxes | | 5,749,421 |
| Accounts | | 424,554 |
| Accrued interest - other | | 4,259,210 |
| Loans, net of allowance for uncollectible accounts | | 18,019,567 |
| Due from government agencies | | 6,071,165 |
| Due from Successor Agency | | 547,201 |
| Inventory | | 458,496 |
| Prepaid and other assets | | 229,813 |
| Land held for resale | | 16,218,201 |
| Capital assets not being depreciated | | 118,220,560 |
| Capital assets, net of accumulated depreciation | | 184,172,192 |
| **Total assets** | | 400,055,775 |
| **LIABILITIES** | | |
| Accounts payable and accrued liabilities | | 5,970,927 |
| Accrued payroll | | 269,228 |
| Due to governmental agencies | | 5,253 |
| Due to Successor Agency | | 2,899,999 |
| Refundable deposits | | 22,236 |
| Unearned revenues | | 1,965,138 |
| Retentions payable | | 92,045 |
| Noncurrent liabilities | | |
| Due within one year | | 795,555 |
| Due in more than one year | | 24,924,646 |
| **Total liabilities** | | 36,945,027 |
| **NET ASSETS** | | |
| Invested in capital assets, net of related debt | | 302,392,752 |
| Restricted for: | | |
| Development services | | 4,606,521 |
| Housing projects | | 47,104,277 |
| Economic development | | 207,323 |
| Public services | | 6,228,534 |
| Unrestricted | | 2,571,341 |
| **Total net assets** | $ | 363,110,748 |

*See notes to financial statements.*

| | 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 | $ 22,940,199 | $ 9,325,641 | $ - | $ - | $ (13,614,558) |
| Public services | 41,684,670 | 2,846,162 | 491,779 | 82,463 | (38,264,266) |
| Development services | 14,060,876 | 349,850 | 9,749,062 | - | (3,961,964) |
| Economic development | 13,071,236 | 2,169,297 | 3,242,968 | 3,066,411 | (4,592,560) |
| Pass-throughs | 1,397,879 | - | - | - | (1,397,879) |
| Interest and other charges | 5,350,108 | - | - | - | (5,350,108) |
| Total Governmental Activities | $ 98,504,968 | $ 14,690,950 | $ 13,483,809 | $ 3,148,874 | (67,181,335) |
| General revenues | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | | 21,182,424 |
| Sales taxes | | | | | 20,688,872 |
| Transient occupancy taxes | | | | | 1,307,732 |
| Franchise taxes | | | | | 7,746,907 |
| Admissions tax | | | | | 390,600 |
| Utility users tax | | | | | 8,016,141 |
| Motor vehicle license fee, unrestricted | | | | | 256,016 |
| Motor vehicle in lieu, unrestricted | | | | | 7,023,678 |
| Use of money and property | | | | | 1,763,424 |
| Other revenue | | | | | 195,425 |
| Total general revenues | | | | | 68,571,219 |
| Change in net assets before extraordinary items | | | | | 1,389,884 |
| Extraordinary items | | | | | (17,923,715) |
| Change in net assets | | | | | (16,533,831) |
| Net asset - beginning | | | | | 379,644,579 |
| Net asset - ending | | | | | $ 363,110,748 |

# FUND FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

# GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

| | General | Proposition C Local Return Fund | Federal Highway Planning Grant Fund | Carson Housing Authority | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and investments (Note 2) | $ 29,853,170 | $ - | $ - | $ 8,832,055 | $ 7,000,170 | $ 45,685,395 |
| Receivables: | | | | | | |
| Taxes | 5,749,421 | - | - | - | - | 5,749,421 |
| Accounts | 423,881 | - | - | 673 | - | 424,554 |
| Accrued interest - other | 8,820 | - | - | 4,085,350 | 165,040 | 4,259,210 |
| Loans | 51,568 | - | - | 42,407,166 | - | 42,458,734 |
| Due from other funds (Note 2) | 1,617,283 | - | - | - | - | 1,617,283 |
| Due from Successor Agency | 547,201 | - | - | - | - | 547,201 |
| Due from government agencies | 58,765 | 1,823,257 | 3,115,623 | - | 1,073,520 | 6,071,165 |
| Inventory | 458,496 | - | - | - | - | 458,496 |
| Prepaids and other assets | 229,813 | - | - | - | - | 229,813 |
| Land held for resale | - | - | - | 16,218,201 | - | 16,218,201 |
| **Total assets** | $ 38,998,418 | $ 1,823,257 | $ 3,115,623 | $ 71,543,445 | $ 8,238,730 | $ 123,719,473 |
| **LIABILITIES** | | | | | | |
| Accounts payable and accrued | $ 3,833,329 | $ 1,259,516 | - | - | 878,082 | $ 5,970,927 |
| Accrued payroll | 203,572 | 4,777 | - | - | 60,879 | 269,228 |
| Due to other governmental agencies | - | - | - | - | 5,253 | 5,253 |
| Due to other funds (Note 5) | - | 424,874 | 569,305 | - | 623,104 | 1,617,283 |
| Due to Successor Agency | 2,559,683 | - | 216,489 | - | 123,827 | 2,899,999 |
| Retentions payable | - | - | - | - | 92,045 | 92,045 |
| Deferred revenue | 1,965,138 | - | 2,879,531 | 46,492,516 | 165,000 | 51,502,185 |
| Refundable deposits | 22,236 | - | - | - | - | 22,236 |
| Self insurance claims payable | 795,555 | - | - | - | - | 795,555 |
| **Total liabilities** | 9,379,513 | 1,689,167 | 3,665,325 | 46,492,516 | 1,948,190 | 63,174,711 |
| **FUND BALANCES** | | | | | | |
| Nonspendable | | | | | | |
| Loans receivable | 51,568 | - | - | - | - | 51,568 |
| Inventory | 458,496 | - | - | - | - | 458,496 |
| Prepaid items | 229,813 | - | - | - | - | 229,813 |
| Land held for resale | - | - | - | 16,218,201 | - | 16,218,201 |
| Restricted | | | | | | |
| Special revenue funds | - | 134,090 | - | - | 6,221,890 | 6,355,980 |
| Housing projects | - | - | - | 8,832,728 | - | 8,832,728 |
| 1% PEG fees | 266,109 | - | - | - | - | 266,109 |
| Capital projects | 1,143,924 | - | - | - | - | 1,143,924 |
| Alameda Corridor Projects | 1,000,000 | - | - | - | - | 1,000,000 |
| Committed | | | | | | |
| Economic uncertainties | 6,635,685 | - | - | - | - | 6,635,685 |
| Reward fund | 70,000 | - | - | - | - | 70,000 |
| Assigned | | | | | | |
| Raised median construction | 233,114 | - | - | - | - | 233,114 |
| Self-insurance | 1,500,000 | - | - | - | - | 1,500,000 |
| Special projects | 1,000,000 | - | - | - | - | 1,000,000 |
| Equipment replacement | - | - | - | - | 608,662 | 608,662 |
| Utility Underground | 974,204 | - | - | - | - | 974,204 |
| Encumbrances and continuing appropriations | 84,682 | - | - | - | - | 84,682 |
| Unassigned | 15,971,310 | - | (549,702) | - | (540,012) | 14,881,596 |
| **Total fund balances** | 29,618,905 | 134,090 | (549,702) | 25,050,929 | 6,290,540 | 60,544,762 |
| **Total liabilities and fund** | $ 38,998,418 | $ 1,823,257 | $ 3,115,623 | $ 71,543,445 | $ 8,238,730 | $ 123,719,473 |

*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, 2012

| | | |
|---|---|---|
| Fund balance of governmental funds | | $ 60,544,762 |
| 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 | | 482,079,661 |
| Accumulated depreciation | | (179,686,909) |
| Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds. | | |
| Self insurance claims | $ (2,685,786) | |
| Compensated absences | (5,435,370) | |
| Net OPEB liability | (16,803,490) | (24,924,646) |
| 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. | | 49,537,047 |
| Receivables that are not expected to be collected are provided with allowance for uncollectible accounts in the Statement of Activities. This does not affect the governmental fund financial statements. | | (10,989,388) |
| Interest-free notes receivables are discounted in the Statement of Net Assets. This does not affect the governmental fund financial statements. | | (13,449,779) |
| Net assets of governmental activities | | $ 363,110,748 |

*See notes to financial statements.*

# Statement of Revenues, Expenditures and Changes in Fund Balances
## Year ended June 30, 2012

| | General Fund | Proposition C Local Return Fund | Federal Highway Planning Grant Fund | Carson Housing Authority | Nonmajor Governmental Funds | Total |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Taxes | $ 52,413,906 | $ 1,189,496 | $ - | $ - | $ 15,375,205 | $ 68,978,607 |
| Licenses and permits | 6,127,567 | - | - | - | 112,852 | 6,240,419 |
| Fines and forfeitures | 1,972,907 | - | - | - | 816,361 | 2,789,268 |
| Charges for services | 2,504,288 | - | - | - | 7,938,469 | 10,442,757 |
| Intergovernmental | 416,903 | 3,711,647 | 3,056,945 | - | 1,176,433 | 8,361,928 |
| Use of money and property | 1,098,287 | 3,198 | - | - | 661,939 | 1,763,424 |
| Miscellaneous | 890,761 | 163,680 | - | - | 200,203 | 1,254,644 |
| **Total revenues** | 65,424,619 | 5,068,021 | 3,056,945 | - | 26,281,462 | 99,831,047 |
| **Expenditures** | | | | | | |
| Current: | | | | | | |
| General government | 20,690,955 | - | - | - | - | 20,690,955 |
| Interfund reimbursement | (5,198,738) | - | - | - | - | (5,198,738) |
| Economic development | 1,435,078 | - | - | - | 26,031,156 | 27,466,234 |
| Development services | 7,943,400 | 5,192,947 | - | - | 2,176,832 | 15,313,179 |
| Public services | 35,115,221 | - | - | - | 1,251,011 | 36,366,232 |
| Pass-through expenditures | - | - | - | - | 1,397,879 | 1,397,879 |
| Capital improvement programs | 495,902 | 174,630 | 607,291 | - | 16,125,166 | 17,402,989 |
| Debt service: | | | | - | | |
| Bond principal | - | - | - | - | 5,735,000 | 5,735,000 |
| Interest and other fiscal charges | - | - | - | - | 5,096,767 | 5,096,767 |
| **Total expenditures** | 60,481,818 | 5,367,577 | 607,291 | - | 57,813,811 | 124,270,497 |
| Excess (deficiency) of revenues over expenditures | 4,942,801 | (299,556) | 2,449,654 | - | (31,532,349) | (24,439,450) |
| **Other financing sources (uses)** | | | | | | |
| Transfers in (Note 6) | 1,177,316 | 500 | - | - | 24,588,330 | 25,766,146 |
| Transfers out (Note 6) | (2,503) | - | - | - | (25,763,643) | (25,766,146) |
| **Net other financing sources (uses)** | 1,174,813 | 500 | - | - | (1,175,313) | - |
| Change in fund balance before extraordinary items | 6,117,614 | (299,056) | 2,449,654 | - | (32,707,662) | (24,439,450) |
| **Extraordinary items** | - | - | - | 25,050,929 | (172,203,938) | (147,153,009) |
| Change in fund balance | 6,117,614 | (299,056) | 2,449,654 | 25,050,929 | (204,911,600) | (171,592,459) |
| **Fund balance, beginning of year** | 23,501,291 | 433,146 | (2,999,356) | - | 211,202,140 | 232,137,221 |
| **Fund balance, end of year** | $ 29,618,905 | $ 134,090 | $ (549,702) | $ 25,050,929 | $ 6,290,540 | $ 60,544,762 |

*See notes to financial statements.*

# Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
**Year ended June 30, 2012**

| | | |
|---|---|---|
| Change in Fund Balances before extraordinary items - Governmental Funds | $ | (24,439,450) |
| 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: | | |
| Government 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 | | 18,287,765 |
| Depreciation expense | | (8,651,112) |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | |
| This pertains to payment of principal for the former RDA debt which was adjusted as part of extraordinary items | | 5,735,000 |
| 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 | | 356,523 |
| Amortization of bond issuance costs | | (253,341) |
| 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 | | 494,836 |
| Other post-employment benefits | | (3,425,709) |
| Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting. | | 14,858,227 |
| Receivables that are not expected to be collected are provided with allowance for uncollectible accounts in the Statement of Activities. This does not affect the governmental fund financial statements. | | (1,572,855) |
| Change in net assets of governmental activities before extraordinary items | $ | 1,389,884 |

*See notes to financial statements.*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

# FIDUCIARY FUND FINANCIAL STATEMENT

CITY OF CARSON, CALIFORNIA

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

| | Successor Agency to the Dissolved Redevelopment Agency Private-purpose Trust Fund | Agency Fund |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 25,543,459 | $ 6,354,120 |
| Cash and investments with fiscal agents | 100,185,912 | 2,512,652 |
| Receivables | | |
| Accounts | - | 1,166,856 |
| Interest, investments | 109,915 | 36 |
| Interest, loans | 227,342 | - |
| Loans, net | 3,684,222 | - |
| Due from the City of Carson | 2,899,999 | - |
| Unamortized bond issuance costs | 2,381,163 | - |
| Land held for resale | 15,303,183 | - |
| OPEB asset | 1,740,697 | - |
| Capital assets not being depreciated | 21,227,342 | - |
| Capital assets, net of accumulated depreciation | 30,123,481 | - |
| **Total assets** | $ 203,426,715 | $ 10,033,664 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 3,455,919 | $ 427,310 |
| Accrued interest payable | 2,489,944 | - |
| Retention and refundable deposits | 1,421,272 | 3,159,547 |
| Due to City of Carson | 547,201 | - |
| Due to other governments | 5,934,776 | - |
| Due to assessors/bondholders | - | 6,446,807 |
| Noncurrent liabilities | | |
| Due within one year | 5,735,000 | - |
| Due in more than one year | 180,870,863 | - |
| **Total liabilities** | 200,454,975 | $ 10,033,664 |
| **Fiduciary Net Assets** | | |
| Net Assets | 2,971,740 | |
| **Total net assets** | $ 2,971,740 | |

*See notes to financial statements.*

| | | Successor Agency to the Dissolved Redevelopment Agency Private-purpose Trust Fund |
|---|---|---|
| **Revenues** | | |
| Property taxes | $ | 5,302,706 |
| Use of money and property | | 989,552 |
| Other income | | 103,749 |
| **Total revenues** | | 6,396,007 |
| **Expenses** | | |
| Economic development | | 16,465,578 |
| Debt service | | |
| Interest and fiscal charges | | 4,882,404 |
| **Total expenses** | | 21,347,982 |
| **Change in net assets before extraordinary items** | | (14,951,975) |
| **Extraordinary items** | | 17,923,715 |
| **Change in net assets** | | 2,971,740 |
| **Net assets held in trust - beginning** | | - |
| **Net assets held in trust - ending** | $ | 2,971,740 |

*See notes to financial statements.*

# 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 former Carson Redevelopment Agency (the Agency), the Carson Joint Powers Financing Authority (Authority) and the Carson Housing Authority (Housing Authority). The financial activities of the Agency, the Authority, and the Housing 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 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.

The Carson Housing Authority was established on March 8, 2011 to carry out the housing function of the former Carson Redevelopment Agency in accordance with the California Housing Authority Law and other applicable housing-related regulations.

Prior to its dissolution on February 1, 2012, the former Carson Redevelopment Agency's (Agency) financial activity was reported as a component unit of the City. The Agency's primary purpose was to carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the territorial limits of the City of Carson. The City Council appointed the Agency director and had full accountability for the Agency's fiscal matters. The Agency's financial data and transactions were included with the debt service fund type and capital projects fund type. Agency revenues consisted primarily of property tax allocations on the incremental increase of property values in the redevelopment area, and investment income.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Pursuant to the provisions of ABX1 26, the Carson Redevelopment Agency was dissolved and the Successor Agency to the Dissolved Carson Redevelopment Agency (Successor Agency) was created, and all of the assets, liabilities and obligations of the former redevelopment agency were transferred to the Successor Agency and the Carson Housing Authority on February 1, 2012.

The City of Carson currently serves as the Successor Agency to the former redevelopment agency that is responsible for revenue collection, maintaining the bond reserves, disposing of excess property and fulfilling the obligations of the dissolved Agency.

Financial information for the Successor Agency is presented as a Private-purpose Trust fund. See also Note 16.

**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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 another 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 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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.

Noncurrent 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.

Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent 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 noncurrent 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.

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The *Proposition C Local Return Fund* is used to account for the City's share of an additional one-half cent sales tax, which was approved by the electorate in November 1990. These funds must be used for local transportation programs.

The *Federal Highway Planning Grant Fund* accounts for federal monies passed through the State of California Department of Transportation to local cities for the construction and repair of inter-connected Interstate highways and other public roads important to interstate commerce and travel.

The *Carson Housing Authority Fund* accounts for assets used for low and moderate income housing activities in accordance with the applicable housing-related regulations. The housing assets of the dissolved redevelopment agency's Low and Moderate Income Housing Fund were transferred to Carson Housing Authority.

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.

Capital Projects and Debt Service Funds of the former Redevelopment Agency - account for the final seven months (July 1, 2011 through January 31, 2012) of the activity of the former Redevelopment Agency's capital projects and debt service funds. 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. Capital project funds are used to account for all costs of implementing redevelopment projects in accordance with the California Redevelopment Law. 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. The City has the following Fiduciary Funds:

- *Agency Fund* - This fund accounts for money and property held by the City as trustee or custodian. Among the activities are the disposition of funds, deposits made for the account of other governmental agencies, developers, and others under the terms of agreements for which the deposits were made. Agency funds, which are custodial in nature, do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals and entities at some future time.

- *Successor Agency Private-purpose Trust Fund -* Private-purpose Trust Fund is a fiduciary fund type used by the City to report trust arrangements under which principal and income benefit other governments. This fund reports the assets, liabilities and activities of the Successor Agency to the Dissolved Carson Redevelopment Agency. Unlike the limited reporting typically utilized for Agency Fund, Private-purpose Trust Fund reports a Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### Fund Balance Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

<u>Nonspendable fund balance</u> includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's nonspendable fund balance represents inventory, prepaid expenses, land held for resale, and loans receivable.

<u>Restricted fund balance</u> includes resources that are subject to externally enforceable legal restrictions. It includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The City's restricted fund balances represent resources restricted for programs funded by grants and other restricted sources, capital projects, debt service and the low/moderate income housing program, and more.

<u>Committed fund balance</u> includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council, as the City's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by formal actions taken. Committed amounts cannot be used for any other purpose unless the City Council removes or changes the specific use through the same type of formal action taken to establish the commitment. The City's fund balance amounting to $6.6 million meets this classification as of June 30, 2012.

<u>Assigned fund balance</u> consists of funds that are set aside for specific purposes by the Commission's highest level of decision making authority or a body or official that has been given the authority to assign funds. The City Council delegates the authority to assign fund balance to the City Manager and the Administrative Services General Manager for purposes of reporting in the annual financial statements.

<u>Unassigned fund balance</u> is the residual classification for the City's fund balance and includes all spendable amounts not contained in the other classifications. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City considers the restricted fund balances to have been spent when expenditure is incurred for purposes for which both unrestricted and restricted fund balance is available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City to reduce the committed amounts first, followed by assigned amounts, and then unassigned amounts unless City goals and objectives and/or judicious business practice indicate alternate order would be more prudent.

### 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.

### Land Held for Resale

Land held for resale in the Fiduciary funds represents land purchased by the former Redevelopment Agency to further the Redevelopment Plan. Such land is recorded at the lower of acquisition cost or estimated net realizable value.

### 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 classified as nonspendable in the fund balance 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 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 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The former 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 of $7,028,976 was included in the property tax revenues of $14 million reported for the fiscal year 2011-2012.

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 | January 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, 2012 are classified in the accompanying financial statements as follows:

| | Government-wide Statement of Net Assets | Fiduciary Fund Statement of Net Assets: Successor Agency | Fiduciary Fund Statement of Net Assets: Other Agency | Total |
|---|---|---|---|---|
| Unrestricted assets: | | | | |
| Cash and investments | $ 45,685,395 | $ 25,543,459 | $ 6,354,120 | $ 77,582,974 |
| Restricted assets: | | | | |
| Cash and investments with fiscal agents | - | 100,185,912 | 2,512,652 | 102,698,564 |
| Total cash and investments | $ 45,685,395 | $ 125,729,371 | $ 8,866,772 | $ 180,281,538 |

Cash and investments as of June 30, 2012 consist of the following:

| | |
|---|---|
| Cash on hand | $ 4,050 |
| Deposits with financial institutions | 57,753,604 |
| Investments | 122,523,884 |
| Total cash and investments | $ 180,281,538 |

## NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

The following table 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.

| 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.

## NOTE 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.

| 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 |

### 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 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:

## NOTE 2 CASH AND INVESTMENTS (CONTINUED)

| Investment Type | | Total | Remaining maturity in Months: 12 Months Or Less | 13 to 24 Months | 25-60 Months |
|---|---|---|---|---|---|
| State investment pool | $ | 11,996,526 | $ 11,996,526 | $ - | $ - |
| Money market funds | | 3,822,034 | 3,822,034 | - | - |
| Bonds | | 2,006,760 | 2,006,760 | - | - |
| Federal agency securities | | 2,000,000 | - | - | 2,000,000 |
| Held by fiscal agent: | | | | | |
| Bonds | | 14,860,947 | 8,420,520 | 2,219,887 | 2,220,540 |
| Federal agency securities | | 33,284,380 | 6,866,858 | 4,385,300 | 24,032,222 |
| Money market funds | | 54,553,237 | 54,553,237 | - | - |
| | $ | 122,523,884 | $ 87,665,935 | $ 6,605,187 | $ 28,252,762 |

### 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 | AAA | AA+/Aa2 | AA-/A+ | Not Rated |
|---|---|---|---|---|---|---|
| State investment pool | $ 11,996,526 | N/A | $ - | $ - | $ - | $ 11,996,526 |
| Money market funds | 3,822,034 | N/A | - | - | - | 3,822,034 |
| Bonds | 2,006,760 | Aaa | - | 2,006,760 | - | - |
| Federal agency securities | 2,000,000 | AA | - | 2,000,000 | - | - |
| Held by fiscal agent: | | | | | | |
| Bonds | 14,860,947 | N/A | 7,027,280 | - | 7,833,667 | - |
| Federal agency securities | 33,284,380 | N/A | 29,284,380 | 4,000,000 | - | - |
| Money market funds | 54,553,237 | N/A | 54,553,237 | - | - | - |
| Total | $ 122,523,884 | | $ 90,864,897 | $ 8,006,760 | $ 7,833,667 | $ 15,818,560 |

### 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 Mortgage Corp. | Federal agency securities | $ 13,007,000 |

## NOTE 2 CASH AND INVESTMENTS (CONTINUED)

### 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, 2012, 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 | $ 32,441,024 |

All of the above investments were held by a fiscal agent who 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 of approximately $12 million 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 LOANS RECEIVABLE

Details of the City's loans receivable as of June 30, 2012 are as follows:

| | | |
|---|---|---|
| Loans relative to development projects under various disposition and development agreements | $ | 34,605,510 |
| First Time Homebuyer Loan Program | | 7,801,656 |
| Other loans | | 51,568 |
| Total | | 42,458,734 |
| Less: Allowance for uncollectible accounts | | (10,989,388) |
| Discount on notes receivable | | (13,449,779) |
| Loans receivable, net | $ | 18,019,567 |

Because of the nature of various loans receivable in relation to development projects under various disposition and development agreements, the City provides an allowance for uncollectibility against such loans. The City reports such loans as program costs. The City also discounted interest-free loans issued in relation to the former redevelopment agency's housing projects.

## NOTE 4 LAND HELD FOR RESALE

Land held for resale represent housing properties transferred to the Housing Authority from the former redevelopment agency. Account details as of June 30, 2012 are as follows:

| | | |
|---|---|---|
| Land held for resale - acquisition cost | $ | 23,544,325 |
| Less allowance for decline in value | | (7,326,124) |
| Net amount | $ | 16,218,201 |

## NOTE 5 CAPITAL ASSETS

Following is the summary of changes in capital assets for the year ended June 30, 2012:

| | Beginning Balance, July 1, 2011* | Increases | Decreases/ Transfers | Ending Balance, June 30, 2012 |
|---|---|---|---|---|
| Capital assets being depreciated: | | | | |
| Buildings and improvements | $ 37,537,442 | $ 90,228 | $ - | $ 37,627,670 |
| Machinery and equipment | 13,963,892 | 259,404 | (305,183) | 13,918,113 |
| Infrastructure | | | | |
| Roadways | 279,699,077 | 5,818,030 | - | 285,517,107 |
| Sewer | 20,123,476 | - | - | 20,123,476 |
| Storm drain | 6,381,489 | - | - | 6,381,489 |
| Total capital assets being depreciated | 357,705,376 | 6,167,662 | (305,183) | 363,567,855 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (16,292,671) | (875,114) | - | (17,167,785) |
| Machinery and equipment | (10,384,316) | (940,425) | 291,246 | (11,033,495) |
| Infrastructure | | | | |
| Roadways | (126,607,023) | (6,366,554) | - | (132,973,577) |
| Sewer | (14,671,860) | (349,716) | - | (15,021,576) |
| Storm drain | (3,079,927) | (119,303) | - | (3,199,230) |
| Total accumulated depreciation | (171,035,797) | (8,651,112) | 291,246 | (179,395,663) |
| Total capital assets being depreciated, net | 186,669,579 | (2,483,450) | (13,937) | 184,172,192 |
| Capital assets not being depreciated: | | | | |
| Land | 15,344,218 | - | - | 15,344,218 |
| Land rights | 75,285,334 | - | - | 75,285,334 |
| Land improvements | 2,306,476 | - | - | 2,306,476 |
| Infrastructure-street trees | 9,304,145 | 39,262 | - | 9,343,407 |
| Construction in progress | 14,132,463 | 7,719,625 | (5,910,963) | 15,941,125 |
| Total capital assets not being depreciated | 116,372,636 | 7,758,887 | (5,910,963) | 118,220,560 |
| Capital assets, net | $ 303,042,215 | $ 5,275,437 | $ (5,924,900) | $ 302,392,752 |

* The July 1, 2011 balances of capital assets were restated to remove the capital assets of the former redevelopment agency.

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

| | Amount |
|---|---|
| General government | $ 1,701,740 |
| Public services | 3,921,396 |
| Development services | 1,643,186 |
| Economic development | 1,384,790 |
| Total depreciation expense - governmental activities | $ 8,651,112 |

## NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

### Due From/Due to Other Funds

Due from/due to other funds as of June 30, 2012 are as follows:

| | Due To Other Funds | | | |
|---|---|---|---|---|
| Due From Other Funds: | Proposition C Local Return Fund | Federal Highway Planning Grant Fund | Nonmajor Governmental Funds | Total |
| General Fund | $ 424,874 | $ 569,305 | $ 623,104 | $ 1,617,283 |

Current interfund receivables and payables were due to (1) 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.

### Interfund Transfers

Transfers in and out for the year ended June 30, 2012 were as follows:

| | Tranfers In | | | |
|---|---|---|---|---|
| Tranfers Out: | General Fund | Proposition C Local Return Fund | Nonmajor Governmental Funds | Total |
| General fund | $ - | $ 500 | $ 2,003 | $ 2,503 |
| Nonmajor Governmental Funds | 1,177,316 | - | 24,586,327 | 25,763,643 |
| | $ 1,177,316 | $ 500 | $ 24,588,330 | $ 25,766,146 |

Interfund transfers were principally used to (1) to transfer monies to make debt service payments on outstanding bonds and (2) to transfer monies to reimburse the General Fund and other nonmajor governmental funds for street maintenance costs and other costs.

## NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

| | Balance at July 1, 2011 | Additions | Retirements | Balance at June 30, 2012 | Amount due within one year | Amount due after one year |
|---|---|---|---|---|---|---|
| Compensated absences | $ 5,930,206 | $ 3,394,009 | $ 3,888,845 | $ 5,435,370 | $ - | $ 5,435,370 |
| Net OPEB Obligation | 13,377,781 | 4,958,863 | 1,533,154 | 16,803,490 | - | 16,803,490 |
| Self-insurance claims payable | 3,837,864 | 279,769 | 636,292 | 3,481,341 | 795,555 | 2,685,786 |
| | $ 23,145,851 | $ 8,632,641 | $ 6,058,291 | $ 25,720,201 | $ 795,555 | $ 24,924,646 |

## NOTE 7 LONG-TERM LIABILITIES (CONTINUED)

The City's policies relating to compensated absences are described in Note 1. The liability for Governmental Activities is primarily liquidated from the General Fund.

The OPEB Plan is described in Note 8. The OPEB obligation is primarily liquidated from the General Fund and the Successor Agency Fund.

## NOTE 8 SELF-INSURANCE PROGRAMS

The City is covered by self-insurance for dental and unemployment insurance. Additionally, the City is self-insured for the first $250,000 for regular liability claims, employment practices claims and the first $750,000 for workers' compensation claims. The City carries insurance for individual workers' compensation claims in excess of $750,000 with the Safety National Casualty Corporation. The City carries insurance with a $10,000 deductible for property losses with Travelers Property Casualty Company of America. The City carries insurance with a $10,000 deductible for crime losses with National Union Fire Insurance Company of Pittsburgh.

At June 30, 2012, $3,481,341 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, 2012 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, 2012 is as follows:

| | Workers' Compensation Claims | General Liability Claims | Totals |
|---|---|---|---|
| Balance at June 30, 2010 | $ 2,712,453 | $ 1,013,359 | $ 3,725,812 |
| Additions | 263,810 | 42,910 | 306,720 |
| Payments | (107,093) | (87,575) | (194,668) |
| Balance at July 1, 2011 | 2,869,170 | 968,694 | 3,837,864 |
| Additions | 1,159,088 | 34,367 | 1,193,455 |
| Payments | (879,351) | (670,627) | (1,549,978) |
| Balance at June 30, 2012 | $ 3,148,907 | $ 332,434 | $ 3,481,341 |

## NOTE 9 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 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, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2009. The contribution rate indicated for the period is 19.709% 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, 2012, the contribution rate is multiplied by the payroll of covered employees that were actually paid during the period from July 1, 2011 to June 30, 2012.

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

| | |
|---|---|
| Valuation Date | June 30, 2009 |
| 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 9 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.

| Fiscal Year | Miscellaneous Plan | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6/30/2010 | $ 6,429,602 | 100.0% | $ - |
| 6/30/2011 | 5,881,646 | 100.0% | - |
| 6/30/2012 | 6,406,512 | 100.0% | - |

PERS valuation date of June 30, 2011 reported the plan was 74.9% funded. Entry age normal accrued liability was $190.2 million versus the actuarial value of assets (AVA) of $142.5 million resulted in $47.7 million unfunded liability. The annual covered payroll was $25.4 million representing a ratio of 187.4% against unfunded liability.

The Schedule of Funding Progress is presented as part of the Required Supplementary Information on page 69.

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The City administers a defined benefit plan which provides medical insurance benefits to eligible retirees and qualified family members.

An employee is eligible for the City contribution provided they are vested in their CalPERS pension benefit and commence payment of their pension benefit within 120 days of retirement with the City. Vesting requires at least 5 years of PERS eligible service. The surviving spouse of an eligible retiree who elected spouse coverage under CalPERS is eligible for the employer contribution upon the death of the retiree.

The City contributes to the retiree health coverage of eligible retirees and eligible surviving spouses. The City's financial obligation is to pay for the retiree and eligible dependent coverage up to a monthly maximum.

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The following table shows the maximum allowance for eligible retirees, as well as active employees:

| | 1/1/2012 | 1/1/2013 |
|---|---|---|
| Full-Time | $ 1,333 | $ 1,385 |
| Part-Time with 8 yrs+ | 412 | 415 |
| Part-Time Employees | 112 | 115 |

### City's Funding Policy

The plan provisions and contribution requirements of plan members and the City are established and may be amended by City Council. The City joined the California Employer's Retiree Benefit Trust (CERBT) and has made a contribution of $3,384,670 for the fiscal year 2011-2012 in addition to a direct contribution it paid for retiree benefits of $1,533,154. The contribution of $3,384,670 was for the benefit of the dissolved redevelopment agency employees. Total contribution during the fiscal year 2011-2012 amounted to $4,917,824.

### 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 annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the City and the Successor Agency's net OPEB obligation for these benefits:

| | 6/30/2012 | | | 6/30/2011 |
|---|---|---|---|---|
| | City | Successor Agency | Total | Total |
| Annual Required Contribution | $ 5,167,652 | $ 647,222 | $ 5,814,874 | $ 6,107,934 |
| Interest on Net OPEB Obligation | 735,874 | 92,165 | 828,039 | 486,760 |
| Adjustments to Annual Required Contribution | (944,664) | (118,314) | (1,062,978) | (653,452) |
| Annual OPEB Cost | 4,958,863 | 621,072 | 5,579,935 | 5,941,242 |
| Contribution Made | (1,533,154) | (3,384,670) | (4,917,824) | (1,275,767) |
| Increase in Net OPEB Obligation | 3,425,709 | (2,763,598) | 662,111 | 4,665,475 |
| Net OPEB Obligation, beginning of year | 13,377,781 | 1,022,901 | 14,400,682 | 9,735,207 |
| Net OPEB Obligation (Asset), end of year | $ 16,803,490 | $ (1,740,697) | $ 15,062,793 | $ 14,400,682 |

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The City and the Successor Agency's annual OPEB cost combined, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2012 and the two preceding years were as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 6/30/2010 | $ 6,133,531 | 17.60% | 9,375,207 |
| 6/30/2011 | 5,941,242 | 21.47% | 14,400,682 |
| 6/30/2012 | 5,579,935 | 88.13% | 15,062,793 |

### 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 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 Projected Unit Credit Method. The actuarial assumptions included a 5.75 percent discount rate which reflects a blend between a pay-as-you-go discount rate of 5 percent and the 7.61 percent discount rate for invested assets, and annual cost trend rates 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.

## NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Based on the latest Actuarial Study of the Plan as of July 1, 2011, the Unfunded Actuarial Accrued Liability (UAAL) was $48 million. The City did not join CERBT until fiscal year 2012 and therefore, the City had not established a trust as of valuation date. Accordingly, the plan is unfunded and the actuarial value of plan assets was zero at the date of valuation.

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

## NOTE 11 DEFICIT FUND BALANCES

The following fund reported an accumulated deficit in fund balance as of June 30, 2012:

| | | Accumulated Deficit |
|---|---|---|
| Special Revenue Funds: | | |
| Federal Highway Planning Grant Fund | $ | (549,702) |
| TDA Article 3 Fund | | (4,376) |
| Self Supporting Fund | | (540,012) |
| State Local Transportation Fund | | (41) |
| Neighborhood Stabilization Fund | | (63,397) |

Management expects that these deficits will be remedied after the related reimbursements from the grants are received. With regards to the Self-Supporting Fund, the account will receive a transfer of $525,000 as part of the approved budget of the General Fund for the fiscal year 2012/13.

## NOTE 12 EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2012, expenditures by function exceeded appropriations of the following City funds:

| | Final Budget | Actual | Amount Exceeding Appropriations |
|---|---|---|---|
| **Major Funds:** | | | |
| General Fund | | | |
| Economic development | $ 1,417,540 | $ 1,433,659 | $ (16,119) |
| **Nonmajor Funds:** | | | |
| Restricted Administrative Tow Fee Fund | | | |
| Public services | 118,900 | 151,638 | (32,738) |
| Proposition 42 Fund | | | |
| Capital improvement program | 246,347 | 275,384 | (29,037) |
| Metropolitan Water District Fund | | | |
| Capital improvement program | - | 15,000 | (15,000) |
| State COPS Grant Fund | | | |
| Public services | 67,000 | 68,000 | (1,000) |
| Neighborhood Stabilization Program | | | |
| Capital improvement program | 879,458 | 1,010,655 | (131,197) |
| WIA Grant Fund | | | |
| Economic development | 417,984 | 473,889 | (55,905) |

## NOTE 13 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, 2012 is $22,185,000 and $7,120,000, for Series A and B, respectively.

## NOTE 13 DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT (CONTINUED)

**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, 2012 is $1,420,000.

## NOTE 14 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 15 HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS

**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.

## NOTE 15 HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

On March 9, 2011, the Agency transferred the Property to Developer for the fair market value of $1,906,500 (Purchase Price). In addition, the Agency provided 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 are to be repaid by Developer with residual receipts, with interest accruing at 0.5% per annum (Note). The combined value of the land and Agency assistance, $8,794,500, is to 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.

**City View - 616 E. Carson St.**
On February 17, 2011, the Agency and City View 616 East Carson, LLC (Developer) entered into a Disposition and Development Agreement, pursuant to which Developer will purchase a 9.57 acre Agency-owned property located at 616, 542, and 550 East Carson Street (Property) for $2,250,000 to build a mixed-use commercial/retail and residential development consisting of approximately 13,225 square feet of ground floor retail and 152 for-sale residential units. Fifteen percent of the residential units will be sold to buyers who meet income eligibility criteria. The Developer submitted applications for all required discretionary approvals to the City and all applicable governmental agencies. Sale of the site to the Developer is expected in March of 2013.

**Affirmed Housing Group - 21227 Figueroa St.**
On March 1, 2011, the Agency entered into a Disposition and Development Agreement with Affirmed Housing Group, Inc. for the development of a 40-unit apartment complex (workforce housing). The construction schedule is unknown due to tax credit competition. The Agency's financial contribution is $4,200,000 and land (valued at $1,345,000). The unit mix will be 19 very low-income, 20 moderate-income plus one market-rate manager's unit.

**The Olson Company - 2535-2569 E. Carson St.**
On June 7, 2011, the Agency entered into a Disposition and Development Agreement with the Olson Company for the development of 12 affordable for sale single family to moderate-income households. Construction began in July of 2012 and was completed in December 2012. All units have been sold. The Agency contribution will be between $770,000 and $1,328,495 although the Agency's contribution is limited to $770,000, unless there is a variable due to final Project conditions of approval.

## NOTE 15 HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

**Avalon Courtyard Senior Apartments**
In July 1992, the 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 is equal to 50% of the positive cash flow generated by the Project. As of June 30, 2012, 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 (or until August 1, 2025).

**Carson Terrace, L.P.**
In June 1999, the 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 issued in 2001 (until December 26, 2030).

## NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill IX 26 ("the Bill") that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Carson that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

In future fiscal years, successor agencies are to only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Bill allowed the sponsoring community that formed the redevelopment agency to elect to assume the housing functions and take over certain assets of the former Low and Moderate Income Housing fund of the dissolved redevelopment agency. The City established Carson Housing Authority to be the housing successor agency.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (except for certain assets of the former Low and Moderate Income Housing fund, which were transferred to the Carson Housing Authority Fund) from governmental funds of the City to fiduciary funds was reported as an extraordinary loss in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain.

Because of the different measurement focus of the governmental funds *(current financial resources measurement focus)* and the measurement focus of the trust funds *(economic resources measurement focus),* the extraordinary loss recognized in the governmental funds was not the same amount as the extraordinary gain that was recognized in the fiduciary fund financial statements.

## NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

| | | |
|---|---|---|
| Extraordinary loss reported in governmental funds due to the following Net assets of Successor Agency Trust Fund | $ | 147,153,009 |
| Capital assets of the former Redevelopment Agency reported in the government-wide financial statements - increase in net assets of the Successor Agency Trust fund | | 46,437,872 |
| Accrued bond interest reported in the government-wide financial statements - decrease in net assets of Successor Agency Trust Fund | | (2,051,074) |
| Long-term debt reported in government-wide financial statements - decrease in net assets of Successor Agency | | (187,628,764) |
| Bond issue costs reported in government-wide fincancial statements - decrease in net assets of Successor Agency | | 2,601,108 |
| Allowance for Uncollectible Accounts reported in the government-wide financial statements - decrease in net assets of the Successor Agency Trust Fund | | (16,178,281) |
| Deferred revenues are not available to pay for current period expenditures and therefore are deferred in the funds and recognized as revenue in the government-wide finacial statements | | 27,589,845 |
| Net increase to net assets of the Successor Agency as a result of initial transfers (amount of extraordinary loss reported in the Government-wide State of Activities of the City) | $ | 17,923,715 |

### Disclosure of Successor Agency Assets

Land Held for Resale

In the fiscal year 2009-2010, the former redevelopment Agency wrote down the carrying value of land held for resale to its net realizable value. This resulted in a write-down of approximately $6.8 million in the value of land held for resale.

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

Account details as of June 30, 2012 are as follows:

| | | |
|---|---|---|
| Land held for resale - acquisition cost | $ | 22,148,096 |
| Less allowance for decline in value | | (6,844,913) |
| Net amount | $ | 15,303,183 |

Notes Receivable
Details of the Successor Agency's loans receivable as of June 30, 2012 are as follows:

| | | |
|---|---|---|
| Loans relative to development projects under various disposition and development agreements | $ | 27,362,503 |
| Less: Allowance for uncollectible accounts | | (23,678,281) |
| Loans receivable, net | $ | 3,684,222 |

Because of the nature of various loans receivable in relation to development projects under various disposition and development agreements, the Successor Agency provides an allowance for uncollectibility against such loans. The Successor Agency reports such loans as program costs. The Successor Agency also discounted interest-free loans issued in relation to redevelopment agency projects.

Capital assets
Following is the summary of changes in capital assets of the Successor Agency for the year ended June 30, 2012:

| | Balance at July 1, 2011 | Additions | Deletions | Balance at June 30, 2012 |
|---|---|---|---|---|
| Capital assets being depreciated: | | | | |
| Building and improvements | $ 36,344,301 | $ 6,067,844 | $ - | $ 42,412,145 |
| Machinery and equipment | 134,823 | - | - | 134,823 |
| Total capital assets being depreciated | 36,479,124 | 6,067,844 | - | 42,546,968 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (11,715,552) | (601,774) | - | (12,317,326) |
| Machinery and equipment | (104,599) | (1,562) | - | (106,161) |
| Total accumulated depreciation | (11,820,151) | (603,336) | - | (12,423,487) |
| Capital assets being depreciated, net | 24,658,973 | 5,464,508 | - | 30,123,481 |
| Capital assets not being depreciated: | | | | |
| Construction-in-progress | 11,492,783 | 15,802,403 | (6,067,844) | 21,227,342 |
| Capital assets, net | $ 36,151,756 | $ 21,266,911 | $ (6,067,844) | $ 51,350,823 |

## NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

**Disclosure of Successor Agency Debts**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

| | Balance July 1, 2011 | Increases | Decreases | Balance June 30, 2012 | Due Within One Year | Due After One Year |
|---|---|---|---|---|---|---|
| Bonded debt - tax allocation bonds | $ 192,340,863 | $ - | $ 5,735,000 | $ 186,605,863 | $ 5,735,000 | $ 180,870,863 |

| | Balance at June 30, 2012 |
|---|---|
| **Redevelopment Project Area 1:** | |
| <u>2003B Tax Allocation Bonds</u><br>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, 2012, the reserve requirement for the bonds was $1,402,083. The balance in the reserve account as of June 30, 2012 was $1,402,083. | $ 32,260,863 |
| <u>2003 Tax Allocation Refunding Bonds</u><br>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, 2012. | 1,885,000 |

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

| | | Balance at June 30, 2012 |
|---|---|---|
| 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, 2012. | $ | 12,500,000 |
| <u>2009A Tax Allocation Bonds</u><br>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, 2012, the reserve requirement for the bonds was $2,071,911. The balance in the reserve account as of June 30, 2012 was $2,071,911. | | 22,075,000 |
| <u>2009 Revenue Bonds</u><br>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, 2012, the reserve requirement for the bonds was $990,837. The balance in the reserve account as of June 30, 2012 was $990,837. | | 12,165,000 |
| **Subtotal Redevelopment Project Area 1** | $ | 80,885,863 |

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

| | | Balance at June 30, 2012 |
|---|---|---|
| **Redevelopment Project Area 2:** | | |
| 2003A Tax Allocation Refunding Bonds<br>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, 2012. | $ | 12,370,000 |
| 2003B Tax Allocation Refunding Bonds<br>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, 2012. | | 2,850,000 |
| 2003C Tax Allocation Bonds<br>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, 2012, the reserve requirement for the bond was \$812,363. The balance in the reserve account as of June 30, 2012 was \$812,363. | | 8,740,000 |
| 2007A Tax Allocation Refunding Bonds<br>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. | | |

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

| | Balance at June 30, 2012 |
|---|---|
| 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, 2012, the reserve requirement for the bonds was $1,459,134. The balance in the reserve account as of June 30, 2012 was $1,501,267. | $ 16,625,000 |
| **Subtotal Redevelopment Project Area 2** | 40,585,000 |
| **Redevelopment Project Area 4:** | |
| 2006 Tax Allocation Bonds<br>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, 2012. | 25,765,000 |
| **Subtotal Redevelopment Project Area 4** | 25,765,000 |
| **Low and Moderate Income Housing:** | |
| 2010A-T Tax Allocation Housing Bonds<br>In October 2010, the Carson Redevelopment Agency issued $14,940,000 of Tax Allocation Housing Bonds Series 2010A-T to fund low and moderate income housing projects. Principal installments are due annually beginning on October 1, 2011 with interest rates ranging from 1.725% to 5.8%. The reserve requirement for the bonds was fully funded as of June 30, 2012. The balance in the reserve account as of June 30, 2012 was $895,752. | 13,780,000 |

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

| | | Balance at June 30, 2012 |
|---|---|---|
| 2010A Tax Allocation Housing Bonds<br>In October 2010, the Carson Redevelopment Agency issued $25,620,000 of Tax Allocation Housing Bonds Series 2010A to fund low and moderate income housing projects. Principal installments are due annually beginning on October 1, 2011 with interest rates ranging from 4.25% to 5.35%. The reserve requirement for the bonds was fully funded as of June 30, 2012. The balance in the reserve account as of June 30, 2012 was $2,376,632. | $ | 25,620,000 |
| **Subtotal Low and Moderate Income Housing** | | 39,400,000 |
| **Total Redevelopment Agency Tax Allocation Bonds Payable** | $ | 186,605,863 |

Debt Service Requirements To Maturity

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2012:

| Year Ending June 30, | Project Area 1 2003 B Tax Allocation Refunding Bonds Principal | Project Area 1 2003 B Tax Allocation Refunding Bonds Interest | Project Area 1 2003 Tax Allocation Refunding Bonds Principal | Project Area 1 2003 Tax Allocation Refunding Bonds Interest | Project Area 1 2001 Tax Allocation Refunding Bonds Principal | Project Area 1 2001 Tax Allocation Refunding Bonds Interest |
|---|---|---|---|---|---|---|
| 2013 | $ - | $ 1,392,213 | $ 155,000 | $ 77,253 | $ 2,235,000 | $ 626,038 |
| 2014 | - | 1,392,213 | 160,000 | 71,444 | 2,365,000 | 499,538 |
| 2015 | - | 1,392,213 | 165,000 | 65,144 | 2,490,000 | 366,025 |
| 2016 | - | 1,392,213 | 170,000 | 58,338 | 2,635,000 | 225,088 |
| 2017 | - | 1,392,213 | 980,000 | 169,056 | 2,775,000 | 76,312 |
| 2018-2022 | 12,425,000 | 4,305,306 | 225,000 | 5,203 | - | - |
| 2023-2027 | 9,613,027 | 6,620,899 | - | - | - | - |
| 2028-2032 | 4,501,614 | 9,141,187 | - | - | - | - |
| 2033-2037 | 5,721,222 | 3,483,101 | - | - | - | - |
| Total | $ 32,260,863 | $ 30,511,558 | $ 1,855,000 | $ 446,438 | $ 12,500,000 | $ 1,793,001 |

| Year Ending June 30, | Project Area 1 2009A Tax Allocation Refunding Bonds Principal | Project Area 1 2009A Tax Allocation Refunding Bonds Interest | Project Area 1 2009 Revenue Bonds Principal | Project Area 1 2009 Revenue Bonds Interest |
|---|---|---|---|---|
| 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 | 711,563 |
| 2016 | 445,000 | 1,356,013 | 285,000 | 699,769 |
| 2017 | 2,855,000 | 6,346,950 | 1,630,000 | 3,277,725 |
| 2018-2022 | 7,330,000 | 4,827,056 | 2,105,000 | 2,773,938 |
| 2023-2027 | 1,795,000 | 3,277,575 | 2,830,000 | 2,025,706 |
| 2028-2032 | 5,070,000 | 2,440,550 | 3,855,000 | 960,538 |
| 2033-2037 | 3,350,000 | 117,250 | 930,000 | 30,225 |
| Total | $ 22,075,000 | $ 22,553,106 | $ 12,165,000 | $ 11,928,688 |

## NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

Debt Service Requirements To Maturity

| 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 |
|---|---|---|---|---|---|---|
| 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 | 905,000 | 458,838 | 215,000 | 87,259 | 475,000 | 329,771 |
| 2017 | 945,000 | 418,984 | 220,000 | 79,375 | 495,000 | 310,668 |
| 2018-2022 | 5,425,000 | 1,364,884 | 1,245,000 | 256,181 | 2,775,000 | 1,218,681 |
| 2023-2024 | 2,575,000 | 130,375 | 570,000 | 24,438 | 3,680,000 | 361,913 |
| | $ 12,370,000 | $ 3,961,131 | $ 2,850,000 | $ 752,328 | $ 8,740,000 | $ 3,314,528 |

| Year Ending June 30, | Project Area 2 2007A Tax Allocation Refunding Bonds Principal | Interest | Project Area 4 2006 Tax Allocation Bonds Principal | Interest |
|---|---|---|---|---|
| 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 | 130,000 | 741,700 | 510,000 | 1,024,885 |
| 2017 | 135,000 | 736,500 | 535,000 | 1,005,960 |
| 2018-2022 | 770,000 | 3,595,906 | 2,970,000 | 4,715,566 |
| 2023-2027 | 2,715,000 | 3,380,050 | 3,600,000 | 4,066,221 |
| 2028-2032 | 6,325,000 | 2,348,013 | 4,430,000 | 3,215,491 |
| 2033-2037 | 6,185,000 | 751,450 | 5,485,000 | 2,135,484 |
| 2038-2042 | - | - | 6,805,000 | 789,122 |
| Total | $ 16,625,000 | $ 13,808,319 | $ 25,765,000 | $ 20,143,271 |

| Year Ending June 30, | Low-and-Moderate Income Housing 2010 A-T Tax Allocation Housing Bonds Principal | Interest | Low-and-Moderate Income Housing 2010 A Tax Allocation Housing Bonds Principal | Interest |
|---|---|---|---|---|
| 2013 | $ 950,000 | 663,407 | - | 1,294,063 |
| 2014 | 1,140,000 | 625,938 | - | 1,294,063 |
| 2015 | 1,375,000 | 569,212 | - | 1,294,063 |
| 2016 | 1,440,000 | 505,720 | - | 1,294,063 |
| 2017 | 1,505,000 | 439,295 | - | 1,294,063 |
| 2018-2022 | 7,370,000 | 911,625 | 1,395,000 | 6,440,669 |
| 2023-2027 | - | - | 9,900,000 | 4,889,625 |
| 2028-2032 | - | - | 6,300,000 | 2,940,144 |
| 2033-2037 | - | - | 8,025,000 | 1,088,719 |
| Total | $ 13,780,000 | $ 3,715,197 | $ 25,620,000 | $ 21,829,469 |

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

The above outstanding debt issuances 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.

As discussed above, certain bond reserve requirements were satisfied through surety bonds issued by MBIA Insurance Corporation, currently named National Public Finance Guarantee Corporation (NPFGC). In November 2012, Moody's Investors Service downgraded NPFGC's financial strength rating from "B3" to "Caa1" with developing outlook. The downgrade reflected the NPFGC's weak liquidity position and other factors.

**Disclosure Of Successor Agency Commitments Under Development Agreements**

**Carson Mall Partners**
In December 1991, the Agency entered into an Owner Participation Agreement (OPA) with Carson Mall Partners, a California general partnership (Developer) and IKEA Property, Inc., a Delaware corporation to renovate, improve and expand the Carson 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. The lease expired in November 2011.

**Altmanshofer Family Trust**
On June 19, 2001, the Carson Redevelopment Agency (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.

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

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 Developer went out of business during the latter part of fiscal year 2010-2011. Accordingly, 100% allowance for uncollectible accounts was provided on the loans outstanding as of June 30, 2012.

When the owner defaulted on the Agency's loan, as well as two other loans with two different banks, in accordance with the terms of the Agency's loan agreement with the owner, the Agency foreclosed on the property. To do so, the Agency also had to acquire the other two bank loans first, which it did. At that point the property becomes a Successor Agency property, and acquisition of the property was in keeping with the law to maintain the value of such properties prior to disposing of them. Because the property is along the I-405 freeway it is well suited for operation as an auto dealership. A local KIA automobile dealership asked to purchase the site from the Agency at fair market value and the Agency sold the property to the dealership for the appraised fair market value in September 2012. The dealership, Car Pros, will transition its operation from its existing off-freeway location to the new site which should substantially increase its exposure and sales.

**Carson Real Estate Leasing, LLC**
On May 18, 2004, the Agency entered into a Disposition and Development Agreement (DDA) with the Carson Real Estate Leasing, LLC, a California limited liability company (Developer), for the development of approximately 92,000 square feet of a 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, 2012, the balance of the loan from this developer is $3,625,951.

**BP West Coast Products, LLC**
On November 15, 2005, the Agency entered into an agreement with BP West Coast Products, LLC, a Delaware limited liability company (Developer), for development of a new office/business park campus of up to 280,000 square feet in potentially three different phases. The first phase consisted of an office building of approximately 125,000 square feet.

**NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)**

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 $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 $210,000 toward the required construction cost of the project. The term is for 15 years and simple interest shall accrue at two (2) percent. Each year, seventy-five percent (75%) of the increased site tax increment is credited against any amounts outstanding under the performance promissory note. As of June 30, 2012, the balance of the loans receivable from BP West Coast Products is $2,960,000.

**501 Albertoni, LLC - University Village**
On May 16, 2006, the Agency entered into a Disposition and Development Agreement (DDA) with 501 Albertoni, LLC, a Delaware limited liability company (Developer), for development of retail space as follows: new commercial retail center of approximately 40,000 square feet, 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 completion of the project, $799,000 was forgiven. Repayment of the remaining $1,500,000 is 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 whereby 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 is required to 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 Marketplace, LLC**
On July 25, 2006, the 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 toward this project. Total financial assistance granted to the Developer as of June 30, 2012 amounted to $69.5 million.

## NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

**The Gateway at City Center - 720 E. Carson St. & the Renaissance at City Center - 21800 S. Avalon**

On March 18, 2008, the Agency entered into three separate agreements with Thomas Safran (Developer), for a mixed-use development with two major components: an affordable senior housing component and a commercial component. This large scale development is 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 the Developer to develop a mixed-use project that includes 85 units of affordable senior rental housing plus one market-rate manager's unit, approximately 10,000 square foot of commercial space, and underground and surface-level parking (Phase I). On May 3, 2010, the Agency provided $13,900,000 in financial assistance in the form of an interest-free for the senior housing component. Phase I was completed in April 2011.

On June 1, 2010, the Agency entered into a Disposition and Development Agreement (DDA) with Thomas Safran & Associates, Inc. and Carson City Center South LLC (Developer) for Phase II, a mixed-used project consisting of 150 new market-rate rental housing units, and approximately 25,000 square feet of commercial space, including subterranean and surface parking. The Agency sold three parcels to the developer immediately adjacent to the site for $2,340,000 (fair market value). The Agency-owned properties together with the Developer's properties constitute the full development 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.

**WIN Chevrolet, Properties, LLC - 2201 E. 223rd St.**

On April 21, 2009, the Agency approved the purchase of the C-P Land Company (Developer) property at 2201 E. 223rd Street (Property). The Agency then leased Property to the Cormier Chevrolet Company (Dealership) at the same address.

In November 2011, after entering into a partnership with the Win Company (Win) with Win as majority interest partner, the Dealership exercised its repurchase rights of the Property under the DDA. The Agency sold the Property to the partnership, which renamed the new dealership Win Chevrolet. The Property was sold for $12,000,000; there was a $5,000,000 cash payment and a performance promissory note (Note) of $7,000,000 was carried back by the Agency.

The Note amount will be reduced at a rate of 1/20 of the original principal balance each year that the dealership operates in compliance with the 20-year operating covenant. If the new dealership ceases to operate, WIN Chevrolet will owe the balance of the Note.

## NOTE 16 SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY (CONTINUED)

A second note of $500,000 is tied to the upgrade of the existing dealership to build a new Hyundai vehicle showroom. The loan is forgivable if the showroom is completed within 5 years of the effective date of the DDA. The expected completion date is no later than December 2016.

**Hilland - Nissan Real Estate - 1505 E. 223rd St.**
On July 6, 2010, the Agency and Hilland Nissan (Owner) entered into a Disposition and Development Agreement pursuant to which the Agency provided the Owner with $3,000,000 of financial assistance to facilitate the Owner's long-term operation of a new Nissan dealership at the property located at 1505 E. 223rd St., pursuant to the terms of the DDA. The Agency provided the Owner with a $3 million loan backed by a performance promissory note (Note), secured by a deed of trust on the Site. Principal due on the 15-year Note is reduced annually by an amount equal to 50% of the sales tax generated above a threshold gross sales amount defined in the Note.

## NOTE 17 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2012 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through February 28, 2013, 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.

## NOTE 18 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2012, that have effective dates that may impact future financial statements presentations. Management has not yet determined any impact the implementation of the following statements may have on the financial statements of the City.

**GASB No. 62 -** GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

## NOTE 18 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS (CONTINUED)

**GASB No. 63 -** GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

**GASB No. 64 -** GASB has issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.* The requirements of this Statement enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011.

**GASB No. 65** - *Items Previously Reported as Assets and Liabilities.* This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

## NOTE 19 CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT

After spending close to a year exploring and debating reforms to public pension systems in California, lawmakers in Sacramento passed Assembly Bill 340 (AB 340) on August 31, 2012. AB 340 known as the California Public Employees' Pension Reform Act of 2013 (PEPRA) which amends various provisions of the Public Employees' Retirement Law (PERL) and County Employee's Retirement Law of 1937 (CERL), was signed into law by the Governor on September 12, 2012. PEPRA will take effect on January 1, 2013. Management asserts that PEPRA will not have a significant impact on the City's June 30, 2012 financial statements.