BASIC FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

		Governmental Activities
ASSETS		
Cash and investments	$	133,467,155
Receivables		
Taxes		8,481,813
Accounts		758,866
Accrued interest - loans		3,983,278
Accrued interest - other		267,216
Loans, net of allowance for uncollectible accounts		18,936,695
Cash and investments - restricted		63,806,281
Due from government agencies		4,749,291
Inventory		441,886
Prepaid and other assets		259,945
Unamortized bond issuance costs		2,854,449
Land held for resale		32,242,810
Capital assets not being depreciated		127,865,419
Capital assets, net of accumulated depreciation		211,328,552
Total assets		609,443,656
LIABILITIES		
Accounts payable and accrued liabilities		9,215,835
Accrued interest payable		2,051,074
Accrued payroll		368,286
Due to governmental agencies		9,574
Refundable deposits		711,919
Unearned revenues		70,956
Retentions payable		861,818
Noncurrent liabilities		
Due within one year		9,663,359
Due in more than one year		206,846,256
Total liabilities		229,799,077
NET ASSETS		
Invested in capital assets, net of related debt		339,193,971
Restricted for:		
Debt service		15,168,145
Development services		5,462,293
Economic development		5,862,319
Public services		1,351,533
Low and moderate income housing		33,212,090
Unrestricted		(20,605,772)
Total net assets	$	379,644,579

See notes to financial statements.

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net Governmental Activities
Governmental Activities					
General government	$ 20,578,498	$ 9,854,136	$ -	$ -	$ (10,724,362)
Public services	36,479,106	2,729,439	775,021	73,347	(32,901,299)
Development services	11,742,451	313,790	6,040,337	-	(5,388,324)
Economic development	53,957,318	2,203,606	4,148,623	5,248,669	(42,356,420)
Capital maintenance programs	15,535,108	-	-	-	(15,535,108)
Pass-throughs	2,921,050	-	-	-	(2,921,050)
Interest and other charges	8,615,980	-	-	-	(8,615,980)
Total Governmental Activities	$ 149,829,511	$ 15,100,971	$ 10,963,981	$ 5,322,016	(118,442,543)

General revenues	
Taxes:	
Property taxes	32,977,590
Sales taxes	17,195,450
Transient occupancy taxes	1,197,800
Franchise taxes	7,483,227
Admissions tax	266,446
Utility users tax	7,439,521
Motor vehicle license fee, unrestricted	242,811
Motor vehicle in-lieu, unrestricted	7,104,861
Use of money and property	3,062,757
Other revenue	1,830,299
Total general revenues	78,800,762
Change in net assets	(39,641,781)
Net asset - beginning	419,286,360
Net asset - ending	$ 379,644,579

See notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

GOVERNMENTAL FUND FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

	General	Capital Projects: Capital Project Funds	Capital Projects: Low and Moderate Income Housing	Nonmajor Governmental Funds	Total
ASSETS					
Cash and investments (Note 2)	$ 23,875,190	$ 74,536,057	$ 21,120,519	$ 13,935,389	$ 133,467,155
Cash and investments with fiscal agent (Note 2)	-	15,426,078	33,212,058	15,168,145	63,806,281
Receivables:					
Taxes	5,243,458	3,238,355	-	-	8,481,813
Accounts	672,047	69,206	314	17,300	758,867
Accrued interest - loans	-	145,649	3,837,629	-	3,983,278
Accrued interest - other	12,021	152,675	-	102,520	267,216
Loans	44,391	22,139,312	37,370,440	-	59,554,143
Due from other funds (Note 6)	5,319,494	17,045,404	11,394,662	22,526	33,782,086
Due from government agencies	124,739	-	-	4,624,552	4,749,291
Inventory	441,886	-	-	-	441,886
Prepaids and other assets	191,645	68,300	-	-	259,945
Land held for resale	-	24,591,862	7,650,948	-	32,242,810
Deferred charges	-	4,430,973	247,373	-	4,678,346
Total assets	$ 35,924,871	$ 161,843,871	$ 114,833,943	$ 33,870,432	$ 346,473,117
LIABILITIES					
Accounts payable and accrued liabilities	$ 5,021,042	$ 2,787,273	$ 295,367	$ 1,114,197	$ 9,217,879
Accrued payroll	262,590	41,292	5,176	57,184	366,242
Due to other governmental agencies	-	-	-	9,575	9,575
Due to other funds (Note 6)	-	12,624,191	17,165,070	3,992,825	33,782,086
Retentions payable	-	130,788	450,220	280,810	861,818
Deferred revenue	6,322,157	21,889,147	37,398,792	2,980,726	68,590,822
Refundable deposits	22,236	689,683	-	-	711,919
Self insurance claims payable	795,555	-	-	-	795,555
Total liabilities	12,423,580	38,162,374	55,314,625	8,435,317	114,335,896
FUND BALANCES					
Nonspendable					
Loans receivable	44,391	-	-	-	44,391
Inventory	441,886	-	-	-	441,886
Prepaid items	191,645	68,300	-	-	259,945
Land held for resale	-	24,591,862	7,650,948	-	32,242,810
Restricted					
Low and moderate income housing	-	-	51,868,370	-	51,868,370
Debt service	-	-	-	15,168,145	15,168,145
Special revenue funds	-	-	-	13,099,376	13,099,376
Redevelopment projects	-	99,021,335	-	-	99,021,335
1% PEG fees	177,492	-	-	-	177,492
Capital projects	1,143,924	-	-	-	1,143,924
Alameda Corridor Projects	1,000,000	-	-	-	1,000,000
Committed					
Economic uncertainties	6,198,067	-	-	-	6,198,067
Assigned					
Raised median construction	233,114	-	-	-	233,114
Self-insurance	1,500,000	-	-	-	1,500,000
Special projects	1,000,000	-	-	-	1,000,000
Utility Underground	844,360	-	-	-	844,360
Encumbrances and continuing appropriations	134,802	-	-	589,883	724,685
Unassigned	10,591,610	-	-	(3,422,289)	7,169,321
Total fund balances	23,501,291	123,681,497	59,519,318	25,435,115	232,137,221
Total liabilities and fund balances	$ 35,924,871	$ 161,843,871	$ 114,833,943	$ 33,870,432	$ 346,473,117

See notes to financial statements.

City of Carson
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2011

Fund balance of governmental funds		$ 232,137,221
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of governmental activities are not financial resources and are not reported in the governmental funds.		
Capital assets		522,049,919
Accumulated depreciation		(182,855,948)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.		
Self insurance claims	$ (3,042,309)	
Compensated absences	(5,930,206)	
Net OPEB liability	(14,400,682)	
Bonds payable	(192,340,863)	
Unamortized bond issuance costs	2,854,449	(212,859,611)
Interest expenditures are recognized when due and accrued interest payable is not recorded in the governmental funds.		(2,051,074)
Deferred revenues are not available to pay for current period expenditures and therefore are deferred in the funds and recognized as revenue in the statement of activities.		63,841,520
Receivables that are not expected to be collected are provided with allowance for uncollectible accounts in the statement of activities. This does not affect the governmental fund financial statements		(27,167,669)
Interest-free notes receivables are discounted in the statement of net assets. This does not affect the governmental fund financial statements.		(13,449,779)
Net assets of governmental activities		$ 379,644,579

See notes to financial statements.

	General Fund	Capital Projects: Capital Project Funds	Capital Projects: Low-and Moderate Income Housing	Nonmajor Governmental Funds	Total
Revenues					
Taxes	$ 48,278,867	$ 28,307,078	$ -	$ 2,429,291	$ 79,015,236
Licenses and permits	6,472,150	-	-	-	6,472,150
Fines and forfeitures	2,049,229	-	-	138,501	2,187,730
Charges for services	2,408,497	-	-	776,247	3,184,744
Intergovernmental	599,808	-	-	10,146,452	10,746,260
Use of money and property	1,058,557	1,403,484	335,594	265,122	3,062,757
Miscellaneous	897,053	84,833	138,006	1,060,329	2,180,221
Total revenues	61,764,161	29,795,395	473,600	14,815,942	106,849,098
Expenditures					
Current:					
General government	18,136,954	-	-	-	18,136,954
Interfund reimbursement	(3,464,606)	-	-	-	(3,464,606)
Economic development	1,231,175	10,669,129	1,244,831	2,103,971	15,249,106
Development services	7,795,603	-	-	3,428,992	11,224,595
Public services	33,198,295	-	-	1,278,707	34,477,002
Pass-through expenditures	-	2,921,050	-	-	2,921,050
Capital improvement programs	509,979	15,807,004	1,709,923	9,194,709	27,221,615
Debt service:					
Bond principal	-	-	-	4,390,000	4,390,000
Interest and other fiscal charges	-	-	198,522	8,394,118	8,592,640
Bond issuance costs	-	-	577,740	-	577,740
Total expenditures	57,407,400	29,397,183	3,731,016	28,790,497	119,326,096
Excess (deficiency) of revenues over expenditures	4,356,761	398,212	(3,257,416)	(13,974,555)	(12,476,998)
Other financing sources (uses)					
Transfers in (Note 6)	962,406	156,485	5,661,415	16,056,220	22,836,526
Transfers out (Note 6)	-	(17,489,328)	(4,128,780)	(1,218,418)	(22,836,526)
Gain on sale of land	-	-	779,500	-	779,500
Issuance of bonds	-	-	40,560,000	-	40,560,000
Net other financing sources (uses)	962,406	(17,332,843)	42,872,135	14,837,802	41,339,500
Change in fund balance	5,319,167	(16,934,631)	39,614,719	863,247	28,862,502
Fund balance, beginning of year	18,182,124	140,616,128	19,904,599	24,571,868	203,274,719
Fund balance, end of year	$ 23,501,291	$ 123,681,497	$ 59,519,318	$ 25,435,115	$ 232,137,221

See notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year ended June 30, 2011

Change in Fund Balances - Governmental Funds	$	28,862,502
Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balances because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:		
Capital outlay, net of disposal		9,372,193
Depreciation expense		(9,295,630)
Proceeds from the issuance of bonds and loans is reported as other financing sources in governmental funds. The issuance of bonds increases liabilities in the statement of net assets. Costs associated with the issuance of debt are reported as expenditures in the governmental funds, but are deferred and amortized in the statement of net assets.		
Proceeds of bond issuance		(40,560,000)
Bond issuance cost		577,740
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Payment of principal		4,390,000
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Claims and judgments		(112,052)
Amortization of bond issuance costs		(70,462)
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		(1,001,497)
Change in accrued interest on long-term debt		47,122
Other postemployment benefits		(4,665,475)
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.		13,431,226
Interest-free notes receivables are discounted in the statement of net assets. This does not affect the governmental fund financial statements.		(13,449,779)
Receivables that are not expected to be collected are provided with allowance for uncollectible accounts in the statement of activities. This does not affect the governmental fund financial statements.		(27,167,669)
Change in net assets of governmental activities	$	(39,641,781)

See notes to financial statements.

FIDUCIARY FUND FINANCIAL STATEMENT

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

		Totals
ASSETS		
Cash and investments	$	6,177,282
Cash and investments with fiscal agent		2,511,475
Receivables:		
Accounts		494,867
Interest		36
Total assets	$	9,183,660
LIABILITIES		
Accounts payable and accrued liabilities	$	240,312
Refundable deposits		2,541,279
Due to assessees/bondholders		6,402,069
Total liabilities	$	9,183,660

See notes to financial statements.

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CARSON, CALIFORNIA

INCORPORATED FEB 20, 1968

FUTURE UNLIMITED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The accompanying basic financial statements present the City of Carson (the primary government) and its component units, the Carson Redevelopment Agency (the Agency) and the Carson Joint Powers Financing Authority (Authority). The financial activities of the Agency and the Authority are blended with the financial activities of the City because of the significance of their operational and financial relationship with the City.

The City was incorporated under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides a full range of services, including city administration, economic development, public works, community development, transportation, public safety and recreational and cultural activities. The City contracts with the County of Los Angeles for police protection and building and safety services. Library services, fire protection and sewer services are provided by Special Districts of the County of Los Angeles.

The Agency is a separate government entity created to prepare and carry out plans for improvement, rehabilitation and redevelopment of blighted areas within the City. City Council members, in a separate session, serve as the governing board of the Agency, and all accounting and administrative functions are performed by the City. The financial activities of the Agency have been blended into the accompanying basic financial statements of the City within the Debt Service and Capital Projects Fund Types. Separate financial statements of the Agency are available at City Hall, 701 E. Carson Street, P.O. Box 6234, Carson, California 90749.

The Carson Joint Powers Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated November 17, 1992, between the City and the Carson Redevelopment Agency. The Authority was created for the purpose of providing financing for public capital improvements for the Agency. Even though it is legally separate, it is reported as if it were part of the City because the City Council also serves as the governing board of the Authority. Separate financial statements of the Financing Authority are not issued.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements report the governmental activities of the primary government (including its blended component units). The City has no business-type activities or discretely presented component units. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Fund Financial Statements

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund financial statements for the primary government's governmental funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental funds.

Governmental Funds

In the fund financial statements, governmental funds and agency funds are presented using the modified-accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 60 days.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in-lieu, transient occupancy taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when the related cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government- mandated and voluntary non-exchange* transactions are recognized as revenues when all applicable eligibility requirements have been met.

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus.* This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered "available spendable resources," because they do not represent net current assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of governmental fund type revenues represented by noncurrent receivables are deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities.

Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as other financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

Fund Classification

The funds designated as major funds are determined by a mathematical calculation consistent with GASB 34. The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not allocated by law or contractual agreement to a specific fund are accounted for in this fund. Expenditures of this fund include general operating costs and capital improvement costs that are not paid through other funds.

Capital Projects Funds

Project Areas 1, 2, 3 and 4 are used to account for all revenues and costs of implementing the redevelopment projects in accordance with the California Community Redevelopment Law, including acquisition of properties, cost of site improvements and other costs that benefit the Project Areas as well as administrative expenses incurred in sustaining Agency activities.

Low-and Moderate-Income Housing was established to increase and improve the supply of low-and moderate-income housing within the community. The primary source of funds has been the contribution of 20% of incremental property tax revenues generated by the Redevelopment Project Areas.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's fund structure also includes the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

Debt Service Funds are used to account for the payment of interest and principal on the Agency's tax allocation bonds for each project area. The principal sources of revenue of these funds are incremental property taxes and investment income.

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. Agency Funds are accounted for in essentially the same manner as governmental funds; however, their purpose is to be custodial in nature (assets equal liabilities), and therefore, the measurement of results of operations is not appropriate.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires City management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Reporting

During the fiscal year ended June 30, 2011, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. This Statement establishes the following fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds:

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, prepaid expenses, land held for resale, and loans receivable.

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, debt service and the low/moderate income housing program, and more.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance consists of funds that are set aside for specific purposes by the Commission's highest level of decision making authority or a body or official that has been given the authority to assign funds.

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.

Cash and Investments

The City pools cash and investments of all funds, except for assets held by the Carson Redevelopment Agency and assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as *cash and investments*.

Changes in fair value that occur during a fiscal year are recognized as uses of money and property reported for that fiscal year. Uses of money and property also reports interest earnings, rental income, and any gains or losses realized upon the liquidation, maturity, or sale of investments. Interest income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance. Investments are reported in the accompanying balance sheet at fair value except for certain certificates of deposit and investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

Land Held for Resale

Land held for resale represents land purchased by the Agency to further the Redevelopment Plan. Such land is recorded at the lower of acquisition cost or estimated net realizable value. Fund balance is classified as nonspendable for such land held for resale at year-end as such recorded balances are not immediately subject to cash liquidation and therefore do not represent a readily expendable resource.

Capital Assets

Capital assets are recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Generally, capital asset purchases in excess of $5,000 are capitalized if they have an expected useful life of one year or more.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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
Equipment and machinery	5-20 years
Infrastructure:	
Roadways	7-100 years
Sewer	25-30 years
Storm drain	20-50 years

Inventory

Inventory is stated at cost on a first-in, first-out (FIFO) basis. Inventory in the General Fund consists principally of fuel, office supplies, recreational activity supplies and other miscellaneous materials and supplies. Materials and supplies are charged to inventories when purchased and treated as expenditure when issued. Inventory amounts are classified as nonspendable in the fund balance since they do not represent available spendable resources.

Employee Compensated Absences

It is the policy of the City to record the cost of employee compensated absences in the government-wide financial statements as earned. In accordance with GASB Statement No. 16, a liability is recorded for unused vacation and similar compensatory leave balances since the employees' entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon leave redemption, termination, or retirement.

Under GASB Statement No. 16, a liability is recorded for unused sick leave balances only to the extent that it is probable that the unused balances will result in termination payments. This is estimated by including in the liability the unused balances of employees currently entitled to receive termination payment, as well as those who are expected to become eligible to receive termination benefits as a result of continuing their employment with the City. Other amounts of unused sick leave are excluded from the liability since their payment is contingent solely upon the occurrence of a future event (illness) which is outside the control of the City and the employee.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Carson Redevelopment Agency receives annual property tax increment funds from the County of Los Angeles. In addition, the City receives funds from the state of California via the County, as the City is considered to be a "no and low" property tax City. The City's current year allocation of the "no and low" property tax was $5,654,652.

Under California law, property taxes are assessed and collected by the counties up to 1% of assessed value plus other increases approved by the voters. Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date	January 1
Levy date	July 1 to June 30
Due date	November 1 – first installment
	March 1 – second installment
Collection date	December 10 – first installment
	April 10 – second installment

NOTE 2 CASH AND INVESTMENTS

Cash and investments as of June 30, 2011 are classified in the accompanying financial statement as follows:

Statement of Net Assets:		
Cash and investments	$	133,467,155
Cash and investments with fiscal agents		63,806,281
Statement of Fiduciary Assets and Liabilities		
Cash and investments		6,177,282
Cash and investments with fiscal agents		2,511,475
Total cash and investments	$	205,962,193

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2011 consist of the following:

Cash on hand	$	4,050
Deposits with financial institutions		2,838,039
Investments		203,120,104
Total cash and investments	$	205,962,193

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

The following table identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Authorized by Investment Policy	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investment In One Issuer
Local Agency Bonds	No	N/A	N/A	N/A
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	30%	30%
Commercial Paper	Yes	270 days	25%	10%
Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	No	N/A	N/A	N/A
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	No	N/A	N/A	N/A
Mutual Funds	No	N/A	N/A	N/A
Money Market Mutual Funds	Yes	N/A	20%	10%
Mortgage Pass-Through Securities	No	N/A	N/A	N/A
County Pooled Investment Funds	No	N/A	N/A	N/A
Local Agency Investment Fund	Yes	N/A	None	$40 million per account
JPA Pools (other investment pools)	No	N/A	N/A	N/A

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	1 year	None	None
Commercial Paper	270 days	None	None
Negotiable Certificates of Deposit	None	None	None
Repurchase Agreements	30 days	None	None
Money Market Mutual Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Investment Agreements	N/A	None	None

Disclosures Relating to Interest Rate Risk

Interest rate risk pertains to the changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity over time as necessary to provide the cash flow and liquidity needed for operations.

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investment Type	Total	Remaining maturity in Months: 12 Months Or Less	13 to 24 Months	25-60 Months
State investment pool	$ 10,017,544	$ 10,017,544	$ -	$ -
Certificates of deposits	60,220,564	51,320,564	8,900,000	-
Money market funds	20,933,803	18,030,087	2,903,716	-
Federal agency securities	42,029,293	2,000,000	15,517,273	24,512,020
Bonds	3,601,143	424,443	3,176,700	-
Held by fiscal agent:				
Certificates of deposits	249,753	249,753	-	-
Federal agency securities	33,061,926	5,917,791	2,507,502	24,636,633
Money market funds	28,727,978	25,312,821	-	3,415,157
Bonds	4,278,100	2,064,320	-	2,213,780
	$ 203,120,104	$ 115,337,323	$ 33,005,191	$ 54,777,590

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment Type	Amount	Minimum Legal Rating	AAA	AA+	AA-	A+	A-	Not Rated
State investment pool	$ 10,017,544	N/A	$ -	$ -	$ -	$ -	$ -	$ 10,017,544
Certificates of deposits	60,220,564	N/A	-	-	-	-	-	60,220,564
Money market funds	20,933,803	N/A	-	-	-	-	-	20,933,803
Federal agency securities	42,029,293	AAA	35,521,890	6,507,403	-	-	-	-
Bonds	3,601,143	AAA	-	3,500,290	100,853	-	-	-
Held by fiscal agent:			-	-	-	-	-	-
Certificates of deposit	249,753	N/A	-	-	-	-	-	249,753
Federal agency securities	33,061,926	AAA	33,061,926	-	-	-	-	-
Money market funds	28,727,978	AAA	28,727,978	-	-	-	-	-
Bonds	4,278,100	AAA	-	-	-	2,064,320	2,213,780	-
Total	$ 203,120,104		$ 97,311,794	$ 10,007,693	$ 100,853	$ 2,064,320	$ 2,213,780	$ 91,421,664

Concentration of Credit Risk

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

Investment Type	Investment Type	Reported Amount
Federal Home Loan Bank	Federal agency securities	$ 36,873,260
Federal Home Mortgage Corp.	Federal agency securities	14,943,720
Federal National Mortgage Assoc.	Federal agency securities	21,290,238

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2011, the City's investments in the following investments types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

Investment Type	Reported Amount
Federal agency securities	$ 42,029,293

For investments identified herein as held by fiscal agent, the fiscal agent selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the reporting government.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool of $10 million is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAlF for the entire LAlF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF’s and the City’s exposure to risk (credit, market or legal) is not currently available.

NOTE 3 LAND HELD FOR RESALE

In the fiscal year 2009-2010, the Agency wrote down the carrying value of land held for resale to its net realizable value. This resulted in a write-down of approximately $14.2 million in the value of land held for resale.

NOTE 3 LAND HELD FOR RESALE (CONTINUED)

Account details as of June 30, 2011 are as follows:

Land held for resale - acquisition cost	$	46,413,847
Less allowance for decline in value		(14,171,037)
Net amount	$	32,242,810

NOTE 4 LOANS RECEIVABLE

Details of the City's loans receivable as of June 30, 2011 are as follows:

Loans relative to development projects under various disposition and development agreements	$	51,852,691
First Time Homebuyer Loan Program		7,701,452
Total		59,554,143
Less: Alowance for uncollectible accounts		(27,167,669)
Discount on notes receivable		(13,449,779)
Loans receivable, net	$	18,936,695

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

NOTE 5 CAPITAL ASSETS

	Balance July 1, 2010	Increases	Decreases/ Transfers	Balance June 30, 2011
Capital assets being depreciated:				
Buildings and improvements	$ 72,615,479	$ 1,266,264	$ -	$ 73,881,743
Machinery and equipment	14,979,029	342,141	(1,222,455)	14,098,715
Infrastructure				
Roadways	276,228,999	3,470,078	-	279,699,077
Sewer	20,123,476	-	-	20,123,476
Storm drain	6,381,489	-	-	6,381,489
Total capital assets, being depreciated	390,328,472	5,078,483	(1,222,455)	394,184,500
Less accumulated depreciation for:				
Buildings and Improvements	(25,422,095)	(2,586,128)	-	(28,008,223)
Machinery and equipment	(10,571,912)	(1,098,291)	1,181,288	(10,488,915)
Infrastructure				
Roadways	(120,282,479)	(6,324,544)	-	(126,607,023)
Sewer	(14,322,144)	(349,716)	-	(14,671,860)
Storm drain	(2,961,688)	(118,239)	-	(3,079,927)
Total accumulated depreciation	(173,560,318)	(10,476,918)	1,181,288	(182,855,948)
Total capital assets, being depreciated, net	216,768,154	(5,398,435)	(41,167)	211,328,552
Capital assets not being depreciated:				
Land	17,249,232	-	(1,905,014)	15,344,218
Land rights	75,285,334	-	-	75,285,334
Land improvements	2,306,476	-	-	2,306,476
Infrastructure-street trees	9,296,753	-	7,392	9,304,145
Construction in progress	18,211,459	12,159,351	(4,745,564)	25,625,246
Total capital assets not being depreciated	122,349,254	12,159,351	(6,643,186)	127,865,419
Governmental activities capital assets, net	$ 339,117,408	$ 6,760,916	$ (6,684,353)	$ 339,193,971

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

		Amount
General government	$	1,977,932
Public services		4,389,514
Development services		1,864,376
Economic development		2,245,096
Total depreciation expense - governmental activities	$	10,476,918

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due From/Due to Other Funds

Due from/due to other funds as of June 30, 2011 are as follows:

	Due To Other Funds			
Due From Other Funds:	Capital Projects Fund	Low/Moderate Income Housing	Nonmajor Governmental Funds	Total
General Fund	$ 1,207,714	$ 121,685	$ 3,990,095	$ 5,319,494
Capital Project	-	17,042,674	2,730	17,045,404
Low/Moderate Income Housing	11,394,662	-	-	11,394,662
Nonmajor Governmental Funds	21,815	711	-	22,526
	$ 12,624,191	$ 17,165,070	$ 3,992,825	$ 33,782,086

Current interfund receivables and payables were (1) a result of short-term borrowings to eliminate negative cash, (2) reimbursement of certain administrative costs, (3) short-term borrowing for project costs, (4) short-term borrowings for land acquisition, and (5) short-term borrowings for cash and investments.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund Transfers

Transfers in and out for the year ended June 30, 2011 were as follows:

	Tranfers In				
Tranfers Out:	General Fund	Capital Projects Fund	Low/Moderate Income Housing	Nonmajor Governmental Funds	Total
Capital Projects	$ -	$ -	$ 5,661,415	$ 11,827,913	$ 17,489,328
Low/Moderate Income Housing	-	-	-	4,128,780	4,128,780
Nonmajor Governmental Funds	962,406	156,485	-	99,527	1,218,418
	$ 962,406	$ 156,485	$ 5,661,415	$ 16,056,220	$ 22,836,526

Interfund transfers were principally used to (1) set aside 20% tax increment revenues, (2) to transfer monies to make debt service payments on outstanding bonds, (3) to transfer monies to reimburse the General Fund and other nonmajor governmental funds for street maintenance costs and other costs, and (4) to implement council actions approving transfer of funds from Restricted Tow Fee Fund to General Fund.

NOTE 7 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011	Amount due within one year	Amount due after one year
Compensated absences	$ 4,928,709	$ 3,541,316	$ 2,539,819	$ 5,930,206	$ 3,132,804	$ 2,797,402
Net OPEB Obligation	9,735,207	5,941,242	1,275,767	14,400,682	-	14,400,682
Self-insurance claims payable	3,725,812	156,686	44,634	3,837,864	795,555	3,042,309
Bonded debt - tax allocation bonds	156,170,863	40,560,000	4,390,000	192,340,863	5,735,000	186,605,863
	$ 174,560,591	$ 50,199,244	$ 8,250,220	$ 216,509,615	$ 9,663,359	$ 206,846,256

NOTE 8 TAX ALLOCATION BONDS AND LOANS PAYABLE

		Balance at June 30, 2011
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. As of June 30, 2011, the reserve requirement for the bonds was $1,402,083. The balance in the reserve account as of June 30, 2011 was $1,402,083.	$	32,260,863
2003 Tax Allocation Refunding Bonds In January 2003, the Carson Redevelopment Agency issued $3,155,000 of Tax Allocation Refunding Bonds, Series 2003 for Redevelopment Project Area No. 1 to partially advance refund outstanding 1992 series tax allocation bonds. Principal installments are due annually ranging from $125,000 to $215,000 plus interest at 2.0% to 5.25% through October 2016. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2011.		2,005,000
2001 Tax Allocation Refunding Bonds In July 2001, the Carson Redevelopment Agency issued $28,625,000 of Tax Allocation Refunding Bonds, Series 2001 for Redevelopment Project Area No. 1 to advance refund $14,160,000 of the outstanding 1992 Tax Allocation Refunding Bonds and $15,000,000 of the outstanding Tax Allocation Bonds, Series 1993B, establish a reserve account for the bonds, and to pay the cost of issuing the bonds. Principal installments are due annually ranging in amounts from $780,000 to $2,775,000 plus interest at 2.7% to 5.5% through October 1, 2016.		

NOTE 8 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

		Balance at June 30, 2011
Of the 2001 series proceeds, $31,174,303 were used to purchase U.S. Government securities to advance refund a portion of the 1992 series and advance refund in full the 1993B series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on $14,160,000 of the 1992 series and the entire outstanding balance of the 1993B series in the amount of $15,000,000. As a result, the portion of the 1992 series and the entire 1993B series tax allocation bonds are considered to be defeased. The corresponding liabilities for the $14,160,000 and $15,000,000, respectively, have been removed from the statement of net assets.		
The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2011.	$	14,630,000
<u>2009A Tax Allocation Bonds</u> On June 23, 2009, the Carson Redevelopment Agency issued $22,810,000 of Tax Allocation Bonds, Series 2009A for Redevelopment Project Area No. 1 to fund redevelopment projects within the project area. Principal installments are due and begin October 1, 2010 annually ranging from $290,000 to $3,350,000 plus interest at 0.98% to 6.23% through October 2036. As of June 30, 2011, the reserve requirement for the bonds was $2,071,911. The balance in the reserve account as of June 30, 2011 was $2,071,911.		22,445,000
<u>2009 Revenue Bonds</u> In July 2009, the Carson Redevelopment Agency issued $12,165,000, of Revenue Bonds, Series 2009, for Redevelopment Project Area No.1 to fund redevelopment activities within the project area. Principal payments are due annually ranging from $260,000 to $375,000 plus interest at 3.75% to 5.5% through October 1, 2021. As of June 30, 2011, the reserve requirement for the bonds was $990,837. The balance in the reserve account as of June 30, 2011 was $990,837.		12,165,000
Subtotal Redevelopment Project Area 1	$	83,505,862

NOTE 8 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

		Balance at June 30, 2011
Redevelopment Project Area 2:		
2003A Tax Allocation Refunding Bonds In January 2003, the Carson Redevelopment Agency issued $18,500,000 of Tax Allocation Refunding Bonds, Series 2003A for Redevelopment Project Area No. 2 to advance refund a portion of outstanding 1993 Tax Allocation Refunding Bonds. Principal installments are due annually ranging from $470,000 to $7,015,000 plus interest at 2.0% to 5.25% through October 2020. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2011.	$	13,145,000
2003B Tax Allocation Refunding Bonds In July 2003, the Carson Redevelopment Agency issued $4,195,000 of Tax Allocation Refunding Bonds, Series 2003B for Redevelopment Project Area No. 2 to fully advance refund outstanding 1993 series tax allocation refunding bonds. Principal installments are due annually ranging from $125,000 to $290,000 plus interest at 2.5% through October 2023. The reserve for the bonds was fully funded in the form of a surety bond as of June 30, 2011.		3,035,000
2003C Tax Allocation Bonds In December 2003, the Carson Redevelopment Agency issued $11,800,000 of Tax Allocation Bonds, Series 2003C for Redevelopment Project Area No. 2 to fund redevelopment activities within the project area. Principal installments are due annually ranging from $440,000 to $2,385,000 plus interest at 2.0% to 4.5% through October 2016. As of June 30, 2011, the reserve requirement for the bond was $812,363. The balance in the reserve account as of June 30, 2011 was $812,363.		9,155,000
2007A Tax Allocation Refunding Bonds In October 2007, the Carson Redevelopment Agency issued $16,845,000 of Tax Allocation Refunding Bonds, Series 2007A for Redevelopment Project Area No. 2 to advance refund $14,925,000 of the outstanding 2003D Tax Allocation Refunding Bonds, establish a reserve account for the bonds and to pay the cost of issuing the bonds. Principal installments are due annually ranging in amounts from $105,000 to $1,655,000 plus interest at 0.5% to 5.3% through January 1, 2036.		

NOTE 8 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

		Balance at June 30, 2011
Of the 2007A series proceeds, $16,361,635 were used to purchase U.S. Government securities to advance refund in full the 2003D series. Those securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the entire outstanding balance of $14,925,000. As a result, the entire 2003D series tax allocation bonds are considered to be defeased and were removed from the statement of net assets. The advance refunding resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $611,384 and a reduction of total debt service payments of $98,889. As of June 30, 2011, the reserve requirement for the bonds was $1,459,134. The balance in the reserve account as of June 30, 2011 was $1,501,267.	$	16,740,000
Subtotal Redevelopment Project Area 2		42,075,000
Redevelopment Project Area 4:		
<u>2006 Tax Allocation Bonds</u> In December 2006, the Carson Redevelopment Agency issued $28,000,000 of Tax Allocation Bonds, Series 2006 for Redevelopment Project Area No. 4 to fund redevelopment projects within the project area. Principal installments are due and begin October 1, 2007 annually ranging from $385,000 to $1,485,000 plus interest at 3.5% to 4.25% through October 2041. The reserve requirement for the bonds was satisfied in the form of a surety bond as of June 30, 2011.		26,200,000
Subtotal Redevelopment Project Area 4		26,200,000
Low and Moderate Income Housing:		
<u>2010A-T Tax Allocation Housing Bonds</u> In October 2010, the Carson Redevelopment Agency issued $14,940,000 of Tax Allocation Housing Bonds Series 2010A-T to fund low and moderate income housing projects. Principal installments are due annually beginning on October 1, 2011 with interest rates ranging from 1.725% to 5.8%. The reserve requirement for the bonds was fully funded as of June 30, 2011.		14,940,000

NOTE 8 TAX ALLOCATION BONDS AND LOANS PAYABLE (CONTINUED)

		Balance at June 30, 2011
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%. The reserve requirement for the bonds was fully funded as of June 30, 2011.	$	25,620,000
Subtotal Low and Moderate Income Housing		40,560,000
Total Redevelopment Agency Tax Allocation Bonds Payable	$	192,340,863

NOTE 9 DEBT SERVICE REQUIREMENTS TO MATURITY

The following schedule summarizes the debt service to maturity requirements for bonds outstanding as of June 30, 2011:

Year Ending June 30,	Project Area 1 2003 B Tax Allocation Refunding Bonds Principal	Interest	Project Area 1 2003 Tax Allocation Refunding Bonds Principal	Interest	Project Area 1 2001 Tax Allocation Refunding Bonds Principal	Interest
2012	$ -	$ 1,392,213	$ 150,000	$ 82,687	$ 2,130,000	$ 746,075
2013	-	1,392,213	155,000	77,253	2,235,000 `	626,038
2014	-	1,392,213	160,000	71,444	2,365,000	499,538
2015	-	1,392,213	165,000	65,144	2,490,000	366,025
2016	-	1,392,213	170,000	58,338	2,635,000	225,088
2017-2021	12,425,000	5,697,519	980,000	169,056	2,775,000	76,312
2022-2026	9,613,027	6,620,899	225,000	5,203	-	-
2027-2031	4,501,614	9,141,187	-	-	-	-
2032-2035	5,721,222	3,483,101	-	-	-	-
Total	$ 32,260,863	$ 31,903,771	$ 2,005,000	$ 529,125	$ 14,630,000	$ 2,539,076

Year Ending June 30,	Project Area 1 2009A Tax Allocation Refunding Bonds Principal	Interest	Project Area 1 2009 Tax Allocation Refunding Bonds Principal	Interest
2012	$ 370,000	$ 1,428,294	$ -	$ 727,050
2013	395,000	1,413,688	-	727,050
2014	405,000	1,396,675	260,000	722,175
2015	430,000	1,377,350	270,000	711,562
2016	445,000	1,356,012	285,000	699,769
2017-2021	2,855,000	6,346,950	1,630,000	3,277,725
2022-2026	7,330,000	4,827,056	2,105,000	2,773,938
2027-2031	1,795,000	3,277,575	2,830,000	2,025,706
2032-2036	5,070,000	2,440,550	3,855,000	960,538
2037	3,350,000	117,250	930,000	30,225
Total	$ 22,445,000	$ 23,981,400	$ 12,165,000	$ 12,655,738

NOTE 9 DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)

Year Ending June 30,	Project Area 2 2003 A Tax Allocation Refunding Bonds		Project Area 2 2003B Tax Allocation Refunding Bonds		Project Area 2 2003C Tax Allocation Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
`	$ 775,000	$ 593,400	$ 185,000	$ 114,444	$ 415,000	$ 395,171
2013	810,000	561,700	195,000	108,500	420,000 `	380,974
2014	840,000	529,750	200,000	101,831	435,000	364,924
2015	870,000	496,600	205,000	94,744	460,000	347,599
2016	905,000	458,838	215,000	87,259	475,000	329,771
2017-2021	5,175,000	1,625,244	1,195,000	305,594	2,670,000	1,335,024
2022-2025	3,770,000	289,000	840,000	54,400	4,280,000	556,238
Total	$ 13,145,000	$ 4,554,532	$ 3,035,000	$ 866,772	$ 9,155,000	$ 3,709,701

Year Ending June 30,	Project Area 2 2007A Tax Allocation Refunding Bonds		Project Area 4 2006 Tax Allocation Bonds	
	Principal	Interest	Principal	Interest
2012	$ 115,000	$ 760,900	$ 435,000	$ 1,100,891
2013	115,000	756,300	460,000	1,082,448
2014	125,000	751,700	475,000	1,063,748
2015	125,000	746,700	495,000	1,044,348
2016	130,000	741,700	510,000	1,024,885
2017-2021	735,000	3,625,500	2,865,000	4,824,759
2022-2026	1,780,000	3,458,819	3,460,000	4,210,606
2027-2031	6,050,000	2,620,262	4,245,000	3,403,750
2032-2036	7,565,000	1,107,338	5,260,000	2,370,531
2037-2041	-	-	6,510,000	1,084,784
2042-2045	-	-	1,485,000	33,412
Total	$ 16,740,000	$ 14,569,219	$ 26,200,000	$ 21,244,162

Year Ending June 30,	Low-and-Moderate Income Housing 2010 A-T Tax Allocation Housing Bonds		Low-and-Moderate Income Housing 2010 A Tax Allocation Housing Bonds	
	Principal	Interest	Principal	Interest
2012	$ 1,160,000	$ 685,168	$ -	$ 1,294,062
2013	950,000	663,407	-	1,294,062
2014	1,140,000	625,938	-	1,294,062
2015	1,375,000	569,212	-	1,294,062
2016	1,440,000	505,720	-	1,294,062
2017-2021	8,325,000	1,335,795	-	6,470,312
2022-2026	550,000	15,125	9,510,000	5,369,644
2027-2031	-	-	6,700,000	3,266,875
2032-2036	-	-	7,695,000	1,501,369
2037	-	-	1,715,000	45,019
Total	$ 14,940,000	$ 4,400,365	$ 25,620,000	$ 23,123,529

NOTE 10 PLEDGED REVENUES

The City has outstanding debt issuances that are collateralized by pledged tax increment revenue. The term of the commitment of pledged revenues and the purposes for which the proceeds of these debt issuances were utilized are disclosed in the debt descriptions provided herein. The amount of the remaining commitment of the pledge is equal to the amount of the remaining debt service to maturity of the related debt issuances as disclosed above. For the current year, debt service payments as a percentage of pledged revenue, net of mandatory costs, are indicated in the table below.

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenues
Tax increment - Project Area 1	$ 8,854,911	$ 7,035,680	79.46%
Tax increment - Project Area 2	9,084,569	4,209,377	46.34%
Tax increment - Project Area 4	2,991,156	1,539,060	51.45%

NOTE 11 SELF-INSURANCE PROGRAMS

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

At June 30, 2011, $3,837,864 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, 2011 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.

NOTE 11 SELF-INSURANCE PROGRAMS (CONTINUED)

A summary of the City's claims activity for the two years through June 30, 2011 is as follows:

	Workers' Compensation Claims	General Liability Claims	Totals
Balance at June 30, 2009	$ 2,766,994	$ 841,460	$ 3,608,454
Additions	132,154	908,906	1,041,060
Payments	(186,695)	(737,007)	(923,702)
Balance at July 1, 2010	2,712,453	1,013,359	3,725,812
Additions	263,810	42,910	306,720
Payments	(107,093)	(87,575)	(194,668)
Balance at June 30, 2011	$ 2,869,170	$ 968,694	$ 3,837,864

NOTE 12 DEFINED BENEFIT PENSION PLAN (PERS)

The City of Carson contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

Participants are required to contribute 8% of their annual covered salary. The City pays 7% while the employees pay 1% contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and City contract with employee bargaining groups.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2009 to June 30, 2011 has been determined by an actuarial valuation of the plan as of June 30, 2008. The contribution rate indicated for the period is 17.592% of payroll for the miscellaneous plan. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2011, the contribution rate is multiplied by the payroll of covered employees that were actually paid during the period from July 1, 2010 to June 30, 2011.

NOTE 12 DEFINED BENEFIT PENSION PLAN (PERS)

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

Valuation Date	June 30,2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	28 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on age, service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.0% and an annual production growth of 0.25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization period may not be lower than the payment calculated over a 30 year amortization period.

The Schedule below shows the three-year trend information for City's annual contribution to the Plan.

Annual Pension Cost (Employer Contribution)

Fiscal Year	Miscellaneous	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	$ 6,396,422	100.0%	-
6/30/2010	6,429,602	100.0%	-
6/30/2011	5,881,646	100.0%	-

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

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City administers a single-employer 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. The current maximum City contribution is $1,110 and is scheduled to increase to $1,297 on January 1, 2011, to $1,400 on January 1, 2012 and is limited to a maximum increase of 10%, thereafter, based on the highest family rate. Unclassified/part-time employees are eligible for the minimum required employer contribution under the CalPERS Health Plan. The current minimum required contribution is $105 per month and is scheduled to increase to $108 for 2011 and by medical price inflation thereafter.

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 contribution required to be made under City Council and labor agreement requirements is based on a pay-as-you-go basis (i.e., as premiums become due). During the fiscal year ended June 30, 2011, the City contributed $1,275,767 to the plan, including $1,275,767 for current premiums (100% of total premiums).

The City has not established a trust that is administered by the City for the purpose of holding assets accumulated for plan benefits.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the current fiscal year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for these benefits:

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	06/30/11	06/30/10
Annual Required Contribution	$ 6,107,934	$ 5,899,458
Interest on Net OPEB Obligation	486,760	234,073
Adjustments to Annual Required Contribution	(653,452)	-
Annual OPEB Cost	5,941,242	6,133,531
Annual Contribution Made	(1,275,767)	(1,079,791)
Increase in Net OPEB Obligation	4,665,475	5,053,740
Net OPEB Obligation, beginning of year	9,735,207	4,681,467
Net OPEB Obligation, end of year	$ 14,400,682	$ 9,735,207

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, 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 5,833,142	19.74%	$ 4,681,467
6/30/2010	6,133,531	17.60%	9,735,207
6/30/2011	5,941,242	21.47%	14,400,682

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information section, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for the benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 13 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Method. The actuarial assumptions included a 5 percent investment rate of return, which is the assumed rate of the expected long-term investment returns on plan assets calculated based on the funded level of the plan at the valuation date, and annual cost trend rate of 8.5 percent for HMO and 9 percent for PPO initially, reduced by decrements of 0.5 percent per year to an ultimate rate of 5 percent after the eighth year. All the rates included a 3.25 percent inflation assumption. The UAAL is being amortized over 30 years using a level-dollar basis. It is assumed the City's payroll will increase 3.25% per year.

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

NOTE 14 DEFICIT FUND BALANCES

The following fund reported an accumulated deficit in fund balance as of June 30, 2011:

		Accumulated Deficit
Special Revenue Funds:		
Self Supporting Fund	$	(416,441)
Used Oil State Grant Fund		(3,516)
Federal Highway Planning Grant Fund		(2,999,356)
Traffic Safety Fund		(1,470)

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

NOTE 15 EXPENDITURES EXCEEDING APPROPRIATIONS

Expenditures for the year ended June 30, 2011 which exceeded the appropriations of the following fund of the City were as follows:

	Final Budget	Actual	Amount Exceeding Appropriations
Major Funds:			
General Fund			
General government	$ 17,925,405	$ 18,136,954	$ (211,549)
Capital improvement program	506,278	509,979	(3,701)

NOTE 15 EXPENDITURES EXCEEDING APPROPRIATIONS (CONTINUED)

	Final Budget	Actual	Amount Exceeding Appropriations
Nonmajor Funds:			
Self-supporitng Fund			
Public services	901,439	906,646	(5,207)
Used Oil State Grant Fund			
Development services	23,300	33,280	(9,980)
Family Support Grant Fund			
Public services	62,453	65,616	(3,163)
Brownfields Cleanup Revolving Fund			
Economic development	-	1,568	(1,568)
Neighborhood Stabilization Program Fund			
Economic development	483,415	535,771	(52,356)
Capital improvement program	496,952	706,100	(209,148)

NOTE 16 DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT

Assessment District No. 2006

In September 2006, the City of Carson issued $25,000,000 and $7,955,000 of Assessment District No. 2006-1 (Dominguez Technology Center West) Reassessment Revenue Bonds, Series A and Subordinate Series B, respectively. The Bonds were issued to finance the acquisition costs for improvements within the Assessment District, establish the Reserve Fund, pay the premium, and to pay the cost of issuing the bonds.

The City is not liable for repayment of this debt but is only acting as an agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings for the benefit of the Bondholders. For these reasons, neither the debt nor the related debt service transactions are recorded on the City's basic financial statements. The principal balance outstanding at June 30, 2011 is $22,895,000 and $7,330,000, for Series A and B, respectively.

Assessment District No. 92-1

In October 1992, the City of Carson issued $13,100,000 of Assessment District No. 92-1 (Sepulveda Special District), Limited Obligation Improvement Bonds Series 1992 (collectively referred to as the "Bonds"). The Bonds were issued to finance a portion of the costs of the construction of certain street improvements, particularly the widening of a portion of Sepulveda Boulevard and included the reconstruction, removal, modification and relocation of pipelines, facilities, and the relocation of railroad tracks from the public right-of-way, storm drainage improvements, signalizing and landscaping. Bond proceeds were also used to establish the Reserve Fund, and to pay the cost of issuing the bonds.

NOTE 16 DEBT ISSUED WITHOUT GOVERNMENT COMMITMENT (CONTINUED)

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, 2011 is $1,500,000.

NOTE 17 CONTINGENCIES – CLAIMS

The City is a defendant in several general damage and personal injury lawsuits and claims. These claims arise primarily from injuries sustained by the claimants while on property owned or maintained by the City. In the opinion of outside counsel and the City Attorney, the potential liability of the City for such claims will not have a material adverse effect upon the financial position of the various funds of the City.

NOTE 18 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS

Carson Mall Partners

In December 1991, the Agency entered into an Owner Participation Agreement (OPA) with Carson Mall Partners, a California general partnership (Developer) and IKEA Property, Inc., a Delaware corporation to renovate, improve and expand the Carson Mall and replace the Broadway department store with an IKEA store. The Developer had entered into a lease arrangement with IKEA, and IKEA had entered into a sublease to the Agency. In consideration for the sublease, the Agency paid an initial rent payment in the sum of $1,000,000 and after the opening of the IKEA store on site, the Agency agreed to pay an annual rent which is the lesser of $478,187 or an amount equal to the portion of the local sales tax received by the City from the IKEA store. The term of the sublease expires 19 years after IKEA opened for business. The lease expired in November 2011.

Avalon Courtyard Senior Apartments

In July 1992, the Agency entered into a Disposition & Development Agreement (DDA) with Thomas Safran & Associates (Developer) for development and operation of an affordable senior citizen housing project (Project). Pursuant to the DDA, the Developer executed a promissory note for a loan in the amount of $2,681,000 with a simple interest rate of 5%. The amount of Developer loan repayments is equal to 50% of the positive cash flow generated by the Project. As of June 30, 2011, 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).

NOTE 18 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 $2,243,587. The amount of Developer loan repayments are equal to 50% of the positive cash flow generated by the Project. Pursuant to the OPA, the Agency is also required to provide the Developer a rent subsidy in the amount of $73,320 per year for 30 years following the date of the certificate of occupancy issued in 2001 (until December 26, 2030).

Altmanshofer Family Trust

On June 19, 2001, the Carson Redevelopment Agency (Agency) entered into an agreement with David John Altmanshofer and Marlene Clare Altmanshofer, as trustees of the Altmanshofer Family Trust (Developer) to fund the acquisition and construction of property in the amount of $1,685,000. Of the total amount, the forgivable loan of $635,000 bears interest at 6% and is due July 15, 2012. The loan will be forgiven in an amount equal to 50% of incremental annual sales tax generated above the amount of $65,000. The non-forgivable amount of $1,050,000 bears annual interest of 6% and was due on July 15, 2009.

Because of the economic downturn, on July 1, 2009, the Agency agreed to extend the loan terms and reduced the interest rates. The interest rates for the non-forgivable and the forgivable loans were reduced from 6% to 3% and will be due on July 15, 2016. The Developer went out of business during the latter part of fiscal year 2010-2011. Accordingly, 100% allowance for uncollectible accounts was provided on the loans outstanding as of June 30, 2011.

Carson Real Estate Leasing, LLC

On May 18, 2004, the Agency entered into a Disposition and Development Agreement (DDA) with the Carson Real Estate Leasing, LLC, a California limited liability company (Developer), for the development of approximately 92,000 square feet of a new and used car sales facility in the Merged and Amended Project Area. The Agency agreed to sell the land to the Developer for a total purchase price of $8,581,718. The purchase price consists of a $4,666,848 cash payment and a promissory note of $3,914,870 - the Agency's subsidy to the project. The term shall be for 20 years with an option to extend for an additional five years. Each year, an amount equal to 50% of the sales tax generated from the site in excess of the average sales tax amount generated in year 2001-2003 shall be credited towards the payment of the principal amount and any interest accrued. As of June 30, 2011, the balance of the loan from this developer is $3,625,951.

NOTE 18 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

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

The Agency agreed to sell the 4.5 acre development parcel to the Developer for the sum of one dollar ($1.00) and a note amount equal to $2,960,000. The performance promissory note is equal to the fair market value of the development parcel and the Agency's cash contribution of $210,000 toward the required construction cost of the project. The term shall be for 15 years and simple interest shall accrue at two (2) percent. Each year, seventy-five percent (75%) of the increased site tax increment will be credited against any amounts outstanding under the performance promissory note. As of June 30, 2011, the balance of the loans receivable from BP West Coast Products is $2,960,000.

501 Albertoni, LLC - University Village
On May 16, 2006, the Agency entered into a Disposition and Development Agreement (DDA) with 501 Albertoni, LLC, a Delaware limited liability company (Developer), for development of retail space as follows: new commercial retail center of approximately 40,000 square feet, a 6,500 square feet freestanding El Pescador restaurant, and an additional 33,500 square feet of commercial space. The Agency agreed to sell the land to the Developer in the amount of $3,049,200. Upon the close of escrow, the Developer made a cash payment of $750,000 to the Agency. A promissory note and deed of trust was issued for the remaining $2,299,200. After the completion of the project, $799,000 will be forgiven. Repayment of the remaining $1,500,000 is tied to the operation of the El Pescador restaurant - each year the restaurant is in operation, the amount of the note will be reduced by 20%. On January 31, 2008, the Agency sold the property to 501 Albertoni, LLC.

A dispute arose over the meaning of Attachment No. 9 to the DDA entitled “Purchase Price Adjustment” and whether Developer was required to pay the Agency an additional purchase price of $586,654. On April 6, 2010, both parties entered into a settlement agreement whereby the Developer agreed to pay $400,000 in full consideration. Payment of the settlement was agreed as follows: $50,000 to be paid in the form of a certified check and $350,000 in the form of an unsecured promissory note at an interest rate of 3% per year. Specifically, the Developer is required to make an interest payment of $2,625 per quarter for 10 years commencing on June 30, 2010 with the $350,000 balance due at the earlier of March 20, 2020 or the date of the sale of the property. Developer payments are being made as required.

NOTE 18 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, to effectuate the redevelopment plan for Redevelopment Project Area No. 1 by providing for public improvements and the remediation of the 157-acre portion of the total 168-acre property. Under the OPA, the Agency would commit to providing $110 million in public financial assistance. In addition, the Agency will finance the improvements to the I-405/Avalon Boulevard on-off ramp system. Participant will contribute $25 million toward this project. Total financial assistance granted to the Developer as of June 30, 2011 amounted to $69.5 million.

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 will be located on a 4.5 acre site at the southeast corner of Carson Street and Avalon Boulevard.

On April 7, 2009, the Agency entered into an Owner Participation Agreement (OPA) with the Developer to develop a mixed-use project that includes 85 units of affordable senior rental housing plus one market-rate manager's unit, approximately 10,000 square foot of commercial space, and underground and surface-level parking (Phase I). On May 3, 2010, the Agency provided $13,900,000 in financial assistance in the form of an interest-free for the senior housing component. Phase I was completed in April 2011.

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

On July 29, 2010, the Agency provided $7,500,000 in financial assistance in the form of a grant to assist with the commercial component of the project.

C-P Land Company - 2201 E. 223rd St.

On April 21, 2009, the Agency approved the purchase of C-P Land Company (Developer) property at 2201 E. 223rd Street and subsequent lease of that property to Cormier Chevrolet Company (Dealership) located at the same address.

NOTE 18 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

The Agency purchased the Developer's land and buildings for the fair market value of $7.8 million (Purchase Price). Approximately $2.7 million towards the Purchase Price was credited to the Agency to pay off an Agency Note. The Agency placed $5.1 million of the Purchase Price into escrow. Of that amount, approximately $2.4 million will be used to pay off an outstanding Developer bank loan, and the Developer received the remaining approximately $2.7 million to pay GMAC.

The Agency's lease of the Property back to the Dealership includes land and buildings per lease agreement dated April 21, 2009. The term is five years beginning May 1, 2009, with a reevaluation at the end of that time. The lease is as follows: 1) first year, one dollar, ($1.00); 2) second year, 0.25% of 1.00% of the Dealership's gross sales (minimum gross sales of $25 million) including new and used vehicle sales, parts and service business; 3) third year, 0.50% of 1.00% of the Dealership's gross sales (minimum gross sales of $25 million); 4) fourth year, 0.75% of 1.00% of the Dealership's gross sales (minimum gross sales of $30 million); fifth year, 1.00% of the Dealership's gross sales (minimum gross sales of $30 million). The estimated fair reuse value for the lease of the Property was determined to be the projected rental payments of $1,257,000 over the five-year lease term.

East Carson Housing Partners, L.P.

On June 15, 2010, the Carson Redevelopment Agency entered into a disposition and development agreement (DDA) with East Carson Housing Partners, L.P. (Developer) for the sale and development of 1.75 acres of Agency-owned property (Property) at 425 E. Carson Street. The Developer proposes to construct a 65-unit workforce housing project on the Property that would provide housing for very-low, low and moderate income households (Project). The product type ranges from one-bedroom to three-bedroom units. All units are designed to market rate quality.

On March 9, 2011, the Agency transferred the Property to Developer for the fair market value of $1,906,500 (Purchase Price). In addition, the Agency provided project assistance in the amount of $6,888,000 towards Project development costs (Agency Assistance). The combined value of the land and set-aside funds will be evidenced by a promissory note and secured by a Deed of Trust. The Purchase Price and the Agency Assistance total of $8,794,500 are to be repaid by Developer with residual receipts, with a credit for the Purchase Price made at close of escrow and interest accruing at 0.5% per annum (Note). The combined value of the land and Agency assistance, $8,794,500, is to be repaid by residual receipts over a 55 year period. Any balance on the Note is due and payable at the end of 55 years.

Hilland - Nissan Real Estate - 1505 E. 223rd St.

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

NOTE 18 COMMITMENTS UNDER DEVELOPMENT AGREEMENTS (CONTINUED)

Reflections Mini-Park - 21208 Shearer Ave.
In December 2010, the Agency entered into a contract with AHBE Landscape Architects to design the park for a fee of $140,672. After the design was completed the Agency, through the public bid process, entered into a contract with PIMA Corporation for $569,500 for construction of the park. Construction began in June 2011 and is 90% complete. The park is a native plant park that focuses on water preservation and preserving the natural environment. Construction is to be completed in January 2012.

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

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

The Related Companies - 425 E. Carson St.
In March 2011, the Agency entered into a Disposition and Development Agreement to assist The Related Companies (Developer) in financing a 65-unit affordable apartment housing complex with 147 parking spaces located at 425 E. Carson Street. The Agency has agreed to sell 1.75 acres to the Developer at the estimated fair market value of $1,906,500. The Agency has agreed to invest an additional approximately $6.8 million in the development which is estimated to cost $20.6 million. The project is a two- and three-story development to include approximately 12 one-bedroom units, 33 two-bedroom units, and 20 three-bedroom units. All rental units, except the manager's unit, will be restricted at affordable rents for not less than 55 years. Construction began in March 2011 and is about 60% complete. Construction is scheduled to be completed in May 2012.

The Olson Company - 2535-2569 E. Carson St.
On June 7, 2011, the Agency entered into a Disposition and Development Agreement with the Olson Company for the development of 12 affordable for sale single family to moderate-income households. Construction is scheduled to start the first quarter of 2012 with an anticipated 12 month build out scheduled from the close of escrow. The Agency contribution will be between $770,000 and $1,328,495 although the Agency's contribution is limited to $770,000, unless there is a variable due to final Project conditions of approval.

NOTE 19 STATUS OF CARSON REDEVELOPMENT AGENCY

Recent Laws and Regulations Affecting Redevelopment Agencies

The California Legislature approved and the Governor signed bill ABX1 26 (legislation) which dissolves California redevelopment agencies and establishes mechanisms for paying existing agency debts and liquidating agency assets. This bill was appealed to the State Supreme Court which ruled, on December 29, 2011, that ABX1 26 is constitutional and valid. Consequently, all redevelopment agencies remain subject to the suspension provisions of ABX1 26 and are to be dissolved in accordance with that bill as of February 1, 2012. The legislation provides, however, that another local governmental entity may assume the role as successor agency to the dissolved redevelopment agency.

Actions Taken by the City and RDA

On March 8, 2011, the City Council passed a resolution establishing the Carson Housing Authority in accordance with the California Housing Authority Law. Accordingly, the City Council declared that its members shall serve as Commissioners of the Carson Housing Authority and shall have all the rights, powers, duties, privileges and immunities vested by the California Housing Authority law. Also, on March 8, 2011, the Carson Redevelopment Agency passed a resolution approving agreements for the transfer of certain properties, owned by the Agency and acquired using the Housing Set-Aside funds, to the Carson Housing Authority and to the City to carry out redevelopment activities pursuant to the California Redevelopment law and in accordance with the California Housing Authority Law.

In consideration of the transfer of the properties, the Housing Authority and the City are obligated to carry out the redevelopment and disposition of the properties in accordance with the agreement.

Impact on the City

The impact of the above action and the City's final decision and the effect on the City's financial position and operations of actions to be taken pursuant to the legislation with respect to liquidation of assets, payment of debt and ongoing operations is not presently determinable.

NOTE 20 SUBSEQUENT EVENTS

The City has evaluated events subsequent to June 30, 2011 to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 12, 2012, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

NOTE 21 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2011, that have effective dates that may impact future financial presentations.

GASB No. 60 - GASB has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. Statement 60 addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

GASB No. 61 - *GASB has issued Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity and amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

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

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

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