

Comprehensive  
Annual Financial Report  
Fiscal Year Ended June 30, 2016



# CITY OF CARSON, CALIFORNIA

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY:  
FINANCE DEPARTMENT

KATHRYN DOWNS  
DIRECTOR OF FINANCE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT



CITY OF CARSON

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# **INTRODUCTORY SECTION**

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CITY OF CARSON, CALIFORNIA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT





# CITY OF CARSON

February 28, 2017

Honorable Mayor and City Council  
City of Carson, California

The Comprehensive Annual Financial Report (CAFR) of the City of Carson for the fiscal year ended June 30, 2016, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City of Carson issue annually a report on its financial position and activity, and that an independent firm of certified public accountants audit this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City of Carson. In addition, to the best of our knowledge, there are no untrue statements of material fact within the financial statements or omissions of material fact to cause the financial statements to be misleading. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The financial section of the CAFR includes management's discussion and analysis (MD&A) of the financial activity. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **THE REPORTING ENTITY**

The financial reporting entity includes all the funds of the primary government (i.e., the City of Carson as legally defined), as well as its component units. A component unit is a legally separate entity for which the primary government is financially accountable. The City has three component units, which are reported as blended component units: the Carson Financing Authority, which was created to finance public capital improvements for the former Redevelopment Agency and the City; the Carson Housing Authority, which was established to carry out the housing function of the dissolved Carson Redevelopment Agency; and the Carson Reclamation Authority, which was formed to oversee and facilitate the remediation of contaminated properties in the City. Separate financial statements are also issued for the Carson Housing Authority and the Carson Reclamation Authority, and are available on the City's website or at City Hall.

## **CITY PROFILE**

Located in the South Bay section of Los Angeles County, Carson has a population of approximately 94,000. Over the years, three annexations have increased the City's size to 19.2 square miles. Steady and continued growth has enabled Carson to become a city of regional significance. Carson has been included in the top 20 highest valued cities in the county since 1998, according to the Annual Report of the Assessor's Office of the County of Los Angeles.

For 2016, the City of Carson is ranked 14<sup>th</sup> highest in assessed value of all Los Angeles County cities, recording a total of \$14.1 billion. While Carson is well known as an industrial center with unparalleled access to transportation and the Pacific Rim, it is also a culturally diverse community that is an attractive place to live, work and play.

## **GOVERNMENTAL STRUCTURE**

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

The City provides a broad range of services, including construction and maintenance of highways, streets and infrastructure, planning and zoning activities, public transit, recreational activities and cultural events for all ages. The City contracts with the County of Los Angeles for law enforcement, building and safety services, library services and sewer services. The Los Angeles County Fire Department and the Los Angeles Unified School District also serve the City's residents. Solid waste collection and disposal, gas, water, electric and communication services are provided by private companies.

## **MAJOR INITIATIVES AND ACCOMPLISHMENTS**

The City's voters approved an extension of the 2% utility users' tax in June 2016. The tax will continue to provide about \$7 million of annual revenue to the City's General Fund, and will sunset in 2023.

The Public Works Department completed the following construction projects during FY 2015/16.

- The Veterans Park athletic field renovation.
- Classroom flooring in the Community Center.
- Mills Park outdoor fitness zone.
- Anderson Park roof repairs.

Significant progress was made on the following major infrastructure projects, which are expected to be completed in FY 2016/17.

- Carson Street Master Plan improvements, including street lighting, medians, sidewalks, and bus shelters. The City's improvements have led to various private business improvements along the main thoroughfare.
- The Wilmington Ave/Interstate-405 interchange.
- Traffic signal at 223<sup>rd</sup> Street and Lucerne.
- Carson Park pool upgrades.

In August 2015, the redevelopment Successor Agency issued tax allocation bonds, with \$50 million of proceeds being transferred to the Carson Reclamation Authority for remediation of the former Cal Compact landfill site. The 157-acre site is now owned by the Carson Reclamation Authority, and substantial progress was made on the site remediation during FY15-16. The City entered into an Exclusive Negotiating Agreement with Macerich Company for construction of a 550,000 square foot fashion outlet mall on a 46-acre portion of the site adjacent to the I-405 freeway.

The Porsche Experience Center opened in November 2016. The 53-acre complex includes 4.1 miles of driver development circuits, race car exhibits, a business center, a workshop, and a fine-dining establishment.

Renovations at the South Bay Pavilion mall has resulted in a new Cinemark theatre; a series of new restaurants, including Chipotle and Applebee's; a new retail store, F21 Red; and a repurposing of Sears to make room for additional tenants.

The Union at South Bay, a major mixed-use project at Carson Street and Avalon, is currently under construction. The Union will have 357 multi-family residential units, ground floor commercial activity, and a 10,000 square foot landscaped public plaza.

## **FINANCIAL INFORMATION**

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

The Finance Department is responsible for establishing and maintaining an appropriate internal control structure. The internal control system is designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of the control should not exceed the benefits likely derived, and the valuation of costs and benefits requires estimates and judgements by management.

The City of Carson maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions contained in the annual appropriated budgets approved by the City Council and the component unit Boards. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budgets of the government units. The level of budgetary control, that is the level at which expenditures cannot legally exceed the appropriated amount, is established at the department level within each fund. Formal budgetary integration is employed as a management control device. The City also maintains an encumbrance accounting system as one method of maintaining budgetary control and the control of expenditures. Encumbrances lapse at fiscal year-end, and unspent balances are eligible to be carried over to the following year's budget appropriations with City Council approval.

## **OTHER INFORMATION**

The City requires an annual audit by independent certified public accountants. The accounting firm of White Nelson Diehl Evans conducted this year's audit. The auditor's report on the financial statements is included in the financial section of this report.

As a recipient of federal, state, and county financial assistance, the City is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act, as amended, and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

For the year ended June 30, 2016, \$3,213,767 was expended on federal financial assistance programs. Information related to this single audit, including a schedule of Federal financial assistance, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings are included in a separately issued single audit report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carson for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principle and applicable legal requirements.

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

The Finance Department staff continuously strives to ensure the integrity of the financial information provided to elected officials, management and staff, and the public. I would like to thank the entire Finance Department; especially the Accounting Manager Hrant Manuelian, the Senior Accountant Daniel Zepeda, and the Accountants Phat Nguyen and Susan Delirio. They worked tirelessly with our new auditors White Nelson Diehl Evans to complete the audit and this report. I would like to thank the Directors and Analysts of the City's departments for all the information they patiently provided. Finally, I would like to thank the Mayor, the members of the City Council, the City Treasurer, the City Clerk, the City Manager, and the City Attorney for their support towards conducting the financial operations of the City in a fiscally responsible manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kathryn Downs".

Kathryn Downs  
Director of Finance

# City of Carson Elected Officials



Albert Robles  
Mayor



Lula Davis-Holmes  
Mayor Pro Tem



Elito M. Santarina  
Councilmember



Jawane Hilton  
Councilmember



Cedric L. Hicks, Sr.  
Councilmember



Donesia L. Gause  
City Clerk



Monica Cooper  
City Treasurer

## City Management

Kenneth C. Farfsing  
City Manager

James Hart  
Interim Assistant City Manager

Kathryn Downs  
Director of Finance

Idris Al-Oboudi  
Director of Community Services

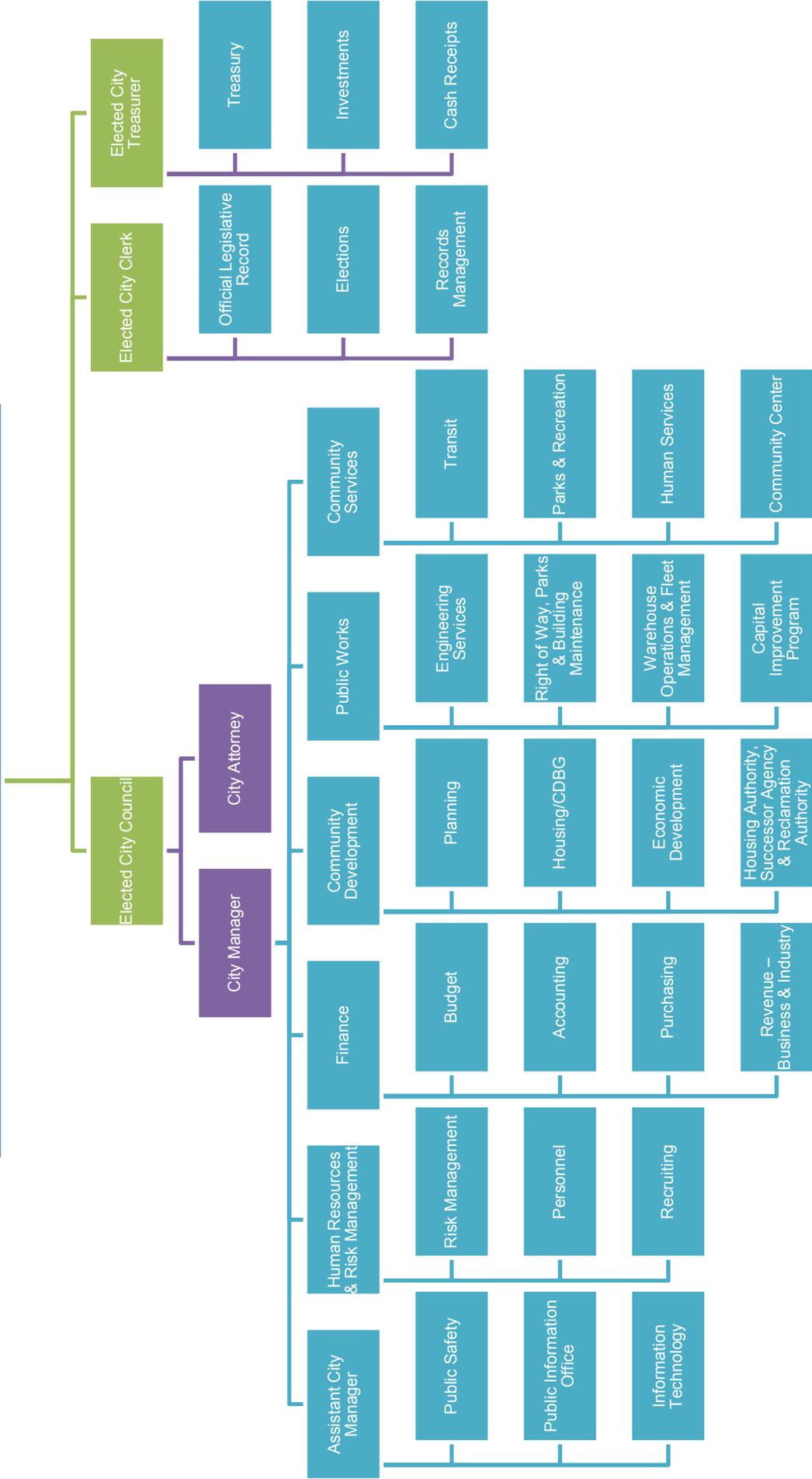
John S. Raymond  
Director of Community Development

Maria Williams-Slaughter  
Director of Public Works

Gail A. Dixon-McMahon  
Director of Human Resources & Risk Management

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# City of Carson Electorate





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Carson  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

Executive Director/CEO