



**CITY OF CARSON
INTEROFFICE MEMORANDUM**

TO: MAYOR ALBERT ROBLES
MAYOR PRO TEM ELITO SANTARINA
COUNCILWOMAN LULA DAVIS-HOLMES
COUNCILMAN JAWANE HILTON
COUNCILWOMAN DONESIA GAUSE

FROM: BORIS SZTORCH, A/DIRECTOR OF FINANCE *BS*

SUBJECT: CARSON HOUSING AUTHORITY ANNUAL REPORT

DATE: DECEMBER 30, 2015

The attached Carson Housing Authority Annual Report (Report) regarding the Low and Moderate Income Housing Asset Fund (LMIHAF) has been prepared pursuant to California Health and Safety Code Section 34176.1(f) and is dated December 22, 2015.

This Report sets forth certain details of the Carson Housing Authority (Housing Authority) activities during Fiscal Year 2014/2015. The purpose of this Report is to provide the governing body of the Housing Authority an annual report on the housing assets and activities of the Housing Authority under Part 1.85, Division 24 of the California Health and Safety Code, in particular Sections 34176 and 34176.1 (Dissolution Law).

The attached Report was prepared by Finance staff with information contained within the independent financial audit of the Low and Moderate Income Housing Fund for Fiscal Year 2014/2015, as prepared by Vasquez & Company LLP, which Audit is separate from this Report and conforms to Section 34176.1(f) of the Dissolution Law.

The Report must be provided to the Housing Authority's governing body by December 31, 2015 (six months after the end of the Fiscal Year). In addition this Report and the former redevelopment agency's pre-dissolution Implementation Plan must be posted on the City's website.

Attachment (1):

Financial Statements - City of Carson Housing Authority Fund Year Ended June 30, 2015 with Report of Independent Auditors.

Copies to:

Kenneth C. Farfsing, City Manager
Cecil W. Rhambo, Jr., Assistant City Manager
John Raymond, Director of Community Development



Financial Statements
City of Carson Housing Authority Fund
Year ended June 30, 2015
with Report of Independent Auditors

An Independently Owned Member
McGLADREY ALLIANCE



M&V Vasquez
& Company LLP
Certified Public Accountants and Business Consultants

Financial Statements
City of Carson Housing Authority Fund
Year ended June 30, 2015
with Report of Independent Auditors

**City of Carson
Housing Authority Fund
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Report of Independent Auditors

**The Honorable City Council
City of Carson, California**

Report on the Financial Statements

We have audited the accompanying financial statements of the Carson Housing Authority Fund as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Carson Housing Authority Fund's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carson Housing Authority Fund as of June 30, 2015, and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the Carson Housing Authority Fund and do not purport to, and do not, present fairly the financial position of the City of Carson, California, as of June 30, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Vasquez + Company LLP

**Los Angeles, California
December 22, 2015**

**City of Carson
Housing Authority Fund
Balance Sheet
June 30, 2015**

ASSETS		
Cash and investments		\$ 6,756,773
Cash and investments with fiscal agents		16,546,942
Receivables:		
Accounts		1,743
Accrued interest - other		4,866,500
Loans, net of allowance		15,485,105
Due from City of Carson		35,025
Land held for resale		8,046,694
	Total assets	<u>51,738,782</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable and accrued liabilities		\$ 50,544
Accrued payroll		13,385
Due to City of Carson		616,658
	Total liabilities	<u>680,587</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		<u>20,346,145</u>
 FUND BALANCES		
Nonspendable		
Land held for resale		8,046,694
Restricted for housing projects		22,665,356
	Total fund balances	<u>30,712,050</u>
	Total liabilities, deferred inflows of resources and fund balances	<u>\$ 51,738,782</u>

See notes to financial statements.

City of Carson
Housing Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015

Revenues		
Use of money and property	\$	490,444
Miscellaneous		13,332
	Total revenues	<u>503,776</u>
Expenditures		
Current:		
Community development		<u>2,573,532</u>
	Total expenditures	<u>2,573,532</u>
	Excess of revenues over expenditures	<u>(2,069,756)</u>
Other financing sources		
Transfers from Successor Agency		<u>213,132</u>
	Total other financing sources	<u>213,132</u>
	Change in fund balance	(1,856,624)
Fund balance, beginning of year		<u>32,568,674</u>
Fund balance, end of year	\$	<u><u>30,712,050</u></u>

See notes to financial statements.

**City of Carson
Housing Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015**

NOTE 1 GENERAL

The Housing Authority Fund of the City of Carson, California (City) accounts for the housing assets and housing-related functions of the City's former redevelopment agency. The Housing Authority Fund is a Low and Moderate Income Housing Asset Fund and, as such, the City is required by Senate Bill No. 341, approved by the Governor on October 13, 2013, to provide an independent auditor's report on the financial statements of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year.

Pursuant to the provisions of ABX1 26, on January 9, 2012, the City Council of the City of Carson passed and adopted Resolution No. 12-003 creating the Successor Agency to the former Carson Redevelopment Agency (CRA) in accordance with the California Housing Authority Law and other applicable housing-related regulations. As part of Resolution No.12-003, the City declared its intent to serve as the Successor Agency to the former CRA. The Successor Agency is reported as a Private Purpose Trust Fund of the City. Also, on January 9, 2012, the City Council of the City of Carson passed and adopted Resolution No. 12-004, electing to, and shall, through the Carson Housing Authority, serve as the Successor Housing to the Dissolved CRA by retaining its housing assets and assuming its housing functions pursuant to California Health and Safety Code 34176.

In conjunction with the decision to serve as Successor Agency, the City also declared its intent to assume all housing assets and functions of the former and, accordingly, the housing assets of the dissolved redevelopment agency's Low and Moderate Income Housing Fund were transferred to Carson Housing Authority Fund.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the City of Carson are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. The Carson Housing Authority Fund is accounted for as a Special Revenue Fund of the City. As such, the accompanying financial statements present only the Carson Housing Authority Fund and do not purport to, and do not, present fairly the financial position and the changes in financial position of the City of Carson, California as of and for the year ended June 30, 2015.

Basis of Accounting

Special Revenue Funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become "susceptible to accrual", that is, measurable and available to finance expenditures of the current period. Expenditures are recorded when the liability is incurred.

**City of Carson
Housing Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus

Special Revenue Funds are accounted for on a spending or "financial flow" measurement focus. This means that generally only current assets, current liabilities and deferred inflows and outflows of resources are included on their balance sheets. Statements of revenues, expenditures and changes in fund balances for Special Revenue Funds generally present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

The City follows the practice of pooling cash and investments of all funds. The Carson Housing Authority Fund participates in the City of Carson's cash and investment pool and its position in the pool is reported on the accompanying balance sheet.

Investments for the Fund are reported in the accompanying balance sheet at fair value, which is the quoted market price at June 30, 2015, 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.

Receivables

Receivables primarily represent amounts owed to the Carson Housing Authority Fund pursuant to agreements for the development and operation of housing properties and by the Successor Agency Trust Fund. These receivables are long-term in nature and as such these assets are considered to represent unavailable resources of the Carson Housing Authority Fund.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, 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 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.

The following are the Housing Fund's fund balance classification as of June 30, 2015.

- Nonspendable - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints. The Housing Authority Fund's nonspendable fund balances as of June 30, 2015 represent land held for resale.

City of Carson
Housing Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Restricted - Amounts that are constrained for specific purposes, which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation. The Housing Authority Fund's remaining fund balances are restricted for eligible housing and community development costs as required by grantor agreements, laws and regulations.

Information regarding the fund balance reporting policy adopted by the City is described in Note 1 to the City of Carson's Comprehensive Annual Financial Report.

Implementation of New Accounting Pronouncements

During the year ended June 30, 2015, the City adopted the following Governmental Accounting Standards Board (GASB) statements which impacted the City's financial statements:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statements No. 27 and 50*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures of pensions that are provided by local governmental employers through pension plans that are administered through trusts that meet certain conditions. For defined benefit pensions, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.
- GASB Statement No. 71, *Pension Transition for Contributions made subsequent to the Measurement Date - an amendment of GAS Statement No. 68*. This statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Refer to the City's Comprehensive Annual Financial Report for additional information.

NOTE 3 CASH AND INVESTMENTS

Cash and investments in the City's investment pool at June 30, 2015, consisted of the following:

Cash on hand	\$ 4,050
Deposits with financial institutions	60,844,552
Investments	80,154,029
Total cash and investments	<u>\$ 141,002,631</u>

**City of Carson
Housing Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

The Carson Housing Authority Fund's share in the City's investment pool was \$23,303,715 at June 30, 2015.

Deposits and Investments

The California Government Code requires California financial institutions to secure a City's deposits by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a value of 150% of a City's total deposits. Collateral securities are physically held in an undivided pool for all California public agency depositors.

Under Government Code Section 53655, the placement of securities by a financial institution with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

The City's investment policy complies with the California Government Code, which limits the type of investments in which a city may participate. The City's investment policy also limits investments in commercial paper to those rated "A-1" or higher by Standard and Poor's (S&P) or by Moody's. 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. At June 30, 2015, the City is in compliance with the terms of its investment policy regarding permissible investments.

Information regarding the City's allowable investments and techniques to monitor compliance with state and local investment limitations may be found in the City's comprehensive annual financial report.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by a bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy.

Investments 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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Carson
Housing Authority Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Year ended June 30, 2015

NOTE 4 LOANS RECEIVABLE

Details of the Housing Authority's loans receivable as of June 30, 2015 are as follows:

Loans relative to development projects under various disposition and development agreements	\$ 43,734,668
First Time Homebuyer Loan Program	7,291,275
Total	<u>51,025,943</u>
Less: Allowance for uncollectible accounts	(21,640,838)
Discount on notes receivable	<u>(13,900,000)</u>
Loans receivable, net	<u><u>\$ 15,485,105</u></u>

Because of the nature of various loans receivable in relation to development projects under various disposition and development agreements, the Carson Housing Authority Fund provides an allowance for uncollectibility against such loans. The fund report such loans as program costs and also discounted interest-free loans issued in relation to the Housing Authority's housing projects.

Loans receivable represents loans made for assistance in rehabilitating property for affordable housing, and accrued interest. Because interest is payable at maturity and is not available to finance current operations, interest on loans receivable is not recognized in the Housing Authority Fund financial statements as a current period revenue.

NOTE 5 DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and GASB Statement No. 65, *"Items Previously Reported as Assets and Liabilities,"* the Housing Authority Fund recognized deferred inflows of resources in the Housing Fund's financial statements. The deferred inflows of resources, amounting to \$20,346,145, pertain to unavailable revenues which represent loans and accrued interest receivable that are not collectable within the availability period.

NOTE 6 SUBSEQUENT EVENTS

The City of Carson has evaluated events subsequent to June 30, 2015 to assess the need for potential recognition or disclosure in the financial statements of the Housing Authority Fund. Such events were evaluated through December 22, 2015, the date the financial statement was available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the notes to financial statements of the Housing Authority Fund.



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