



Comprehensive Annual Financial Report Year Ended June 30, 2012



CITY OF CARSON, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY:
THE ADMINISTRATIVE SERVICES WORK GROUP

JACQUELYN ACOSTA
ADMINISTRATIVE SERVICES GENERAL MANAGER



	<u>PAGE</u>
INTRODUCTORY SECTION	
Letter of Transmittal	i
Directory of City Officials	xi
Organizational Chart	xiii
GFOA Certificate	xv
 BASIC FINANCIAL STATEMENTS	
Report of Independent Auditors	1
Management Discussion and Analysis	3
Government-wide Financial Statements	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Trust and Agency Funds	
Statement of Fiduciary Net Assets	21
Statement of Changes in Fiduciary Net Assets	22
Notes to Financial Statements	23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	64
Schedule of Revenues – Budget and Actual	65
Schedule of Expenditures – Budget and Actual by Work Group	66
Proposition C Local Return Fund	67
Federal Highway Planning Grant Fund	68
Schedule of Funding Progress	69
Notes to Required Supplementary Information	70
SUPPLEMENTARY SCHEDULES	
Nonmajor Governmental Funds	
Combining Balance Sheet	73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	74

	<u>PAGE</u>
Nonmajor Special Revenue Funds	
Combining Balance Sheet	
All Nonmajor Special Revenue Funds	75
Parks and Recreation Funds	78
State Grant Funds	79
Federal Grant Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
All Nonmajor Special Revenue Funds	82
Parks and Recreation Funds	85
State Grant Funds	86
Federal Grant Funds	87
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
Asset Forfeiture Fund	89
State Gas Tax Fund	90
TDA Article 3 Fund	91
Proposition A Local Return Fund	92
Measure R fund	93
Air Quality Improvement Fund	94
Self-Supporting Fund	95
Capital Asset Replacement Fund	96
Restricted Administrative Tow Fee Fund	97
Youth Services Program Fund	98
Metropolitan Water District Fund	99
Park Development Fund	100
Los Angeles County Park District Fund	101
Beverage Container Recycling Fund	102
State COPS Grant Fund	103
Used Oil State Grant Fund	104
Proposition 42 Fund	105
Proposition 1B Fund	106
Edward Byrne Justice Assistance Grant Fund	107
Family Support Grant Fund	108
Housing and Community Development Fund	109
Traffic Safety Fund	110
Brownfields Clean Up Revolving Loan Grant Fund	111
Brownfields Economic Development Initiative Grant Fund	112
Workforce Investment Act (WIA) Grant Fund	113
Neighborhood Stabilization Fund	114
DOE/EECBG – Energy Grant Fund	115

	<u>PAGE</u>
Fiduciary Funds – Agency Funds	
Combining Statement of Fiduciary Assets and Liabilities	117
Statement of Changes in Fiduciary Assets and Liabilities	118
STATISTICAL SECTION	
Financial Trend Information	
Net Assets by Component	121
Changes in Net Assets	122
Fund Balances of Governmental Funds	123
Changes in Fund Balances of Governmental Funds	124
General Governmental Revenues by Source	125
Revenue Capacity Information	
Assessed Values and Estimated Actual Values of Taxable Property	126
Direct and Overlapping Property Tax Rates	127
Principal Property Taxpayers	128
Property Tax Levies and Collection	129
Debt Capacity Information	
Direct and Overlapping Governmental Activities Debt	130
Legal Debt Margin Information	131
Pledged Revenue Coverage	132
Demographic and Economic Information	
Demographics and Economics Statistics	133
Principal Employers	134
Operating Information	
Full-Time-Equivalent City Government Employees	135
Operating Indicators by Workgroup	136
Capital Assets by Function	137

(This page intentionally left blank.)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTORY SECTION

CITY OF CARSON, CALIFORNIA





CITY OF CARSON

February 28, 2013

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

It is my pleasure to present to you the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012 of the City of Carson, California, which consists of management's representation concerning the finances of the city. Responsibility for the completeness and reliability of all the information included in the report rests with management. To provide a reasonable basis for making these representations, management has established an internal control system which is designed to achieve reasonable, but not absolute, assurances that the assets of the City are protected from loss, theft or misuse, and that sufficient, reliable information is compiled to aid in the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP) in the United States. The concept of reasonable assurance recognizes that the costs of internal controls should not outweigh the benefits likely to be derived, and the valuation of costs and benefits requires estimates and judgment by management. To the best of our knowledge and belief, the financial report is complete and reliable in all material respects.

THE REPORTING ENTITY

The financial reporting entity includes all the funds and capital assets of the primary government (i.e., the city of Carson as legally defined), as well as its component units that are legally separate entities for which the primary government is financially accountable. Component units are, in substance, part of the primary government's operations and are included as part of the primary government. The Carson Redevelopment Agency (Agency) was previously included within the reporting entity of the City as a blended component unit. However, on December 29, 2011, the California Supreme Court upheld Assembly Bill 1x 26 (the Bill) that provides for the dissolution of a redevelopment agency. In accordance with the provision of the Bill, the City elected to serve as the Successor Agency, holding the assets of the former redevelopment agency until they are distributed to other units of state and local entities and payment of enforceable obligations that were in effect of the signing of the Bill. Accordingly, as of June 30, 2012, the dissolved Carson Redevelopment Agency is excluded from the City wide financial statements but is reported as fiduciary fund. The Carson Housing Authority which was established to carry out the housing function of the dissolved Carson Redevelopment Agency was reported as a blended component unit.

CITY PROFILE

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

Located in the South Bay section of Los Angeles County, Carson has grown from a population of approximately 61,000 in 1968 to 91,828 in 2012. Over the years, three annexations have increased the City's size to 19.2 square miles. Steady and continued growth has enabled Carson to become a city of regional significance. In FY 1998/99, Carson's assessed valuation was \$7.4 billion. Ten years later, the assessed valuation on secured and unsecured properties has grown to \$13.5 billion. Carson has been included in the top 20 highest valued cities in the county since 1998, according to the annual report of the Assessor's Office of the County of Los Angeles. For 2011, the city of Carson is ranked the 10th highest in assessed value of all Los Angeles County cities, recording a total of \$13.2 billion.

Form of Government

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

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

Of regional significance is the California State University, Dominguez Hills (CSUDH), which is located within the City of Carson. Established in 1960, CSUDH offers an impressive variety of bachelors and masters degree programs. The campus includes a privately financed 85-acre national training center known as the Home Depot Center. The center features a state-of-the-art 27,000-seat soccer stadium, a 13,000-seat professional tennis stadium, a 4,800-seat track and field facility (expandable to 20,000), 18 tennis courts, five soccer training fields, and an indoor cycling velodrome.

While Carson is well known as an industrial center with unparalleled access to transportation and the Pacific Rim, it is also a culturally diverse community that is an attractive place to live and work.

ECONOMIC CONDITION AND OUTLOOK

The City of Carson has had a healthy financial position for many years. But recently, due to the continued economic downturn in the housing market and the overall economic crisis facing the nation, the general fund balance fell 13% from \$20.8 million in FY 2008/09 to \$18.2 million in FY 2009/10; however, in FY 2010/11, the fund balance increased by \$5.3 million to \$23.5M, and in FY 2011/12, it increased \$6.1 million to \$29.6 million due to City-wide effort to cut costs and better than projected overall revenues. Total actual 2012 general fund revenues came in at \$4.1 million or 6.7% more than the projection as a result of positive budget to actual variances in sales and use tax revenues by \$2.8 million (16%) and licenses and permits by \$.694 million (12.8%). With regards to 2012 general fund expenditures, actual of \$65.6 million were 6% less than the final budget of \$69.8 million. Public services comprised 53.5% of the total general fund expenditures. As of June 30, 2012, the general fund balance stood at \$29.6 million which represents 45% of the \$66.1 million adopted operating budget for that year.

Although the general fund balance increased for the current year, the City continues to keep a lean budget as the major revenue sources of the City continue to face challenges. The increase in the projection of the sales tax will be diluted by the reduction in other major revenue sources. Sales taxes and property taxes continue to be the major revenue sources, bringing in \$20.7 million and \$14.0 million, respectively, in FY 2011/12. The sources of revenues were used primarily for the Public Services work group, which account for \$36.4 million of the \$124.3 million total governmental funds expenditures. This work group consists of the Public Safety, Parks and Recreation, Landscape and Building Maintenance and the Human Services Divisions plus the Community Center, all tasked with the delivery of essential police protection, recreation facilities, maintenance and social services, respectively.

The economic downturn primarily brought about by the housing market meltdown has continued to be a financial challenge to local governance with the widening gap between city revenues and expenditures. While the City seems to be recovering slowly, there are still lingering impacts from the depression, especially in the housing market. In addition, the dissolution of redevelopment agency cut the City's revenue stream by approximately \$28 million per year in tax increment revenues. Therefore, tough policy decisions remain which will require that we identify our highest priorities and make wise resource allocation choices.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Public Safety

One of the City Council's top priorities continues to be public safety. This is demonstrated by the City's goal to increase the actual and perceived level of public safety and to make our neighborhoods, businesses, and parks safer for all citizens. Cognizant of the fact that the City's continued growth and prosperity depends on the realization of this goal, the City Council approved a unique, Carson-exclusive, Park Safety Plan that calls for the deployment of sheriff deputies specifically at the City's parks. The park enforcement team has issued 200 citations and made 308 arrests, and continues to ensure a safe environment at our parks.

The City's Code Enforcement program continues to respond to and resolve numerous service requests on a daily basis. The Youth Services division, in cooperation with the Sheriff's Department, continues to promote public safety and crime prevention through the administration of a number of proactive programs such as "Youth and the Law," the "Parent Project", "Positive Choices", and "Anger Management for Teens," all designed to reduce crime through preventative and educational efforts. The City also received grant funds from the California Office of Traffic Safety for seatbelt enforcement and Driving Under the Influence (DUI) checkpoint activities. These checkpoint activities resulted in 10 DUI arrests, 172 citations issued, and 121 illegally-driven vehicles removed from City streets through checkpoints conducted throughout the year. The success in the city-wide area of law enforcement can be summarized as follows: 161 DUI arrests, 8,360 citations issued, and 2,035 illegally-driven vehicles removed from City streets throughout the year.

Parks and Recreation

The Parks and Recreation division operates 12 parks, 4 swimming pools, 3 mini-parks, a boxing center, 2 indoor sports complexes, and a skate park. Recent park and recreation improvements include the renovation of Del Amo Park and the redesign of the standardized irrigation system for our parks. The City has also undertaken a significant park-related capital improvement project known as the Carson Park Master Plan project. It is an 11-acre park and recreation facility, which will include a new recreation building, ball fields, a gymnasium and various activity rooms.

The Congresswoman Juanita Millender-McDonald Community Center renovated in 2003 is a 73,000 square-foot facility used as a meeting center for community and business sponsored events. The Community Center houses both the Senior Technology Center, which provides computer services for

the senior populace, and the improved Early Childhood Educational Center. These park and facility improvement projects, coupled with park security efforts, demonstrate the City's continued effort to provide its residents with an enhanced quality of life.

Infrastructure

On the average, about 400,000 cars travel daily by freeway through Carson's City limits and major thoroughfares. Although this provides great opportunities for community exposure, this traffic places an intense demand on the City's infrastructure. To respond to infrastructure demands, the City has undertaken several major street and transportation projects. Such projects include: the extensive street improvements on the stretch of Broadway Street from Main Street to Alondra Boulevard, and on Central Avenue from Del Amo Boulevard to University Drive, and modifications of the I-405 interchange both at Wilmington Avenue and Avalon Boulevard to improve traffic operation and safety.

The City's Development Services Work Group continues to pursue alternate financing sources for infrastructure improvements by utilizing available Federal, State and County grants, as well as maximizing the use of its gas tax and dedicated sales tax revenues for street maintenance projects thereby making it possible to dedicate general fund monies to the delivery of other essential public services.

Housing and Economic Development

Continuing to be the forefront of the City's economic development initiative is the Boulevards at South Bay, a development of up to 2 million square feet of ultra modern, mixed-used facilities with a wide array of restaurant and entertainment venues, big box retail stores, a hotel with a conference center and more than 1,000 residential units either for ownership or for rent. This project is expected to generate sales tax and other revenues, and create job opportunities for the residents of the City.

The low tax rates have contributed to the marketability of Carson to businesses. There are large modern petro-chemical facilities (e.g. BP Arco, Tosco Refining, Shell), electronics manufacturers (e.g. Sony, Kenwood, Pioneer, Sansui), automobile dealers (e.g. WIN Chevrolet, Toyota, Honda, Nissan), aerospace companies (e.g. In-Eros Corporation, Northrop), trucking companies (e.g. Southwest Trails, Proceed USA, USC Intermodal Services Inc.), retail stores (e.g. IKEA, Sears, JCPenny, Target, Home Depot, Old Navy, Children's Place and Staples) and restaurants (e.g. Chili's, Panera Bread, Tony Romas) within the City. Many have stayed and expanded (e.g. Pioneer Video, Leiner Products). The City Council's emphasis on quality developments – both commercial and residential – along with a city-wide beautification effort, have had a positive impact on the City.

In recent years, well-known builders have chosen Carson as a location for their projects. Residential developments include the following recently completed and ongoing projects:

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

Although redevelopment had effectively ceased as of July 2011 and dissolved as of February 1, 2012, Carson continues the effort to sustain the demand for commercial development. The Carson Redevelopment Agency ("Agency") had been involved in purchasing land and facilitating development that increases the general fund revenue, creates shopping opportunities for residents, adds to the existing housing stock and removes blighted and contaminated sites. City and Agency accomplishments toward that goal are described below.

Auto Row

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

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

- The Boulevards at Southbay (formerly Carson Marketplace): In FY 2008/09, the Agency provided approximately \$39 million assistance for site remediation. Total financial assistance granted to the Developer as of June 30, 2012 amounted to \$69.5 million. As of same date, total assessed value of the property increased to \$47.2 million or a seven-fold increase compared to 2006's \$6.6 million. Once completed, the development is expected to exceed an assessed value of \$950 million. Remediation of the Boulevards site, which is located on Del Amo Boulevard west of the I-405 freeway, is about 65% complete.
- 17505 S. Main Street: After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold, with the proceeds to be turned over to the State.
- 401, 425, 437 E. Carson Street: The Agency entered into a Disposition and Development Agreement (DDA) with The Related Companies for development of a 65-unit workforce housing apartment complex. The project was successfully completed in June of 2012. The second phase will be located at 401 E. Carson Street with a 40-unit affordable apartment community
- 20802 S. Main Street: After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold, with the proceeds to be turned over to the State.
- 22020 Recreation Road. The Agency had a loan with the owner of this property, which was used for the sale of recreational vehicles. In the summer of 2011, when the owner defaulted on the Agency's loan, as well as two other loans with two different banks, in accordance with the terms of the Agency's loan agreement with the owner, the Agency foreclosed on the property. To do so meant that the Agency had to also acquire the other two bank loans first, which it did. At this point in time this was now 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 in September 2012 for the appraised fair market value. 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.

- Cormier Chevrolet: in accordance with the terms of the DDA the Agency resold the land and improvements back to Win Chevrolet in December 2011 for the then fair market appraised value.

- 2254 E. 223rd Street: There is a seven-year BP purchase option on the remnant 5.0-acre Agency property which is due to expire on November 15, 2012. After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold when the option expires, with the proceeds to be turned over to the State.
- 2403 E. 223rd Street: After the State's dissolution of redevelopment in California, this property was transferred to the City's Successor Agency. State mandate requires that this property be sold, with the proceeds to be turned over to the State.
- 2535 E. Carson Street: The former redevelopment agency entered into a DDA, in June of 2011, with the Olson Company for purchase of the property and development of 12 single family detached, affordable residential units. The Construction started in summer of 2012.
- 616 E. Carson Street: The Agency entered into a DDA with CityView in February 2011. Plans call for a development of a mixed-use commercial/retail and residential project consisting of approximately 13,000 square feet of ground floor retail space and one hundred fifty-two (152) for-sale residential units. Fifteen percent (15%) of the residential units will be sold to qualified affordable buyers. Construction is expected to start in the first half of 2013.
- 21208 Shearer Street: After receiving a No Further Action letter from the Regional Water Quality Control Board (RWQCB) to allow for the development of a passive park the Agency hired AHBE landscape architects to design a passive park for the site. The park was completed in January 2012.
- 21009 S. Prospect Avenue: The property was assembled with contiguous parcels for a site with a total developable area of 1.55 acres. Because the property was purchased with Agency low-mod housing set-aside funds and intended for residential development, it, along with the rest of the contiguous property, was transferred to the Carson Housing Authority rather than the Successor Agency. A suitable developer will be sought.
- 21521 Avalon Boulevard: After the State's dissolution of redevelopment in California, this property was transferred to the City's Housing Successor Agency, which is the Carson Housing Authority (Authority). Unlike property held by the Successor Agency, property transferred to the Authority is subject to Authority law and shall be developed in accordance thereto. The Authority will consider development possibilities until one is selected.
- Carson City Center: Phase II (known as The Renaissance at City Center) began construction in Fall 2010 and includes: 150 market-rate rental housing units (1, 2 and 3 bedroom), 25,000 square feet of lifestyle-oriented shops, and subterranean parking. Unfortunately, there was a large fire at Phase II in October of 2011. The fire set the completion of the project back and now Phase II construction is now slated for completion in May 2013.
- 21607 S. Main Street - A new 3,675 square foot building for retail/restaurant use is proposed to be constructed in the parking lot along Main Street and in front of the Seafood City grocery store. The Planning Commission approved the development plan on June 26, 2012.

Community Awareness and Communication

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

Beautification/Green Task Force

As no economy can thrive without an effective infrastructure, no community can continue to grow and prosper without continual efforts to imbue a sense of pride in its citizenry. To this end, Public Works staff of the Development Services Work Group has been working diligently to improve the City's appearance. For example, street maintenance crews routinely replace street name signs, remove weeds on City property, maintain and monitor approximately 2,000 City trees, and strive to maintain zero potholes throughout the City. The Landscape and Building Maintenance Division of the Public Services Work Group is responsible for the City's graffiti abatement program, as well as the maintenance of all of the City's buildings, facilities and landscaped grounds. These crews are out daily making sure that all City facilities and landscaped grounds are kept in tip-top shape. The Economic Development Work Group also strives to create a more beautiful Carson by administering such programs as "Neighborhood Pride" and the "Business Beautification Program." Additionally, Economic Development staff is working with numerous developers and landowners to revitalize old, and/or build new, commercial, industrial and housing projects in the City.

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

- Utilized solar energy as an 85 Kilowatt contribution system to the Community Center, which produced renewable energy.
- Converted all lighting to LED at the Community Center parking and walk areas, which reduces energy usage and provides a cleaner and brighter light for patrons.
- Installed retro lighting throughout the City, which reduced energy consumption. The Corporate Yard project reduced 40% of the electricity usage in the Gary Steel building.
- Participated annually in the Southern California Edison Demand Bid program, which reduces energy consumption.
- Installed Cal-sense irrigation system in all City facilities with Smart Clocks and Smart Valves, which reduces water usage by approximately 26%.

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

In 2012, the City made the Silver level in the SCE rating, which is projected to reach the Gold level in 2013. The City also received an award for the solar project at the Community Center and has been selected to receive the Beacon Award for Energy Conservation. The City of Carson is a leader in the South Bay area in the Energy Conservation program.

FINANCIAL INFORMATION

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

Financial Report Preparation

The City has presented its CAFR in accordance with Governmental Accounting Standards Board's (GASB) Statement No. 34 - Basic Financial Statements for State and Local Governments since June of 2003. The GASB is the authoritative body in establishing U.S. generally accepted accounting principles for state and local governments. GASB 34 financial reporting requirements for state and local governments throughout the United States aim to make annual reports more comprehensive, easier to understand and more useful. In addition, this financial reporting model hopes to improve government's accountability in financial reporting and provide additional information for decision-making.

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

Beginning with FY 2008/09, the City was required to comply with another GASB pronouncement, GASB Statement No. 45, which requires accrual accounting for the expensing of other post-employment benefits (OPEB). The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis. Based on the analysis prepared by an actuarial consultant, the City's net increase in its OPEB obligation at June 30, 2012 is \$662,111, after applying the contributions made during the fiscal year of \$4,917,824 from the annual OPEB cost of \$5,579,935. The net OPEB obligation at June 30, 2012, is \$15,062,793. Additional information can be found in Note 10 to the basic financial statements of this report.

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

Single Audit

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

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

Independent Audit

The Carson Municipal Code requires an annual audit by independent certified public accountants. Through a selection process, the City awarded the audit contract to Vasquez & Company, LLP, beginning with the fiscal year ended June 30, 2010. The auditors' report on the government-wide financial statements, and individual fund statements and schedules, is included in the financial section of this comprehensive annual financial report. The report expresses the auditor's unqualified opinion as to the fair presentation, in all material respects, of the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carson for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principle and applicable legal requirements.

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

ACKNOWLEDGMENTS

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

Respectfully submitted,



Jacquelyn Acosta

Administrative Services General Manager

(This page intentionally left blank.)

CITY OF CARSON ELECTED OFFICIALS

FISCAL YEAR 2011/12



Jim Dear
Mayor



Julie Ruiz-Raber
Mayor Pro Tem



Elito M. Santarina
Councilmember



Mike A. Gipson
Councilmember



Lula Davis-Holmes
Councilmember



Donesia L. Gause
City Clerk



Karen Avilla
City Treasurer

CITY MANAGEMENT

David C. Biggs
City Manager

Jacquelyn Acosta
Administrative Services General Manager

Clifford W. Graves
Economic Development General Manager

Raymond R. Cruz
Public Services General Manager

Farrokh Abolfathi
Acting Development Services General Manager

City of Carson

Position Statement

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

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

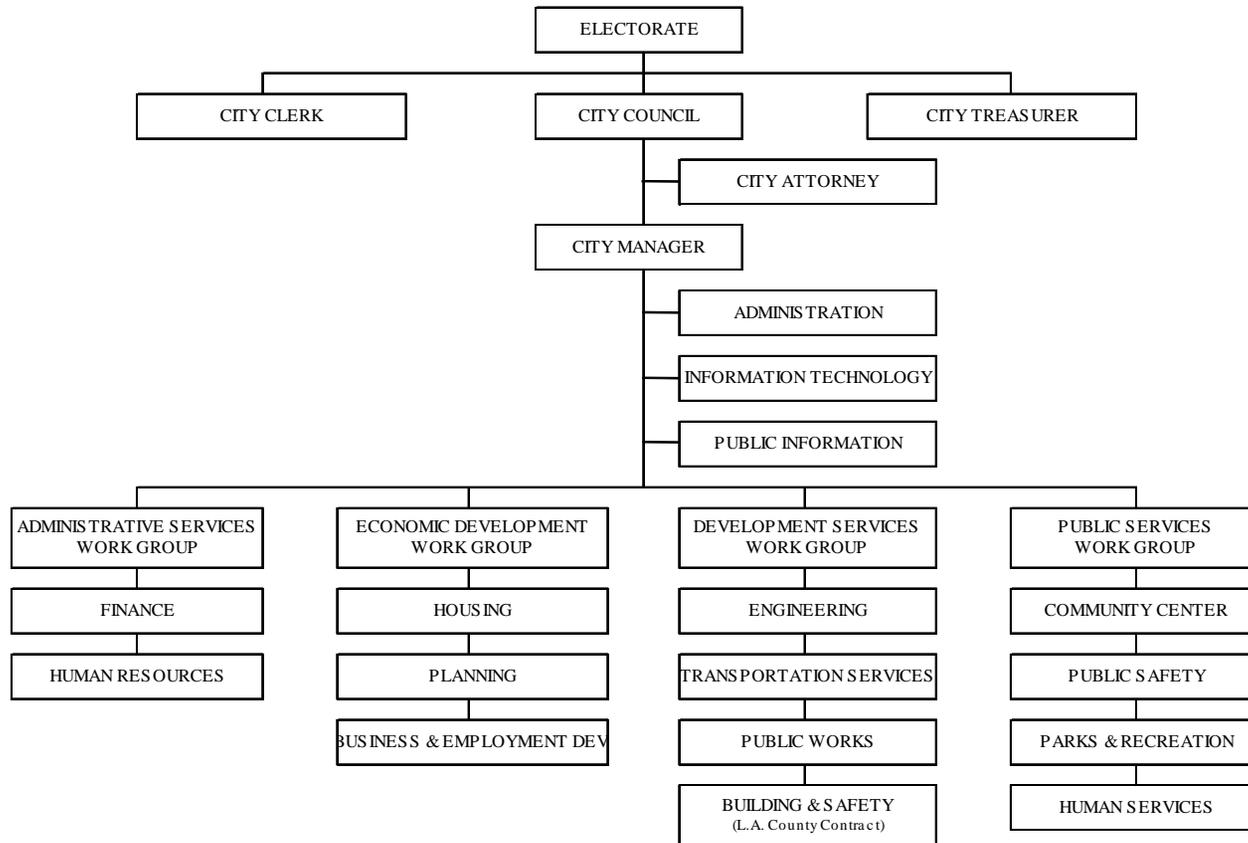
The community takes pride in the large percentage of Carson students who attend college, many to California State University, Dominguez Hills, a valuable asset to the City.

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

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

CITY OF CARSON

ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carson
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morrell

President

Jeffrey R. Enow

Executive Director