
BASIC FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF CARSON

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activity	Total
ASSETS:			
Cash and investments	\$ 67,317,617	\$ 44,547,281	\$ 111,864,898
Cash and investments with fiscal agents	15,908,717	-	15,908,717
Receivables:			
Taxes	9,402,352	-	9,402,352
Accounts	289,806	-	289,806
Accrued interest	21,005	5,116	26,121
Loans, net of allowance for uncollectible accounts	7,394,780	-	7,394,780
Due from Successor Agency	34,861	6,665,151	6,700,012
Due from governmental agencies	851,684	-	851,684
Internal balances	7,076	(7,076)	-
Inventory	301,819	5,977,407	6,279,226
Prepaid and other assets	40,613	-	40,613
Land held for resale	3,140,754	-	3,140,754
Capital assets, not being depreciated	142,430,406	36,000,000	178,430,406
Capital assets, net of accumulated depreciation	226,638,030	-	226,638,030
TOTAL ASSETS	473,779,520	93,187,879	566,967,399
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts from pension	11,164,331	-	11,164,331
TOTAL DEFERRED OUTFLOWS OF RESOURCES	11,164,331	-	11,164,331
LIABILITIES:			
Accounts payable and accrued liabilities	20,267,148	965,734	21,232,882
Accrued payroll	1,138,733	-	1,138,733
Due to governmental agencies	361,326	-	361,326
Due to Successor Agency	4,549	-	4,549
Unearned revenues	151,536	-	151,536
Retentions payable	28,665	-	28,665
Long-term liabilities:			
Due within one year	3,922,521	-	3,922,521
Due in more than one year	4,169,358	-	4,169,358
Net pension liability	74,441,723	-	74,441,723
Net OPEB obligation	17,994,368	-	17,994,368
TOTAL LIABILITIES	122,479,927	965,734	123,445,661
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension	4,833,134	-	4,833,134
TOTAL DEFERRED INFLOWS OF RESOURCES	4,833,134	-	4,833,134
NET POSITION:			
Investment in capital assets	369,068,436	36,000,000	405,068,436
Restricted for:			
Public works	2,397,487	-	2,397,487
Housing projects	33,115,931	-	33,115,931
Community services	28,535,274	49,556,994	78,092,268
Unrestricted	(75,486,338)	6,665,151	(68,821,187)
TOTAL NET POSITION	\$ 357,630,790	\$ 92,222,145	\$ 449,852,935

See accompanying notes to basic financial statements.

CITY OF CARSON

STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 35,319,096	\$ 10,427,599	\$ -	\$ -
Community development	12,330,080	2,639,076	999,720	-
Public works	19,819,103	180,937	7,800,050	-
Community services	42,477,759	477,420	2,359,460	1,335,164
Total governmental activities	109,946,038	13,725,032	11,159,230	1,335,164
Business-type activity:				
Reclamation Authority	7,307,108	-	57,255,151	-
Total primary government	\$ 117,253,146	\$ 13,725,032	\$ 68,414,381	\$ 1,335,164

General revenues:

Taxes:

Property taxes

Sales taxes

Transient occupancy taxes

Franchise taxes

Admissions tax

Utility users tax

Motor vehicle license fee, unrestricted

Investment income

Other revenues

Total general revenues

Change in net position

Net position at beginning of year, as restated

Net position at end of year

See accompanying notes to basic financial statements.

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activity	Total
\$ (24,891,497)	\$ -	\$ (24,891,497)
(8,691,284)	-	(8,691,284)
(11,838,116)	-	(11,838,116)
(38,305,715)	-	(38,305,715)
(83,726,612)	-	(83,726,612)
-	49,948,043	49,948,043
(83,726,612)	49,948,043	(33,778,569)
15,128,210	-	15,128,210
25,364,057	-	25,364,057
2,138,378	-	2,138,378
8,587,698	-	8,587,698
256,343	-	256,343
6,754,075	-	6,754,075
37,584	-	37,584
1,199,856	45,695	1,245,551
3,699,275	-	3,699,275
63,165,476	45,695	63,211,171
(20,561,136)	49,993,738	29,432,602
378,191,926	42,228,407	420,420,333
\$ 357,630,790	\$ 92,222,145	\$ 449,852,935

CITY OF CARSON
GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2016

	General Fund	Carson Housing Authority Special Revenue Fund
ASSETS		
Cash and investments	\$ 26,093,527	\$ 7,112,377
Cash and investments with fiscal agents	-	15,908,717
Receivables:		
Taxes	9,402,352	-
Accounts	161,679	2,232
Accrued interest - other	16,883	-
Loans, net of allowance	27,362	7,006,092
Due from other funds	510,258	-
Due from Successor Agency	18,317	-
Due from government agencies	69,111	-
Inventory	301,819	-
Prepays and other assets	40,613	-
Land held for resale	-	3,140,754
	<u>\$ 36,641,921</u>	<u>\$ 33,170,172</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES:		
Accounts payable and accrued liabilities	\$ 16,770,003	\$ 8,462
Accrued payroll	1,019,804	10,255
Due to other funds	-	35,524
Due to Successor Agency	4,270	-
Due to government agencies	-	-
Retentions payable	17,249	-
Unearned revenue	120,160	-
TOTAL LIABILITIES	<u>17,931,486</u>	<u>54,241</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenues	-	-
FUND BALANCES:		
Nonspendable	342,432	-
Restricted	1,431,403	33,115,931
Committed	16,710,504	-
Assigned	226,096	-
Unassigned	-	-
TOTAL FUND BALANCES	<u>18,710,435</u>	<u>33,115,931</u>
	<u>\$ 36,641,921</u>	<u>\$ 33,170,172</u>

See accompanying notes to basic financial statements.

Cooperation Agreement Bond Proceeds Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 26,542,550	\$ 7,569,163	\$ 67,317,617
-	-	15,908,717
-	-	9,402,352
-	125,895	289,806
4,122	-	21,005
-	361,326	7,394,780
62,711	31	573,000
4,047	12,497	34,861
-	782,573	851,684
-	-	301,819
-	-	40,613
-	-	3,140,754
<u>\$ 26,613,430</u>	<u>\$ 8,851,485</u>	<u>\$ 105,277,008</u>
\$ 1,707,428	\$ 1,781,255	\$ 20,267,148
4,953	103,721	1,138,733
29,518	500,882	565,924
279	-	4,549
-	361,326	361,326
305	11,111	28,665
-	31,376	151,536
<u>1,742,483</u>	<u>2,789,671</u>	<u>22,517,881</u>
-	269,562	269,562
-	-	342,432
24,870,947	6,403,356	65,821,637
-	-	16,710,504
-	-	226,096
-	(611,104)	(611,104)
<u>24,870,947</u>	<u>5,792,252</u>	<u>82,489,565</u>
<u>\$ 26,613,430</u>	<u>\$ 8,851,485</u>	<u>\$ 105,277,008</u>

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CITY OF CARSON

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2016

Fund balances - total governmental funds		\$ 82,489,565
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The capital assets consist of:		
Capital assets	\$ 594,428,634	
Accumulated depreciation	<u>(225,360,198)</u>	369,068,436
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Self-insurance claims	(3,137,108)	
Compensated absences	(4,954,771)	
Net pension liability	(74,441,723)	
Net OPEB liability	<u>(17,994,368)</u>	(100,527,970)
Unavailable 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.		
		269,562
Deferred outflows of resources related to pensions are not considered financial resources and are not reported in the governmental funds.		
		11,164,331
Deferred inflows of resources related to pensions are not available to pay for current period expenses and are not reported in the governmental funds.		
		<u>(4,833,134)</u>
Net position of governmental activities		<u><u>\$ 357,630,790</u></u>

See accompanying notes to basic financial statements.

CITY OF CARSON
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the year ended June 30, 2016

	General Fund	Carson Housing Authority Special Revenue Fund
REVENUES:		
Taxes	\$ 58,228,761	\$ -
Licenses and permits	7,111,989	-
Fines and forfeitures	1,588,678	-
Intergovernmental	342,461	210,475
Charges for services	2,445,836	-
Investment income	1,782,338	193,395
Miscellaneous	2,676,687	404,622
	<u>74,176,750</u>	<u>808,492</u>
EXPENDITURES:		
Current:		
General government	29,956,664	-
Community development	4,662,800	5,410,703
Public works	15,547,603	-
Community services	32,230,590	-
Capital improvement programs	529,861	-
	<u>82,927,518</u>	<u>5,410,703</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,750,768)</u>	<u>(4,602,211)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	19,884	-
Transfers out	(125,873)	-
	<u>(105,989)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(8,856,757)	(4,602,211)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>27,567,192</u>	<u>37,718,142</u>
FUND BALANCES - END OF YEAR	<u>\$ 18,710,435</u>	<u>\$ 33,115,931</u>

See accompanying notes to basic financial statements.

Cooperation Agreement Bond Proceeds Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,823,667	\$ 63,052,428
-	161,631	7,273,620
-	-	1,588,678
62,711	6,781,621	7,397,268
-	1,016,027	3,461,863
261,384	48,058	2,285,175
-	1,260,182	4,341,491
<u>324,095</u>	<u>14,091,186</u>	<u>89,400,523</u>
-	-	29,956,664
13,831,219	1,379,391	25,284,113
-	78,476	15,626,079
-	5,492,509	37,723,099
-	6,168,411	6,698,272
<u>13,831,219</u>	<u>13,118,787</u>	<u>115,288,227</u>
<u>(13,507,124)</u>	<u>972,399</u>	<u>(25,887,704)</u>
-	125,873	145,757
-	(19,884)	(145,757)
-	105,989	-
<u>(13,507,124)</u>	<u>1,078,388</u>	<u>(25,887,704)</u>
<u>38,378,071</u>	<u>4,713,864</u>	<u>108,377,269</u>
<u>\$ 24,870,947</u>	<u>\$ 5,792,252</u>	<u>\$ 82,489,565</u>

CITY OF CARSON

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2016

Net change in fund balances - total governmental funds		\$ (25,887,704)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:		
Capital outlay	\$ 18,871,650	
Depreciation expense	<u>(9,811,505)</u>	
		9,060,145
Governmental funds do not report the unpaid balances of long-term debt. These debts are reported in the government-wide financial statements		
Claims and judgments		(737,753)
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	278,027	
Other post-employment benefits	(2,669,193)	
Pension expense	<u>(589,037)</u>	
		(2,980,203)
Revenues that are measurable but not available are recorded as unavailable revenue under the modified accrual basis of accounting.		
		<u>(15,621)</u>
Change in net position of governmental activities		<u><u>\$ (20,561,136)</u></u>

See accompanying notes to basic financial statements.

CITY OF CARSON
 PROPRIETARY FUND
 STATEMENT OF NET POSITION

June 30, 2016

	Reclamation Authority
CURRENT ASSETS:	
Cash and investments	\$ 44,547,281
Accrued interest	5,116
Due from Successor Agency to the Dissolved Redevelopment Agency	6,665,151
Inventory	5,977,407
TOTAL CURRENT ASSETS	57,194,955
NONCURRENT ASSETS:	
Land	36,000,000
TOTAL ASSETS	93,194,955
LIABILITIES:	
Accounts payable and accrued liabilities	965,734
Due to other funds	7,076
TOTAL LIABILITIES	972,810
NET POSITION:	
Investment in capital assets	36,000,000
Restricted for future projects	56,222,145
TOTAL NET POSITION	\$ 92,222,145

See accompanying notes to basic financial statements.

CITY OF CARSON
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the year ended June 30, 2016

	Reclamation Authority
OPERATING EXPENSES:	
Development services	\$ 7,307,108
OPERATING LOSS	(7,307,108)
NONOPERATING REVENUES:	
Contributions from Successor Agency to the Dissolved Redevelopment Agency	57,255,151
Investment income	45,695
TOTAL NONOPERATING REVENUES	57,300,846
CHANGE IN NET POSITION	49,993,738
NET POSITION, BEGINNING OF YEAR, AS RESTATED	42,228,407
NET POSITION, END OF YEAR	\$ 92,222,145

See accompanying notes to basic financial statements.

CITY OF CARSON
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS

For the year ended June 30, 2016

	<u>Reclamation Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash paid for services	<u>\$ (7,541,374)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income	<u>40,579</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Advances repaid by other funds	1,458,076
Contributions received for operating purposes	<u>50,590,000</u>
TOTAL CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>52,048,076</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	44,547,281
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 44,547,281</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (7,307,108)
Changes in operating assets and liabilities:	
Decrease in accounts payable and accrued expenses	<u>(234,266)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (7,541,374)</u></u>

See accompanying notes to basic financial statements.

CITY OF CARSON
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund	Agency Funds
ASSETS:		
Cash and investments	\$ 19,217,625	\$ 7,624,125
Cash and investments with fiscal agents	21,960,716	2,536,573
Receivables:		
Loans, net	-	-
Due from the City of Carson	4,550	-
Land held for resale	4,993,961	-
TOTAL ASSETS	46,176,852	\$ 10,160,698
LIABILITIES:		
Accounts payable and accrued liabilities	50,773	\$ 609,793
Accrued interest payable	3,107,636	-
Retention and refundable deposits	236,172	2,822,515
Due to City of Carson	34,861	-
Due to Carson Reclamation Authority	6,665,151	-
Due to assessed parties	-	735,101
Due to bondholders	-	5,993,289
Noncurrent liabilities:		
Due within one year	12,493,710	-
Due in more than one year	202,447,229	-
TOTAL LIABILITIES	225,035,532	\$ 10,160,698
NET POSITION:		
Held in trust for private purpose	\$(178,858,680)	

See accompanying notes to basic financial statements.

CITY OF CARSON
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the year ended June 30, 2016

	Successor Agency to the Dissolved Redevelopment Agency Private-Purpose Trust Fund
ADDITIONS:	
Property taxes	\$ 23,166,710
Investment income	202,352
Other income	1,651,608
	25,020,670
TOTAL ADDITIONS	25,020,670
DEDUCTIONS:	
General government	759,240
Property tax administration costs	555,819
Distributions to City of Carson	273,186
Distributions to Carson Reclamation Authority	57,255,151
Interest and fiscal charges	11,731,643
	70,575,039
TOTAL DEDUCTIONS	70,575,039
CHANGE IN NET POSITION	(45,554,369)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	(133,304,311)
NET POSITION - END OF YEAR	\$ (178,858,680)

See accompanying notes to basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Carson, California (the City) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity:

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.

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

The accompanying basic financial statements present the City of Carson (the primary government) and its component units, the Carson Joint Powers Financing Authority (Financing Authority), the Carson Housing Authority (Housing Authority), and the Carson Reclamation Joint Powers Authority (Reclamation Authority). The financial activities of these entities are blended with the financial activities of the City because of the operational responsibility the City has, as well as the significant financial relationship each has with the City.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting Entity (Continued):

Blended Component Units:

The Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated November 17, 1992, between the City and the former Carson Redevelopment Agency. The Financing Authority was created for the purpose of providing financing for public capital improvements for the former Redevelopment Agency and the City. 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 Financing Authority. Separate financial statements of the Financing Authority are not issued.

The 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. 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 Housing Authority. Separate financial statements of the Housing Authority may be obtained at City Hall.

The Reclamation Authority was formed in February 2015 by the governing boards of the Housing Authority and the Carson Community Facilities Districts Nos. 2012-1 and 2012-2. Even though it is legally separate, it is reported as if it were part of the City because the City is able to impose its will on the Reclamation Authority and the Reclamation Authority's services almost exclusively benefit the City. Separate financial statements of the Reclamation Authority may be obtained at City Hall.

The purpose of the Reclamation Authority is to oversee and facilitate the remediation of contaminated properties in the City. The Reclamation Authority's role is to facilitate and fund the environmental study, investigation, and remediation and reclamation of any and all contaminated properties in the City, or the acquisition and subsequent reclamation of contaminated properties. These powers also include any improvements on property related to environmental clean up and any negotiations or processing of property reclamation required in connection with the California Department of Toxic Substances Control or any other state or federal environmental agency.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Financial Presentation:

The statement of net position and statement of activities (i.e., the government-wide financial statements) display information on all of the nonfiduciary activities of the primary government (the City) and its blended component units. Eliminations have been made to minimize the effect of interfund activity. These statements distinguish between the City's governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activity, which relies to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for the City's business-type activity. Direct expenses are those that are specifically associated with a program or function and are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the functions or programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Under the economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their statement of net position. Operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year, which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements have been satisfied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Financial Presentation (Continued):

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts established for the purpose of carrying out specific activities or attaining certain objectives in accordance with applicable regulations, restrictions or limitations. The governmental funds financial statements are provided for major funds individually and nonmajor funds in the aggregate, the proprietary fund, and the fiduciary funds, even though the last is excluded from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets, current liabilities and deferred inflows of resources are generally included on their balance sheets. The reported fund balance is considered to be a measure of “available spendable resources”.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims payable, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in-lieu, and transient occupancy taxes, 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. All other revenue items are considered to be measurable and available only when the related cash is received by the government.

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 nonexchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary nonexchange* transactions are recognized as revenues when all applicable eligibility requirements have been met.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Measurement Focus, Basis of Accounting, and Financial Presentation (Continued):

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

The City’s fiduciary fund financial statements are comprised of a private-purpose trust fund and agency funds. The private-purpose trust fund is reported using the “economic resources measurement focus” and the “accrual basis of accounting”. The agency funds have no measurement focus but utilize the “accrual basis of accounting” for reporting their assets and liabilities.

C. Fund Classifications:

The funds designated as major funds are determined by a mathematical calculation consistent with GASB No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* and GASB No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

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.

Carson Housing Authority Special Revenue Fund - 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.

Cooperation Agreement Bond Proceeds Special Revenue Fund - The Cooperation Agreement Bond Proceeds Fund accounts for unspent bond proceeds transferred to the City from the Successor Agency to the Dissolved Carson Redevelopment Agency (Successor Agency) in accordance with the Cooperation Agreement entered into by and between the City of Carson and the Successor Agency. Under this fund, the City will report the expenditures of the bond proceeds pursuant to the original bond covenants.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Fund Classifications (Continued):

The City reports the following major proprietary fund:

The Reclamation Authority Enterprise Fund oversees and facilitates the remediation of contaminated properties in the City of Carson.

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.

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:

- *Successor Agency to the Dissolved Redevelopment Agency Private-purpose Trust Fund* - This fund is 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 Funds, the Private-purpose Trust Fund reports a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.
- *Agency Funds* - These funds account 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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements:

Current Year Standards:

In fiscal year 2015-2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *“Fair Value Measurement and Application”*. GASB Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the City’s financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, was required to be implemented in the current fiscal year, except for those provisions that address employer and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for periods beginning after June 15, 2016, and did not impact the City.

GASB Statement No. 76 - *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, was required to be implemented in the current fiscal year and did not impact the City.

GASB Statement No. 79 - *“Certain External Investment Pools and Pool Participants”*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the City.

GASB Statement No. 82 - *“Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73”*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. New Accounting Pronouncements (Continued):

Pending Accounting Standards:

GASB has issued the following statements, which may impact the City's financial reporting requirements in the future:

- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*", the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.
- GASB 81 - "*Irrevocable Split-Interest Agreements*", effective for periods beginning after December 15, 2016.
- GASB 82 - "*Pension Issues*", effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Investments:

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of the investments is generally based on published market prices and quotations from custodians. Investment earnings are allocated based on the source of funds.

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income also reports interest earnings, rental income, and any gains or losses realized upon the liquidation, maturity, or sale of investments.

F. 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.

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 \$7,351,395 was included in the General Fund tax revenues.

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 st
Levy Date:	July 1 st to June 30 th
Due Date:	First Installment - November 1 st Second Installment - March 1 st
Delinquent Date:	First Installment - December 10 th Second Installment - April 10 th

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

G. Receivables:

The City extends credit to customers in the normal course of operations. Uncollectible amounts are accounted for by the reserve method, which establishes an allowance for doubtful accounts based upon historical losses and review of past due accounts.

H. Interfund Transactions:

Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activity are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs costs, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

I. 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. Inventory in the Reclamation Authority Enterprise Fund consists principally of liner, backfill material, gravel, pile cap boots, geotextile and miscellaneous landfill gas components. Materials and supplies are charged to inventories when purchased and treated as expenditure when issued. Inventory amounts in the General Fund are classified as nonspendable in the fund balance since they do not represent available spendable resources.

J. Capital Assets:

Capital assets are recorded at cost where historical records are available and at estimated historical cost where no historical records exist. Contributed capital assets are valued at their acquisition 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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Capital Assets (Continued):

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

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

The following schedule summarizes capital assets' estimated useful lives:

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

K. Land Held for Resale:

Land held for resale in the Housing Authority Fund represents housing properties transferred to the Housing Authority from the Low and Moderate Income Housing Fund of the former Redevelopment Agency. Land held for resale in the Fiduciary Funds represents land purchased by the former Redevelopment Agency to further the Redevelopment Plan. This property will be sold and proceeds will be sent to the County of Los Angeles for distribution to affected taxing agencies. Land held for resale is recorded at the lower of acquisition cost or estimated net realizable value.

L. 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. 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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

L. Employee Compensated Absences (Continued):

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.

M. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has the following items that qualify for reporting in this category:

- Deferred outflows related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pensions for differences between actual and expected experiences. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan, which is 3.9 years.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category:

- Deferred inflows from unavailable revenues, which is only reported in the governmental funds balance sheet. Unavailable revenues come from one source, which is grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

M. Deferred Outflows/Inflows of Resources (Continued):

- Deferred inflows from pensions resulting from changes of assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan, which is 3.9 years.
- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan's fiduciary net position. These amounts are amortized over five years.

N. Pensions:

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Fund Balances and Flow Assumptions:

The fund balances reported in the governmental funds financial statements consist of the following 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:

Nonspendable fund balance 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, and prepaid and other assets.

Restricted fund balance 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 and the low/moderate income housing program, and more.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

O. Fund Balances and Flow Assumptions (Continued):

Committed fund balance 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, through a resolution, fund balance for specific purposes pursuant to constraints imposed by such 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.

Assigned fund balance consists of funds that are set aside for specific purposes by the City'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 in accordance with Resolution No. 11-084, Classifying the Various Components of the Fund Balance of the City of Carson.

Unassigned fund balance 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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The City considers the restricted fund balances to have been spent when expenditures are incurred for purposes for which both unrestricted and restricted fund balance is available. The City considers unrestricted fund balances to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used. 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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

P. Net Position and Flow Assumptions:

Net position is the excess of all the City's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources. Net position is divided into three captions. These captions are described below and apply only to net position, which is applicable only to the government-wide statements, proprietary fund statements, private-purpose trust fund statements.

Net investment in capital assets - describes the portion of net position which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets, unspent bond proceeds from debt, and the deferral on refunding.

Restricted - describes the portion of net position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter.

Unrestricted - describes the portion of net position which is not restricted as to use.

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's practice to consider restricted net position to have been depleted before unrestricted net position is applied.

Q. Statement of Cash Flows:

For purposes of the statement of cash flows, cash equivalents are defined as investments with original maturities of 90 days or less, which are readily convertible to known amounts of cash and not subject to significant changes in value from interest rate fluctuations.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

R. Use of Estimates:

The preparation of basic financial statements in accordance 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.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

	Government- Wide Statement of Net Position	Fiduciary Funds Statement of Net Position		
		Private-Purpose Trust Fund	Agency Funds	Total
Unrestricted assets:				
Cash and investments	\$ 111,864,898	\$ 19,217,625	\$ 7,624,125	\$ 138,706,648
Restricted assets:				
Cash and investments with fiscal agents	<u>15,908,717</u>	<u>21,960,716</u>	<u>2,536,573</u>	<u>40,406,006</u>
Total cash and investments	<u>\$ 127,773,615</u>	<u>\$ 41,178,341</u>	<u>\$ 10,160,698</u>	<u>\$ 179,112,654</u>

Cash and investments at June 30, 2016, consist of the following:

Cash on hand	\$ 4,050
Dep osits with financial institutions	92,475,029
Investments	<u>86,633,575</u>
Total cash and investments	<u>\$ 179,112,654</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

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
United States Treasury Bills	Yes	5 Years	None	None
Federal Government Obligations	Yes	5 Years	None	None
Collateralized Time Deposits	Yes	5 Years	None	None
Banker's Acceptances	Yes	7 Days	10%	None
Commercial Paper	Yes	7 Days	15%	10%
Negotiable Certificates of Deposit	Yes	5 Years	10%	None
Certificates of Deposit - Private Placement	Yes	5 Years	30%	None
Local Agency Investment Fund	Yes	N/A	\$50 Million	None
Money Market Funds or Mutual Funds	Yes	5 Years	20%	10%
Medium Term Corporate Notes	Yes	5 Years	20%	5%
State/Municipal Bonds	Yes	5 Years	20%	None
Common Stocks	No	N/A	N/A	N/A
Long-Term Notes and Bonds	No	N/A	N/A	N/A
Derivative Based Instruments	No	N/A	N/A	N/A
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Inverse Floaters	No	N/A	N/A	N/A
Futures and Options	No	N/A	N/A	N/A
Mortgage Backed Securities	No	N/A	N/A	N/A

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

N/A - Not Applicable

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Investments Authorized by Debt Agreements:

Investments of debt proceeds held by fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by fiscal agent. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker’s Acceptances	1 year	None	None
Commercial Paper	270 days	None	None
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

N/A - Not Applicable

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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk (Continued):

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

Investment Type	Remaining Maturity (in Months)			Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	
Local Agency Investment Fund	\$ 8,484,895	\$ -	\$ -	\$ 8,484,895
Money Market Funds	961,136	-	-	961,136
U.S. Treasury Securities	1,020,120	-	-	1,020,120
U.S. Agency Securities	2,830,351	11,038,818	7,639,441	21,508,610
Medium-Term Corporate Notes	648,185	1,318,475	100,704	2,067,364
State/Municipal Bonds	753,980	872,146	-	1,626,126
Held by Fiscal Agent:				
Money Market Funds	26,620,715	-	-	26,620,715
U.S. Treasury Securities	3,508,130	-	-	3,508,130
U.S. Agency Securities	13,747,687	2,706,055	1,938,312	18,392,054
State/Municipal Bonds	<u>2,444,425</u>	<u>-</u>	<u>-</u>	<u>2,444,425</u>
	<u>\$ 61,019,624</u>	<u>\$ 15,935,494</u>	<u>\$ 9,678,457</u>	<u>\$ 86,633,575</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

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 by Standard & Poor’s or Moody, as of year-end for each investment type.

Investment Type	Total as of June 30, 2016	Minimum Legal Rating	Aaa		Other		Not Rated	Not Required to be Rated
			Aaa	Other	Aaa	Other		
Local Agency Investment Fund	\$ 8,484,895	N/A	\$ -	\$ -	\$ 8,484,895	\$ -	\$ -	
Money Market Funds	961,136	AA+	961,136	-	-	-	-	
U.S. Treasury Securities	1,020,120	N/A	-	-	-	-	1,020,120	
U.S. Agency Securities	21,508,610	N/A	-	21,508,610	-	-	-	
Medium-Term Corporate Notes	2,067,364	N/A	-	2,067,364	-	-	-	
State/Municipal Bonds	1,626,126	Aaa	-	1,626,126	-	-	-	
Held by Fiscal Agent:								
Money Market Funds	26,620,715	N/A	26,620,715	-	-	-	-	
U.S. Treasury Securities	3,508,130	N/A	-	-	-	-	3,508,130	
U.S. Agency Securities	18,392,054	N/A	-	18,392,054	-	-	-	
State/Municipal Bonds	<u>2,444,425</u>	N/A	<u>-</u>	<u>2,444,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Total	<u>\$ 86,633,575</u>		<u>\$ 27,581,851</u>	<u>\$ 46,038,579</u>	<u>\$ 8,484,895</u>	<u>\$ 4,528,250</u>		

N/A - Not Applicable

The actual ratings for the “Other” category above are as follows:

Investment Type	AA+	AA	AA-	A+	A	A-	Total
U.S. Agency Securities	\$ 21,508,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,508,610
Medium-Term							
Corporate Notes	-	-	-	815,890	901,154	350,320	2,067,364
State/Municipal Bonds	-	974,422	401,364	250,340	-	-	1,626,126
Held by Fiscal Agent:							
U.S. Agency Securities	18,392,054	-	-	-	-	-	18,392,054
State/Municipal Bonds	<u>-</u>	<u>2,444,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,444,425</u>
Total	<u>\$ 39,900,664</u>	<u>\$ 3,418,847</u>	<u>\$ 401,364</u>	<u>\$ 1,066,230</u>	<u>\$ 901,154</u>	<u>\$ 350,320</u>	<u>\$ 46,038,579</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk:

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Home Loan Mortgage Corp. Notes	U.S. Agency Securities	\$ 14,210,318
Federal Home Loan Bank Notes	U.S. Agency Securities	19,615,955

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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Investment in State Investment Pool:

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool of \$8,484,895 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.

Fair Value Measurements:

The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's or liability's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment or liability within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment or liability.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by City's asset manager from third party service provider.

For a large portion of the City's portfolio, the City's asset manager applies their leveling methodology across all securities in a specific sector (i.e. U.S. Government Sponsored Agency Securities). Inputs to their pricing models are based on observable market inputs in active markets.

The City has no investments categorized in Level 3. When valuing Level 3 securities, the inputs or methodology are not necessarily an indication of the risks associated with investing in those securities. Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

2. CASH AND INVESTMENTS (CONTINUED):

Fair Value Measurements (Continued):

	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3	Total
U.S. Treasury Securities	\$ 1,020,120	\$ -	\$ -	\$ 1,020,120
U.S. Agency Securities	-	21,508,610	-	21,508,610
Medium-Term Corporate Notes	-	2,067,364	-	2,067,364
State/Municipal Bonds	-	1,626,126	-	1,626,126
Held by Fiscal Agent:				
U.S. Treasury Securities	3,508,130	-	-	3,508,130
U.S. Agency Securities	-	18,392,054	-	18,392,054
State/Municipal Bonds	-	2,444,425	-	2,444,425
Total Leveled Investments	<u>\$ 4,528,250</u>	<u>\$ 46,038,579</u>	<u>\$ -</u>	<u>50,566,829</u>
Local Agency Investment Fund*				8,484,895
Money Market Funds*				961,136
Held by Fiscal Agent				
Money Market Funds*				<u>26,620,715</u>
Total Investment Portfolio				<u>\$ 86,633,575</u>

* Not subject to fair value measurements.

3. LOANS RECEIVABLE:

Details of the City's loans receivable as of June 30, 2016 are as follows:

Loans relative to development projects under various disposition and development agreements	\$ 43,734,668
First Time Homebuyer Loan Program	7,006,092
Computer Loan Program	27,362
HOME Loan Program	196,326
Neighborhood Stabilization Program Loans	<u>165,000</u>
Total Loans Receivable	51,129,448
Less: Allowance for uncollectible accounts	<u>(43,734,668)</u>
Loans Receivable, Net	<u>\$ 7,394,780</u>

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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

4. CAPITAL ASSETS:

Governmental Activities:

The following is a summary of changes in capital assets of the Governmental Activities for the year ended June 30, 2016:

	Balance at July 1, 2015 as Restated (1)	Additions	Deletions	Balance at June 30, 2016
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	9,367,887	-	-	9,367,887
Construction-in-progress	<u>42,377,855</u>	<u>17,571,270</u>	<u>(19,822,634)</u>	<u>40,126,491</u>
Total capital assets, not being depreciated	<u>144,681,770</u>	<u>17,571,270</u>	<u>(19,822,634)</u>	<u>142,430,406</u>
Capital assets, being depreciated:				
Buildings and improvements	96,709,824	-	-	96,709,824
Machinery and equipment	14,678,489	1,410,929	(1,830,324)	14,259,094
Infrastructure:				
Roadways	294,701,711	19,822,634	-	314,524,345
Sewer	20,123,476	-	-	20,123,476
Storm drain	<u>6,381,489</u>	<u>-</u>	<u>-</u>	<u>6,381,489</u>
Total capital assets, being depreciated	<u>432,594,989</u>	<u>21,233,563</u>	<u>(1,830,324)</u>	<u>451,998,228</u>
Less accumulated depreciation for:				
Buildings and improvements	(33,102,505)	(1,927,331)	-	(35,029,836)
Machinery and equipment	(12,237,148)	(543,296)	1,719,775	(11,060,669)
Infrastructure:				
Roadways	(152,302,139)	(6,872,334)	-	(159,174,473)
Sewer	(16,069,537)	(349,241)	-	(16,418,778)
Storm drain	<u>(3,557,139)</u>	<u>(119,303)</u>	<u>-</u>	<u>(3,676,442)</u>
Total accumulated depreciation	<u>(217,268,468)</u>	<u>(9,811,505)</u>	<u>1,719,775</u>	<u>(225,360,198)</u>
Total capital assets, being depreciated, net	<u>215,326,521</u>	<u>11,422,058</u>	<u>(110,549)</u>	<u>226,638,030</u>
Total governmental activities capital assets, net	<u>\$ 360,008,291</u>	<u>\$ 28,993,328</u>	<u>\$(19,933,183)</u>	<u>\$ 369,068,436</u>

(1) Beginning balances of construction-in-progress, buildings and improvements, machinery and equipment, and roadways have been restated to add governmental-use assets reported previously in the Successor Agency Private-Purpose Trust Fund that should have been reported as City capital assets, and to make corrections for capital assets that had been inadvertently removed, and for construction-in-progress amounts that were not capitalizable.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

4. CAPITAL ASSETS (CONTINUED):

Governmental Activities (Continued):

Depreciation expense was charged to the following functions in the Statement of Activities for the year ended June 30, 2016:

General government	\$ 1,726,129
Community services	4,885,141
Public works	2,363,754
Community development	<u>836,481</u>
Total depreciation expense	<u>\$ 9,811,505</u>

Business-type Activity:

The following is a summary of changes in capital assets of the Business-type Activity for the year ended June 30, 2016:

	Balance at July 1, 2015 <u>as Restated (1)</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	<u>\$ 36,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,000,000</u>

(1) The beginning balance of land was increased by \$36,000,000, the estimated fair value for 157 acres of land that had been contributed to the Reclamation Authority in May 2015.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

5. INTERFUND TRANSACTIONS:

Due From/To Other Funds:

Due from/due to other funds as of June 30, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Carson Housing Authority Special Revenue Fund	\$ 35,524
	Cooperation Agreement Bond Proceeds Special Revenue Fund	29,487
	Nonmajor Governmental Funds	438,171
	Reclamation Authority Enterprise Fund	7,076
Cooperation Agreement Bond Proceeds Special Revenue Fund	Nonmajor Governmental Funds	62,711
Nonmajor Governmental Funds	Cooperation Agreement Bond Proceeds Special Revenue Fund	<u>31</u>
		<u>\$ 573,000</u>

Current interfund receivables and payables were due to (1) short-term borrowings to eliminate negative cash, (2) reimbursement of certain administrative costs, and (3) short-term borrowing for project costs.

Interfund Transfers:

Transfers in and out for the year ended June 30, 2016, were as follows:

<u>Transfer In to Fund</u>	<u>Transfer Out of Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 19,884
Nonmajor Governmental Funds	General Fund	<u>125,873</u>
		<u>\$ 145,757</u>

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

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

6. LONG-TERM LIABILITIES:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance at			Balance at		Due Within	Due in
	July 1, 2015	Additions	Deletions	June 30, 2016	One	More Than	
					Year	One Year	
Compensated absences	\$ 5,232,798	\$ 3,149,016	\$ (3,427,043)	\$ 4,954,771	\$ 3,922,521	\$ 1,032,250	
Self-insurance claims payable	3,194,910	2,537,509	(1,799,756)	3,932,663	795,555	3,137,108	
Total	<u>\$ 8,427,708</u>	<u>\$ 5,686,525</u>	<u>\$ (5,226,799)</u>	<u>\$ 8,887,434</u>	<u>\$ 4,718,076</u>	<u>\$ 4,169,358</u>	

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

The City's self-insurance claims payable are described in Note 7.

7. SELF-INSURANCE PROGRAMS:

The City is self-insured for dental and unemployment insurance. Additionally, the City is self-insured for the first \$250,000 per liability claim, including employment practices. The liability excess insurance carrier is Lloyds of London/BRIT. The City is self-insured for the first \$750,000 per workers' compensation claim. The workers' compensation excess insurance carrier is Arch Insurance Company. The City is self-insured for the first \$10,000 per property claim. The property insurance carrier is Affiliated FM Insurance Company. The City is self-insured for the first \$10,000 per crime claim. The crime insurance carrier is Fidelity and Deposit Company of Maryland.

At June 30, 2016, \$3,932,663 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, 2016, is dependent on future developments, based upon information from the independent claims administrators and others involved with the administration of the programs, City management believes that the aggregate accrual is adequate to cover such losses.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

7. SELF-INSURANCE PROGRAMS (CONTINUED):

A summary of the City's claims activity for the two years through June 30, 2016, is as follows:

	Workers' Compensation Claims	General Liability Claims	Totals
Balance at June 30, 2014	\$ 3,275,442	\$ 1,747,462	\$ 5,022,904
Additions	315,982	657,027	973,009
Payments	<u>(1,187,817)</u>	<u>(1,613,186)</u>	<u>(2,801,003)</u>
Balance at June 30, 2015	2,403,607	791,303	3,194,910
Additions	572,114	1,965,395	2,537,509
Payments	<u>(833,534)</u>	<u>(966,222)</u>	<u>(1,799,756)</u>
Balance at June 30, 2016	<u>\$ 2,142,187</u>	<u>\$ 1,790,476</u>	<u>\$ 3,932,663</u>

8. DEFINED BENEFIT PENSION PLAN:

A. General Information about the Pension Plan:

Plan Description:

All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided:

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

A. General Information about the Pension Plan (Continued):

The Plan's provisions and benefits in effect are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.7%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.75%
Required employer contribution rates	23.73%	23.73%

Employees Covered:

The following employees were covered by the benefit terms of the Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	430
Inactive employees entitled to but not yet receiving benefits	200
Active employees	344
Total	974

Contributions:

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Net Pension Liability:

The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions:

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment.

(2) Net of pension plan investment expenses, including inflation.

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Net Pension Liability:

Change of Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

Discount Rate:

The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

B. Net Pension Liability (Continued):

Discount Rate (Continued):

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

C. Changes in the Net Pension Liability:

The changes in the net pension liability for the Miscellaneous Plan, using the measurement date of June 30, 2015, are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2014	<u>\$ 229,790,020</u>	<u>\$ 168,373,004</u>	<u>\$ 61,417,016</u>
Changes in the Year:			
Service cost	4,326,829	-	4,326,829
Interest on the total pension liability	17,550,999	-	17,550,999
Changes of assumptions	(4,237,527)	-	(4,237,527)
Differences between expected and actual experience	6,597,837	-	6,597,837
Plan to plan resource movement	-	(228,538)	228,538
Contribution - employer	-	5,746,641	(5,746,641)
Contribution - employee	-	2,169,417	(2,169,417)
Net investment income	-	3,717,143	(3,717,143)
Benefit payments, including refunds of employee contributions	(9,777,863)	(9,777,863)	-
Administrative expenses	-	(191,232)	191,232
Net Changes	<u>14,460,275</u>	<u>1,435,568</u>	<u>13,024,707</u>
Balance at June 30, 2015 (Measurement Date)	<u>\$ 244,250,295</u>	<u>\$ 169,808,572</u>	<u>\$ 74,441,723</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

C. Changes in the Net Pension Liability (Continued):

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan of 7.65%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$ 106,694,803
Current Discount Rate	7.65%
Net Pension Liability	\$ 74,441,723
1% Increase	8.65%
Net Pension Liability	\$ 47,643,407

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

8. DEFINED BENEFIT PENSION PLAN (CONTINUED):

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2016, the City recognized pension expense of \$6,865,674. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 6,258,247	\$ -
Differences between actual and expected experience	4,906,084	-
Change of assumptions	-	(3,150,982)
Net differences between projected and actual earnings on plan investments	-	(1,682,152)
Total	<u>\$ 11,164,331</u>	<u>\$ (4,833,134)</u>

\$6,258,247 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (554,875)
2018	(554,875)
2019	(615,397)
2020	1,798,097
2021	-
Thereafter	-

E. Payable to the Pension Plan:

At June 30, 2016, the City had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN:

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.

Eligible participants to the plan as of July 1, 2015, the date of the most recent actuarial valuation, are as follows:

Retirees Receiving Benefits:	
Age 65 and above	172
Age below 65	<u>79</u>
Subtotal	<u>251</u>
Active Employees:	
Full-time	317
Unclassified/Part-time	<u>139</u>
Subtotal	<u>456</u>
Total	<u><u>707</u></u>

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 \$318,044 for the fiscal year 2015-2016 in addition to direct contributions it paid for retiree benefits of \$1,804,366. Direct contributions of \$57,897 were for the benefit of the dissolved redevelopment agency employees. Total contributions during the fiscal year 2015-2016 amounted to \$2,122,410.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Annual OPEB Cost and Net OPEB Obligation:

The City's annual other post-employment 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's net OPEB obligation for these benefits:

Annual required contribution (ARC)	\$ 5,128,216
Interest on net OPEB obligation	881,198
Adjustments to ARC	<u>(1,217,811)</u>
Annual OPEB cost	4,791,603
Benefit payments and contributions made	<u>(2,122,410)</u>
Increase in net OPEB obligation	2,669,193
Net OPEB obligation, beginning of year	<u>15,325,175</u>
Net OPEB obligation, end of year	<u>\$ 17,994,368</u>

Three-Year Trend Information:

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/14	\$ 4,664,809	129.1 %	\$ 14,380,295
06/30/15	4,603,539	79.5 %	15,325,175
06/30/16	4,791,603	44.3 %	17,994,368

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Funded Status and Funding Progress:

As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$55,196,794, and the actuarial value of assets was \$16,112,035, resulting in an unfunded actuarial accrued liability (UAAL) of \$39,084,759 and a funded ratio (actuarial value of assets as a percentage of the actuarial accrued liability) of 29%. The covered payroll (annual payroll of active employees covered by the plan) was \$29,602,000, and the ratio of the UAAL to the covered payroll was 132%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. 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 presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

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 multiyear 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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

9. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED):

Actuarial Methods and Assumptions (Continued):

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% discount rate, which reflects a blend between a pay-as-you-go discount rate of 5% and the 7.61% discount rate for invested assets, and actual annual cost trend rates for 2016, and annual cost trend rates of 6.5% for HMO and 7.0% for PPO for 2017, reduced by decrements of 0.5% per year to an ultimate rate of 5% after the third and fourth year, respectively. All the rates included a 2.75% inflation assumption. The UAAL is being amortized over 30 years using a level-dollar method on a closed basis. The remaining period at June 30, 2015 is 23 years. It is assumed the City's payroll will increase 3.00% per year.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

10. GOVERNMENTAL FUND BALANCE CLASSIFICATIONS:

The various fund balance classifications established as of June 30, 2016, were as follows:

	<u>General</u>	<u>Special Revenue Funds</u>			<u>Total</u>
		<u>Carson Housing Authority</u>	<u>Cooperation Agreement Bond Proceeds</u>	<u>Nonmajor Governmental Funds</u>	
Nonspendable:					
Inventory	\$ 301,819	\$ -	\$ -	\$ -	\$ 301,819
Prepays and other assets	<u>40,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,613</u>
Total Nonspendable	<u>342,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>342,432</u>
Restricted for:					
Housing projects	-	33,115,931	-	-	33,115,931
Special revenue funds	-	-	-	6,403,356	6,403,356
1% PEG fees	431,403	-	-	-	431,403
Alameda Corridor Projects	1,000,000	-	-	-	1,000,000
Capital projects	<u>-</u>	<u>-</u>	<u>24,870,947</u>	<u>-</u>	<u>24,870,947</u>
Total Restricted	<u>1,431,403</u>	<u>33,115,931</u>	<u>24,870,947</u>	<u>6,403,356</u>	<u>65,821,637</u>
Committed:					
Economic uncertainties	16,585,504	-	-	-	16,585,504
Reward funds	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,000</u>
Total Committed	<u>16,710,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,710,504</u>
Assigned:					
Loan shed program	<u>226,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>226,096</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(611,104)</u>	<u>(611,104)</u>
Total Fund Balances	<u>\$ 18,710,435</u>	<u>\$ 33,115,931</u>	<u>\$ 24,870,947</u>	<u>\$ 5,792,252</u>	<u>\$ 82,489,565</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

The following funds reported an accumulated deficit in fund balance as of June 30, 2016:

	<u>Accumulated Deficit</u>
Nonmajor Special Revenue Funds:	
TDA Article 3 Fund	\$ (3,834)
Los Angeles County Park District Fund	(131,346)
Proposition 1B Fund	(32,311)
State CIP Grants Fund	(5,040)
Federal Highway Planning Grant Fund	(438,573)

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

Excess of Expenditures over Appropriations:

For the year ended June 30, 2016, expenditures by function exceeded appropriations of the following City funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Fund:			
General Fund:			
General government:			
City Attorney	\$ 4,570,550	\$ 12,586,274	\$ (8,015,724)
City Manager	4,019,728	4,020,640	(912)
Community development	4,631,819	4,662,800	(30,981)
Capital improvement programs	264,298	529,861	(265,563)
Nonmajor Special Revenue Funds:			
Proposition A Local Return Fund:			
Capital improvement programs	14,000	14,382	(382)
Self-Supporting Fund:			
Community services	971,883	1,101,739	(129,856)

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (CONTINUED):

Excess of Expenditures over Appropriations (Continued):

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Nonmajor Special Revenue Funds (Continued):			
Capital Asset Replacement Fund:			
Capital improvement programs	\$ 124,754	\$ 126,149	\$ (1,395)
Park Development Fund:			
Capital improvement programs	29,288	31,545	(2,257)
Proposition 1B Fund:			
Capital improvement programs	54,649	54,652	(3)
Federal Highway Planning Grant Fund:			
Capital improvement programs	1,636,718	1,703,194	(66,476)

12. 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, (collectively, the Bonds). The Bonds were issued to finance certain public capital improvements within the Assessment District, purchase the outstanding Reassessment District No. 2001-1 Limited Obligation Refunding Improvement Bonds, 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 balances outstanding at June 30, 2016, are \$19,075,000 and \$6,175,000, for Series A and Subordinate Series B, respectively.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

12. 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 (the Bonds). The Bonds were issued to finance a portion of the costs of the construction of certain street improvements, particularly the widening of a portion of Sepulveda Boulevard and included the reconstruction, removal, modification and relocation of pipelines, facilities, and the relocation of railroad tracks from the public right-of-way, storm drainage improvements, signaling, and landscaping. Bond proceeds were also used to establish the Reserve Fund, and to pay the cost of issuing the bonds.

The City's obligation to transfer funds to the Redemption Fund in the event of delinquent installments is limited to the balance in the Reserve Fund. The City is in no way liable for repayment but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings for the benefit of the bondholders.

For these reasons, neither the debt nor the related debt service transactions are recorded on the City's basic financial statements. The principal balance outstanding at June 30, 2016 is \$1,030,000.

13. 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.

The City has accrued a liability of \$7,964,718 in the General Fund for certain claims that existed as of June 30, 2016, that were either settled or a judgment against the City made subsequently.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS:

Following are details of the Housing Authority's commitments under Development Agreements:

East Carson Housing Partners, L.P.:

On June 15, 2010, the former Carson Redevelopment Agency (Agency) entered into a disposition and development agreement (DDA) with East Carson Housing Partners, L.P. (Developer) for the development of a 65-unit workforce housing community on a 1.75 acre Agency-owned property (Property) located at 425 E. Carson Street. The development was completed and fully leased by June 2012. The site provides housing for very-low, low and moderate income households. The product type ranges from one-bedroom to three-bedroom units.

The Agency provided assistance for the development of the project by selling the Property to the 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 are evidenced by a promissory note and secured by a Deed of Trust recorded on March 9, 2011. The Purchase Price and the Agency Assistance totals \$8,794,500. This amount is to be repaid by the Developer with residual receipts over a 55 year period, with interest accruing at 0.5% per annum (Note). Any balance on the Note is due and payable at the end of 55 years from commencement of their permanent loan. The permanent loan commenced March 1, 2013. At June 30, 2016, the balance on the Note is \$7,865,891.

East Carson II Housing Partners, L.P.:

On February 19, 2013, the Housing Authority entered into an Affordable Housing Agreement with East Carson II Housing Partners, L.P. (Developer) for the development of a 40-unit workforce housing community on approximately 1.0 acre Housing Authority-owned property. On November 25, 2013 the Housing Authority closed escrow for the sale of the property and the Developer began construction. The project was completed with a grand opening ceremony held on April 2, 2015. The development serves as phase two to the East Carson Housing Partners, L.P. project at 425 E. Carson Street, which was completed in June 2012.

The Housing Authority's financial assistance for this project included a loan of \$3,320,000 for pre-development and construction costs and the property purchase price of \$1,565,446 for a total assistance amount of \$4,885,446. The total assistance amount was provided by a promissory note (Note) and secured by a Deed of Trust to be recorded at the time the Housing Authority sells the property to Developer. The Note is to be repaid by the Developer with residual receipts over a 55 year period, with interest accruing at 0.5% per annum. Any balance on the Note will be due and payable at the end of 55 years from commencement of the permanent senior loan. The permanent financing began on November 25, 2013.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS
(CONTINUED):

City View - 616 E. Carson Street:

On February 17, 2011, the Agency and City View 616 East Carson, LLC (Developer) entered into a disposition and development agreement (DDA) to develop a mixed-use commercial/retail and residential development on a 9.57 acre Agency-owned property located at 616, 542, and 550 East Carson Street (Property). The project will include 23 condominiums for moderate income households, 129 market rate homes, and 13,000 square feet of commercial space. The Property was sold to the Developer on April 17, 2013. The project has been built and the Developer is waiting to receive its certificate of occupancy. All affordable units have been sold.

Affirmed Housing Group - 21227 Figueroa Street:

On March 1, 2011, the Agency entered into a disposition and development agreement (DDA) with Affirmed Housing Group, Inc. (Developer) for the development of a 40-unit workforce housing community on Agency-owned property located at 21227 Figueroa Street (Property). The Agency's financial assistance for this project included a loan of \$2,855,000 for pre-development and construction costs, and the property purchase price of \$1,345,000 for a total assistance amount of \$4,200,000 (Agency Assistance). The Agency Assistance is evidenced by a promissory note and secured by a Deed of Trust recorded on December 24, 2012. The Agency Assistance is to be repaid by the Developer with residual receipts over a 55 year period, with interest accruing at 0.5% per annum (Note). Any balance on the Note is due and payable at the end of 55 years from issuance of a certificate of occupancy. The certificate of occupancy was issued on March 6, 2014.

City Ventures - 2666 Dominguez Street:

On September 17, 2013, the Housing Authority entered into a Purchase and Sale Agreement with City Ventures (Developer) for the sale of approximately 0.5-acre Housing Authority-owned property located at 2671 Tyler Street (Property). Escrow closed in October 2014. The sales price of the Property was \$238,000. The Developer is building a for-sale single family detached, market rate residential project in accordance with the Property's land use and zoning regulations. The homes will be on fee simple lots. There was no Housing Authority assistance provided for this project. The sales proceeds will be used to assist future affordable housing developments.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS
(CONTINUED):

City Ventures - 2666 Dominguez Street (Continued):

Concurrently with the sale of the Property, the Housing Authority facilitated the sale, to the Developer, of a 1.0-acre parcel of contiguous land at 2666 Dominguez (Site), owned by the City. The Site was the former Dominguez Trailer Park, which the City acquired using \$1,162,261 of CDBG funds for an affordable housing development. The City eventually sold the Site and received sales proceeds of \$463,484. The market rate residential project is being built on both lots.

Since the property was not used for an affordable housing development, HUD required that the City reimburse its CDBG fund \$698,777 for the difference between the acquisition and the sales proceeds. Subsequent to the year end, the City reimbursed these funds. Construction of the Carson Collection, a 13-unit single-family market rate housing development is 90% complete. Each unit is a three-bedroom, two-bathroom detached home with a 2-car garage. The Carson Collection is designed with drought tolerant landscaping and all homes are “Green Key Solar”, which means they are all electric homes powered by solar energy. Advanced energy-efficient appliances and other innovations allow these sustainable homes to significantly reduce utility bills. These are the most energy-efficient new homes on the market, and their technologies come standard at the Carson Collection. All homes have been sold.

Avalon Courtyard Senior Apartments:

In July 1992, the Agency entered into a disposition and 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, 2016, 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).

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

14. HOUSING AUTHORITY COMMITMENTS UNDER DEVELOPMENT AGREEMENTS
(CONTINUED):

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 \$2,296,988. The amount of Developer loan repayments are equal to 50% of the positive cash flow generated by the Project. At June 30, 2016, the balance on the note is \$2,296,988. 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 (or until December 26, 2030).

Gramercy Urban Housing, LLC. - 21521 Avalon Boulevard:

On January 21, 2014, the Housing Authority entered into a purchase and sale agreement with Gramercy Urban Housing, LLC (Developer) for the sale of approximately 1.0-acre Housing Authority-owned property located at 21521 Avalon Boulevard. Once purchased, the Developer will build a mixed-use commercial/residential project generally consistent with the City's Carson Street Master Plan. The Developer desires to assemble the property with its property at the northwest corner of Avalon Boulevard and Carson Street, and the Carson Successor Agency-owned property located at 615 E. Carson Street for the mixed-use development. There was no Housing Authority assistance in connection with this sale. The property was sold for the highest and best use fair market appraised value of \$1,000,000. Escrow closed on August 12, 2015.

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT
AGENCIES:

On June 28, 2011, Assembly Bills x1 26 (the Dissolution Act) and x1 27 was enacted as part of the fiscal year 2011-12 state budget package which dissolved Redevelopment.

On June 27, 2012, as part of the fiscal year 2012-13 state budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the state and local level in implementing the Dissolution Act.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

In September 2015, the Legislature passed and the Governor signed SB 107, which made additional changes to the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each Dissolved RDA) was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 10, 2012, the City became the Successor Agency of the former redevelopment agency by operation of law in accordance with the Bill.

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and oversight boards is to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over the certain housing assets of the Dissolved RDA. If the sponsoring community does not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets will be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. The Housing Authority elected on January 27, 2012 to serve as the Housing Successor Agency.

The housing assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in the Carson Housing Authority Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA have been transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also establish roles for the County Auditor-Controller (CAC), the California Department of Finance (the DOF) and the California State Controller's office in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The County Auditor-Controller is charged with establishing a Redevelopment Property Tax Trust Fund (the RPTTF) for each Successor Agency and depositing into the RPTTF the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

15. RECENT CHANGES IN LEGISLATION AFFECTING CALIFORNIA REDEVELOPMENT AGENCIES (CONTINUED):

The Successor Agency is required to prepare a recognized obligation payment schedule (the ROPS) approved by the oversight board setting forth the amounts due for each enforceable obligation. The ROPS is submitted to the DOF for approval. The County Auditor-Controller will make payments to the Successor Agency from the RPTTF based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

As part of the dissolution process AB1484 required the Successor Agency to have due diligence reviews of both the low and moderate income housing funds and all other funds to be completed by October 15, 2012 and January 15, 2013 to compute the funds (cash) which were not needed by the Successor Agency to be retained to pay for existing enforceable obligations. These funds were to be remitted to the CAC after the DOF completed its review of the due diligence reviews. The former redevelopment agency (Successor Agency) did not have to remit any funds to the CAC as a result of the due diligence reviews.

The DOF issued a Finding of Completion on August 9, 2013, in which DOF concurred that the Successor Agency has made full payments of any payments required as a result of the due diligence reviews even though no payment was required.

The Successor Agency's use and disposition of all properties held (Long Range Property Management Plan or LRPMP) was approved by the California Department of Finance on September 24, 2013. As a result, the Successor Agency transferred the properties designated for governmental purposes to the City in June 2015.

Management believes, in consultation with legal counsel, that the obligations of the Dissolved RDA due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES:

The accompanying financial statements also include the Private-purpose Trust Fund for the Successor Agency to the City's former Redevelopment Agency (Successor Agency). The City, as the Successor Agency, serves in a fiduciary capacity, as custodian for the assets and to wind down the affairs of the former Redevelopment Agency. Its assets are held in trust for the benefit of the taxing entities within the former Redevelopment Agency's boundaries and as such, are not available for the use of the City.

Loans Receivable:

Details of the Successor Agency's loans receivable as of June 30, 2016, are as follows:

Loans relative to development projects under various disposition and development agreements	\$ 22,248,975
Less: Allowance for uncollectible accounts	<u>(22,248,975)</u>
Loans Receivable, Net	<u>\$ _____</u> -

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.

CITY OF CARSON
NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities:

The following is a summary of changes in long-term liabilities for the year ended June 30, 2016:

	Balance at July 1, 2015	Additions	Deletions	Balance at June 30, 2016	Due Within One Year	Due in More Than One Year
Redevelopment Project Area 1:						
2003B Tax Allocation Bonds	\$ 10,054,234	\$ 567,995	\$ -	\$ 10,622,229	\$ -	\$ 10,622,229
2001 Tax Allocation						
Refunding Bonds	5,410,000	-	(2,635,000)	2,775,000	2,775,000	-
2009A Tax Allocation Bonds	20,845,000	-	(445,000)	20,400,000	470,000	19,930,000
2009 Revenue Bonds	11,635,000	-	(285,000)	11,350,000	295,000	11,055,000
2014A Tax Allocation						
Refunding Bonds	25,945,000	-	(215,000)	25,730,000	225,000	25,505,000
Redevelopment Project Area 2:						
2007A Tax Allocation						
Refunding Bonds	16,260,000	-	(130,000)	16,130,000	135,000	15,995,000
2014A Tax Allocation						
Refunding Bonds	15,380,000	-	(1,255,000)	14,125,000	1,300,000	12,825,000
Redevelopment Project Area 4:						
2006 Tax Allocation Bonds	24,335,000	-	(510,000)	23,825,000	535,000	23,290,000
Low and Moderate Income						
Housing:						
2010A-T Tax Allocation						
Housing Bonds	10,315,000	-	(1,440,000)	8,875,000	1,505,000	7,370,000
2010A Tax Allocation						
Housing Bonds	25,620,000	-	-	25,620,000	-	25,620,000
Successor Agency:						
2015B Subordinate						
Tax Allocation						
Refunding Bonds	-	52,920,000	-	52,920,000	2,685,000	50,235,000
County deferred loans	<u>2,568,710</u>	<u>-</u>	<u>-</u>	<u>2,568,710</u>	<u>2,568,710</u>	<u>-</u>
Total	<u>\$ 168,367,944</u>	<u>\$ 53,487,995</u>	<u>\$ (6,915,000)</u>	<u>\$ 214,940,939</u>	<u>\$ 12,493,710</u>	<u>\$ 202,447,229</u>

All bonds are in compliance with their respective reserve requirements, by either the purchase of a surety bond or the placement of cash in a reserve account with the fiscal agent trustee.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 1:

2003B Tax Allocation Bonds

In December 2003, the Carson Redevelopment Agency issued \$32,495,863 of Tax Allocation Bonds, Series 2003B for Redevelopment Project Area No. 1 to fund redevelopment projects within the project area. The first principal installment was due on October 1, 2004; and then on October 1, 2017 annually thereafter ranging from \$466,575 to \$3,940,000 plus interest at 2.0% to 5.25% through October 2034. In April 2014, this debt was partially defeased when the Successor Agency of the former Carson Redevelopment Agency issued the Tax Allocation Refunding Bonds, Series 2014A. The capital appreciation bonds of \$5,410,863 that were issued as part of the bond issuance Tax Allocation Bonds, Series 2003B with maturity dates from October 1, 2023 through 2032 were not defeased. Prior to their applicable maturity dates, each capital appreciation bond will accrete interest on the principal component, with all interest accruing through the applicable maturity date and payable only upon the maturity or prior payment of the principal component. Accreted interest of \$5,211,366 has been reflected as long-term debt.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 1 - 2003B Tax Allocation Bonds as of June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	\$ -	\$ -	\$ -
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022 - 2026	2,153,026	4,476,974	6,630,000
2027 - 2031	2,296,614	6,983,386	9,280,000
2032 - 2033	<u>961,223</u>	<u>3,678,777</u>	<u>4,640,000</u>
Totals	<u>\$ 5,410,863</u>	<u>\$ 15,139,137</u>	<u>\$ 20,550,000</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 1 (Continued):

2001 Tax Allocation Refunding Bonds

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 fiduciary net position in the accompanying fiduciary fund financial statements.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 1 - 2001 Tax Allocation Refunding Bonds as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 2,775,000</u>	<u>\$ 76,313</u>	<u>\$ 2,851,313</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 1 (Continued):

2009A Tax Allocation Bonds

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.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 1 - 2009A Tax Allocation Bonds as of June 30, 2016:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 470,000	\$ 1,332,550	\$ 1,802,550
2018	545,000	1,305,225	1,850,225
2019	575,000	1,272,988	1,847,988
2020	615,000	1,237,288	1,852,288
2021	650,000	1,198,900	1,848,900
2022 - 2026	7,330,000	4,827,056	12,157,056
2027 - 2031	1,795,000	3,277,575	5,072,575
2032 - 2036	5,070,000	2,440,550	7,510,550
2037	<u>3,350,000</u>	<u>117,250</u>	<u>3,467,250</u>
Totals	<u>\$ 20,400,000</u>	<u>\$ 17,009,382</u>	<u>\$ 37,409,382</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 1 (Continued):

2009 Revenue Bonds

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 \$930,000 plus interest at 3.75% to 5.5% through October 1, 2036.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 1 - 2009 Revenue Bonds as of June 30, 2016:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 295,000	\$ 687,075	\$ 982,075
2018	310,000	672,688	982,688
2019	325,000	656,813	981,813
2020	340,000	639,763	979,763
2021	360,000	621,387	981,387
2022 - 2026	2,105,000	2,773,937	4,878,937
2027 - 2031	2,830,000	2,025,706	4,855,706
2032 - 2036	3,855,000	960,537	4,815,537
2037	<u>930,000</u>	<u>30,225</u>	<u>960,225</u>
Totals	<u>\$ 11,350,000</u>	<u>\$ 9,068,131</u>	<u>\$ 20,418,131</u>

2014A Tax Allocation Refunding Bonds

In April 2014, the Successor Agency of the former Carson Redevelopment Agency issued \$26,190,000 Tax Allocation Refunding Bonds, Series 2014A, for Redevelopment Project Area No. 1 to advance refund \$1,540,000 of the outstanding 2003 Tax Allocation Refunding Bonds and \$26,850,000 of the outstanding 2003B Tax Allocation 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 \$245,000 to \$2,225,000 plus interest at 3.0% to 5.0% through October 1, 2034. The interest and principal of the bonds are payable from pledged tax increment revenues of the Redevelopment Obligation Retirement Fund.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 1 (Continued):

2014A Tax Allocation Refunding Bonds (Continued)

Of the Series 2014A proceeds, \$28,543,351 were used to purchase U.S. Government securities to refund in full the 2003 Tax Allocation Refunding Bonds and refund a portion of the Series 2003B Tax Allocation Bonds. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the entire balance of the of the 2003 Tax Allocation Refunding Bonds in the amount of \$1,540,000 and \$26,850,000 of the 2003B Tax Allocation Bonds. As a result, the entire 2003 Tax Allocation Refunding Bonds and a portion of 2003B Tax Allocation Bonds are considered to be defeased and the liability for these bonds has been removed from the statement of fiduciary net position in the accompanying fiduciary fund financial statements.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 1 - 2014A Tax Allocation Refunding Bonds as of June 30, 2016:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 225,000	\$ 1,218,788	\$ 1,443,788
2018	2,830,000	1,157,688	3,987,688
2019	2,950,000	1,027,338	3,977,338
2020	3,095,000	876,213	3,971,213
2021	3,245,000	717,712	3,962,712
2022 - 2026	7,005,000	1,786,812	8,791,812
2027 - 2031	2,025,000	976,062	3,001,062
2032 - 2035	<u>4,355,000</u>	<u>557,281</u>	<u>4,912,281</u>
Totals	<u>\$ 25,730,000</u>	<u>\$ 8,317,894</u>	<u>\$ 34,047,894</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 2:

2007A Tax Allocation Refunding Bonds

In October 2007, the Carson Redevelopment Agency issued \$16,845,000 of Tax Allocation Refunding Bonds, Series 2007A for Redevelopment Project Area No. 2 to advance refund \$14,925,000 of the outstanding 2003 Tax Allocation Refunding Bonds, establish a reserve account for the bonds and to pay the cost of issuing the bonds. Principal installments are due annually ranging in amounts from \$105,000 to \$1,655,000 plus interest at 0.5% to 5.3% through January 1, 2036.

Of the 2007A series proceeds, \$16,361,635 were used to purchase U.S. Government securities to advance refund in full the 2003D series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the entire outstanding balance of \$14,925,000. As a result, the entire 2003D Tax Allocation Bonds are considered to be defeased and the liability for this bond has been removed from the statement of fiduciary net position in the accompanying fiduciary fund financial statements.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 2 - 2007A Tax Allocation Refunding Bonds as of June 30, 2016:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 135,000	\$ 736,500	\$ 871,500
2018	145,000	731,100	876,100
2019	150,000	725,300	875,300
2020	150,000	719,300	869,300
2021	155,000	713,300	868,300
2022 - 2026	1,780,000	3,458,819	5,238,819
2027 - 2031	6,050,000	2,620,263	8,670,263
2032 - 2036	<u>7,565,000</u>	<u>1,107,337</u>	<u>8,672,337</u>
Totals	<u>\$ 16,130,000</u>	<u>\$ 10,811,919</u>	<u>\$ 26,941,919</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 2 (Continued):

2014A Tax Allocation Refunding Bonds

In April 2014, the Successor Agency of the former Carson Redevelopment Agency issued \$17,040,000 Tax Allocation Refunding Bonds, Series 2014A, for Redevelopment Project Area No. 2 to advance refund \$10,720,000 of the outstanding 2003A Tax Allocation Refunding Bonds, \$2,455,000 of the outstanding 2003B Tax Allocation Refunding Bonds, \$7,885,000 of the outstanding 2003C Tax Allocation Bonds, and to pay the cost of issuing the bonds. To the \$17,040,000 principal amount was added \$2,507,463 representing refunded bonds available funds, \$2,085,073 of original issue premium and deducted \$68,620 in underwriter discount for a total of \$21,563,916. Principal installments are due annually ranging in amounts from \$1,660,000 to \$1,925,000 plus interest at 4.0% to 5.0% through October 1, 2024. The interest and principal of the bonds are payable from pledged tax increment revenues of the Redevelopment Obligation Retirement Fund.

Of the Series 2014A proceeds, \$21,563,916 were used to purchase U.S. Government securities to refund in full the 2003A Tax Allocation Refunding Bonds, partially refund the 2003B Tax Allocation Refunding Bonds and 2003C Tax Allocation Bonds. Those securities were placed in an irrevocable trust with an escrow agent as follows: \$10,875,744 for the Series 2003A Tax Allocation Refunding Bonds escrow fund; \$2,464,287 for the Series 2003B Tax Allocation Refunding Bonds escrow fund; \$7,918,643 for the Series 2003C Tax Allocation Bonds to provide for all future debt service payments on the entire balance of the of 2003A Tax Allocation Refunding Bonds in the amount of \$10,720,000, 2003B Tax Allocation Refunding Bonds in the amount of \$2,455,000 and 2003C Tax Allocation Bonds in the amount of \$7,885,000. The remaining proceeds of \$305,241 were used for the bond issuance cost.

As a result of the refunding, entire 2003A Tax Allocation Refunding Bonds, 2003B Tax Allocation Refunding Bonds and 2003C Tax Allocation Bonds are considered to be defeased and the liability for these bonds has been removed from the statement of fiduciary net position in the accompanying fiduciary fund financial statements.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Redevelopment Project Area 2 (Continued):

2014A Tax Allocation Refunding Bonds (Continued)

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 2 - 2014A Tax Allocation Refunding Bonds as of June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 1,300,000	\$ 653,750	\$ 1,953,750
2018	1,350,000	600,750	1,950,750
2019	1,405,000	538,625	1,943,625
2020	1,475,000	466,625	1,941,625
2021	1,550,000	391,000	1,941,000
2022 - 2025	7,045,000	729,125	7,774,125
Totals	<u>\$ 14,125,000</u>	<u>\$ 3,379,875</u>	<u>\$ 17,504,875</u>

Long-Term Liabilities - Redevelopment Project Area 4:

2006 Tax Allocation Bonds

In December 2006, the Carson Redevelopment Agency issued \$28,000,000 of Tax Allocation Bonds, Series 2006 for Redevelopment Project Area No. 4 to fund redevelopment projects within the project area. Principal installments are due and begin October 1, 2007 annually ranging from \$385,000 to \$1,485,000 plus interest at 3.5% to 4.25% through October 2041.

The following schedule summarizes the debt service to maturity requirement for the Redevelopment Project Area 4 - 2006 Tax Allocation Bonds as of June 30, 2016:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 535,000	\$ 1,005,960	\$ 1,540,960
2018	550,000	986,698	1,536,698
2019	575,000	966,160	1,541,160
2020	590,000	944,460	1,534,460
2021	615,000	921,482	1,536,482
2022 - 2026	3,460,000	4,210,606	7,670,606
2027 - 2031	4,245,000	3,403,750	7,648,750
2032 - 2036	5,260,000	2,370,531	7,630,531
2037 - 2041	6,510,000	1,084,784	7,594,784
2042	1,485,000	33,413	1,518,413
Totals	<u>\$ 23,825,000</u>	<u>\$ 15,927,844</u>	<u>\$ 39,752,844</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Low and Moderate Income Housing:

2010A-T Tax Allocation Housing Bonds

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% through October 1, 2021.

The following schedule summarizes the debt service to maturity requirement for the Low and Moderate Income Housing - 2010A-T Tax Allocation Housing Bonds as of June 30, 2016:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,505,000	\$ 439,295	\$ 1,944,295
2018	1,570,000	362,175	1,932,175
2019	1,655,000	273,488	1,928,488
2020	1,750,000	179,850	1,929,850
2021	1,845,000	80,987	1,925,987
2022	<u>550,000</u>	<u>15,125</u>	<u>565,125</u>
Totals	<u>\$ 8,875,000</u>	<u>\$ 1,350,920</u>	<u>\$ 10,225,920</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Low and Moderate Income Housing (Continued):

2010A Tax Allocation Housing Bonds

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% through October 1, 2036.

The following schedule summarizes the debt service to maturity requirement for the Low and Moderate Income Housing - 2010A Tax Allocation Housing Bonds as of June 30, 2016:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,294,063	\$ 1,294,063
2018	-	1,294,063	1,294,063
2019	-	1,294,063	1,294,063
2020	-	1,294,063	1,294,063
2021	-	1,294,063	1,294,063
2022 - 2026	9,510,000	5,369,643	14,879,643
2027 - 2031	6,700,000	3,266,875	9,966,875
2032 - 2036	7,695,000	1,501,368	9,196,368
2037	<u>1,715,000</u>	<u>45,019</u>	<u>1,760,019</u>
Totals	<u>\$ 25,620,000</u>	<u>\$ 16,653,220</u>	<u>\$ 42,273,220</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - Successor Agency:

2015B Subordinate Tax Allocation Refunding Bonds

In August 2015, the Successor Agency to the Carson Redevelopment Agency issued \$52,920,000 of Tax Allocation Refunding Bonds Series, 2015B to refund certain outstanding indebtedness previously issued by the Successor Agency. Interest payments are due semi-annually beginning on February 1, 2016 with interest rates ranging from 2.26% to 5.41% through February 1, 2036. Principal installments are due annually beginning on February 1, 2020.

The following schedule summarizes the debt service to maturity requirement for the Successor Agency - 2015B Subordinate Tax Allocation Refunding Bonds as of June 30, 2016:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,685,000	\$ 2,373,771	\$ 5,058,771
2018	3,035,000	2,313,064	5,348,064
2019	3,105,000	2,229,662	5,334,662
2020	3,205,000	2,126,979	5,331,979
2021	3,335,000	2,006,568	5,341,568
2022 - 2026	19,235,000	7,796,320	27,031,320
2027 - 2031	9,960,000	3,452,766	13,412,766
2032 - 2036	<u>8,360,000</u>	<u>1,408,813</u>	<u>9,768,813</u>
Totals	<u>\$ 52,920,000</u>	<u>\$ 23,707,943</u>	<u>\$ 76,627,943</u>

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 May 21, 2014, Moody's Investors Service upgraded the insurance financial strength rating of NPFGC from Baa1 to A3.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Long-Term Liabilities - County Deferred Loans:

The former Carson Redevelopment Agency, the County of Los Angeles, and the Consolidated Fire Protection District entered into an Agreement of Reimbursement of Tax Increment Funds on February 15, 1983, upon the authority of Health and Safety Code Section 33401 and the provisions of Amendment No. 6 to the Carson Redevelopment Plan for the Project Area No. 2 (the Project) as required by Health and Safety Code Section 33338.1, whereby the County agreed to loan tax increment up to \$200,000 annually not to exceed \$8 million dollars for the project.

As of June 30, 2016, the cumulative deferred loan balance payable to the County of Los Angeles was \$2,568,710.

Transfers:

The Successor Agency transferred \$50,590,000 bond proceeds to the Reclamation Authority. The Reclamation Authority will utilize the bond proceeds in a manner consistent with the original bond covenants. The Successor Agency also owed \$6,665,151 of land sale proceeds pursuant to an existing enforceable obligation to the Reclamation Authority. The land sale proceeds will be used to continue remediation efforts on a former landfill site.

Commitments Under Development Agreements:

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 then 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 2002-2003 shall be credited towards the payment of the principal amount and any interest accrued. As of June 30, 2016, the balance of the loan from this developer is \$3,625,951.

BP West Coast Products, LLC/Tesoro Corporation

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.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Commitments Under Development Agreements (Continued):

BP West Coast Products, LLC/Tesoro Corporation (Continued)

The Agency agreed to sell the 4.5 acre development parcel, located at 2254 E. 223rd Street, to the Developer for the sum of one dollar (\$1.00) and a note amount equal to \$2,960,000 (Note). Each year, seventy-five percent (75%) of the site tax increment is credited against any amounts outstanding under the Note. The term is for 15 years and simple interest accrues at two percent (2%) per annum. On June 1, 2013, the Developer sold the property and transferred all rights and responsibilities under the Note to Tesoro Corporation. As of June 30, 2016, the balance on the Note is \$1,832,532.

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 September 20, 2014, the loan was fully amortized. 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. The property was sold by Primestor on July 18, 2014, and the Agency received the \$350,000 balance at closing.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Commitments Under Development Agreements (Continued):

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 (Developer), 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 is committed to providing \$110 million in public financial assistance. In addition, the Agency committed to finance the improvements to the I-405/Avalon Boulevard on-off ramp system. Developer is obligated to contribute \$25 million toward this project. Total financial assistance granted to the Developer as of June 30, 2015, amounted to \$69.6 million. This project was cancelled and a settlement agreement between the Agency and the Developer was drafted and approved by the State Department of Finance on April 27, 2015.

On May 18, 2015, the Carson Reclamation Authority (Authority) took title to the Site, becoming the successor in interest to the Developer. The Successor Agency issued bonds in the amount of \$50.5 million, and the Series 2015B bonds closed on August 20, 2015, and the funds were transferred to the Authority. In 2015, the Site was proposed as the location for an NFL stadium; however, on January 12, 2016, that the NFL instead approved a location in the nearby City of Inglewood for the relocation of up to two NFL teams to the Los Angeles area. The two NFL teams proposed for the Site have since terminated their option, which would have expired on April 30, 2016.

Alternatively, the Site remains approved for the mixed-use development, and the City and Authority negotiated an Exclusive Negotiating Agreement with The Macerich Company for a 560,000 square foot fashion outlet mall. The mall is anticipated to open in late 2020.

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 loan for the senior housing component. Phase I was completed in April 2011.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

16. SUCCESSOR AGENCY DISCLOSURES (CONTINUED):

Commitments Under Development Agreements (Continued):

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

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 which 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, the balance of the Note will become due and payable to the Agency. As of June 30, 2016, WIN Chevrolet has a loan balance of \$5,600,000.

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 (DDA) 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. (Site). 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. As of June 30, 2016, the loan balance is \$2,022,790.

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

17. RESTATEMENTS:

Restatements of the Government-Wide and the Successor Agency Private-purpose Trust Fund's net position as of July 1, 2015, are as follows:

	<u>Government-Wide</u>			<u>Successor Agency Private-purpose Trust Fund</u>
	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>	
Net position at July 1, 2015, as originally reported	\$327,232,242	\$ -	\$327,232,242	\$ (70,120,674)
To transfer assets with governmental purposes from the Successor Agency to the City	62,881,206	-	62,881,206	(62,881,206)
To record a receivable/payable for reimbursement of prior year City expenditures incurred by Successor Agency	(1,714,390)	-	(1,714,390)	1,714,390
To correct capital asset balances related to buildings, improvements and construction-in-progress	2,847,738	-	2,847,738	-
To include the Reclamation Authority as a blended component unit of City since it had not been included previously	-	251,000	251,000	-
To record estimated acquisition value of land and inventory contributed in the prior year.	-	41,977,407	41,977,407	-
To create allowances for uncollectible loans receivable due to their long-term nature and repayment terms	<u>(13,054,870)</u>	<u>-</u>	<u>(13,054,870)</u>	<u>(2,016,821)</u>
Net position at July 1, 2015, as restated	<u>\$378,191,926</u>	<u>\$ 42,228,407</u>	<u>\$420,420,333</u>	<u>\$ (133,304,311)</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

17. RESTATEMENTS (CONTINUED):

Restatements of the Governmental Funds (the Carson Housing Authority and the Cooperation Agreement Bond Proceeds Special Revenue Funds) fund balances as of July 1, 2015, are as follows:

	Carson Housing Authority Special Revenue Fund	Cooperation Agreement Bond Proceeds Special Revenue Fund
	<u>Fund</u>	<u>Fund</u>
Fund balances at July 1, 2015, as originally reported	\$ 30,712,050	\$ 40,092,461
To eliminate unavailable revenue related to long-term loans receivable	7,006,092	-
To record a receivable/payable for reimbursement of prior year City expenditures incurred by Successor Agency	<u>-</u>	<u>(1,714,390)</u>
Fund balances at July 1, 2015, as restated	<u>\$ 37,718,142</u>	<u>\$ 38,378,071</u>

Restatements of the Proprietary Fund's net position as of July 1, 2015, are as follows:

	Reclamation Authority Enterprise Fund
	<u>Fund</u>
Net position at July 1, 2015, as originally reported	\$ -
To include the Reclamation Authority as a blended component unit of City	251,000
To record estimated fair value of land and inventory contributed in the prior year.	<u>41,977,407</u>
Net position at July 1, 2015, as restated	<u>\$ 42,228,407</u>

CITY OF CARSON

NOTES TO BASIC FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2016

18. SUBSEQUENT EVENTS:

Reclamation Authority Settlement Agreement:

On November 1, 2016, the City and Reclamation Authority entered into a settlement agreement with the developer of the proposed stadium project that elected not to proceed with the development. As part of the settlement, the City and Reclamation Authority retained the property, the City received \$1,823,952 from the final accounting of the existing reimbursement agreement and California Department of Finance settlement, and the Reclamation Authority received \$5,179,504 for the carrying costs of the property.

Issuance of Tax Allocation Refunding Bonds, Series 2016A:

On December 22, 2016, the Successor Agency to the former Carson Redevelopment Agency issued \$21,350,000 of Tax Allocation Refunding Bonds, Series 2016A. The proceeds were used to advance refund and defease all of the outstanding Carson Redevelopment Agency Redevelopment Project Area No. 1 Tax Allocation Bonds, Series 2009A. The advance refunding resulted in a reduction of total debt service requirements by \$1,575,720 and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$2,301,527.

Other Events:

Other events occurring after June 30, 2016, have been evaluated for possible adjustments to the financial statements or disclosure as of February 28, 2017, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARSON, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF CARSON

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2015	June 30, 2014
Total Pension Liability:		
Service cost	\$ 4,326,829	\$ 4,634,164
Interest on total pension liability	17,550,999	16,199,814
Changes of benefit terms	-	-
Changes of assumptions	(4,237,527)	-
Differences between expected and actual experience	6,597,837	-
Benefit payments, including refunds of employee contributions	<u>(9,777,863)</u>	<u>(9,448,777)</u>
Net Change in Total Pension Liability	14,460,275	11,385,201
Total Pension Liability - Beginning of Year	<u>229,790,020</u>	<u>218,404,819</u>
Total Pension Liability - End of Year (a)	<u><u>\$ 244,250,295</u></u>	<u><u>\$ 229,790,020</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 5,746,641	\$ 6,276,475
Contributions - employee	2,169,417	2,460,111
Net investment income	3,717,143	25,449,700
Benefit payments, including refunds of employer contributions	(9,777,863)	(9,448,777)
Plan to plan resource movement	(228,538)	-
Administrative expense	<u>(191,232)</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	1,435,568	24,737,509
Plan Fiduciary Net Position - Beginning of Year	<u>168,373,004</u>	<u>143,635,495</u>
Plan Fiduciary Net Position - End of Year (b)	<u><u>\$ 169,808,572</u></u>	<u><u>\$ 168,373,004</u></u>
Net Pension Liability - Ending (a)-(b)	<u><u>\$ 74,441,723</u></u>	<u><u>\$ 61,417,016</u></u>
Plan fiduciary net position as a percentage of the total pension liability	69.52%	73.27%
Covered - employee payroll	\$ 23,784,241	\$ 23,683,572
Net pension liability as percentage of covered- employee payroll	312.99%	259.32%

Notes to Schedule:

Benefit Changes:

The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2014. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions:

The discount rate was changed from 7.5% (net of administrative expense) to 7.65%.

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

CITY OF CARSON

SCHEDULE OF CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM - MISCELLANEOUS PLAN

Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Actuarially determined contribution	\$ 6,258,247	\$ 5,746,641
Contributions in relation to the actuarially determined contributions	<u>(6,258,247)</u>	<u>(5,746,641)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 23,931,419	\$ 23,784,241
Contributions as a percentage of covered - employee payroll	26.15%	24.16%

Notes to Schedule:

Valuation Date	June 30, 2013	June 30, 2012
----------------	---------------	---------------

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market value***
Inflation	2.75%**
Salary increases	Depending on age, service and type of employment**
Payroll growth	3%**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2.7% @55), 52 years (2.0% @62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

CITY OF CARSON

SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFITS PLAN

For the year ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Payroll [(b)-(a)]/c]
07/01/2011	\$ -	\$ 48,138,659	\$ 48,138,659	0.00%	\$ 25,455,297	189.11%
07/01/2013	7,287,038	48,365,461	41,078,423	15.07%	23,621,000	173.91%
07/01/2015	16,112,035	55,196,794	39,084,759	29.19%	29,602,000	132.03%

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CITY OF CARSON

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund accounts for all financial resources that are not restricted as to their use or required to be accounted for in another fund. These resources include sales and use tax, property taxes, utility users tax, franchise taxes, business license fees, building permits, interest on investments, fines and forfeitures, charges for services, and other miscellaneous revenues.

General Fund resources are used to finance the general governmental operations of the City of Carson. The city departments that are listed below are supported by the General Fund. The list likewise shows the services that each department provides.

City Council

Local legislative policy

City Attorney

Legal advisor to City Council and departments
Preparations of resolutions and ordinances
Contract review
Litigation

City Clerk

Records management
Preparation of minutes
Codification of municipal code
Elections

City Treasurer

Investments
Cash management
Cashiering

Community Development

Employment development
Business development
Successor Agency
Housing Authority
Housing and neighborhood development
Planning
Building and safety

Administrative Services

Revenue collection
Business license
Budget preparation
Financial reporting
Grants accounting
Accounts payable
Payroll
Purchasing
Reproduction and mail services
Warehouse operations
Information technology

Community Services

Parks and recreation
Special events
Sherriff's contract
Code enforcement and compliance
Security services
Youth services
Safety and emergency services
Pedestrian safety
Senior services
Fine Arts
Transportation
Community center

City Manager

Implementation of City Council policies
Intergovernmental relations
Public information
Preparation of agendas
Human resources
Recruitment/training
Worker's compensation
Risk assessment and management
Benefits administration

Public Works

General engineering
Contract administration
Construction engineering
Public Works
Street and parkway maintenance
Vehicle and equipment maintenance
Median and tree maintenance
Waste management
Environmental
Building and landscape maintenance

Non-Departmental

Retiree health insurance
Program support

CARSON HOUSING AUTHORITY SPECIAL REVENUE FUND

The Carson Housing Authority Special Revenue 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.

COOPERATION AGREEMENT BOND PROCEEDS SPECIAL REVENUE FUND

The Cooperation Agreement Bond Proceeds Special Revenue Fund accounts for unspent bond proceeds transferred to the City from the Successor Agency to the Dissolved Carson Redevelopment Agency (Successor Agency) in accordance with the Cooperation Agreement entered into by and between the City of Carson and the Successor Agency. Under this fund, the City will report the expenditures of the bond proceeds pursuant to the original bond covenants.

CITY OF CARSON
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Sales and use tax	\$ 18,919,942	\$ 21,019,942	\$ 24,504,724	\$ 3,484,782
Franchise tax	8,740,177	9,540,177	8,587,698	(952,479)
Property tax allocation from state	18,857,688	18,804,743	15,674,990	(3,129,753)
Transient occupancy tax	1,711,664	1,981,664	2,138,378	156,714
Utility users tax	8,650,000	7,670,000	6,754,075	(915,925)
Real property transfer tax	308,677	368,677	312,553	(56,124)
Admissions tax	400,132	250,132	256,343	6,211
Total Taxes	57,588,280	59,635,335	58,228,761	(1,406,574)
Licenses and Permits:				
Business licenses	2,600,000	2,600,000	2,791,432	191,432
Building permits	2,958,000	2,958,000	3,835,990	877,990
Other licenses and permits	775,503	775,503	484,567	(290,936)
Total Licenses and Permits	6,333,503	6,333,503	7,111,989	778,486
Fines and Forfeitures:				
Traffic and parking fines	1,480,000	1,360,000	1,174,627	(185,373)
Other fines, forfeitures and penalties	372,208	372,208	414,051	41,843
Total Fines and Forfeitures	1,852,208	1,732,208	1,588,678	(143,530)
Intergovernmental:				
Motor vehicle licenses	41,102	41,102	37,584	(3,518)
Other intergovernmental	302,591	302,591	304,877	2,286
Total Intergovernmental	343,693	343,693	342,461	(1,232)
Charges for Services:				
Planning and public works	399,620	399,620	393,429	(6,191)
Recreation	1,521,938	1,521,938	1,581,332	59,394
Other service charges	320,450	320,450	471,075	150,625
Total Charges for Services	2,242,008	2,242,008	2,445,836	203,828
Investment Income:				
Interest on investments	292,242	292,242	178,156	(114,086)
Rents and commissions	730,712	764,312	757,992	(6,320)
Community Center revenue	835,584	835,584	846,190	10,606
Total Investment Income	1,858,538	1,892,138	1,782,338	(109,800)
Miscellaneous	1,315,441	2,572,391	2,676,687	104,296
TOTAL REVENUES	71,533,671	74,751,276	74,176,750	(574,526)

(Continued)

See note to required supplementary information.

CITY OF CARSON

BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES:				
Current:				
General Government:				
City Council	\$ 1,155,434	\$ 1,155,434	\$ 970,625	\$ 184,809
City Attorney	2,350,000	4,570,550	12,586,274	(8,015,724)
Human Resources	2,192,837	2,276,439	1,985,284	291,155
Non-Departmental	4,714,559	4,965,559	4,797,054	168,505
City Clerk	903,856	1,073,971	955,048	118,923
City Treasurer	758,988	765,062	714,908	50,154
City Manager	3,920,395	4,019,728	4,020,640	(912)
Administrative services	4,273,071	4,297,434	3,926,831	370,603
Total General Government	20,269,140	23,124,177	29,956,664	(6,832,487)
Community Development	4,642,006	4,631,819	4,662,800	(30,981)
Public Works	15,071,781	15,568,973	15,547,603	21,370
Community Services	32,732,364	33,124,097	32,230,590	893,507
Capital Improvement Programs	-	264,298	529,861	(265,563)
TOTAL EXPENDITURES	72,715,291	76,713,364	82,927,518	(6,214,154)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,181,620)	(1,962,088)	(8,750,768)	(6,788,680)
OTHER FINANCING SOURCES (USES):				
Transfers in	19,884	19,884	19,884	-
Transfers out	(90,000)	(90,000)	(125,873)	(35,873)
TOTAL OTHER FINANCING SOURCES (USES)	(70,116)	(70,116)	(105,989)	(35,873)
NET CHANGE IN FUND BALANCE	(1,251,736)	(2,032,204)	(8,856,757)	(6,824,553)
FUND BALANCE - BEGINNING OF YEAR	27,567,192	27,567,192	27,567,192	-
FUND BALANCE - END OF YEAR	\$ 26,315,456	\$ 25,534,988	\$ 18,710,435	\$ (6,824,553)

See note to required supplementary information.

CITY OF CARSON

BUDGETARY COMPARISON SCHEDULE

CARSON HOUSING AUTHORITY SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 233,844	\$ 233,844	\$ 210,475	\$ (23,369)
Investment income	240,000	240,000	193,395	(46,605)
Miscellaneous	1,010,302	1,010,302	404,622	(605,680)
TOTAL REVENUES	1,484,146	1,484,146	808,492	(675,654)
EXPENDITURES:				
Current:				
Community development	7,949,090	7,949,090	5,410,703	2,538,387
TOTAL EXPENDITURES	7,949,090	7,949,090	5,410,703	2,538,387
NET CHANGE IN FUND BALANCE	(6,464,944)	(6,464,944)	(4,602,211)	1,862,733
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	37,718,142	37,718,142	37,718,142	-
FUND BALANCE - END OF YEAR	\$ 31,253,198	\$ 31,253,198	\$ 33,115,931	\$ 1,862,733

See note to required supplementary information.

CITY OF CARSON

BUDGETARY COMPARISON SCHEDULE

COOPERATION AGREEMENT BOND PROCEEDS SPECIAL REVENUE FUND

For the year ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 62,711	\$ 62,711
Investment income	385,000	385,000	261,384	(123,616)
TOTAL REVENUES	385,000	385,000	324,095	(60,905)
EXPENDITURES:				
Current:				
Community development	24,938,336	14,037,303	13,831,219	206,084
TOTAL EXPENDITURES	24,938,336	14,037,303	13,831,219	206,084
NET CHANGE IN FUND BALANCE	(24,553,336)	(13,652,303)	(13,507,124)	145,179
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	38,378,071	38,378,071	38,378,071	-
FUND BALANCE - END OF YEAR	\$ 13,824,735	\$ 24,725,768	\$ 24,870,947	\$ 145,179

See note to required supplementary information.

CITY OF CARSON

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

1. BUDGETARY CONTROL AND ACCOUNTING:

The following procedures are utilized by the City in formulating its annual budget:

- Early in the calendar year, the Directors prepare estimates of required appropriations for the following fiscal year. These estimates are compiled into a proposed operating budget.
- The City Manager submits the proposed budget to the City Council for the subsequent fiscal year. The operating budget includes both the sources and types of funds for the proposed expenditures. The City Council and staff meet in budget workshops in order to relate requests with available resources.
- Public hearings are conducted to obtain taxpayer comments on the proposed budget being adopted. Pursuant to provisions of the Carson Municipal Code, the General Fund budget must be adopted no later than July 20 of the new fiscal year. The budget is legally enacted through passage of a resolution.
- The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council. The budget is generally amended during the fiscal year to reflect adjustments, as authorized by the City Council. Expenditures may not legally exceed appropriations at the fund level.
- Formal budgetary integration is employed as a management control device during the year. Commitments for materials and services, such as purchase orders and contracts are recorded during the year as encumbrances in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are treated as a reservation of fund balance since they do not constitute expenditures or liabilities.
- It is the practice of the City to give Finance staff some discretion with respect to budget amounts for year-end purposes.

Budgeted amounts are reported on the same basis of accounting as the fund types they relate to (modified-accrual) and adopted on a basis consistent with accounting principles generally accepted in the United States of America. All unexpended appropriations expire at year-end and if warranted are reappropriated in the next budget cycle. Annual budgets are prepared for all governmental fund types expected to have activity during the fiscal year. No budgets were adopted from the Asset Forfeiture Special Revenue Fund and the City Special Events Special Revenue Fund.