



Comprehensive Annual Financial Report
for Fiscal Year Ended June 30, 2010



CITY OF
CARLSBAD
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

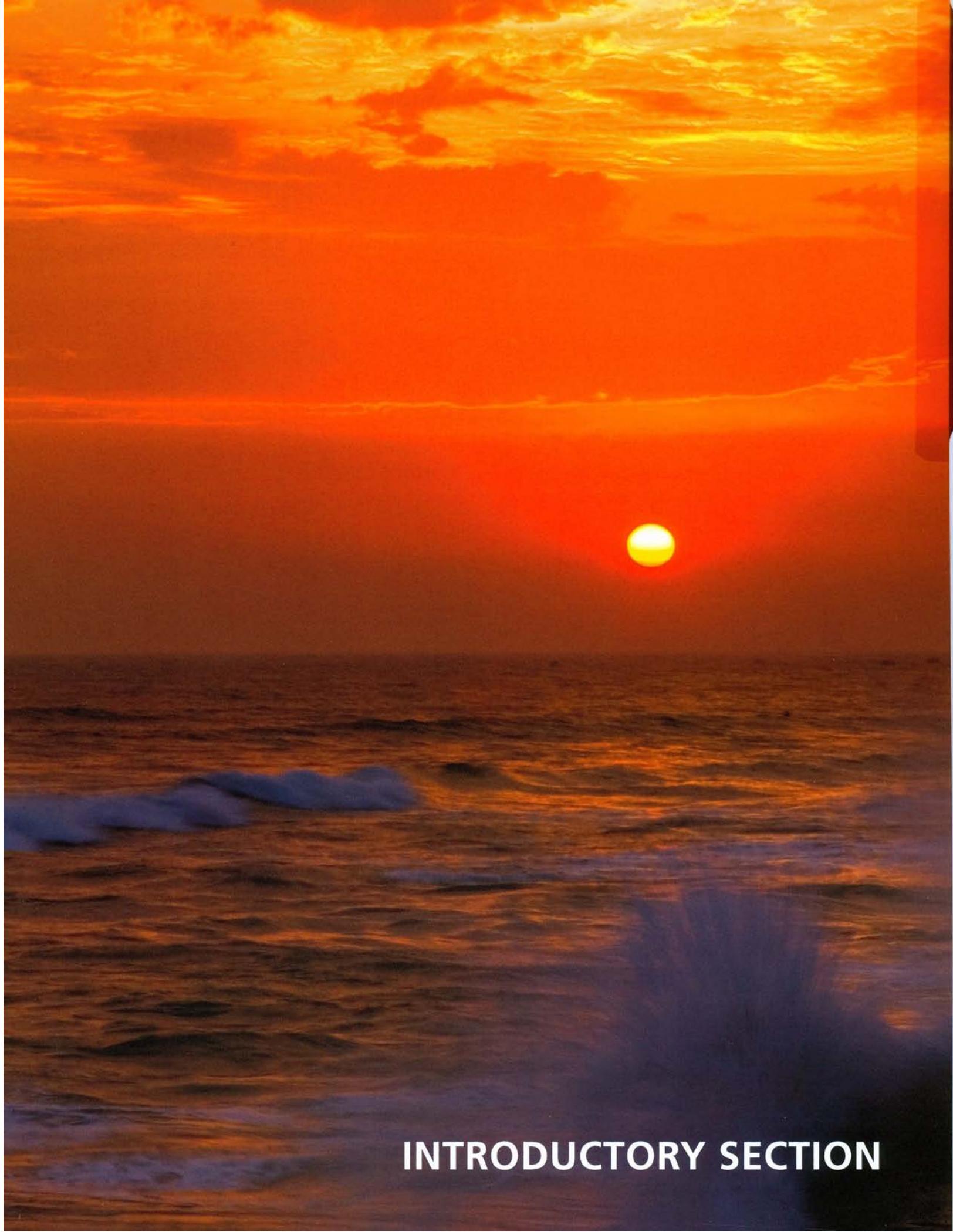
FISCAL YEAR ENDED
JUNE 30, 2010



1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department



INTRODUCTORY SECTION

CITY OF CARLSBAD
 Comprehensive Annual Financial Report
 Year Ended June 30, 2010
TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
City Council’s Five-Year Vision Statements	1
Letter of Transmittal	3
Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association	13
Location Map	14
List of City Officials	15
Organization Chart	16
 <u>FINANCIAL SECTION:</u>	
Independent Auditor’s Report	17
Management’s Discussion and Analysis	19
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	34
Statement of Activities	36
Fund Financial Statements:	
Balance Sheet – Governmental Funds	38
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	40
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	42
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	44
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	46
Statement of Net Assets – Proprietary Funds	48
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	52
Statement of Cash Flows – Proprietary Funds	54
Statement of Fiduciary Assets and Liabilities – Agency Funds	58
Notes to the Financial Statements	59
Supplementary Information	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	92
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	96
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Special Revenue Funds	100
Combining Schedule of Revenue and Expenditures – Budget and Actual (Budgetary Basis) – Debt Service Funds	102
Combining Schedule of Revenue and Expenditures – Budget and Actual (Budgetary Basis) Capital Project Funds	102
Combining Statement of Net Assets – Internal Service Funds	104
Combining Statement of Revenues, Expenses and Changes in Net Assets – Internal Service Funds	106
Combining Statement of Cash Flows – Internal Service Funds	108
Combining Statement of Changes in Assets and Liabilities – Agency Funds	112
Schedule of Annual Debt Service Requirements	114

CITY OF CARLSBAD
 Comprehensive Annual Financial Report
 Year Ended June 30, 2010
TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>
<u>STATISTICAL SECTION:</u>	
Financial Trends:	
Net Assets by Component – Last Nine Fiscal Years	118
Changes in Net Assets – Last Nine Fiscal Years	120
Fund Balances of Governmental Funds – Last Ten Fiscal Years	124
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	126
General Governmental Tax Revenues by Source – Last Ten Fiscal Years	128
Revenue Capacity:	
Water and Wastewater Rates – Last Ten Fiscal Years	129
Assessed Value of Taxable Property – Last Ten Fiscal Years	130
Principal Property Taxpayers – Current Year and Nine Years Ago	131
Property Tax Levies and Collections – Last Ten Fiscal Years	132
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	134
Schedule of Direct and Overlapping Bonded Debt – Current Fiscal Year	137
Direct and Overlapping Debt – Last Ten Fiscal Years	138
Legal Debt Margin Information – Last Ten Fiscal Years	140
Pledged-Revenue Coverage – Last Ten Fiscal Years	142
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years	144
Principal Employers – Current Year and Nine Years Ago	146
Operating Information:	
Authorized Full and ¾ Time City Government Employees by Major Service Area – Last Ten Fiscal Years	148
Operating Indicators by Function/Program – Last Five Fiscal Years	150
Capital Asset Statistics – Last Five Fiscal Years	151



Carlsbad City Council

2010

Five-Year Vision Statements



City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life for all who live, work, and play here.

Carlsbad . . .

- Provides a diverse and healthy economic base that creates opportunities for employment to the residents of Carlsbad, economic vitality to the community, and the necessary revenues to support City services.
- Provides programs, policies and decisions to implement the General Plan, enforce the Growth Management Plan, maintain the safety and security of its citizens, and are based on what is best for Carlsbad.
- Occupies a leadership role in local and regional planning, (e.g., water, beach, circulation, and environmental issues) important to local governments actively involves addressing governmental issues at the local, state and national levels.
- Provides an open government leading to the betterment of the community and encourages in a non-partisan manner active citizen participation and involvement with the City Council and the City's Boards and Commissions.

And Carlsbad Efficiently and Effectively...

- Delivers top-quality public services.
- Manages its environment proactively, including:
 - ◇ Open space
 - ◇ Wildlife habitats
 - ◇ Water quality/conservation
 - ◇ Beach preservation
 - ◇ Air quality
 - ◇ Resource conservation and waste reduction
- Promotes a safe and efficient integrated transportation system.
- Maintains citywide "small town" community spirit.
- Provides a community where continuous and life-long learning is supported and encouraged for people of all ages.
- Looks ahead and works to anticipate changes that are required now in order to make a better future for its citizens.





October 13, 2010

Honorable Mayor, City Council,
and Citizens of the City of Carlsbad
CITY OF CARLSBAD
Carlsbad, CA 92008

**LETTER OF TRANSMITTAL
2009-10 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2009-10 Comprehensive Annual Financial Report for the City of Carlsbad. The information found in this report is provided by management to the City Council and the public to assist those interested in understanding the fiscal condition of the city as of June 30, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not outweigh its benefits, the city's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

State law and the city's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The independent auditing firm of Mayer Hoffman McCann has issued an unqualified ("clean") opinion on the City of Carlsbad's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion & Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Also, as a recipient of federal and state financial assistance, the city is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the city's separately issued Compliance Reports and Other Financial Information. The results of the city's Single Audit for the fiscal year ended June 30, 2010 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

PROFILE OF THE CITY OF CARLSBAD

Carlsbad incorporated in 1952 as a General Law city, although its "village" area dates back more than 100 years. In June 2008, the voters of Carlsbad overwhelmingly approved the city to change to a Charter City. Carlsbad is located about 35 miles north of the City of San Diego on the southern California coast. The city is governed by a five-member City Council under the Council/Manager form of government. The City



Council is elected at large on a staggered basis for a term of four years. The City Clerk and City Treasurer are also elected to four-year terms. The City Council appoints the City Manager and City Attorney.

The city covers approximately 42 square miles and has a population of 106,804, with an expected build-out population of 117,000 residents. Industries in the city include a major regional shopping center; a specialty outlet center; 20 auto dealers; 34 hotels offering over 3,600 rooms for tourist lodging; high technology, multimedia and biomedical businesses; electronics, golf apparel and equipment manufacturers; several business and light industry parks; and numerous land developers building single and multi-family housing in a variety of community settings.



This report includes financial statements for the city, the Housing Authority of the City of Carlsbad, the Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. Through these entities, Carlsbad provides a full range of services to its citizens and customers including:

- Police protection services
- Development services
- Fire and paramedic services
- Street construction and maintenance
- Water delivery system
- Library and arts programs
- Wastewater system
- Recreation programming for all ages
- Solid waste services
- Park lands
- Housing programs

In addition to the full range of services normally associated with a municipality, Carlsbad offers programs to help local residents and businesses. The city's Redevelopment Agency is comprised of two areas: the 0.4 square mile Village Redevelopment area in downtown and the South Coastal Carlsbad Redevelopment Area, which borders the Pacific Ocean south of the Village Redevelopment Area. Low-income families in Carlsbad receive assistance from the city's Housing Authority and older residents can take advantage of Carlsbad's senior citizen programs.

Budget Process

The Carlsbad Municipal Code requires that the City Manager annually prepare a budget for the City Council with a message describing important features, and assume responsibility for the budget's administration after adoption. The budget process begins in January each year with a review and update of the City Council's five-year vision statements and strategic goals for the city. The City Council also provides the city with its top priority projects, which further defines the Council's vision. The goals and priority projects outline the methods used to achieve the vision and call out areas upon which

City of Carlsbad Community Vision

Small town feel, beach community character and connectedness

Enhance Carlsbad's defining attributes - its small town feel and beach community character. Build on the city's culture of civic engagement, volunteerism and philanthropy.

Open space and the natural environment - Prioritize protection and enhancement of open space and the natural environment. Support and protect Carlsbad's unique open space and agricultural heritage.

Access to recreation and active, healthy lifestyles - Promote active lifestyles and community health by furthering access to trails, parks, beaches and other recreation opportunities.

The local economy, business diversity and tourism - Strengthen the city's strong and diverse economy and its position as an employment hub in north San Diego County. Promote business diversity, increased specialty retail and dining opportunities, and Carlsbad's tourism.

Walking, biking, public transportation and connectivity - Increase travel options through enhanced walking, bicycling and public transportation systems. Enhance mobility through increased connectivity and intelligent transportation management.

Sustainability - Build on the city's sustainability initiatives to emerge as a leader in green development and sustainability. Pursue public/private partnerships, particularly on sustainable water, energy, recycling and foods.

History, the arts and cultural resources - Emphasize the arts by promoting a multitude of events and productions year round. Cutting edge venues to host world class performances, and celebrate Carlsbad's cultural heritage in dedicated facilities and programs.

High quality education and community services

Support quality, comprehensive education and lifelong learning opportunities, provide housing and community services for a changing population, and maintain a high standard for citywide public safety.

Neighborhood revitalization, community design and livability

Revitalize neighborhoods and enhance citywide community design and livability. Promote a greater mix of uses citywide. more activities along the coastline and link

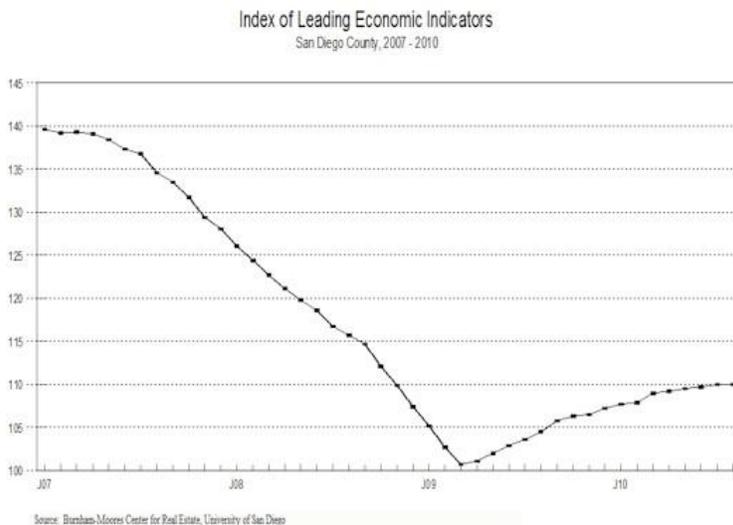
the City Council would like to place special emphasis during the year. Once the vision and priority projects are developed, staff develops operational goals based on the City Council's direction. These operational goals are the basis for the development of the annual budget.

Budgetary control for the city is maintained through its accounting systems. The City Council adopts the formal budget at the beginning of each fiscal year and may amend it throughout the year as necessary. Expenditures may not exceed budgeted figures at the fund level. Monthly reports summarizing the results of operations for the city's more significant funds are provided to the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

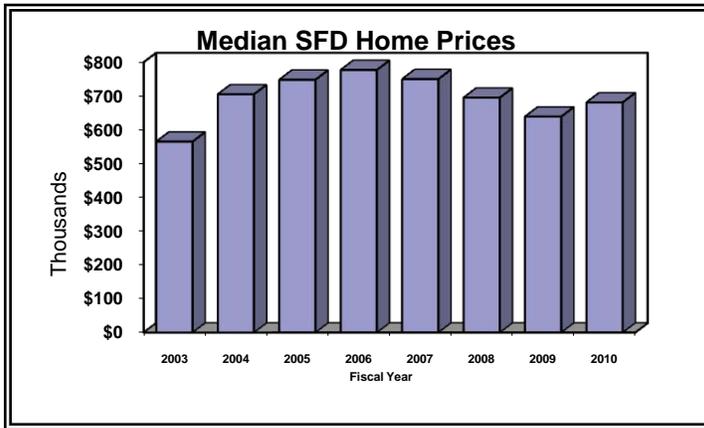
Economic Profile

The University of San Diego (USD) tracks the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six items to evaluate growth trends in the San Diego economy: unemployment filings, want ads, local stock prices, consumer confidence, building permits and the strength of the national economy. The index was unchanged in August 2010, breaking a string of 16 consecutive increases in this indicator. Negative indications in building permits and unemployment insurance offset positive movements in the other four items. While the Index does not indicate an impending downturn, it does reflect continued weakness in the economy, and future growth is expected to be uneven, with little improvement in job growth.



Carlsbad's economy is tied closely to that of the San Diego region. Continued fallout from the recession that began in 2007 can be seen in the city's General Fund revenues, which are projected to decrease by \$4.4 million, or almost four percent in fiscal year 2010-11. Although the city forecasts moderate growth in sales tax and transient occupancy tax revenues, property taxes are expected to decline almost two percent compared to the previous fiscal year. Property tax revenues represent 44 percent of the General Fund Budget.

Carlsbad's residential real estate market slowed significantly throughout FY 2008-09, but it has picked up in 2009-10. For FY 2008-09, the city issued 107 dwelling units as compared to 339 dwelling units for FY 2007-08. For 2009-10, the city is projecting it will issue 265 dwelling units. For industrial and commercial, the city has permitted 109,149 square feet for FY 2009-10 through April 2010, compared to 237,935 square feet for FY 2008-09 for the same time frame. Development has picked up recently due to a number of new residential communities under construction or in the final phases of development that will add to the residential housing stock in Carlsbad. The Villages of La Costa projects known as the Oaks North, the Greens and the Ridge are nearing completion, with the final phases under construction. In addition, the Robertson Ranch area East and West Villages, which is expected to contain a little over 1,100 residential units, has begun to pull building permits for three communities in the East Village. The completion of these master planned communities will signal an end of the larger-scale residential development in Carlsbad.



As the housing market cooled, the housing prices declined as well. However, we are now starting to see a slight increase in housing prices. The median price for single-family homes in Carlsbad was \$681,000 for March 2010, an increase of 6.6 percent from the previous year. Total assessed values in the city stand at over \$21 billion, an increase of nearly 50 percent over what they were just five years ago. The city is projecting it will add about 1,088 more residential units and an additional 1.5 million square feet of commercial/industrial

development over the next five years. The city's residential housing stock is about 90 percent built out, with approximately 4,850 housing units remaining to develop.

Prior to the downturn of the economy in 2007, commercial and industrial development had been averaging 1,129,000 square feet per year over the five years prior to that. Due to the economic recession, commercial and industrial development now is expected to average 300,000 square feet per year over the next five years with the large industrial commercial developments including Bressi Ranch, Carlsbad Raceway and Palomar Forum, Dos Colinas Retirement Community, Paseo Carlsbad Retail and Restaurants and the desalination plant. Some of the major companies in town include Callaway Golf, the Gemological Institute of America, ViaSat, Life Technologies, TaylorMade-adidas Golf, Upper Deck, and many others.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, as well as generating additional sales taxes to help pay for city services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the Forum at Carlsbad – a commercial center with upscale retail shops, restaurants and other commercial uses.

Development has also enhanced Carlsbad's reputation as a destination resort for tourism. The city is host to a major family theme park: Legoland, and has two luxury resorts available for its visitors: the Four Seasons Resort at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the city, with the most recent additions being the Sheraton Carlsbad Resort and Spa, Homewood Suites and Hampton Inn.

The City of Carlsbad opened a municipal golf course in the summer of 2007 which has further enhanced the tourism attractions the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole, destination golf course set in the rolling hills and canyons of Carlsbad. With ocean views, high quality golf experience, a first class restaurant and clubhouse, and linkages to hiking trails, The Crossings at Carlsbad is a destination spot for golfers and non-golfers alike.

Overall, for FY 2010-11, the General Fund revenue is projected to decline by 3.9 percent from the previous year's estimates. Most of the tax revenue, with the exception of property taxes, is expected to increase slightly in 2010-11. Sales tax and TOT are both projected to increase over three percent due to the upward trend we see in the economy. Due to the decline in housing values, the County Assessor has estimated that the city should expect property tax revenues to decrease by almost 1.8 percent for FY 2010-11. New building permits are expected to increase slightly and the development related revenue items have been adjusted accordingly for Fiscal Year 2010-11. More information on all of the city's revenues and programs can be found in the later sections of the document.

State of California



California appears to be emerging from the most severe economic downturn since the Great Depression, although the pace of recovery is almost imperceptible and a significant budget imbalance continues to plague the state, as it has for a number of years. Through a variety of loans, one-time revenues, interfund borrowings, and raids on city, county and special district funds, it has been able to manage its cash flows and stay solvent. Federal and state maintenance-of-effort requirements and other legal constraints have also increased costs and substantially restricted the areas of the Budget that can be reduced. As a result, the state's choices are more limited and more difficult.

The state adopted its budget for Fiscal Year 2010-11 in October 2010, an historic 100 days late. The budget closes a gap of \$17.9 billion and provides a modest reserve of \$1.3 billion. The package of budget actions agreed upon by the Governor and the Legislature include expenditure-related solutions, projected federal funding (including funding not yet approved by Congress), revenue actions, and the use of one-time loans, transfers and funding shifts. Expenditure reductions of \$7.8 billion include savings in education and the effects of current and future negotiations with state unions. Additional federal funding of \$5.4 billion is projected in the state budget, although only a portion of this has been approved by Congress and the President to date. Revenue actions include the suspension of business deductions for net operating losses and proceeds from the sale and leaseback of state office buildings. Other measures for closing the budget deficit include transfers, loans, and shifts, such as the use of previously authorized state take of redevelopment agency funds for state courts. Unlike previous years, the state budget appears to have a minimal impact on local governments.

As a result of previous attacks on cities' revenues, a coalition of cities, counties and special districts supported Proposition 1A which was approved by the voters in November 2004. The measure included a provision to help prevent the Legislature from reducing the combined property tax shares of cities, special districts, and the county, except to borrow the funds on a temporary basis to address a "severe state fiscal hardship." According to Proposition 1A, if the state borrows funds from local governments, the state is required to pay back the funds within three years including interest. The state can only borrow two times within a 10 year period and is required to pay back the first loan before another borrowing can occur. There is also a statewide ballot measure aimed for the November 2010 election that would protect funding for local public safety, emergency response, transportation, transit and other vital local services.

Long-Term Financial Planning

It is the City Council's goal to ensure that the city remains in good financial health, and the city has taken a number of steps to attain that goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed along with development or that a financing plan is in place to pay for the facilities prior to the development of the property. Thus, the initial capital facilities needed to support the growing population are provided without financially impacting the city or its current residents. The city also prepares a 15+ year Capital Improvement Program. As part of the Capital Improvement Program, the amounts needed to pay for the various projects as well as the operating budget impacts are calculated. In this way, the city can anticipate the effects of development from both a capital and an operating perspective.

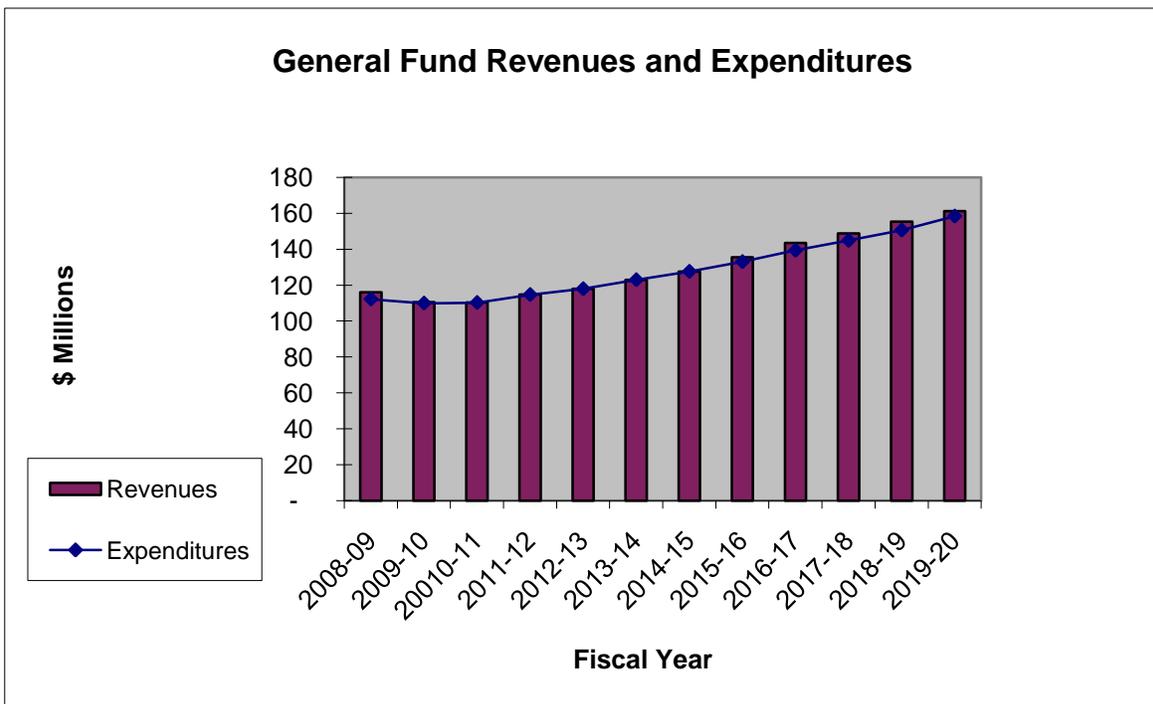
While the City of Carlsbad has a long-term history of maintaining sufficient reserves, the City Council took formal action during Fiscal Year 2007-08 to adopt a reserve policy. The General Fund Reserve Policy sets a minimum reserve of 30 percent of the General Fund expenditures and also establishes a target reserve of 40 percent to 50 percent. This reserve can be used by the City Council for emergencies or one-time purposes.

In order to assure that the city has the funds to replace these facilities as they age, an Infrastructure Replacement Fund was created. With this fund, the city is setting aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the city's infrastructure is relatively new; therefore, the city has not felt the full impact of maintenance. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, when needed, will be performed on

streets, parks, and the many facilities for which the city is responsible. For Fiscal Year 2010-11, the City Council approved allocating \$7.1 million, or 6.5 percent, of General Fund revenues to the Infrastructure Replacement Fund.

In addition to these steps, the city prepares a ten-year financial forecast for the General Fund each year, in order to understand the effects of actions taken today on the city’s future. While the ten-year forecast indicates that the city maintains a balanced budget in the coming years, surpluses will not be as robust as in past years. The future will bring a few more commercial sites but at a much slower pace, especially in the next few years, due to the economy. Until the housing and employment crisis can recover, it is anticipated that residential development will continue at a slower pace. There are also quite a few city facilities – mainly parks and civic facilities – planned in the future to serve the growing population. The new facilities will add operating costs to the city’s General Fund budget as they are completed and opened for use. The timing of opening these facilities has been reviewed to ensure that the facilities are opened during a time when the General Fund can support these additional operating costs.

These new facility operating costs have been incorporated into the General Fund forecast shown at the bottom of this page and projected over the next ten years. The emphasis will continue to be maintaining existing infrastructure. New civic facilities will be planned when there is anticipated financial capacity to operate and maintain those new facilities when they are opened. While no forecast is ever totally accurate, it does represent a likely scenario given the assumptions on which it is built.



The forecast assumes that ongoing revenue (excluding one-time revenues received in FY 2009-10) will begin to turn positive in FY 2010-11, although at a very moderate rate, assuming that the economy does not go into a double-dip recession. To project the expenditures, it includes all known personnel costs. However, the city is currently in negotiations with its Fire and Police associations, and the results of those negotiations have not been reflected in the current ten-year forecast.

The forecast assumes 10 percent annual increases in health care costs in the near future with the employees paying half of those increases. It also assumes no personnel growth (new positions) until FY 2012-13. Negotiated salary step increase and cost of living increases between 0.5 percent and 3.5 percent have been added to personnel costs. In order to help maintain a balanced ten-year forecast, position growth has been limited. Pension plan costs are anticipated to increase by approximately five percent for miscellaneous

employees and 7.5 percent for safety employees in FY 2011-12 as a result of the significant investment losses CalPERS sustained in FY 2008-09. It assumes that the contribution from the General Fund to the Infrastructure Replacement Fund is 6.5 percent of General Fund revenues. And finally, it includes estimated operating costs for all capital projects in the timeframes shown in the Capital Improvement Program (CIP). One of the significant assumptions in the forecast is that the recession, if it has not already, will bottom out during 2010, with modest growth during the economic recovery.

The results show that while the General Fund is balanced for FY 2010-11, there are small projected deficits projected for the following three years due predominantly to the increase in the projected PERS rates. One-time transfers are currently programmed in the forecast in the event that these deficits materialize in these years. Additional budget solutions will be pursued to help balance those years as well. In addition, for the years that appear to be balanced, there are much smaller surpluses than in previous years' forecasts. This reflects the current economic recession and uncertainty.

The ability to understand the future impacts of both changes in revenue sources as well as program needs is crucial to ensure that the city has the funds available to realize its future plans. The General Fund forecast is a tool available to the city to achieve the goal of managing its fiscal resources effectively and monitoring the achievement of sustainable economic health for the City of Carlsbad. When there is economic uncertainty, this long-term perspective becomes even more important.

Cash Management

The City Treasurer is charged with the design of an effective cash management and investment program consistent with legal requirements and the Carlsbad Investment Policy. The city annually adopts a comprehensive investment policy specifying, among other things, investment objectives and strategy, type, and term of investments, reporting requirements, and investment oversight. The city's investments generally include federal agencies, corporate notes, and investments in the State Treasurer's investment pool. The modified duration of the investments in the city's investment pool as of June 30, 2010 was 1.401. The average return realized on the pooled investments declined from 3.72 percent in Fiscal Year 2009-10 to 2.52 percent for Fiscal Year 2010-11.

Investment income shown in the financial statements includes changes in the fair value of investments as required under GAAP. Increases or declines in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts. This is especially true as the city holds most of its investments to maturity rather than selling them at fair value.

The graph at the right shows the amount of unrealized income reflected in the portfolio over the last few years. The total portfolio had an unrealized gain of 1.16 percent for Fiscal Year 2009-10. According to the City Treasurer, "It is likely that a downward trend will continue in Fiscal Year 2010-11 as investments with higher interest rates are called and reinvested at today's lower market rates."



Major Initiatives and Projects

Due to ongoing economic uncertainty, the Fiscal Year 2010-11 Operating Budget did not provide for additional major initiatives. Several significant projects are in design or under construction over the next few years. Some of the notable capital projects include the following:

- **Alga Norte Park and Aquatic Center** – This park site consists of 30 acres in the Southeast Quadrant with planned amenities that include ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms, parking facilities, and an aquatic center. The aquatic center will include a 55-meter competition pool, a 12-lane instructional pool and a therapy pool as well as a water play area for toddlers (Phase I). In addition, a moving river, water slides and wet play structure are planned for Phase II. A swimming pool complex was one of the projects approved by the voters through Proposition C in 2002. The total cost of the park and aquatic center, Phase I, is estimated to be \$39.8 million. Total appropriation for the park and Phase I and Phase II of the aquatic center is currently at \$50.4 million.



- **Leo Carrillo Park Barn** – Phase III of this historic park facility includes transformation of the existing barn into a community theatre. The total budget is \$500,000. The project is expected to be complete in the Spring of 2011. In addition, Phase III includes the renovation of additional buildings, construction of additional restrooms and an arboretum area. The total cost of the remainder of Phase III is approximately \$1.9 million and design is expected to begin in FY 2013-14.

- The **Public Works Center** – The city has planned the construction of a Public Works Center to bring together many of the maintenance functions to a single facility for a number of years. In 2010, the City Council took action to purchase 3.08 gross acres of land with an existing 5,400 square foot industrial building on site. This property is adjacent to an existing city facility, a 5.8 gross acres site located on Las Palmas Drive. In the coming year, staff will develop updated estimates and plans to locate offices, shops, a yard, warehouse and parking to accommodate the city’s maintenance personnel. The total cost of the project is approximately \$28.1 million.
- The **Joint First Responders Training Facility** project was authorized under Proposition C, which was approved in 2002. The contract for this facility has been awarded, and construction began in June 2010. The facility is being constructed on a site at the Carlsbad Safety Center adjacent to Fire Station No. 5 with a total project budget of \$24.5 million. Plans for this facility include a 25-yard and 100-yard shooting range, a four-story fire training tower, and a two-story residential training facility.



- The **Relocation of Fire Station No. 3**, which is currently located at the corner of Chestnut and Catalina, is needed to help ensure a five-minute response time as the city grows eastward. The site for the new station is in Robertson Ranch. Total cost is projected at \$9.2 million.

- The **Carlsbad Boulevard Encinas Creek Bridge Replacement** - This project has been identified as one of the City Council’s top priorities for the coming year. The FY 2010-11 CIP includes an appropriation of \$3.0 million for preliminary engineering and environmental studies to analyze roadway realignment alternatives, infrastructure needs, land uses, commercial land development options, public park and coastal access opportunities and related long-term coastal planning issues and constraints.
- **Traffic Management Center and ATMS** – In keeping with City Council’s goal of improving traffic flow throughout the city, a project to develop an Automated Traffic Management System (ATMS) and a Traffic Management Center has been added to the CIP program. A pilot study is currently being conducted to test the effectiveness of the proposed system. Once the study is complete the system will be expanded to incorporate key locations throughout the city. A total of

\$912,000 has been included in the CIP with a \$203,000 appropriation in FY 2010-11.

- The **Pavement Management Program** helps ensure that Carlsbad's local streets are maintained on a regular cycle to ensure a good riding surface and to extend the life of the street. Part of the maintenance program is the sealing and overlay of the existing street surface. In addition, any problem areas are addressed as they are identified. The FY 2010-11 CIP has \$2.7 million budgeted for this program.
 - **Poinsettia Lane Reach E** is a project which includes completion of the final link along Poinsettia Lane between Cassia Road east to Skimmer Court. The total cost is approximately \$13.5 million and the city expects to begin the design in FY 2013-14.
 - **Vista/Carlsbad Interceptor and Aqua Hedionda Lift Station Replacement** – This project consists of a set of individual projects that will ultimately construct a parallel sewer interceptor system to accommodate existing and future sewer flows from the cities of Vista and Carlsbad. The individual projects include a main in Jefferson Street, replacement of the Aqua Hedionda Lift Station, and a main from the lift station to the Encina Wastewater Facility. The overall total cost estimate for this set of projects totals \$48.8 million, of which \$15.3 million is to be funded by the City of Carlsbad, with the remainder of \$33.5 million to be funded by the City of Vista.
- 
- Major **wastewater facilities** scheduled for construction or replacement within the next five years include:
 - Buena Interceptor Sewer Improvements
 - Home Plant Lift Station Replacement and Forcemain
 - Buena Vista Lift Station Improvements
 - The **Maerke Reservoir Storage project** is for the construction of a buried 16 million gallon water storage reservoir next to the existing reservoir in order to provide additional emergency storage and to meet the ten-day storage criteria based on ultimate demands. The total cost is estimated at \$14.8 million.
 - The **Hydroelectric Pressure Reducing Station project** at the Maerke Reservoir is an electricity generating project that will provide a renewable energy source for the city. The cost estimate for this project is approximately \$2.0 million.
 - Several major **water lines** are scheduled for construction within the next five years:
 - Carlsbad Boulevard – south of Avenida Encinas
 - Maerke Transmission Main
 - Tri-Agencies Water Transmission Pipeline Replacement
 - Reservoir Repair/Maintenance Program
 - Palomar Business Park Recycled Water Pipelines
 - **Aqua Hedionda Channel** – the project included dredging approximately 30,000 cubic yards of accumulated sediment from the Aqua Hedionda and Calavera Creek Channels adjacent to the Rancho Carlsbad Community. Current cost estimates have been updated to include the need to acquire and restore 5.6 acres of wetland mitigation. The total estimated cost of the project is \$5.2 million.

AWARDS AND ACKNOWLEDGEMENTS

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 Carlsbad for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2009. This was the twelfth consecutive year that the city has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The city strives to develop a Comprehensive Annual Financial Report which will continue to meet the Certificate of Achievement Program's requirements, and this report will be submitted to GFOA to determine its eligibility for another certificate.

This report has been a joint effort by many people from many different areas of responsibility. It could not have been accomplished without their help and the dedicated efforts of all of the accounting staff, especially Kevin Branca, Assistant Finance Director. I also appreciate the staff of Mayer Hoffman McCann for the professional way in which the audit of this financial report was conducted. It has been a pleasure to work with them throughout this period. Additionally, I would like to thank the City Council, City Manager and the city's Leadership Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the City of Carlsbad's finances.

Respectfully submitted,



CHUCK McBRIDE
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Carlsbad
California

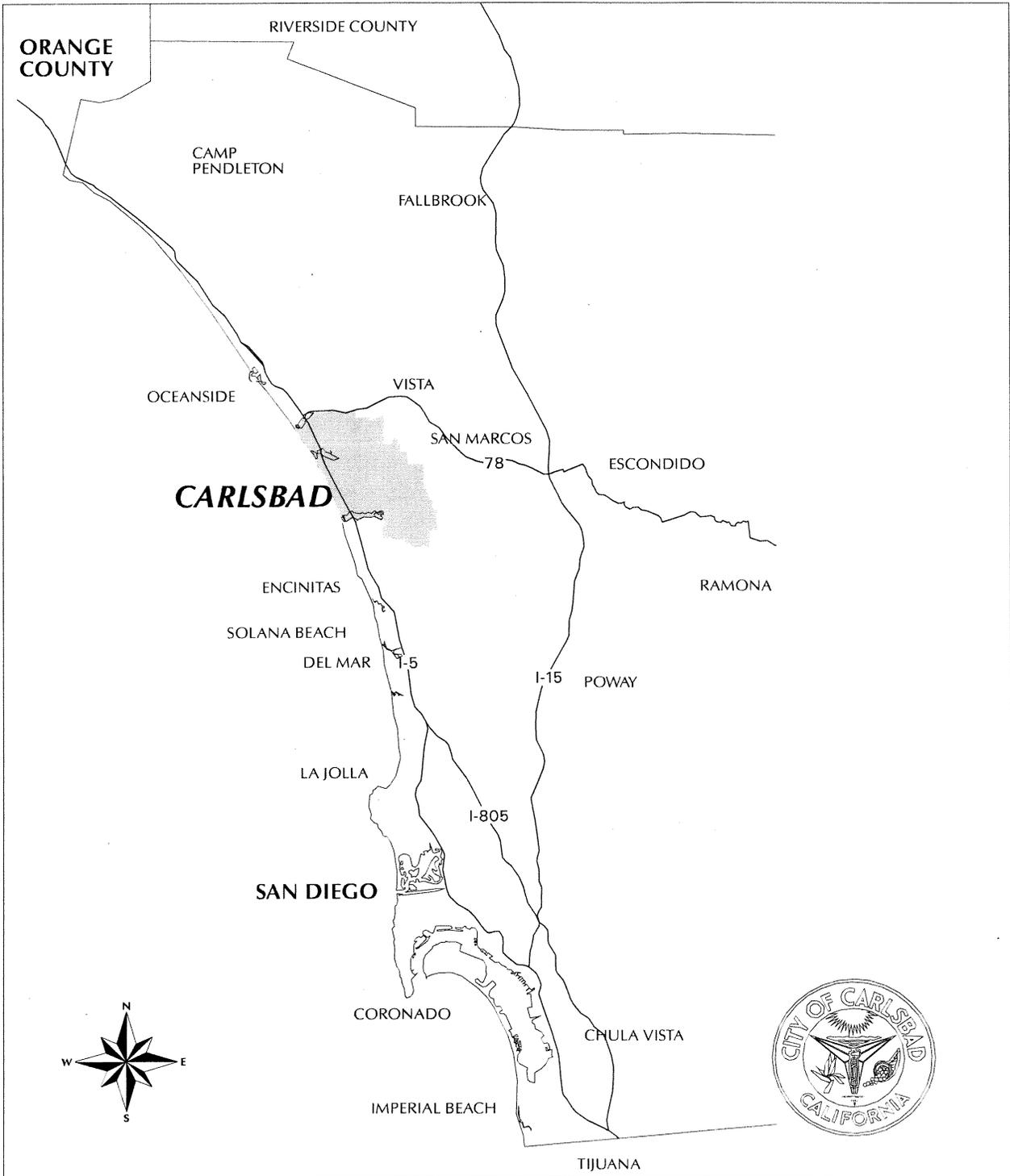
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director



CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Claude A. "Bud" Lewis, Mayor
Ann J. Kulchin, Mayor Pro Tem
Matt Hall, Council Member
Mark Packard, Council Member
Keith Blackburn, Council Member

Lorraine M. Wood, City Clerk
Vacant, City Treasurer

LEADERSHIP TEAM

Lisa Hildabrand, City Manager
John Coates, Assistant City Manager
Cynthia Haas, Deputy City Manager
Ron Ball, City Attorney
Heather Pizzuto, Library Director
Gary Barberio, Community & Economic Development Director
Debbie Fountain, Housing & Neighborhood Services Director
David Hauser, Property & Environmental Management Director
Gordon Peterson, Information Technology Director
Julie Clark, Human Resources Director
Chuck McBride, Finance Director
Skip Hammann, Transportation Director
Glenn Pruiem, Utilities Director
Gary Morrison, Police Chief
Kevin Crawford, Fire Chief

CHAIRPERSONS, COMMISSIONS AND BOARDS

Heath Fox	Arts Commission
Vacant	Beach Preservation Committee
Vacant	Carlsbad Tourism Business Improvement District Board
Wendy Hinman	Historic Preservation Commission
Vacant	Housing Commission
Claude A. Lewis	Housing and Redevelopment Commission
Marie Bradley	Library Board of Trustees
Jim Comstock	Parks and Recreation Commission
Farrah Douglas	Planning Commission
Jack Nelson	Senior Commission
Vacant	Serra Cooperative Library System Advisory Board
Jacque Thye	Sister City Committee
Jack Cumming	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

CITY OF CARLSBAD ORGANIZATION CHART



ELECTORATE

CITY CLERK
MAYOR & COUNCIL
CITY TREASURER

CITY ATTORNEY

CITY MANAGER

ASSISTANT CITY MANAGER

DEPUTY CITY MANAGER

- Arts Commission
- Historic Preservation Commission
- Library Board of Trustees
- Serra Cooperative Library System Advisory Board
- Parks & Rec Commission
- Senior Commission
- Beach Preservation Committee

- Housing Commission
- Housing & Redevelopment Commission
- Planning Commission
- Carlsbad Tourism B.I.D. Advisory Board
- Traffic Safety Commission
- Underground Utility Advisory Committee

TRANSPORTATION
UTILITIES

PUBLIC WORKS

FINANCE
HUMAN RESOURCES
INFORMATION TECHNOLOGY
PROPERTY & ENVIRONMENTAL MANAGEMENT

INTERNAL SERVICES

FIRE
POLICE

PUBLIC SAFETY

COMMUNITY & ECONOMIC DEVELOPMENT
HOUSING & NEIGHBORHOOD SERVICES

COMMUNITY DEVELOPMENT

PARKS & RECREATION
LIBRARY & ARTS

COMMUNITY SERVICES

KEY

- Elected Council (Oval)
- Appointed Council (Rectangle)
- Reporting Relationship (Dashed Line)
- Programs (Dotted Line)



FINANCIAL SECTION



Mayer Hoffman McCann P.C.

An Independent CPA Firm

2301 Dupont Drive, Suite 200
Irvine, California 92612
949-474-2020 ph
949-263-5520 fx
www.mhm-pc.com

City Council
City of Carlsbad, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Carlsbad. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, of the City of Carlsbad, California and the respective budgetary comparison information for the general fund of the City for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



City Council
City of Carlsbad, California
Page Two

In accordance with *Government Auditing Standards*, we have also issued a report dated October 29, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayor Hoffman McLean P.C.

Irvine, California
October 29, 2010

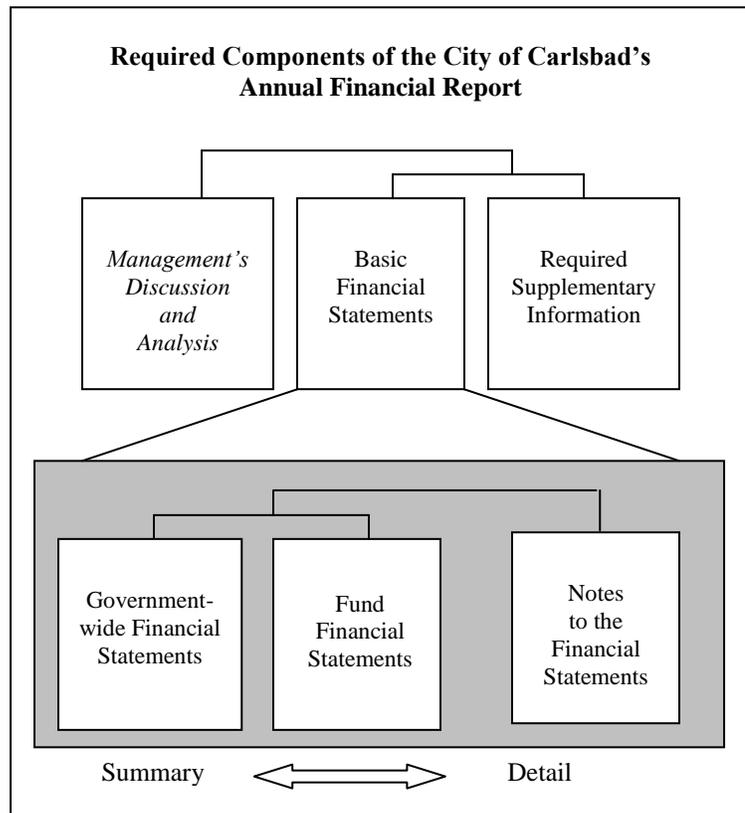
Management's Discussion and Analysis

Management of the City of Carlsbad ("city") provides readers this overview and analysis of the financial activities of the city for the fiscal year ended June 30, 2010. The intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the city. This analysis will focus on the significant changes in an effort to explain the city's overall financial condition. The information presented here should be considered in conjunction with the additional information furnished in the letter of transmittal.

Overview of the Financial Statements

This section of the annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the city.

- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the city's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the city government, reporting the city's operations in *more detail* than the *Government-wide Statements*.
 - The *Governmental Funds Statements* detail how *general government* services such as public safety were financed in the *short-term* as well as what remains for future spending.
 - *Proprietary Fund Statements* offer *short- and long-term* financial information about the activities the city operates *like businesses*, such as the providing of water and wastewater services.
 - *Fiduciary Fund Statements* provide information about the financial relationships – such as contractor and miscellaneous deposits – in which the city acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are accompanied by *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, included is a section with combining fund statements that provides detail about the non-major governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the city's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Government-wide Financial Statements report the city's *net* assets and how they have changed. Net assets – the difference between the city's assets and liabilities – are one way to measure the city's financial health, or *position*. Over time, increases or decreases in the city's net assets are an indicator of whether the city's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the city's property tax base and the condition of the city's infrastructure, to assess the overall health of the city.

The Government-wide Financial Statements of the city are divided into two categories:

- *Governmental activities* – Most of the city's basic services, such as police, fire, public works, community services, community development, and general administration, are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.
- *Business-type activities* – The city charges fees to customers to cover the cost of certain services it provides. The city's water, wastewater, solid waste services and municipal golf course operations are the primary business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the city's most significant *funds* – not the city as a whole. Funds are accounting devices that the city uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by state law and bond covenants, while the city establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Rental Assistance Fund).

The city has three kinds of funds:

- *Governmental funds* – Most of the city's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the city's programs. These statements are presented on a modified accrual basis of accounting. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. There are currently four governmental fund types being used by the city: the *General Fund*, *special revenue funds*, *debt service funds* and *capital project funds*.
- *Proprietary funds* – Services for which the city charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information, and are presented on an accrual basis of accounting.
 - There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
 - We use *enterprise funds* to report activities that provide business-type services, generally to external customers – such as water, wastewater, trash and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.
 - We use *internal service funds* to report activities that provide services and supplies for the city's other programs and activities – such as fleet, workers' compensation, and information technology.

- *Fiduciary funds* – These funds are used to account for situations where the city’s role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the city’s fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the city’s Government-wide Financial Statements because the city cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Net Assets

The city’s *combined* net assets as of June 30, 2010, as shown below, were \$1.7 billion. The city’s net assets increased by \$45.6 million during the current fiscal year. Over \$50 million in one-time capital grants and contributions (to be used for the purchase and acquisition of infrastructure and other capital assets) were received during the year which offset the \$4.6 million deficit created by operating expenses exceeding operating revenues during the year. A large factor in this deficit was the refunding of over \$10 million in Rancho Santa Fe Road fees due to a surplus in the fund.

CITY OF CARLSBAD'S NET ASSETS (in millions of dollars)							
	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2009	2010	2009	2010	2009	2010	2009-10
Current and other assets	\$517.8	\$523.0	\$84.2	\$90.9	\$602.0	\$613.9	2.0%
Capital assets	753.2	778.0	356.8	363.4	1,110.0	1,141.4	2.8%
Total assets	1,271.0	1,301.0	441.0	454.3	1,712.0	1,755.3	2.5%
Long-term debt outstanding	10.7	10.3	50.9	48.4	61.6	58.7	-4.7%
Other liabilities	15.4	16.2	10.0	9.9	25.4	26.1	2.8%
Total liabilities	26.1	26.5	60.9	58.3	87.0	84.8	-2.5%
Net assets							
Invested in capital assets, net of related debt	742.5	767.7	308.4	317.2	1,050.9	1,084.9	3.2%
Restricted	233.6	227.0	43.2	44.2	276.8	271.2	-2.0%
Unrestricted	268.8	279.8	28.5	34.6	297.3	314.4	5.8%
Total net assets	\$1,244.9	\$1,274.5	\$380.1	\$396.0	\$1,625.0	\$1,670.5	2.8%

As noted earlier, net assets may serve over time as a useful indicator of the city’s financial position. For the City of Carlsbad, assets currently exceed liabilities by \$1.7 billion at the close of the most recent fiscal year.

A large portion of the city’s net assets (65 percent) reflects its investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the city’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves would not be used to liquidate these liabilities.

An additional portion of the city’s net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$314.4 million) may be used to meet the government’s ongoing obligations to citizens and creditors.

Just under 48 percent of the \$314.4 million in unrestricted governmental activities net assets is attributable to the General Fund. Net assets invested in capital assets net of related debt for the city increased by \$34 million during Fiscal Year 2009-10 due primarily to the receipt of developer donated assets during the year (infrastructure assets in Carlsbad Raceway, Kelly Ranch and Robertson Ranch), the construction of the North Agua Hedionda interceptor

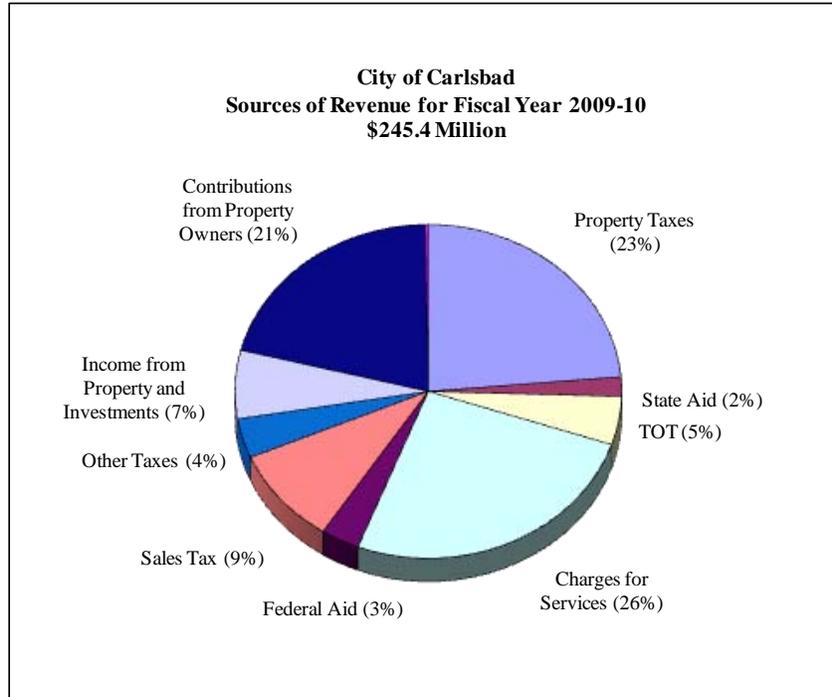
and lift station and the completion of the Library Learning Center. A portion of business-type net assets represents the city's municipal golf course. At the end of Fiscal Year 2009-10, there is a large deficit in unrestricted net assets for the Golf Course Fund. This is the result of the General Fund advancing money to the Golf Course Fund for the construction of the course.

Changes in Net Assets

The condensed summary of activities, which follows, shows that net assets increased by \$45.6 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net assets: an emphasis on efficiencies resulting in a reduction in expenses/expenditures; a citywide restructuring initiative that either eliminated or unfunded 23.75 positions; \$17.5 million in "savings" in the General Fund being carried forward into the new fiscal year by various major service areas within the city to enhance and provide for future services and programs; the build-up of cash reserves in the city's capital project and enterprise funds for future capital project construction and acquisition; revenues received in the city's special revenue funds for future services and programs; and the donation of infrastructure assets from developers.

CITY OF CARLSBAD'S CHANGES IN NET ASSETS							
(in millions of dollars)							
	Governmental		Business-type		Total		Total Percentage Change
	Activities	Activities	2009	2010	2009	2010	
	2009	2010	2009	2010	2009	2010	2009-10
Revenues							
Program revenues							
Charges for services	\$14.2	\$15.1	\$42.0	\$48.1	\$56.2	\$63.2	12.5%
Operating grants and contributions	12.1	11.4	1.9	1.7	14.0	13.1	-6.4%
Capital grants and contributions	27.7	32.5	14.6	17.9	42.3	50.4	19.1%
General revenues							
Property taxes	55.3	55.1	2.8	2.8	58.1	57.9	-0.3%
Sales and use taxes	23.1	23.0	-	-	23.1	23.0	-0.4%
Other taxes	22.4	21.0	-	-	22.4	21.0	-6.2%
Income from property and investments	19.8	12.5	5.9	3.7	25.7	16.2	-37.0%
Other	0.4	0.4	0.2	0.2	0.6	0.6	0.0%
Total revenues	175.0	171.0	67.4	74.4	242.4	245.4	1.2%
Expenses							
General government	12.9	23.0	-	-	12.9	23.0	78.3%
Public safety	44.6	44.4	-	-	44.6	44.4	-0.4%
Community development	16.1	18.9	-	-	16.1	18.9	17.4%
Community services	20.3	18.8	-	-	20.3	18.8	-7.4%
Public works	35.2	35.4	-	-	35.2	35.4	0.6%
Interest on long-term debt	0.6	0.5	-	-	0.6	0.5	-16.7%
Carlsbad Municipal Water District	-	-	30.2	33.9	30.2	33.9	12.3%
Golf course	-	-	13.1	11.9	13.1	11.9	-9.2%
Wastewater	-	-	11.8	10.4	11.8	10.4	-11.9%
Solid waste	-	-	2.6	2.6	2.6	2.6	0.0%
Total expenses	129.7	141.0	57.7	58.8	187.4	199.8	6.6%
Excess (deficiency) before transfers	45.3	30.0	9.7	15.6	55.0	45.6	-17.1%
Transfers	(0.1)	(0.4)	0.1	0.4	-	-	
Increase (decrease) in net assets	45.2	29.6	9.8	16.0	55.0	45.6	-17.1%
Beginning net assets	1,199.7	1,244.9	370.3	380.0	1,570.0	1,624.9	3.5%
Ending net assets	\$1,244.9	\$1,274.5	\$380.1	\$396.0	\$1,625.0	\$1,670.5	2.8%

Just under 58 percent of the revenues of the city's governmental funds are generated through taxes collected (property, sales, transient occupancy tax, etc.), and just under 65 percent of the city's business-type revenue is generated through charges for services. The chart to the right graphically depicts the city's revenue sources.



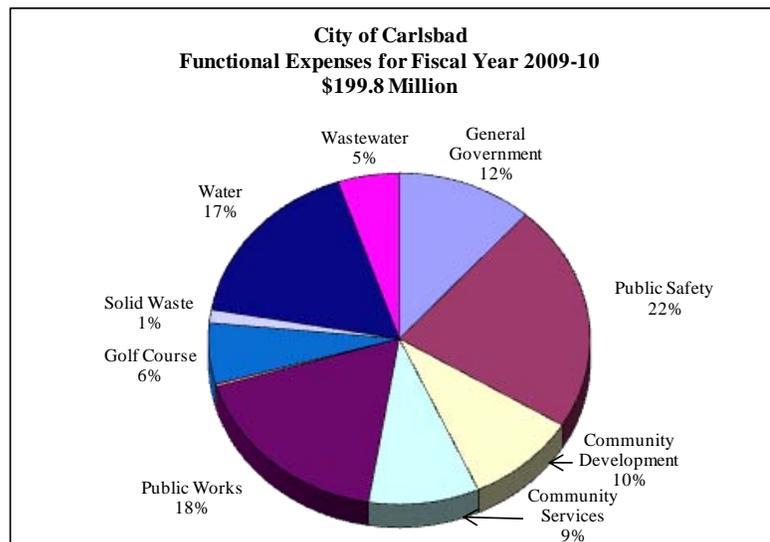
The current economic recession has significantly impacted sales tax revenues, property taxes, and transient occupancy taxes. The stabilization of energy prices has impacted the city's franchise taxes (other taxes). The Federal Reserve, in an effort to stimulate the economy, has lowered interest rates to historic lows, affecting the city's income from property and investments. As development throughout the city has picked up slightly from the prior year, developer impact fees (capital contributions), developer contributed assets (capital contributions) and permitted activity (charges for services) have increased as well. Another factor affecting charges for services were water and wastewater rate increases as well as a new tiered rate system put in place to better align the costs of providing residential water service and to encourage water conservation.

The total cost of all programs and services was just over \$199.8 million in Fiscal Year 2009-10. Some of the significant factors affecting the change in expenses from Fiscal Year 2008-09 to Fiscal Year 2009-10 included the refunding of over \$10 million of Rancho Santa Fe Road fees originally paid by developers, another large increase in the cost of purchased water, agricultural mitigation grants approved by the city Council, and a state mandated SERAF (Supplemental Educational Revenue Augmentation Funds) payment of \$1.4 million. The city's expenses cover a range of services:

The total cost of all programs and services was just over \$199.8 million in Fiscal Year 2009-10. Some of the significant factors affecting the change in expenses from Fiscal Year 2008-09 to Fiscal Year 2009-10 included the refunding of over \$10 million of Rancho Santa Fe Road fees originally paid by developers, another large increase in the cost of purchased water, agricultural mitigation grants approved by the city Council, and a state mandated SERAF (Supplemental Educational Revenue Augmentation Funds) payment of \$1.4 million. The city's expenses cover a range of services:

- General Government (12 percent)

This segment of the city is divided into three major groups: the Policy and Leadership group, the Administrative Services group and non-departmental charges. The Policy and Leadership group encompasses all elected officials, the chief executive offices for the city and the Communications team. The Administrative Services group includes Finance, Human Resources, Geographic Information Systems, Information Technology, Risk and Records Management. Also included in General Government are any Council directed special projects.



- Public Safety (22 percent)

Public Safety has always been a top City Council priority. This major service area includes the Police Department, whose goal is to provide quality service to the community to ensure the preservation of life and property and the maintenance of law and order. The Fire Department is also part of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and our environment.

- Community Development (10 percent)

The mission of Community Development is helping people build a strong community by guiding and facilitating high quality projects, preserving the environment, providing for diverse housing and employment, and maintaining a strong economic base. Community Development encompasses the Land Use Planning, Economic Development and Real Estate Management, the Hiring Center, Housing and Redevelopment, and Building Inspection departments.

- Community Services (nine percent)

Community Services consists of the Libraries, Cultural Arts, Recreation, Park Planning, and Senior Citizen programs. These programs are provided to a wide range of people, and assist in their education and cultural development.

- Public Works (18 percent)

Public Works is responsible for building and maintaining all of the infrastructure assets of the city. This service area includes Engineering, Parks, Streets, Medians, Street Trees, the Buena Vista Channel, Facilities Maintenance, Building Maintenance, Street Lighting, and Traffic Sign and Signal Maintenance programs.

- Golf Course (six percent)

The City of Carlsbad opened a municipal golf course in the summer of 2007, which further enhances the tourism attractions the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole, destination golf course set in the rolling hills and canyons of Carlsbad. With ocean views, a high quality golf experience, a first class restaurant and clubhouse, and linkages to hiking trails, The Crossings at Carlsbad is a destination spot for golfers and non-golfers alike.

- Solid Waste (one percent)

The Solid Waste Division of the Public Works Department promotes cost-effective solid waste management programs through recycling, source reduction, composting, solid waste transfer, and other non-traditional programs. In addition, funding for citywide programs related to storm water protection from pollution; coordination with local, state and federal governments; and compliance with the Existing Development section of the National Pollutant Discharge Elimination System (NPDES) Urban Storm Water Permit issued by the San Diego Regional Water Control Board are accomplished in this area.

- Water Operations (17 percent)

The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable and recycled water service to approximately 85 percent of the city (approximately 28,000 customers). The District purchases 100 percent of its potable water as treated water from the Metropolitan Water District and the San Diego County Water Authority. The District also provides recycled water for irrigation purposes.

- Wastewater Operations (five percent)

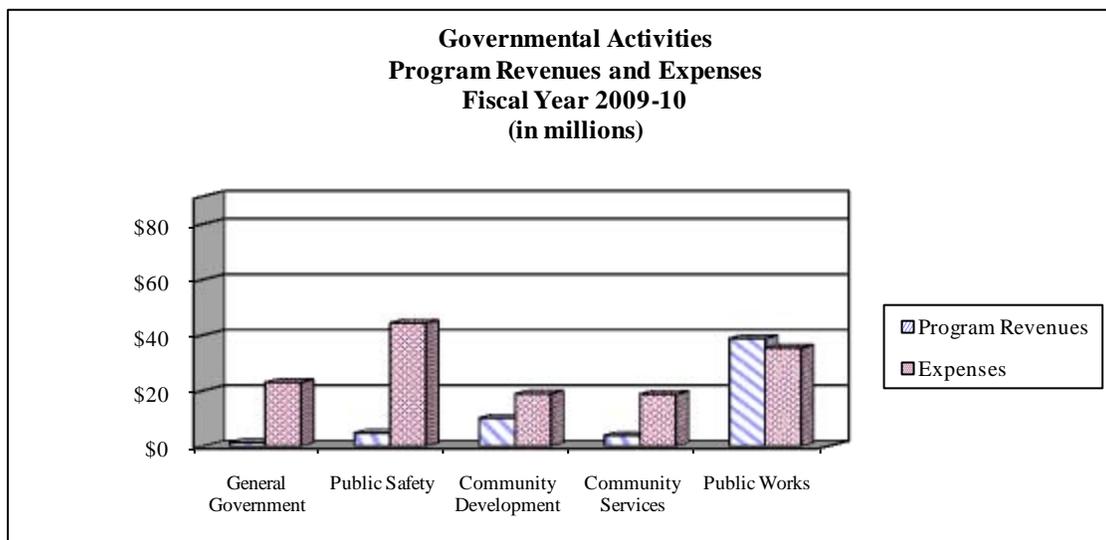
The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad and Vista, the Leucadia Wastewater District, the Vallecitos Water District, the Buena Sanitation District, and the City of Encinitas.

The following sections will provide information about the operations of the governmental and business-type activities separately.

Governmental Activities

The increase in net assets for *governmental* activities was \$29.6 million. This increase was generated by total revenues of *governmental* activities of \$171 million (\$59 million in program revenues and \$112 million in general revenues) offset by \$141 million in total costs of *governmental* activities and \$444,000 in transfers to the Solid Waste and Golf Course Funds.

The table below presents the total cost of each of the city’s major programs, as well as each function’s program revenue (fees generated by the activities, contributions, and intergovernmental aid). The net cost (the difference between adjoining bars in the graph) shows the financial burden that was placed on the city’s taxpayers by each of these functions (costs covered by general revenues).

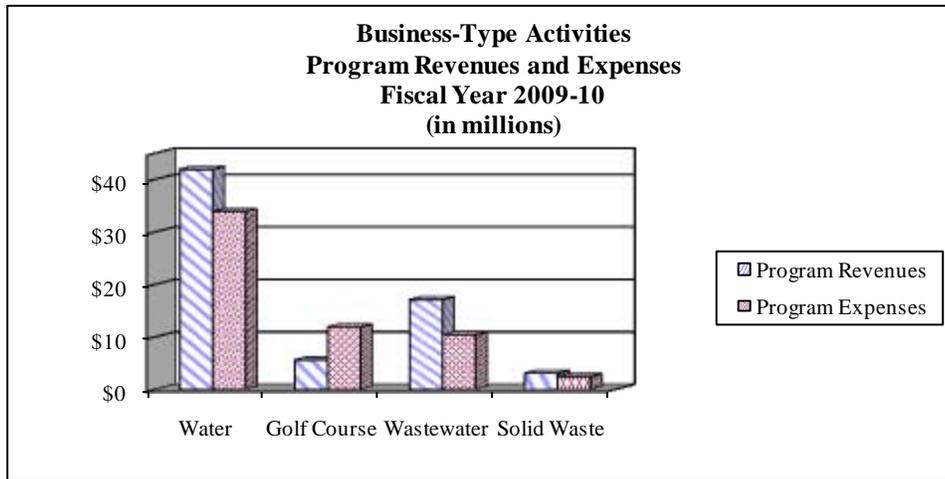


Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$15.1 million), grants and contributions from other governments and organizations which subsidize certain programs (\$43.9 million), and taxes and other revenues (such as income from property and investments) received by the city to pay for the “public benefit” portion, totaling \$112 million.

Program revenues are almost equal to program expenses in Public Works. The majority of Public Works revenues are used to acquire and build capital assets (versus covering operating expenses). In addition, the donation of capital assets from developers is reflected in the program revenues for Public Works. Capital assets are generally constructed or purchased once sufficient revenue has been accumulated to pay for the cost. The city is entering into a new stage of its lifecycle, from a developing or growing stage to a mature stage. As the city continues to mature and approach build-out, the city will not see as many master planned projects being developed. In past years, these projects constructed new facilities, roads, parks, and other city-owned infrastructure. The city is now moving to a more maintenance oriented city and will use funding sources such as the Infrastructure Replacement Fund to maintain and replace these assets. However, there were still several master planned communities that were recently

completed or are near completion (La Costa Greens, La Costa Oaks, La Costa Ridge and Robertson Ranch); these developers recently dedicated infrastructure to the city as required to develop in the city.

Business-Type Activities



Program revenues for the city’s business-type activities totaled \$67.7 million for the year, while functional expenses equaled \$58.8 million.

Water and wastewater program revenues are higher than program expenses primarily due to capital contributions in the form of capital connection fees and developer constructed assets donated to the city; the combined amount of these contributions was just under of \$17.9 million. Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses).

The city’s golf course enterprise was in its third full year of operations. Golf course operating expenses included interest on the advance from the General Fund and interest related to the golf course bonds issued for the construction of the course, and the second full year of depreciation related to the new golf course assets, resulting in operating losses in excess of \$6.3 million.

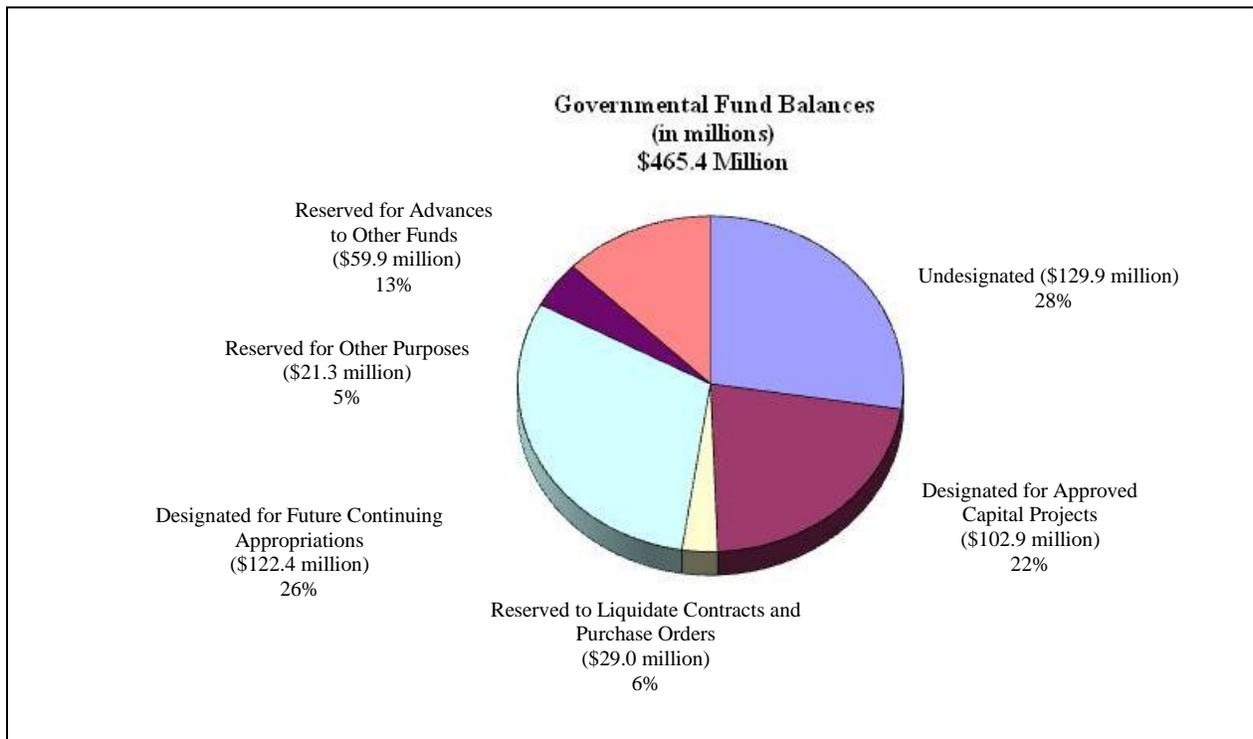
A more detailed discussion of each of the enterprises can be found in the Proprietary Funds Section.

Financial Analysis of the City’s Funds

As noted earlier, the city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), no changes were made in the reporting of any funds.

Governmental Funds

The focus of the city’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the city’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.



As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$465.4 million, identical in comparison with the prior year. Approximately 28 percent of this amount (\$129.9

GENERAL FUND				
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE				
(in millions of dollars)				
	Total		Increase (Decrease)	Total Percentage Change
	2009	2010	2009-10	
Revenues				
Taxes	\$97.3	\$93.1	(\$4.2)	-4.3%
Intergovernmental	1.8	1.7	(0.1)	-5.6%
Licenses and permits	1.0	1.5	0.5	50.0%
Charges for services	6.2	6.7	0.5	8.1%
Fines and forfeitures	1.3	1.1	(0.2)	-15.4%
Income from property and investments	4.3	3.7	(0.6)	-14.0%
Miscellaneous	0.9	1.0	0.1	11.1%
Total revenues	112.8	108.8	(4.0)	-3.5%
Expenditures				
General government	12.6	12.3	(0.3)	-2.4%
Interdepartmental charges	(3.7)	(4.0)	(0.3)	8.1%
Public safety	44.8	44.5	(0.3)	-0.7%
Community development	7.5	7.0	(0.5)	-6.7%
Community services	17.2	16.2	(1.0)	-5.8%
Public works	21.5	21.1	(0.4)	-1.9%
Capital outlay	0.0	4.0	4.0	100.0%
Total expenses	99.9	101.1	1.2	1.2%
Excess (deficiency) before transfers	12.9	7.7		
Transfers in	0.1	5.3		
Transfers out	(8.4)	(10.1)		
Increase (decrease) in fund balance	4.6	2.9		
Beginning fund balance	121.0	125.6		
Ending fund balance	\$125.6	\$128.5		

million) constitutes undesignated fund balance, which is available for spending at the government's discretion based on the purpose for which it was received. The remainder of the fund balance is reserved or designated to indicate that it is not available because it has already been committed (1) for future capital projects - 22 percent, (2) for future programs - 26 percent, (3) advances to other funds - 13 percent, (4) to liquidate contracts and purchase orders of the prior period - six percent, or (5) for a variety of other restricted purposes - five percent.

The General Fund is the main operating fund of the city, and at the end of the fiscal year had a total fund balance of \$128.5 million, an increase of \$2.9 million. The unreserved fund balance portion of the General Fund was \$68.9 million, of which \$17.5 million was designated for future programs and service enhancements.

The decrease in revenues was primarily due to the impacts of the current recession facing the world on consumer confidence (a reduction in sales and transient occupancy taxes); foreclosures and short sales on property values (a reduction in property taxes); a reduction in the yield on the Treasurer's portfolio (decreased income from property and investments); and fewer moving violation tickets being written by the Police Department. These decreases were partially offset by a small recovery in residential activity (both resales and the construction of new homes) on development related services revenues (charges for services), building permits, miscellaneous licenses and permits, and real property transfer taxes.

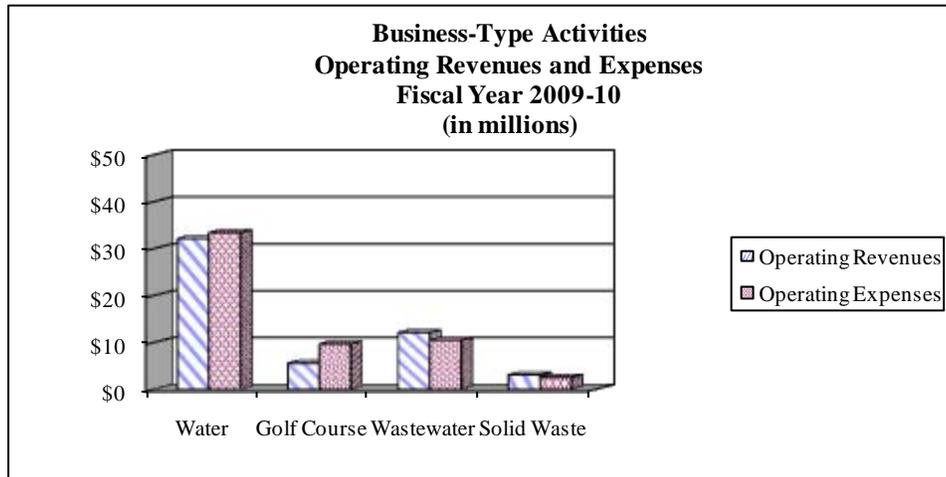
As the city was preparing their 2009-10 Fiscal Year budget, departments were asked to reduce their budgets by five percent due to a projected decrease in General Fund revenues. At the same time, a citywide restructuring was occurring. As a result of the five percent reduction in department budgets and the citywide restructuring, 23.75 General Fund positions were either eliminated, left vacant or unfunded during the year. These salary savings, along with their associated benefits, resulted in a reduction of General Fund expenditures of approximately \$800,000. In addition, due to excess reserves accumulated at CalPERS in their health insurance program, CalPERS granted a "health premium holiday" of one month's premium for all employees enrolled in one of their PPO plans. This saved the General Fund approximately \$468,000 during the fiscal year. Through these savings, the General Fund budget remained in balance, even with the reduced revenues. The General Fund also sold two parcels of land to the Redevelopment Agency, increasing the transfers in from the prior year. Transfers out increased during the year due to the fact that the city raised the annual contribution to the Infrastructure Replacement Fund back up to 6.5 percent of budgeted General Fund annual revenues.

One major governmental fund, the Redevelopment Debt Service Fund, had a negative fund balance of just over \$17.8 million. This deficit was created when the city's General Fund loaned the agency money to cover debt service charges during the period soon after the agency's bonds were issued, but prior to the agency being able to support the debt service with property tax increment revenues alone. Over the past couple of fiscal years, the agency has begun to repay the \$19.6 million advance back to the city's General Fund, as the tax increment collected within the redevelopment area grows. During the fiscal year, the Agency transferred over \$6.8 million to the Redevelopment Agency Capital Funds to assist with the purchase of two parcels of property from the General Fund and to fund the costs associated with opposition to the expansion of the Cabrillo Power Plant. These transfers led to a reduction in the fund balance of the Redevelopment Debt Service Funds of just under \$6.7 million.

The four remaining major governmental funds, which are all capital project funds, had increases in their fund balances during the year. These increases in fund balances are predominantly designated for the construction or purchase of future capital assets.

Proprietary Funds

The purpose of the city's proprietary funds is to provide short- and long-term financial information about the city's business-type activities. The analysis focuses on the determination of operating income, changes in net assets (cost recovery), financial position, and cash flows.



The Carlsbad Municipal Water District (CMWD) funds had an operating loss of approximately \$1.4 million for the year. Impacted by the fact that water rates increased by an average of 15.5 percent in August 2009 (after increasing by 20 percent in January 2009), residents continued to conserve water by cutting back on water usage by about 14 percent during the year. CMWD also implemented a new tiered rate structure in August 2009, increasing water rates for high-end users. The State of California has been in a drought for the past eight years, so the CMWD has continued conservation outreach efforts in order to achieve a reduction in water usage throughout the District. Operating expenses of \$33.4 million exceeded operating revenues by \$1.4 million. The largest factor in the increase in expenses can be attributed to a 17 percent per unit cost increase for purchased water and a 17 percent increase in fixed charges from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the District’s potable water). In addition to the increases in purchased water, CMWD began to implement the automated meter reading system (AMR). This project required the replacement of all existing water meters with new meters that can be read automatically (versus manually). The replacement of the existing meters began during the year, and will continue for the next couple of years. Investment earnings on the capital replacement funds and property tax receipts completely offset the operating loss, resulting in income before transfers and capital contributions of \$4.2 million.

In the third year of operation, the Golf Course Fund had an operating loss of \$4.1 million, largely due to the second full year of depreciation expenses on the newly constructed golf course assets. When golf course operating revenues are not sufficient to cover golf course operating expenses, the General Fund will make contributions in the form of lease payments to pay for the shortfall. Although food and beverage sales at the golf course restaurant (The Canyons) were strong, golf rounds were below anticipated levels due to the economic recession.

The Wastewater Funds had an annual operating income of \$1.6 million for the fiscal year. Total revenues from operations increased \$3.5 million from the previous year, the result of a nine percent rate increase and a \$2.4 million reimbursement from the City of Vista for their share of a portion of the Vista-Carlsbad Wastewater Interceptor Project. On the other hand, wastewater operating expenses decreased by \$1.2 million due in part to lower costs passed through from Encina compared to the prior fiscal year, lower capital outlay expenses (a Vector truck, a video inspection van and a generator were purchased in the prior fiscal year), a one-time fine in the prior fiscal year for the Buena Vista Lagoon wastewater spill, and a reduction in the replacement transfer from the Wastewater Operations Fund to the Wastewater Replacement Fund.

Solid Waste Operations and Storm Water Programs are combined on the city’s financial reports, and showed a net operating income of \$520,000 for the year. Both revenues and expenses were relatively flat as compared to the prior fiscal year.

Unrestricted net assets for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to \$33.9 million, or approximately 8.6 percent of the total enterprise fund net assets. The unrestricted net assets may be used for rate stabilization, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately 11.2 percent of the net assets of all the proprietary funds are restricted for future capital construction of new and replacement water and wastewater infrastructure assets. Since the funding for the

replacement of infrastructure assets is not restricted, it is reflected in the Statement of Net Assets as unrestricted. The city does, however, account for and monitor these amounts in separate funds to ensure that water and wastewater assets can be replaced when needed. The large unrestricted net assets deficit balance in the Golf Course Fund represents funds advanced from the city's General Fund that were used to fund construction and pre-opening costs, as well as operating losses of the municipal golf course.

General Fund Budgetary Highlights for Fiscal Year 2010

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the city. General Fund revenue estimates were only modified slightly during the year as compared to the originally budgeted estimates. Some of the factors that led to the \$730,000 increase in revenue estimates include:

- A small increase in residential activity (both construction and resales) impacting development related revenues (licenses, permits and charges for services) and real property transfer taxes.
- Several new federal and state grants were applied for and received during the year.
- Reimbursement from the City of Los Angeles for the Batiquitos Lagoon enhancement project (charges for services).
- A decrease in moving violation tickets issued by the Police Department (fines and forfeitures).
- The decrease in interest rates affecting the treasurer's portfolio.

The decrease from the total original expenditure budget to the final budget amounted to \$1.9 million, due predominantly to:

- 23.75 General Fund positions were eliminated, unfunded or left vacant during a portion of the year.
- A reduction in health care expenses due to a "health insurance premium holiday" of one month for employees who are on PPO plans with CalPERS.
- The purchase of two parcels of land from the Golf Course Fund (increase in capital outlay).
- An increase in the city's engineers charging to capital projects (interdepartmental charges).
- The transfer of over \$900,000 from the Human Resources budget to the General Capital Construction Fund to partially fund the new Human Capital Management System.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$18 million can be generally summarized as follows:

- \$18 million in "savings" by the various major service areas within the city. Current year savings were generated from:
 - Unfilled vacancies.
 - Overall awareness of fiscal responsibility throughout the city.
 - Deferral of projects.
- ❖ \$18 million in "savings" are planned to be used for:
 - ⇒ Human resources information system software upgrade.
 - ⇒ Upgrading the city's Document Management System (DMS).
 - ⇒ Fire apparatus and Emergency Medical Systems (EMS) equipment.
 - ⇒ Library automation system upgrade and equipment replacement.
 - ⇒ Innovation projects throughout the city.
 - ⇒ Additional training and development throughout the city.
 - ⇒ Public outreach efforts regarding Envision Carlsbad Phase II, Car Country dialogue and a climate action plan.
 - ⇒ An asphalt grinder and mobile solutions in the Transportation area.
 - ⇒ Monroe Street pool maintenance upgrades, relocation and replacement initiated from the recent Carlsbad High School renovations.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses in investments pursuant to GASB 31; actual expenditures have been adjusted to include remaining encumbrances.

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2009-10, the city had recorded investments of just over \$1.1 billion in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, drainage facilities, water and sewer lines, police and fire vehicles, and other maintenance equipment. This number includes infrastructure assets of the general government which are required per GASB 34.

CITY OF CARLSBAD'S CAPITAL ASSETS								
(in millions of dollars)								
	Governmental		Business-Type		Total		Change	Total Percentage Change
	Activities		Activities					
	2009	2010	2009	2010	2009	2010	2009-10	2009-10
Land	\$139.7	\$145.3	\$9.5	\$9.3	\$149.2	\$154.6	\$5.4	3.6%
Construction in progress	142.9	144.1	15.4	22.0	158.3	166.1	7.8	4.9%
Buildings and other structures	72.4	78.8	40.2	40.2	112.6	119.0	6.4	5.7%
Improvements other than buildings	39.2	45.1	53.0	50.9	92.2	96.0	3.8	4.1%
Machinery and equipment	26.9	26.7	2.4	2.4	29.3	29.1	(0.2)	-0.7%
Infrastructure	514.3	536.0	274.5	286.0	788.8	822.0	33.2	4.2%
Wastewater treatment facility	-	-	50.7	51.8	50.7	51.8	1.1	2.2%
	935.4	976.0	445.7	462.6	1,381.1	1,438.6	57.5	4.2%
Accumulated depreciation	(182.2)	(198.0)	(88.9)	(99.2)	(271.1)	(297.2)	(26.1)	9.6%
Total	\$753.2	\$778.0	\$356.8	\$363.4	\$1,110.0	\$1,141.4	\$31.4	2.8%

Some of this year's major capital asset additions included:

- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines and streetlights at:
 - Carlsbad Raceway
 - Kelly Ranch
 - Robertson Ranch
- Construction of the North Agua Hedionda interceptor and lift station.
- Several waterline projects.
- Completion of the Library Learning Center.

In addition to carrying forward appropriations of \$176.7 million for previously budgeted projects, the city's Fiscal Year 2010-11 capital budget appropriates an additional \$61.5 million for capital projects. These additional appropriations are principally for the pavement management program, the replacement of a bridge on Carlsbad Boulevard near the power plant, exploring the realignment of Carlsbad Boulevard., six new traffic signals, development of a traffic management center, miscellaneous street projects, enhancing the wastewater collection system, additional water and recycled water lines, the water reservoir repair/replacement program, several drainage projects, improvements at the Encina water pollution control facility, construction of the Vista/Carlsbad sewer interceptor, and miscellaneous civic projects, loans and repayments. These projects will be financed by development fees, infrastructure and replacement transfers from the General Fund, special district fees and taxes, water and wastewater replacement reserves, and other sources including grants and contributions from other agencies. More detailed information about the city's capital assets is presented in Note 6 to the financial statements and in the city's Capital Improvement Program document, which can be obtained from the Finance Department.

Long-Term Debt

At year-end, the city had \$58.7 million in bonds, loans, capital leases and agreements, a decrease of \$2.9 million from last year, as shown in the table on the following page. Loan payments made on all of the city's outstanding debt created this reduction in the city's debt. More detail about the city's long-term liabilities is presented in Note 8 to the financial statements.

CITY OF CARLSBAD'S OUTSTANDING DEBT							
(in millions of dollars)							
	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009-10</u>
Bonds	\$10.7	\$10.3	\$18.3	\$18.0	\$29.0	\$28.3	-2.4%
Loans	-	-	27.1	25.7	27.1	25.7	-5.2%
Installment purchase agreement	-	-	4.8	4.1	4.8	4.1	-14.6%
Obligations under capital leases	-	-	0.7	0.5	0.7	0.5	-28.6%
Less: Deferred charges/discounts	-	-	-	0.1	-	0.1	100.0%
Total	\$10.7	\$10.3	\$50.9	\$48.4	\$61.6	\$58.7	-4.7%

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2011

- The State of California adopted its Fiscal Year 2010-11 Annual Budget with the following provisions affecting the city:
 - The state implemented the "Triple Flip" in Fiscal Year 2004-05, whereby the city's sales tax receipts were reduced by one-quarter, and this reduction was made up with property taxes equating to the same amount. This will continue in the 2010-11 Fiscal Year.
 - The "Triple Flip" swap will have no effect on the ultimate amount of revenue the city receives, but it will result in a delay in the timing of the receipt of money by the city.
 - The city will be required to "contribute" approximately \$278,000 from its Village Project Area Redevelopment Funds to the state's Education Revenue Augmentation Fund.
 - The state will delay the remittance of Gas Tax funds to the city until April 2011. In April 2011, the city will receive nine months of Gas Tax funds, thereby making the city whole.
- Net assessed values in the city stand at almost \$22.9 billion, a 0.7 percent decrease from the prior fiscal year.
- Sales tax revenues are projected to rebound slightly from a three year low with a 3.6 percent forecasted increase in the Fiscal Year 2010-11 Budget.
- PERS rates for the miscellaneous plan have decreased slightly for Fiscal Year 2010-11 from 21.2 percent to 21.1 percent, and have decreased slightly from 28.4 percent to 28.0 percent for the safety plan.
- The prior downward reassessment of the Encina power plant due to a reduction in electricity generated continues to affect projected tax increment revenues in the South Coastal Carlsbad Redevelopment Area and the franchise fees received by the city.
- Median home prices in Carlsbad have increased by 6.6 percent from March 2009 (\$639,000) to March 2010 (\$681,000).
- Due to recent indicators that the economy may be slowly recovering from the recession, forecasted revenues for sales taxes, transient occupancy taxes and development related activities have been increased slightly.
- Due to the overall downturn in the economy, most city departments were not given additional maintenance and operational funding to cover changes in the Consumer Price Index (CPI) and growth in the city, minimal new capital outlay, and additional personnel funding for only existing contractual obligations.
- Through Memorandum of Understandings (MOUs), the Carlsbad Police Officers' Association (CPOA) will be receiving a two percent salary increase January 1, 2011. The Carlsbad City Employees' Association (CCEA) and the Carlsbad Firefighters' Association are currently negotiating new contracts, with the expiration of their existing contracts on December 31, 2010.

- Due to the recent citywide redesign, personnel costs have been reduced in the General Fund (shifted to the enterprise funds) and corresponding interdepartmental revenues have been reduced in the General Fund (with a similar reduction in interdepartmental costs in the enterprise funds).

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2010-11. Budgeted expenditures are expected to increase 0.3 percent to \$109.4 million. Due to the citywide redesign, the General fund will see a reduction in personal expenditures (shifted to the enterprise funds) with a corresponding increase in maintenance and operations expenditures due to an increase in chargebacks to the General Fund from the other funds providing services to the fund. The total personnel budget for Fiscal Year 2010-11 is \$72.5 million, which is 2.7 percent less than the previous year's personnel budget of \$74.5 million. The total maintenance and operations budget for Fiscal Year 2010-11 is \$29.3 million, which is five percent higher than the previous year's budget of \$27.9 million. There is no major capital outlay purchases planned in the General Fund for Fiscal Year 2010-11. Operating transfers out of the General Fund are budgeted at \$7.6 million, a \$900,000 increase from the prior fiscal year. This is due to the city increasing the annual funding of the Infrastructure Replacement Fund to pre-Fiscal Year 2009-10 levels. Adding to the adopted budget of \$109.4 million for the General Fund, approximately \$17.5 million in unspent Fiscal Year 2009-10 budgeted expenditures will be carried over to Fiscal Year 2010-11, as well as \$7.1 million in open encumbrances as of June 30, 2010.

As the city is approaching the buildout of its remaining vacant land, the city is now ushering in a new era focusing on maintaining infrastructure rather than building it. In an effort to address this issue, the city has developed an Infrastructure Replacement Fund (IRF). In this fund, the city sets aside money on an annual basis for major maintenance and replacement of its infrastructure. In the Fiscal Year 2010-11 Operating Budget, the city has budgeted a \$7.2 million transfer from the General Fund to the IRF to meet future needs.

During the current fiscal year, the unreserved, undesignated fund balance in the General Fund increased by \$3.1 million to \$51.4 million due to fiscal discipline and the elimination and/or unfunding of 23.75 positions.

There appears to be sufficient revenue projected to build the projects listed in the Fiscal Year 2010-11 Capital Improvement Program (CIP). In the 2008-09 CIP, the Public Facilities Construction Fund (PFF) and the Planned Local Drainage Funds (PLDA), projected fund deficits by build-out of the city. Through revised growth estimates (which impact future revenues), an increase in PLDA fees approved by the City Council, and updating future costs of projects in these funds, these two funds are no longer projected to have deficits at build-out.

The city's business-type activities reflect the following:

- The combined fixed and variable cost of water purchased from the San Diego County Water Authority is projected to rise over 18 percent and 9 percent respectively in Fiscal Year 2010-11. In November 2010, a public hearing will be held to determine how much water rates will increase effective January 1, 2011.
- Proposed wastewater rate increases will also be discussed during the public hearing to be held in November 2010. If approved, these rates would be effective January 1, 2011. This proposed rate increase is needed to assist with higher costs associated with the Encina Wastewater Plant, higher depreciation expenses from the addition of completed facilities to the inventory, and to maintain an adequate reserve balance.
- The golf course budget is brought forward on a calendar year basis in December of each year. The Calendar Year 2010 budget reflects a projected operating loss of over \$1.3 million and habitat maintenance and monitoring costs of \$441,000. This projected deficit will require additional advances from the city's General Fund during the calendar year.
- No projected significant changes in other revenue sources.

Contacting the City's Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Finance Department, 1635 Faraday Avenue, Carlsbad, CA 92008, (760) 602-2430, or visit us online at www.carlsbadca.gov.

CITY OF CARLSBAD

**Statement of Net Assets
June 30, 2010**

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 449,342,537	\$ 129,728,300	\$ 579,070,837
Receivables:			
Taxes	5,345,161	21,498	5,366,659
Accounts, net	75,344	6,048,113	6,123,457
Other	558,388	43,408	601,796
Due from other governments	420,944	4,587,583	5,008,527
Inventories	232,401	809,217	1,041,618
Prepaid items	469,729	16,659	486,388
Loan and reimbursement receivables	15,367,746	437,510	15,805,256
Deferred charges	-	370,478	370,478
Internal balances	51,140,327	(51,140,327)	-
Subtotal	<u>522,952,577</u>	<u>90,922,439</u>	<u>613,875,016</u>
Capital assets:			
Land	145,313,678	9,318,388	154,632,066
Construction in progress	144,116,392	21,996,897	166,113,289
Buildings and other structures	78,805,169	40,174,429	118,979,598
Improvements other than buildings	45,081,779	50,856,805	95,938,584
Machinery and equipment	26,680,485	2,467,546	29,148,031
Infrastructure	535,955,679	285,972,753	821,928,432
Wastewater treatment facility	-	51,831,725	51,831,725
Less accumulated depreciation	(197,983,737)	(99,218,787)	(297,202,524)
Total capital assets	<u>777,969,445</u>	<u>363,399,756</u>	<u>1,141,369,201</u>
Total assets	<u>\$ 1,300,922,022</u>	<u>\$ 454,322,195</u>	<u>\$ 1,755,244,217</u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets (Continued)

June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 11,209,213	\$ 2,426,879	\$ 13,636,092
Accrued interest payable	179,993	480,616	660,609
Due to other governments	189	5,546,246	5,546,435
Estimated claims payable	3,939,759	-	3,939,759
Deposits payable	179,519	1,032,330	1,211,849
Unearned revenue	714,149	447,510	1,161,659
Noncurrent liabilities:			
Due within one year, net of deferred charges (\$49,923) and unamortized premiums (\$9,895)	515,000	2,676,169	3,191,169
Due in more than one year, net of deferred charges (\$155,457) and unamortized premiums (\$252,055)	9,735,000	45,677,640	55,412,640
Total liabilities	26,472,822	58,287,390	84,760,212
NET ASSETS			
Invested in capital assets, net of related debt	767,719,445	317,237,978	1,084,957,423
Restricted for:			
Capital assets	178,668,686	44,240,647	222,909,333
Affordable, low and moderate income housing	36,186,796	-	36,186,796
Habitat and agricultural mitigation management	6,599,600	-	6,599,600
Other purposes	5,537,367	-	5,537,367
Unrestricted	279,737,306	34,556,180	314,293,486
Total net assets	\$ 1,274,449,200	\$ 396,034,805	\$ 1,670,484,005

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 23,037,754	\$ 341,267	\$ 987,123	\$ 63,948
Public safety	44,370,858	4,358,064	262,064	165,624
Community development	18,919,846	3,110,332	6,724,850	327,527
Community services	18,755,483	3,088,414	727,203	68,693
Public works	35,383,116	4,195,906	2,743,754	31,832,859
Interest and fiscal charges on long-term debt	546,631	-	-	-
Total governmental activities	141,013,688	15,093,983	11,444,994	32,458,651
Business-type activities:				
Carlsbad Municipal Water District	33,923,609	29,864,743	1,672,875	10,364,702
Golf course	11,926,677	5,624,646	-	-
Wastewater	10,433,941	9,579,709	-	7,517,832
Solid waste	2,534,775	2,987,801	61,497	-
Total business-type activities	58,819,002	48,056,899	1,734,372	17,882,534
Total primary government	\$ 199,832,690	\$ 63,150,882	\$ 13,179,366	\$ 50,341,185

General revenues:
 Property taxes
 Sales and use taxes
 Transient occupancy taxes
 Franchise taxes
 Business license taxes
 Real property transfer taxes
 Vehicle license taxes (VLF)
 Income from property and investments
 Other general revenues
 Transfers
 Total general revenues and transfers
 Change in net assets
 Net assets at beginning of year

 Net assets at end of year

The notes to the financial statements are an integral part of this statement.

Net Revenue (Expense) and
Changes in Net Assets

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (21,645,416)	\$ -	\$ (21,645,416)
(39,585,106)	-	(39,585,106)
(8,757,137)	-	(8,757,137)
(14,871,173)	-	(14,871,173)
3,389,403	-	3,389,403
(546,631)	-	(546,631)
(82,016,060)	-	(82,016,060)
-	7,978,711	7,978,711
-	(6,302,031)	(6,302,031)
-	6,663,600	6,663,600
-	514,523	514,523
-	8,854,803	8,854,803
(82,016,060)	8,854,803	(73,161,257)
55,113,437	2,822,196	57,935,633
23,031,050	-	23,031,050
11,490,488	-	11,490,488
4,906,139	-	4,906,139
3,457,779	-	3,457,779
757,632	-	757,632
308,984	-	308,984
12,523,123	3,686,078	16,209,201
390,848	152,206	543,054
(443,390)	443,390	-
111,536,090	7,103,870	118,639,960
29,520,030	15,958,673	45,478,703
1,244,929,170	380,076,132	1,625,005,302
<u>\$ 1,274,449,200</u>	<u>\$ 396,034,805</u>	<u>\$1,670,484,005</u>

CITY OF CARLSBAD

Balance Sheet

Governmental Funds

June 30, 2010

	General Fund	Redevelopment Debt Service	Community Facilities District No. 1	General Capital Construction
ASSETS				
Cash and investments	\$ 75,898,030	\$ 1,673,316	\$ 60,257,383	\$ 69,330,816
Receivables:				
Taxes	5,271,009	58,925	496	-
Other	458,411	-	-	-
Accounts, net	18,015	-	-	-
Due from other funds	40,447	-	-	-
Due from other governments	25,561	-	-	-
Inventories	18,036	-	-	-
Prepaid items	23,741	-	-	-
Loans receivable	143,574	-	-	-
Advances to other funds	72,364,957	-	2,816,498	256,301
Total assets	\$ 154,261,781	\$ 1,732,241	\$ 63,074,377	\$ 69,587,117
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 4,880,181	\$ -	\$ 51,369	\$ 476,457
Due to other funds	-	-	-	-
Deposits payable	128,967	-	-	-
Due to other governments	189	-	-	-
Advances from other funds	-	19,555,864	-	-
Unearned/deferred revenue	20,731,024	-	-	95,698
Total liabilities	25,740,361	19,555,864	51,369	572,155
Fund balances:				
Reserved	59,586,298	-	2,867,582	15,936,971
Unreserved:				
Designated, reported in:				
General Fund	17,518,782	-	-	-
Special Revenue Funds	-	-	-	-
Capital Project Funds	-	-	60,155,426	34,029,421
Undesignated, reported in:				
General Fund	51,416,340	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	(17,823,623)	-	-
Capital Project Funds	-	-	-	19,048,570
Total fund balances (deficit)	128,521,420	(17,823,623)	63,023,008	69,014,962
Total liabilities and fund balances	\$ 154,261,781	\$ 1,732,241	\$ 63,074,377	\$ 69,587,117

The notes to the financial statements are an integral part of this statement.

Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 54,900,620	\$ 45,240,471	\$ 112,487,423	\$ 419,788,059
-	-	14,731	5,345,161
-	-	99,977	558,388
-	-	54,891	72,906
-	-	-	40,447
-	-	395,383	420,944
-	-	-	18,036
-	-	417,682	441,423
-	-	15,224,172	15,367,746
-	4,550,000	-	79,987,756
<u>\$ 54,900,620</u>	<u>\$ 49,790,471</u>	<u>\$ 128,694,259</u>	<u>\$ 522,040,866</u>
\$ 112,751	\$ 342,659	\$ 1,027,913	\$ 6,891,330
-	-	40,447	40,447
-	-	49,552	178,519
-	-	-	189
-	-	9,027,050	28,582,914
-	-	145,192	20,971,914
<u>112,751</u>	<u>342,659</u>	<u>10,290,154</u>	<u>56,665,313</u>
628,077	5,783,456	25,400,722	110,203,106
-	-	-	17,518,782
-	-	15,293,292	15,293,292
3,023,035	43,664,356	51,554,897	192,427,135
-	-	-	51,416,340
-	-	26,155,194	26,155,194
-	-	-	(17,823,623)
<u>51,136,757</u>	<u>-</u>	<u>-</u>	<u>70,185,327</u>
<u>54,787,869</u>	<u>49,447,812</u>	<u>118,404,105</u>	<u>465,375,553</u>
<u>\$ 54,900,620</u>	<u>\$ 49,790,471</u>	<u>\$ 128,694,259</u>	<u>\$ 522,040,866</u>

CITY OF CARLSBAD

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010**

Total fund balances - governmental funds.	\$ 465,375,553
---	----------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental funds	770,877,005
Internal service funds	7,092,440
Total capital assets	777,969,445

Internal service funds are used by management to charge the costs of fleet management, self insured benefits, information technologies, records management, risk management and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

Total internal service fund net assets	28,633,385
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(264,515)
Internal service fund net assets included as part of total capital assets	(7,092,440)
Internal service fund net assets less capital assets	21,276,430

Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.

(179,993)

Interest receivable on advances to other funds is not a current financial resource and, therefore, is not recognized as revenue in the funds until received.

19,333,946

A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.

923,819

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Governmental funds	(10,250,000)
--------------------	--------------

Net assets of governmental activities.	\$1,274,449,200
--	-----------------

The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010**

	General Fund	Redevelopment Debt Service	Community Facilities District No. 1	General Capital Construction
Revenues:				
Taxes	\$ 93,126,018	\$ 2,823,918	\$ 1,888,985	\$ -
Intergovernmental	1,749,440	-	-	197,535
Licenses and permits	1,483,554	-	-	-
Charges for services	6,650,825	-	-	-
Fines and forfeitures	1,054,087	-	-	-
Income from property and investments	3,726,901	222,225	1,529,546	1,791,323
Contributions from property owners	-	-	147,094	-
Donations	-	-	-	-
Miscellaneous	1,021,178	-	2,542	54,230
Total revenues	108,812,003	3,046,143	3,568,167	2,043,088
Expenditures:				
Current:				
General government	12,353,728	-	147,526	-
Less: interdepartmental charges	(3,990,845)	-	-	-
Public safety	44,496,476	-	-	-
Community development	6,998,843	1,390,607	-	-
Community services	16,151,097	-	-	-
Public works	21,120,012	-	-	-
Capital outlay	3,963,027	-	110,639	1,528,078
Debt service:				
Principal retirement	-	490,000	-	-
Interest and fiscal charges	-	1,015,902	-	-
Total expenditures	101,092,338	2,896,509	258,165	1,528,078
Excess (deficiency) of revenues over (under) expenditures	7,719,665	149,634	3,310,002	515,010
Other financing sources (uses):				
Transfers in	5,315,655	-	-	2,840,000
Transfers out	(10,118,853)	(6,823,000)	-	(600,000)
Total other financing sources (uses)	(4,803,198)	(6,823,000)	-	2,240,000
Net change in fund balances	2,916,467	(6,673,366)	3,310,002	2,755,010
Fund balances (deficits) at beginning of year	125,604,953	(11,150,257)	59,713,006	66,259,952
Fund balances (deficits) at end of year	<u>\$ 128,521,420</u>	<u>\$ (17,823,623)</u>	<u>\$ 63,023,008</u>	<u>\$ 69,014,962</u>

The notes to the financial statements are an integral part of this statement.

Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,409,523	\$ 100,248,444
-	-	10,160,845	12,107,820
-	-	-	1,483,554
-	-	3,564,393	10,215,218
-	-	144,732	1,198,819
1,514,920	1,178,799	2,755,129	12,718,843
-	2,061,719	2,371,581	4,580,394
-	-	203,384	203,384
-	-	185,488	1,263,438
<u>1,514,920</u>	<u>3,240,518</u>	<u>21,795,075</u>	<u>144,019,914</u>
-	12,881	10,264,128	22,778,263
-	-	-	(3,990,845)
-	-	189,695	44,686,171
-	-	9,881,985	18,271,435
-	-	341,779	16,492,876
-	-	2,731,407	23,851,419
548,070	1,457,960	12,118,788	19,726,562
-	-	-	490,000
-	-	-	1,015,902
<u>548,070</u>	<u>1,470,841</u>	<u>35,527,782</u>	<u>143,321,783</u>
<u>966,850</u>	<u>1,769,677</u>	<u>(13,732,707)</u>	<u>698,131</u>
6,538,000	-	7,143,764	21,837,419
-	-	(5,036,419)	(22,578,272)
<u>6,538,000</u>	<u>-</u>	<u>2,107,345</u>	<u>(740,853)</u>
7,504,850	1,769,677	(11,625,362)	(42,722)
<u>47,283,019</u>	<u>47,678,135</u>	<u>130,029,467</u>	<u>465,418,275</u>
<u>\$ 54,787,869</u>	<u>\$ 49,447,812</u>	<u>\$ 118,404,105</u>	<u>\$ 465,375,553</u>

CITY OF CARLSBAD

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2010**

Net change in fund balances - total governmental funds. \$ (42,722)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Purchase of capital assets	16,019,771
Depreciation expense	(15,344,316)

Governmental funds do not reflect the donation of capital assets as revenues. 25,230,212

Governmental funds report the entire proceeds from the sale of capital assets as revenue.

However, in the statement of activities, the net gain or loss from the sale of capital assets is reported. (692,375)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets. 490,000

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 governmental funds. 8,575

Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds. 1,292,890

A portion of sales tax receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds. 923,819

The net revenue of activities of internal service funds is reported with governmental activities. 1,898,691

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. (264,515)

Change in net assets of governmental activities. \$ 29,520,030

The notes to the financial statements are an integral part of this statement.



CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

General Fund

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 91,853,000	\$ 92,003,000	\$ 93,126,018	\$ 1,123,018
Intergovernmental	1,163,300	1,342,000	1,749,440	407,440
Licenses and permits	798,000	1,260,000	1,483,554	223,554
Charges for services	5,644,591	6,762,000	6,650,825	(111,175)
Fines and forfeitures	1,301,300	1,100,000	1,054,087	(45,913)
Income from property and investments	4,061,950	3,045,000	3,544,469	499,469
Miscellaneous	339,150	379,000	1,021,178	642,178
Total revenues	105,161,291	105,891,000	108,629,571	2,738,571
Expenditures:				
Current:				
General government	26,275,477	24,305,435	13,517,716	(10,787,719)
Less: interdepartmental charges	(3,522,587)	(3,976,000)	(3,990,845)	(14,845)
Public safety	45,822,498	45,912,256	44,866,239	(1,046,017)
Community development	10,182,604	10,832,837	9,383,898	(1,448,939)
Community services	18,616,577	18,480,918	16,489,492	(1,991,426)
Public works	26,842,422	26,620,218	23,950,856	(2,669,362)
Capital outlay	-	3,963,027	3,963,027	-
Total expenditures	124,216,991	126,138,691	108,180,383	(17,958,308)
Excess (deficiency) of revenues over (under) expenditures	(19,055,700)	(20,247,691)	449,188	20,696,879
Other financing sources (uses):				
Transfers in	600,000	4,969,000	5,315,655	346,655
Transfers out	(6,715,000)	(10,118,853)	(10,118,853)	-
Total other financing sources (uses)	(6,115,000)	(5,149,853)	(4,803,198)	346,655
Net change in fund balances	(25,170,700)	(25,397,544)	(4,354,010)	\$ 21,043,534
Fund balance at beginning of year	125,604,953	125,604,953	125,604,953	
Fund balance at end of year	<u>\$ 100,434,253</u>	<u>\$ 100,207,409</u>	<u>\$ 121,250,943</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2010

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 108,629,571
The recording of unrealized gains and losses on the City's investments are shown for financial reporting purposes (pursuant to GASB 31), but are not shown for budgetary purposes.	<u>182,432</u>
	<u><u>\$ 108,812,003</u></u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 108,180,383
Differences - budget to GAAP: Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(7,088,045)</u>
	<u><u>\$ 101,092,338</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Statement of Net Assets
 Proprietary Funds
 June 30, 2010

ASSETS	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	\$ 67,936,058	\$ 724,172	\$ 49,427,661
Receivables:			
Taxes	21,498	-	-
Accounts, net	4,302,076	22,602	1,319,448
Due from other governments	542,266	-	4,045,317
Inventories	625,080	181,053	3,084
Prepaid items	16,659	-	-
Total current assets	73,443,637	927,827	54,795,510
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,238,325	953,706
Accrued interest - restricted for debt service	-	22,108	21,300
Deferred charges	-	370,478	-
Loans and reimbursement receivables	-	-	437,510
Subtotal	-	1,630,911	1,412,516
Capital assets:			
Land	1,905,206	4,841,667	2,571,515
Construction in progress	9,554,754	-	12,442,143
Buildings and other structures	20,231,020	19,943,409	-
Improvements other than buildings	2,322,549	42,670,657	5,863,599
Machinery and equipment	969,017	1,170,745	327,784
Infrastructure	194,629,801	-	91,342,952
Wastewater treatment facility	-	-	51,831,725
Less accumulated depreciation	(41,375,532)	(7,163,682)	(50,679,573)
Total capital assets (net of accumulated depreciation)	188,236,815	61,462,796	113,700,145
Total noncurrent assets	188,236,815	63,093,707	115,112,661
Total assets	\$ 261,680,452	\$ 64,021,534	\$ 169,908,171

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental
Solid	Totals	Activities -
Waste		Internal
		Service
		Funds
\$ 9,448,378	\$ 127,536,269	\$ 29,554,478
-	21,498	-
403,987	6,048,113	2,438
-	4,587,583	-
-	809,217	214,365
-	16,659	28,306
<u>9,852,365</u>	<u>139,019,339</u>	<u>29,799,587</u>
-	2,192,031	-
-	43,408	-
-	370,478	-
-	437,510	-
-	<u>3,043,427</u>	-
-	9,318,388	-
-	21,996,897	-
-	40,174,429	-
-	50,856,805	-
-	2,467,546	18,238,971
-	285,972,753	-
-	51,831,725	-
-	<u>(99,218,787)</u>	<u>(11,146,531)</u>
-	363,399,756	7,092,440
-	366,443,183	7,092,440
<u>\$ 9,852,365</u>	<u>\$ 505,462,522</u>	<u>\$ 36,892,027</u>

(Continued)

CITY OF CARLSBAD

Statement of Net Assets
 Proprietary Funds (Continued)
 June 30, 2010

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 1,399,047	\$ 267,904	\$ 315,413
Accrued interest payable	124,807	268,150	87,659
Due to other governments	4,437,226	-	1,109,020
Estimated claims payable	-	-	-
Current portion of long-term debt, net of deferred charges of \$49,923 and unamortized premiums of \$9,895	1,425,154	560,938	690,077
Deposits payable	177,096	460,718	394,516
Total current liabilities	7,563,330	1,557,710	2,596,685
Noncurrent liabilities:			
Advance from other funds	-	50,724,623	-
Deferred revenue	-	-	447,510
Capital leases payable	-	256,165	-
Loans payable	24,289,877	-	-
Revenue bonds payable, net of unamortized premiums of \$252,055	-	17,922,055	-
Installment purchase agreement, net of deferred charges of \$155,457	-	-	3,209,543
Total noncurrent liabilities	24,289,877	68,902,843	3,657,053
Total liabilities	31,853,207	70,460,553	6,253,738
NET ASSETS			
Invested in capital assets, net of related debt	162,521,784	43,961,963	110,754,231
Restricted for:			
Capital assets	22,283,855	-	21,956,792
Unrestricted	45,021,606	(50,400,982)	30,943,410
Total net assets	\$ 229,827,245	\$ (6,439,019)	\$ 163,654,433

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Enterprise Funds		Governmental Activities -	
Solid Waste	Total Proprietary Funds	Internal Service Funds	
\$ 444,515	\$ 2,426,879	\$ 4,317,883	
-	480,616	-	
-	5,546,246	-	
-	-	3,939,759	
-	2,676,169	-	
-	1,032,330	1,000	
<u>444,515</u>	<u>12,162,240</u>	<u>8,258,642</u>	
680,219	51,404,842	-	
-	447,510	-	
-	256,165	-	
-	24,289,877	-	
-	-	-	
-	17,922,055	-	
-	3,209,543	-	
<u>680,219</u>	<u>97,529,992</u>	<u>-</u>	
<u>1,124,734</u>	<u>109,692,232</u>	<u>8,258,642</u>	
-	317,237,978	7,092,440	
-	44,240,647	-	
<u>8,727,631</u>	<u>34,291,665</u>	<u>21,540,945</u>	
<u>\$ 8,727,631</u>	<u>395,770,290</u>	<u>\$ 28,633,385</u>	
	<u>264,515</u>		
	<u>\$ 396,034,805</u>		

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2010

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 29,186,556	\$ -	\$ -
Wastewater service charges	-	-	9,491,143
Golf course operations	-	5,624,646	-
Other charges for services	678,187	-	94,522
Miscellaneous	2,221,272	-	2,530,936
Total operating revenues	32,086,015	5,624,646	12,116,601
Operating expenses:			
Encina plant operations	846,013	-	3,134,528
Purchased water	15,112,445	-	-
Golf course operations	-	6,263,817	-
Depreciation	4,097,484	3,477,728	3,043,635
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	13,385,347	-	4,345,111
Total operating expenses	33,441,289	9,741,545	10,523,274
Operating income (loss)	(1,355,274)	(4,116,899)	1,593,327
Nonoperating revenues (expenses):			
Income from property and investments	2,008,941	86,065	1,301,472
Interest expense and fees	(634,570)	(2,185,132)	-
Gain (loss) on sale of property	37,490	-	5,956
Property taxes	2,822,196	-	-
Total nonoperating revenues (expenses)	4,234,057	(2,099,067)	1,307,428
Income (loss) before transfers and capital contributions	2,878,783	(6,215,966)	2,900,755
Transfers in	-	266,390	-
Capital contributions:			
Capital restricted fees	1,194,187	-	460,539
Developer constructed assets	8,668,826	-	4,597,087
Other	-	-	-
Change in net assets	12,741,796	(5,949,576)	7,958,381
Total net assets at beginning of year	217,085,449	(489,443)	155,696,052
Total net assets (deficit) at end of year	\$ 229,827,245	\$ (6,439,019)	\$ 163,654,433

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.

Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
		Activities -
		Internal
<u>Solid Waste</u>	<u>Totals</u>	<u>Service Funds</u>
\$ -	\$ 29,186,556	\$ -
-	9,491,143	-
-	5,624,646	-
2,987,801	3,760,510	14,503,588
90,308	4,842,516	88,056
<u>3,078,109</u>	<u>52,905,371</u>	<u>14,591,644</u>
-	3,980,541	-
-	15,112,445	-
-	6,263,817	-
-	10,618,847	1,821,285
-	-	1,026,204
-	-	3,024,253
-	-	510,371
<u>2,557,706</u>	<u>20,288,164</u>	<u>7,405,371</u>
<u>2,557,706</u>	<u>56,263,814</u>	<u>13,787,484</u>
<u>520,403</u>	<u>(3,358,443)</u>	<u>804,160</u>
246,154	3,642,632	621,465
-	(2,819,702)	-
-	43,446	95,563
-	2,822,196	-
<u>246,154</u>	<u>3,688,572</u>	<u>717,028</u>
766,557	330,129	1,521,188
177,000	443,390	297,463
-	1,654,726	-
-	13,265,913	-
-	-	80,040
<u>943,557</u>	<u>15,694,158</u>	<u>1,898,691</u>
<u>7,784,074</u>	<u>380,076,132</u>	<u>26,734,694</u>
<u>\$ 8,727,631</u>	<u>395,770,290</u>	<u>\$ 28,633,385</u>
	<u>264,515</u>	
	<u>\$ 396,034,805</u>	

CITY OF CARLSBAD

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010**

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 28,516,657	\$ 5,622,113	\$ 9,302,283
Payments to suppliers	(22,309,586)	(6,286,115)	(4,710,901)
Payments to employees	(3,256,171)	-	(1,619,316)
Internal activity - payments to other funds	(2,817,460)	-	(1,268,032)
Claims and premiums paid	-	-	-
Other receipts (payments)	2,221,272	-	70,730
Increase (decrease) in deposits payable	(7,868)	76,663	(87,476)
Net cash provided by operating activities	2,346,844	(587,339)	1,687,288
Cash flows from noncapital financing activities:			
Operating subsidies and transfers to other funds	-	-	-
Advances from (to) other funds	-	1,370,000	-
Net cash provided (used) by capital and related financing activities	-	1,370,000	-
Cash flows from capital and related financing activities:			
Capital restricted fees	1,194,187	-	460,539
Purchase of capital assets	(1,999,753)	-	(6,453,367)
Gross proceeds from the sale of capital assets	41,848	-	5,956
Principal paid on capital debt	(1,391,445)	(523,669)	(705,000)
Interest and other fees paid	(636,608)	(852,707)	(232,092)
Property taxes received	2,828,004	-	-
Net cash (used in) capital and related financing activities	36,233	(1,376,376)	(6,923,964)
Cash flows from investing activities:			
Interest on investments	2,008,941	86,065	1,301,472
Net increase (decrease) in cash and cash equivalents	4,392,018	(507,650)	(3,935,204)
Cash and cash equivalents at beginning of year	63,544,040	2,470,147	53,376,990
Cash and cash equivalents at end of year	\$ 67,936,058	\$ 1,962,497	\$ 49,441,786

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
		Activities -
		Internal
<u>Solid Waste</u>	<u>Totals</u>	<u>Service Funds</u>
\$ 2,952,569	\$ 46,393,622	\$ 14,503,420
(1,247,831)	(34,554,433)	(4,169,829)
(1,042,146)	(5,917,633)	(3,506,630)
(304,109)	(4,389,601)	(1,021,415)
-	-	(2,941,826)
90,308	2,382,310	90,676
-	(18,681)	-
<u>448,791</u>	<u>3,895,584</u>	<u>2,954,396</u>
177,000	177,000	297,463
(136,000)	1,234,000	-
<u>41,000</u>	<u>1,411,000</u>	<u>297,463</u>
-	1,654,726	-
-	(8,453,120)	(1,297,126)
-	47,804	135,275
-	(2,620,114)	-
-	(1,721,407)	-
-	2,828,004	-
<u>-</u>	<u>(8,264,107)</u>	<u>(1,161,851)</u>
246,154	3,642,632	621,465
735,945	685,109	2,711,473
8,712,433	128,103,610	26,843,005
<u>\$ 9,448,378</u>	<u>\$ 128,788,719</u>	<u>\$ 29,554,478</u>

(Continued)

CITY OF CARLSBAD

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2010**

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,355,274)	\$ (4,116,899)	\$ 1,593,327
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,097,484	3,477,728	3,043,635
Change in assets and liabilities:			
(Increase) decrease in receivables	(1,348,086)	(2,533)	(2,730,675)
(Increase) decrease in inventories	29,676	19,607	1,988
(Increase) decrease in prepaid items	(4,261)	-	-
(Decrease) increase in accrued liabilities	(124,834)	(41,905)	2,955
(Decrease) increase in accrued interest payable	(74,838)	-	-
(Decrease) increase in due to other governments	1,134,845	-	(123,552)
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	(7,868)	76,663	(87,476)
(Decrease) increase in deferred revenue	-	-	(12,914)
Net cash provided by operating activities	<u>\$ 2,346,844</u>	<u>\$ (587,339)</u>	<u>\$ 1,687,288</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 8,668,826</u>	<u>\$ -</u>	<u>\$ 4,597,087</u>
Unrealized gains (losses)	<u>\$ 193,393</u>	<u>\$ (9,381)</u>	<u>\$ 42,852</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 67,936,058	\$ 724,172	\$ 49,427,661
Restricted assets:			
Cash and investments	-	1,238,325	953,706
Less investments not meeting the definition of cash equivalents:			
Investment contracts	-	-	(939,581)
Cash and cash equivalents at end of year	<u>\$ 67,936,058</u>	<u>\$ 1,962,497</u>	<u>\$ 49,441,786</u>

The notes to the financial statements are an integral part of this statement.

<u>Enterprise Funds</u>		Governmental
<u>Solid Waste</u>	<u>Totals</u>	Activities - Internal Service Funds
\$ 520,403	\$ (3,358,443)	\$ 804,160
-	10,618,847	1,821,285
(35,232)	(4,116,526)	(168)
-	51,271	(97,379)
-	(4,261)	120,613
(36,380)	(200,164)	224,120
-	(74,838)	-
-	1,011,293	-
-	-	80,765
-	(18,681)	1,000
-	(12,914)	-
<u>\$ 448,791</u>	<u>\$ 3,895,584</u>	<u>\$ 2,954,396</u>
<u>\$ -</u>	<u>\$ 13,265,913</u>	<u>\$ 80,040</u>
<u>\$ 26,709</u>	<u>\$ 253,573</u>	<u>\$ 85,994</u>
\$ 9,448,378	\$ 127,536,269	\$ 29,554,478
-	2,192,031	-
-	(939,581)	-
<u>\$ 9,448,378</u>	<u>\$ 128,788,719</u>	<u>\$ 29,554,478</u>

CITY OF CARLSBAD

Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2010

ASSETS

Current assets:

Cash and investments \$ 20,863,830

Receivables:

Other 72,085

Prepaid items 565,627

Total current assets 21,501,542

Restricted assets:

Cash and investments 7,174,889

Total assets \$ 28,676,431

LIABILITIES

Accrued liabilities \$ 70,842

Deposits held for others 28,605,589

Total liabilities \$ 28,676,431

The notes to the financial statements are an integral part of this statement.

CITY OF CARLSBAD

Notes to the Financial Statements

Year Ended June 30, 2010

Note 1. Summary of Significant Accounting Policies

The City of Carlsbad, California, (City) was incorporated on July 16, 1952. The City was a general law city until 2008, when the citizens in Carlsbad voted and approved the city to become a charter city. The City operates under a Council-Manager form of government and provides the following services: general government, public safety, community development, community services and public works.

The accounting policies of the City and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Description and scope of the reporting entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position of the City and its component units, entities for which the City is considered to be financially accountable. The City is considered to be financially accountable for an organization if the City appoints a voting majority of that organization's governing body and the City is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the City. The City is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the City (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the City). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the City are such that their exclusion would cause the City's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the City are the Housing Authority of the City of Carlsbad, the City of Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority and the Carlsbad Municipal Water District (District).

Since the City Council serves as the governing board for these component units, all of the City's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the City's operations, and so data from these units is reported with the interfund data of the primary government. Only the Carlsbad Redevelopment Agency issues separate component unit financial statements. Upon their completion, the financial statements of this component unit can be obtained from the Finance Department.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of sales tax revenues, which include the final adjustment for the current fiscal period as determined by the State Board of Equalization. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, as long as the expenditure reflects a near-term cash outflow. Principal and interest on long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, vehicle license fees, highway users tax, interest, and some state and federal grants.

Real property taxes are levied on October 15 against property owners of record on January 1 of that year. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Fiduciary fund types are custodial in nature (assets equal liabilities) and do not involve the recording of City revenues and expenses. Fiduciary fund assets and liabilities are accounted for on the accrual basis of accounting.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Redevelopment Debt Service Funds** are used to account for the accumulation of resources for, and payment of, principal and interest on the Carlsbad Redevelopment Agency's bonds and other debt, used to finance improvements for the redevelopment areas of the City.

The **Community Facilities District No. 1** capital project fund is used to account for civic facilities, parks, and road segments financed by Community Facilities District No. 1 "special tax revenues" (Mello Roos).

The **General Capital Construction** capital project fund is used to account for transfers from the General Fund and expenditures for various capital projects not financed through another capital project fund.

The **Infrastructure Replacement** capital project fund is used to account for transfers from the General Fund and expenditures for the replacement of major infrastructure throughout the City.

The **Public Facilities Construction** capital project fund is used to account for the receipt of fees charged to developers, and expenditures for specific public facilities such as parks and fire stations necessitated by growth.

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The City reports the following major enterprise funds:

The **Carlsbad Municipal Water District** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's water system.

The **Golf Course** enterprise fund is used to account for revenues and expenses for the construction, maintenance and operating activities of the City's municipal golf course.

The **Wastewater** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the City's wastewater system.

The **Solid Waste** enterprise funds are used to account for the revenues and expenses of the City's solid waste source-reduction, recycling and storm water programs.

Additionally, the City reports the following fund types:

Internal Service funds account for fleet management, self insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the City.

The **Agency funds** account for assets held by the City for other governments or individuals. These funds include contractors' deposits for future development, miscellaneous deposits, as well as debt service transactions on assessment district bonds for which the City is not obligated.

Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the Government-wide Financial Statements. An exception to this general rule are the charges between the Carlsbad Municipal Water District and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. The City also recognizes new account charges, late fees and contributions from other agencies as operating revenues. Operating expenses for enterprise and internal service funds include the cost of sales and services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash and investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain 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.

Changes in fair value that occur during a fiscal year are recognized as income from property and investments reported for that fiscal year. Income from property and investments includes interest earnings; changes in fair value; any gains or losses realized upon the liquidation, maturity, or sale of investments; property rentals and the sale of City owned property.

The City pools cash and investments of all funds, except for assets held by fiscal agents. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds on a monthly basis, based on each fund's average cash and investments balance.

Restricted cash and investments represent amounts that are restricted under the terms of debt agreements.

Inventories

Inventories consist of materials and supplies that are valued at cost and are recorded as expenses or expenditures on a first-in, first-out basis when consumed.

Compensated absences

Compensated absences are comprised of vacation payable for all City employees and vested sick benefits for certain former District employees. Vacation pay is payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation expected to be paid in the next 12 months is recorded as a liability in the Self Insured Benefits internal service fund. Since the City caps the amount of vacation employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2010, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation is recorded as a liability when earned.

Risk management

The City accounts for its general liability, self insured dental program, and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other City funds and departments and paying claims, settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end, if material.

Unbilled services

Unbilled water, wastewater and solid waste revenues of the enterprise funds are recognized as earned when the services are used.

Capital assets

Capital assets, which include land (including right-of-way), buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, water and wastewater systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the City as machinery and equipment and capital construction with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year; and software with an initial cost of more than \$100,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective capital asset category upon completion.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and other structures	10 – 50
Improvements other than buildings	20 – 50
Machinery and equipment	3 – 20
Infrastructure	10 – 100
Wastewater treatment facility (including equipment)	5 – 75

The City has capitalized all general infrastructure assets acquired or constructed in compliance with GASB 34. In addition the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized.

Unearned/deferred revenue

The unearned revenue reported in the City’s financial statements represents money received during the current or previous fiscal years that has not been earned by, or is not available to, the City as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned or becomes available.

Interfund transactions

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (short-term interfund loans) or “advances to/from other funds” (long-term interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-wide Financial Statements as “internal balances”.

Advances between funds, as reported in the Fund Financial Statements, are offset by a fund balance reserve account in the applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables and payables

All trade, service and tax receivables are shown net of an allowance for uncollectibles. The utility billing receivable allowance is equal to 2.0% of outstanding billings at June 30, 2010, the ambulance billing receivable allowance is equal to 40% of outstanding billings at June 30, 2010, and the trade and false alarm receivable allowance is equal to the total of all outstanding receivables that are over 90 days past due plus 30% of all remaining balances. The only exception to these rules are receivables that were subsequently paid or were known to be collectible at year-end, were not reserved for at June 30, 2010.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year. Encumbrances at year end are a portion of the reserved fund balance and are reappropriated the following year.

Net assets

Net assets represent the differences between assets and liabilities. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Note 1. Summary of Significant Accounting Policies (Continued)

Cash flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

Long-term obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Long-term bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the Fund Financial Statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans, and are subject to change.

Pronouncements issued, not yet effective

The GASB has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*

Note 2. Budgetary Data

The City follows these procedures in establishing its budgetary data:

- During May or June, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- Public hearings are conducted at City Council meetings to obtain citizens' comments during June.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.

Note 2. Budgetary Data (Continued)

The City Manager is authorized to make transfers of appropriated amounts from one department to another within a fund. The legal level of budgetary control is at the fund level. Revisions that alter the total appropriations of any fund must be approved by the City Council with the exception of budget adjustments that involve offsetting revenues and expenditures. The City Manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Monthly reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed.

Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and debt service funds. Accordingly, the revenues and expenditures for the Tyler Court Apartments Fund has been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds except for the Redevelopment Areas Funds; therefore, budget basis financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

Note 3. Deposit and Investment Risk

Cash resources of the individual funds are combined to form a pool of cash and investments. The City maintains a formal investment policy, which is reviewed by the Investment Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the City's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The risk disclosures below apply to the City's internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits); concentration; default; event; and market or interest rate risk.

The City of Carlsbad and its agencies invest a portion of the funds in an external investment pool known as the Local Agency Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2010, the LAIF performance report shows a fair value factor of 1.001643776. The City of Carlsbad's position in the LAIF pool is calculated as a percentage of the fair value of the City's shares to the fair value of the pooled shares.

Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the City's general expenditures.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 3. Deposit and Investment Risk (Continued)

As of June 30, 2010 the City had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
Federal Home Loan Bank	\$ 140,306,468	24.0%	1.735
United States Treasury Bills and Notes	86,677,138	14.8%	0.711
Federal Farm Credit Bank	57,460,166	9.8%	2.033
Federal National Mortgage Association	48,557,176	8.3%	2.679
Federal Home Loan Mortgage Corporation Financing Corporation	42,112,062	7.2%	2.083
Federal Agricultural Corporation	11,696,280	2.0%	1.876
Tennessee Valley Authority	8,170,948	1.4%	1.132
Subtotal U.S. agencies	5,594,586	1.0%	1.796
	<u>400,574,824</u>	<u>68.5%</u>	<u>1.700</u>
Corporate notes:			
Medium-term corporate notes	101,958,169	17.4%	1.363
Subtotal corporate notes	<u>101,958,169</u>	<u>17.4%</u>	<u>1.363</u>
LAIF	78,212,937	13.4%	-
Cash accounts	4,179,642	0.7%	-
Total Treasurer's Pool	<u>584,925,572</u>	<u>100.0%</u>	<u>1.401</u>
Investments held outside the Treasurer's Pool			
Money market funds	15,951,748		
LAIF	4,643,529		
Guaranteed investment contracts	953,706		
Subtotal debt service funds/bond proceeds	<u>21,548,983</u>		
Other deposits	628,750		
Petty cash funds	6,251		
Total cash and investments	<u>\$ 607,109,556</u>		
Statement of Net Assets, Primary Government			
Cash and investments	\$ 579,070,837		
Statement of Fiduciary Assets and Liabilities, Agency Funds			
Cash and investments	20,863,830		
Restricted cash and investments	7,174,889		
Total cash and investments	<u>\$ 607,109,556</u>		

Custodial credit risk (investments)

The City uses a third-party bank for its custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the City will not be able to recover the value of its investments in the event of the custodian's failure. All City investments held in custody and safekeeping are held in the name of the City and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure. Investments are settled on a Delivery vs. Payment (DVP) in accordance with the third party custodial agreement.

Note 3. Deposit and Investment Risk (Continued)

Custodial credit risk (deposits)

The City maintains cash accounts at two major banking institutions. At the conclusion of each business day, balances in these accounts are "swept" into overnight pooled investments, which are pooled into funds collateralized with U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). The California Code authorizes both of these types of investments. A small amount of cash is not swept from the checking accounts to cover checks that may be presented for payment. Amounts up to \$250,000 are Federal Deposit Insurance Corporation (FDIC) insured.

Concentration credit risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California state code requires that total investments in medium-term corporate notes of all issuers not exceed 30% of the portfolio. As of June 30, 2010, approximately 17% of the City's total portfolio investments, based on cost, were in medium-term corporate notes.

For concentration of investments, the City's Investment Policy requires that no more than 5% of investments in corporate notes be in any one issuer. There is no similar requirement in either the state code or the City's Investment Policy for U.S. agencies. As of June 30, 2010, the portfolio was in compliance with this requirement.

Default credit risk

Default credit risk is the risk that the issuer of the security does not pay either the interest or principal when due. Debts of most U.S. agencies are not backed by the full faith and credit of the federal government; however, because the agencies are U.S. Government-sponsored, they carry AAA credit ratings. The default credit risk of these investments is minimal.

California state code limits investments in medium-term corporate notes to the top three credit ratings (AAA, AA, and A). However, it is the City's policy to limit investments to the top two credit ratings (AAA and AA). As of June 30, 2010, approximately 29.5% of the investments in medium-term corporate notes did not have one of these two credit ratings. Only one investment had a credit rating as low as BBB+. These investments were made when the credit ratings were AA. California state code and the City's Investment Policy allow the City Treasurer to determine the course of action to correct exceptions to the Policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is greater than U.S. federal agencies, but is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within State code purchase requirements. A credit rating of BBB is considered investment grade for non-California municipality investments.

The Local Agency Investment Fund (LAIF) is an external investment pool managed by the California State Treasurer. Its investments are short-term and follow the investment requirements of the State. LAIF is not rated; however, the City Treasurer considers the default credit risk of LAIF to be minimal.

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2010, the portfolio had a 1.16% gain in market value.

The City's investment policy has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2, and (2) requiring liquid investments (LAIF and bank accounts) and investments maturing within one year to be equal to an amount that is not less than two-thirds of the current fiscal year's operating budget. The City met those requirements as follows:

1. As of June 30, 2010, the modified duration of the portfolio was 1.401. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1% change in market interest rates occurs, a 1.5% change in the security's value will result. Investments with modified durations of one to three are considered to be relatively conservative.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 3. Deposit and Investment Risk (Continued)

Interest rate risk (Continued)

2. As of June 30, 2010, maturities within one year exceeded the required minimum of \$190,416,000 (two-thirds of current year operating budget for the City per the Fiscal Year 2009-10 Operating Budget adopted by the City Council).
3. As of June 30, 2010, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 203 days. As of June 30, 2010, LAIF had a 0.16% gain in market value.
4. As of June 30, 2010, the City's investment portfolio included \$20,000,000 of callable step-up notes.

Note 4. Due To and From Other Funds

The following table shows amounts due from funds within the City to other funds within the City at June 30, 2010:

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 40,447
Special Revenue Funds:		
Community Development Block Grant	40,447	-
Totals	\$ 40,447	\$ 40,447

Note 5. Advances To and From Other Funds

The following table shows amounts advanced from governmental funds within the City to other funds within the City at June 30, 2010:

Advances From	Advances To	Amount
General Fund	Redevelopment Debt Service Funds	\$ 19,555,864 (1)
General Fund	Financing Districts Special Revenue Funds	1,404,251
General Fund	Enterprise Funds:	
	Golf Course	50,724,623 (2)
	Solid Waste	680,219 (3)
Capital Projects Funds:	Capital Project Funds:	
Community Facilities District No. 1	Traffic Impact Projects	2,816,498 (4)
General Capital Construction	Redevelopment Agency (South Coastal Carlsbad)	256,301 (5)
Public Facilities Construction	Park Development	4,550,000 (6)
		\$ 79,987,756

Advances to and from other funds are primarily long term advances used to fund capital projects in advance of related revenues.

- (1) The advance between the General Fund and the Redevelopment Debt Service Funds is estimated to be repaid over a 15-20 year period as the tax increment collected within the redevelopment areas grow. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 5. Advance To and From Other Funds (Continued)

- (2) The advance between the General Fund and the Golf Course Fund is estimated to be repaid over a 35-40 year period through residual operating income from golf course operations. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
- (3) The advance between the General Fund and the Solid Waste Fund is estimated to be repaid in Fiscal Year 2010-11.
- (4) The advance between the Community Facilities District No. 1 Fund and the Traffic Impact Projects Fund is estimated to be repaid over a 10-15 year period as Traffic Impact Fees are collected.
- (5) The advance between the General Capital Construction Fund and the South Coastal Carlsbad Redevelopment Capital Project Fund is estimated to be repaid over a 15-20 year period as the tax increment collected within the redevelopment area grows. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
- (6) The advance between the Public Facilities Construction Fund and the Park Development Funds is estimated to be repaid at build-out.

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2010:

	Balance at July 1, 2009	Increases	Decreases	Balance at June 30, 2010
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 139,705,095	\$ 6,300,642	\$ (692,059)	\$ 145,313,678
Construction in progress	142,892,865	11,958,404	(10,734,877)	144,116,392
Total capital assets, not being depreciated	<u>282,597,960</u>	<u>18,259,046</u>	<u>(11,426,936)</u>	<u>289,430,070</u>
Capital assets, being depreciated:				
Buildings	72,381,386	6,423,783	-	78,805,169
Improvements, other than buildings	39,240,751	5,841,028	-	45,081,779
Machinery and equipment	26,907,624	1,474,555	(1,701,694)	26,680,485
Infrastructure	514,300,026	21,655,653	-	535,955,679
Total capital assets, being depreciated	<u>652,829,787</u>	<u>35,395,019</u>	<u>(1,701,694)</u>	<u>686,523,112</u>
Less accumulated depreciation for:				
Buildings	(20,107,104)	(1,644,036)	-	(21,751,140)
Improvements, other than buildings	(7,987,856)	(1,967,714)	(266,390)	(10,221,960)
Machinery and equipment	(16,623,165)	(2,492,311)	1,636,016	(17,479,460)
Infrastructure	(137,469,637)	(11,061,540)	-	(148,531,177)
Total accumulated depreciation	<u>(182,187,762)</u>	<u>(17,165,601)</u>	<u>1,369,626</u>	<u>(197,983,737)</u>
Total capital assets being depreciated, net	<u>470,642,025</u>	<u>18,229,418</u>	<u>(332,068)</u>	<u>488,539,375</u>
Governmental activities capital assets, net	<u>\$ 753,239,985</u>	<u>\$ 36,488,464</u>	<u>\$ (11,759,004)</u>	<u>\$ 777,969,445</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (Continued)

	Balance at July 1, 2009	Increases	Decreases	Balance at June 30, 2010
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,556,308	\$ -	\$ (237,920)	\$ 9,318,388
Construction in progress	15,375,927	6,620,970	-	21,996,897
Total capital assets, not being depreciated	<u>24,932,235</u>	<u>6,620,970</u>	<u>(237,920)</u>	<u>31,315,285</u>
Capital assets, being depreciated:				
Buildings	40,174,429	-	-	40,174,429
Improvements, other than buildings	53,052,661	1,800,000	(3,995,856)	50,856,805
Machinery and equipment	2,362,617	140,267	(35,338)	2,467,546
Infrastructure	274,506,840	11,465,913	-	285,972,753
Wastewater treatment facility	50,662,388	1,169,337	-	51,831,725
Total capital assets, being depreciated	<u>420,758,935</u>	<u>14,575,517</u>	<u>(4,031,194)</u>	<u>431,303,258</u>
Less accumulated depreciation for:				
Buildings	(2,812,543)	(819,483)	-	(3,632,026)
Improvements, other than buildings	(5,915,936)	(3,069,128)	266,391	(8,718,673)
Machinery and equipment	(1,452,348)	(274,223)	35,339	(1,691,232)
Infrastructure	(52,512,102)	(5,582,007)	-	(58,094,109)
Wastewater treatment facility	(26,208,741)	(874,006)	-	(27,082,747)
Total accumulated depreciation	<u>(88,901,670)</u>	<u>(10,618,847)</u>	<u>301,730</u>	<u>(99,218,787)</u>
Total capital assets being depreciated, net	<u>331,857,265</u>	<u>3,956,670</u>	<u>(3,729,464)</u>	<u>332,084,471</u>
Business-type activities capital assets, net	<u>\$ 356,789,500</u>	<u>\$ 10,577,640</u>	<u>\$ (3,967,384)</u>	<u>\$ 363,399,756</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 840,860
Community development	272,986
Public safety	402,878
Community services	2,516,202
Public works	11,311,390
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,821,285</u>

Total depreciation expense - governmental activities \$ 17,165,601

Business-type activities:

Carlsbad Municipal Water District	\$ 4,097,484
Wastewater	3,043,635
Golf course	<u>3,477,728</u>

Total depreciation expense - business-type activities \$ 10,618,847

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2010:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 1,255,290	\$ 3,458,152	\$ 166,739	\$ -	\$ 4,880,181
Community Facilities					
District No. 1	51,369	-	-	-	51,369
General Capital Construction	476,457	-	-	-	476,457
Infrastructure Replacement	112,751	-	-	-	112,751
Public Facilities					
Construction	342,659	-	-	-	342,659
Other Governmental Funds	933,158	94,755	-	-	1,027,913
Subtotals	3,171,684	3,552,907	166,739	-	6,891,330
* Internal Service Funds	521,916	3,795,967	-	-	4,317,883
Total governmental activities	<u>\$ 3,693,600</u>	<u>\$ 7,348,874</u>	<u>\$ 166,739</u>	<u>\$ -</u>	<u>\$ 11,209,213</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water					
District	\$ 1,043,315	\$ 355,732	\$ -	\$ -	\$ 1,399,047
Golf Course	267,904	-	-	-	267,904
Wastewater	178,577	136,836	-	-	315,413
Solid Waste	88,177	78,124	-	278,214	444,515
Total business-type activities	<u>\$ 1,577,973</u>	<u>\$ 570,692</u>	<u>\$ -</u>	<u>\$ 278,214</u>	<u>\$ 2,426,879</u>

* Internal service funds have been included with governmental activities on the Government-wide Statement of Net Assets.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2010:

	Principal Balance at June 30, 2009	Additions	Reductions	Principal Balance at June 30, 2010	Due Within One Year
Governmental activities:					
Bonds	\$ 10,740,000	\$ -	\$ 490,000	\$ 10,250,000	\$ 515,000
Total governmental activities	<u>\$ 10,740,000</u>	<u>\$ -</u>	<u>\$ 490,000</u>	<u>\$ 10,250,000</u>	<u>\$ 515,000</u>
Business-type activities:					
Bonds	\$ 18,265,000	\$ -	\$ 290,000	\$ 17,975,000	\$ 305,000
Installment purchase agreement	4,810,000	-	705,000	4,105,000	740,000
Loans payable	27,106,476	-	1,391,445	25,715,031	1,425,154
Obligations under capital leases	735,877	-	233,669	502,208	246,043
	50,917,353	-	2,620,114	48,297,239	2,716,197
Less deferred charges	(259,027)	-	(53,647)	(205,380)	(49,923)
Plus premiums	271,845	-	9,895	261,950	9,895
Total business type activities	<u>\$ 50,930,171</u>	<u>\$ -</u>	<u>\$ 2,576,362</u>	<u>\$ 48,353,809</u>	<u>\$ 2,676,169</u>

Long-term debt at June 30, 2010 is comprised of the following issues:

	Balance at June 30, 2010
Governmental long-term debt	
1993 Carlsbad Housing and Redevelopment Commission Tax Allocation	
Bonds, principal due in amounts ranging from \$515,000 to \$1,000,000 on September 1 of each year through 2024. Interest payable on March 1 and September 1 at rates varying from 5.25% to 5.30% per annum. The City posted a surety bond in lieu of cash reserve in the amount of \$1,055,953.	
Payable from redevelopment property tax increment revenues.	\$ 10,250,000
Sub-total governmental long-term debt	<u>10,250,000</u>
Less current portion	<u>515,000</u>
Total long-term portion of governmental debt	<u>\$ 9,735,000</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (Continued)

	Balance at June 30, 2010
Business-type long-term debt	
<hr/>	
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds, principal due in varying amounts ranging from \$305,000 to \$1,185,000 on September 1 of each year beginning in 2008 through 2036, interest payable on March 1 and September 1 of each year through 2036, at rates varying from 4.00% to 5.00% per annum. The required reserve amount is \$1,238,325. Payable from golf course operating revenues and lease payments by the City.	\$ 17,975,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement, principal due in varying amounts ranging from \$740,000 to \$905,000 on August 1 of each year through 2015, interest payable on February 1 and August 1 each year at 5.125% per annum. The required reserve amount is \$937,169. Payable from sewer user fees.	4,105,000
1993 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$123,222 to \$151,558 on November 30 of each year through 2013, interest payable on November 30 of each year at 2.90% per annum. Payable from recycled water user fees.	565,203
2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$446,634 to \$631,082 on June 1 of each year through 2025, interest payable on June 1 of each year at 2.50% per annum. Payable from recycled water user fees.	8,009,011
2006 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board. Principal is due in varying amounts ranging from \$835,384 to \$1,201,977 on April 1 of each year through 2027, interest payable on April 1 of each year at 2.30% per annum. Payable from recycled water user fees.	17,140,817
The Carlsbad Public Financing Authority has entered into several golf course maintenance equipment lease purchase agreements and G.P.S. equipment lease purchase agreements. As of June 30, 2010, the City has purchased maintenance equipment and G.P.S. equipment totaling \$1,170,745. The lease terms range from 50 to 60 months, with interest rates ranging from 4.75% to 7.71%. The leases expire between April 2012 and March 2013. Payable from golf course operating revenues and lease payments by the City.	<u>502,208</u>
Subtotal business-type long-term debt	48,297,239
Plus unamortized premiums and deferred charges	56,570
Less current portion	<u>(2,676,169)</u>
Total long-term portion of business-type debt	<u><u>\$ 45,677,640</u></u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (Continued)

The aggregate maturities of long-term debt are as follows:

Year ended June 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 515,000	\$ 526,459	\$ 2,716,197	\$ 1,620,832
2012	540,000	498,765	2,807,040	1,518,943
2013	570,000	469,627	2,668,866	1,424,168
2014	600,000	438,915	2,718,560	1,328,096
2015	630,000	406,628	2,697,932	1,230,828
2016–2020	3,690,000	1,485,825	9,826,315	5,224,274
2021–2025	3,705,000	405,582	11,465,399	3,700,499
2026–2030	-	-	6,191,930	2,149,504
2031–2035	-	-	4,890,000	1,092,375
2036–2040	-	-	2,315,000	105,412
	<u>\$ 10,250,000</u>	<u>\$ 4,231,801</u>	<u>\$ 48,297,239</u>	<u>\$ 19,394,931</u>

Note 9. Rate Covenants and Pledged Revenue

Rate Covenants

The 1997 Encina Financing Joint Powers Authority Installment Purchase Agreement requires that the District set its charges for services each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.25 times debt service for that year.

The 2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board requires that the District set its charges for services and rates for fees each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.0 times debt service for that year.

The 2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bond require the Authority to set rates, fees and charges which, when added to other revenues received from the Authority, are at least sufficient to yield gross revenues which are equal to or greater than amounts required to pay all operating and maintenance expenses estimated by the Authority, and the principal and interest on the bonds as they become due and payable, reserve requirements, and all other payments required to meet any other obligations of the Authority. If the Authority is unable to generate adequate revenues to make the principal and interest payments on the bonds as they become due, the City of Carlsbad's General Fund will make the payments.

All rate covenants requirements were met for the year ended June 30, 2010.

Pledged Revenue

The City and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purpose for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table on the following page. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

CITY OF CARLSBAD

Notes to the Financial Statements

Note 9. Rate Covenants and Pledged Revenue (Continued)

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment (Village Area)	\$ 1,182,815	\$ 1,042,840	88%
Water revenues	3,334,957	1,876,483	56%
Wastewater revenues	4,639,387	933,006	20%
Golf Course revenues	654,299	1,100,250	168%

Note 10. Debt without Government Commitment

In the opinion of City officials, the bonds listed below are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing power of the City of Carlsbad, the State of California, nor any political subdivision thereof, is obligated to the payment of the principal or interest on the bond. Accordingly, no liability has been recorded in the accompanying financial statements.

Limited obligation improvement bonds

As of June 30, 2010, the City has six series of Assessment District Bonds outstanding in the amount of \$62,449,797. These bonds were issued under the provisions of the Improvement Bond Acts of 1911 and 1915 and were used to finance public infrastructure improvement projects. The City collects assessments to pay the bond debt. These monies are accounted for in the Assessment Districts' Agency funds.

Special tax bonds

As of June 30, 2010, the City has two series of Community Facilities District (CFD) Bonds outstanding in the amount of \$28,915,000. These bonds were issued under the provisions of the Mello-Roos Community Facilities Act of 1982 and were used to finance public infrastructure improvement projects. The City collects special taxes to pay the bond debt. These monies are accounted for in the CFDs' Agency funds.

Mortgage revenue bonds

Multi-Family Housing Revenue Bonds are issued to provide construction and permanent financing to developers of multi-family residential rental projects located in the City which will be partially occupied by persons of low or moderate income. The total amount of mortgage revenue bonds outstanding as of June 30, 2010 is \$39,271,272. The bonds, together with interest thereon, are limited obligations of the City payable solely from bond proceeds, revenues and other amounts derived solely from home mortgage and developer loans secured by first deeds of trust, irrevocable letters of credit, and irrevocable surety bonds.

Industrial development bonds

The Industrial Development Authority of the City has issued a \$2,070,000 Industrial Development Revenue Bond. The total principal amount outstanding as of June 30, 2010 is \$1,349,500. Any costs relating to the issuance of the Bond, as well as the principal and interest payments, are to be paid by the private party benefiting from the bond issue.



CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances

The following is a summary of reserved and unreserved fund balances as of June 30, 2010:

Fund Balances	Governmental Funds			
	General	Redevelopment Debt Service Funds	Community Facilities District No. 1	General Capital Construction
Reserved for:				
Loans receivable	\$ 143,574	\$ -	\$ -	\$ -
Inventory	18,036	-	-	-
Prepaid items	23,741	-	-	-
Advances to other other funds*	52,312,902	-	2,816,498	256,301
Flower fields preservation	-	-	-	-
Library endowment	-	-	-	-
Low and moderate income housing	-	-	-	-
Encumbrances	7,088,045	-	51,084	15,680,670
Totals	59,586,298	-	2,867,582	15,936,971
Unreserved:				
Designated for approved capital projects	-	-	56,153,552	-
Designated for continuing appropriations	17,518,782	-	4,001,874	34,029,421
Totals	17,518,782	-	60,155,426	34,029,421
Undesignated	51,416,340	(17,823,623)	-	19,048,570
Total fund balances (deficit)	\$ 128,521,420	\$ (17,823,623)	\$ 63,023,008	\$ 69,014,962

* Only reflects that portion of fund balance invested in interfund advances (the General Fund amount is net of \$20,052,055 in deferred revenue for measurable but unavailable interest earned on such advances).

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Governmental Funds			
	Public	Other	
Infrastructure	Facilities	Governmental	
Replacement	Construction	Funds	Total
\$ -	\$ -	\$ 15,224,172	\$ 15,367,746
-	-	-	18,036
-	-	417,682	441,423
-	4,550,000	-	59,935,701
-	-	935,000	935,000
-	-	250,000	250,000
-	-	4,250,000	4,250,000
628,077	1,233,456	4,323,868	29,005,200
<u>628,077</u>	<u>5,783,456</u>	<u>25,400,722</u>	<u>110,203,106</u>
-	18,323,475	28,369,264	102,846,291
3,023,035	25,340,881	38,478,925	122,392,918
<u>3,023,035</u>	<u>43,664,356</u>	<u>66,848,189</u>	<u>225,239,209</u>
51,136,757	-	26,155,194	129,933,238
<u>\$ 54,787,869</u>	<u>\$ 49,447,812</u>	<u>\$ 118,404,105</u>	<u>\$ 465,375,553</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Reserves for loan receivables, inventory, prepaid items and advances to other funds, net of accrued interest recorded as deferred revenue, are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for flower-fields preservation represent resources set aside to support floriculture research for the preservation of the "Flower Fields" located in Carlsbad.

Reserves for library endowment represent resources set aside to support programs in the Dove Library auditorium.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Unreserved-undesignated and unrestricted represents the fund balance or net assets remaining after reduction for reserved and designated fund balances or net assets.

Note 12. Accumulated Fund Deficits/Negative Net Assets

The following funds reported deficits in fund balances or net assets as of June 30, 2010:

	<u>Deficit Balance</u>
Debt Service Funds:	
Redevelopment Areas	\$ (17,823,623)
Enterprise Funds:	
Golf Course	(6,439,019)

CITY OF CARLSBAD

Notes to the Financial Statements

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	\$ 10,000
	General Capital Construction Capital Project Fund	600,000
	South Coastal Carlsbad Redevelopment Capital Project Fund	345,655
	Village Redevelopment Capital Project Fund	4,360,000
Infrastructure Replacement	General Fund	6,538,000
Capital Project Funds:		
Gas Tax	Bridge & Thoroughfare District #2 Capital Project Fund	232,723
Gas Tax	Bridge & Thoroughfare District #3 Capital Project Fund	88,041
General Capital Construction	General Fund	2,840,000
Redevelopment Agency	Redevelopment Debt Service Funds	6,823,000
Enterprise Funds:		
Storm Water Protection	General Fund	177,000
Golf Course	General Fund	266,390
Internal Service Funds:		
Information Technology	General Fund	297,463
		<u>\$ 22,578,272</u>

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (2) move revenues and expenditures to the appropriate funds, reimburse the General Fund for land transferred to the Redevelopment Agency, and (4) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 14 Risk Management

The City is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The City uses a Risk Management Self-Insurance Fund, a Self Insured Benefits Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All funds of the City make payments based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Since July 1, 1999, the City has been a member of the California Municipal Excess Liability Program, a group purchase program for general liability coverage. Under this program, the insurance provides coverage up to a maximum of \$10,000,000 per occurrence with a self-insured retention provided by the City in the amount of \$500,000. At June 30, 2010, the unrestricted fund equity for the Risk Management Self-Insurance fund was approximately \$684,000.

Dental insurance coverage for City employees is administered by MetLife. Under the City's agreement with MetLife, MetLife will pay dental claims for each covered member, up to a maximum of \$1,500 per calendar year.

The City is insured for workers' compensation claims by Safety National. Safety National provides coverage up to a maximum of \$2,000,000 per occurrence for losses which exceed the City's self-insured retention of \$1,000,000

CITY OF CARLSBAD

Notes to the Financial Statements

Note 14. Risk Management (Continued)

per claim for police and fire employees, and \$750,000 for all other employees. At June 30, 2010, the unrestricted fund equity for the Workers' Compensation Self-Insurance fund was approximately \$2,420,000.

The estimated claims payable reported at June 30, 2010 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled cases did not exceed insurance coverage during the past fiscal year. However, in Fiscal Year 2006-07, the City settled a large liability case related to the Marbella condominiums. Total costs of that case have been partially covered by insurance funds. The City has received some reimbursements from one insurance carrier, and continues to pursue additional recoveries from another insurance company.

Changes in the estimated claims payable amounts in Fiscal Years 2009 and 2010 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-Insured Benefits fund:				
2008 - 09	\$ 75,208	\$ 899,062	\$ (894,180)	\$ 80,090
2009 - 10	80,090	829,237	(832,360)	76,967
Risk Management fund:				
2008 - 09	160,189	914,672	(899,739)	175,122
2009 - 10	175,122	819,375	(743,031)	251,466
Workers' Compensation fund:				
2008 - 09	2,978,088	2,674,772	(2,049,078)	3,603,782
2009 - 10	3,603,782	1,456,406	(1,448,862)	3,611,326

Note 15. Joint Ventures

Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the Facilities) are wastewater facilities owned jointly by the Cities of Carlsbad, Vista and Encinitas and the Leucadia County Water District, the Buena Vista Sanitation District and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the Facilities. It is responsible for the management, maintenance and operations of the joint system. Ownership interests in the Facilities are determined by joint agreement at the time the assets are acquired. As of June 30, 2010, the Cities and Districts have the following approximate ownership interest:

City of Carlsbad	24%
City of Vista	21%
Leucadia Wastewater District	21%
Vallecitos Water District	20%
Buena Sanitation District	9%
City of Encinitas	5%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 15. Joint Ventures (Continued)

EWA's financial statements for the fiscal year ended June 30, 2009 (the latest available) reflect the following:

Total assets	\$ 132,177,221
Total liabilities	<u>5,197,839</u>
Net assets	<u>\$ 126,979,382</u>

The EWA does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on EWA's books and charged to users' accounts in the following year. Conversely, users' assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating loss (before member billings) for the EWA totaled \$140,353 in Fiscal Year 2009. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at www.encinajpa.com.

Encina Financing Joint Powers Authority

The Encina Financing Joint Powers Authority (the Authority) was created on February 1, 1989 between the City of Carlsbad (Carlsbad), the City of Vista (Vista), the Buena Vista Sanitation District (Buena) and the Leucadia County Water District (Leucadia). The primary purpose of the Authority is to issue revenue bonds in order to finance the expansion of the Facility.

The Authority is governed by a Board of Directors, which consists of one director appointed by each member. The financial statements of the Authority can be obtained at the City of Carlsbad's Finance Department.

In August 1989, the Authority issued \$33,500,000 of revenue bonds and executed installment purchase agreements for approximately the same amount. In February 1997, bonds were issued by the Authority to refinance and defease the outstanding bonds. Two of the members (Buena and Vista) defeased their 1989 obligations through available funds; while Carlsbad and Leucadia refinanced their obligations. Repayment of the bonds will be accomplished through payments made by Carlsbad and Leucadia pursuant to the new installment purchase agreements. The individual agreements set forth the purchase price and specify the debt service requirements for each member.

The following is a table of the outstanding balance owed as of June 30, 2010:

Member	Agreement Balance
City of Carlsbad	\$ 4,105,000
Leucadia Wastewater District	<u>2,795,000</u>
	<u>\$ 6,900,000</u>

The installment balances are secured by a pledge of the revenues from each member's wastewater system, net of a deduction for maintenance and operating costs. Significant covenants within the agreements require the members to maintain insurance on the facility, and establish wastewater rates which are sufficient to pay the operating costs and debt service on the bonds and which will result in net revenues equal to at least 1.25 times the annual installment payments due.

The City's share in the accounts of the Authority is recorded in the Wastewater Enterprise Fund. The expansion of the Facility is shown as a capital asset of the Wastewater Enterprise Fund.

Note 16. Retirement Plan

Plan description

The City of Carlsbad contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, 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. Benefit provisions, and all other requirements, are established by state statutes and city ordinances. Copies of PERS' annual financial report may be obtained from their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes 7% of the required 8% contributions for non-safety employees, and 8% of the required 9% contributions for the City's safety employees. In June 2010, the fire employees began paying the entire 9% employee contribution. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2010, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 28.429% for safety employees and 21.154% for miscellaneous employees. The contribution requirements of plan members and the City are established by PERS.

In October 2009, the City was notified by PERS that the employer contribution rate for the City of Carlsbad (as a percentage of payroll) will be 27.995% for safety employees and 21.089% for miscellaneous employees for the fiscal year ended June 30, 2011.

Annual pension cost

For Fiscal Year 2009-10, the City's annual pension cost (employer contribution) of \$5,316,346 for safety and \$7,057,225 for miscellaneous to PERS was equal to the City's required and actual contributions. For Fiscal Year 2009-10, the member contributions paid by the City and its employees were \$1,450,677 for safety and \$2,335,278 for miscellaneous. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.25% to 14.45% depending on age, service and type of employment, (c) 3.0% inflation factor, (d) payroll growth of 3.25%, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth 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 PERS. 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 30 year rolling period, which results in an amortization of about 6% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year trend information for PERS (safety)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 5,198,332 *	100%	\$ -
6/30/09	5,527,794	100%	-
6/30/10	5,316,346	100%	-

* Includes 27 pay periods during the fiscal year, versus 26 pay periods in the previous fiscal year.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Retirement Plan (Continued)

Three-year trend information for PERS (miscellaneous)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 6,737,651 *	100%	\$ -
6/30/09	6,983,588	100%	-
6/30/10	7,057,225	100%	-

* Includes 27 pay periods during the fiscal year, versus 26 pay periods in the previous fiscal year.

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress presented below presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Funded status of plan (safety)

Valuation Date	Entry Age Normal	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL As a % of Payroll
	Accrued Liability			AVA	Market Value		
6/30/07	146,615,477	122,431,038	24,184,439	83.5%	96.6%	16,504,247	146.5%
6/30/08	159,660,856	133,696,152	25,964,704	83.7%	85.1%	18,238,046	142.4%
6/30/09	173,971,277	142,240,435	31,730,842	81.8%	59.6%	18,620,746	170.4%

Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios		Annual Covered Payroll	UAAL As a % of Payroll
	Accrued Liability			AVA	Market Value		
6/30/07	181,709,370	146,130,775	35,578,595	80.4%	92.5%	30,101,458	118.2%
6/30/08	198,837,324	160,890,751	37,946,573	80.9%	81.8%	32,703,701	116.0%
6/30/09	218,434,013	172,143,755	46,290,258	78.8%	57.3%	34,104,832	135.7%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare

During the year ended June 30, 2008, the City implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs, as they pertain to the City of Carlsbad and the Carlsbad Municipal Water District, are set forth below.

The City of Carlsbad (City) and former employees of the Carlsbad Municipal Water District (CMWD) are offered other post employment benefits (OPEB) in the form of health benefits. The majority of City of Carlsbad employees are under the City of Carlsbad defined contribution plan. The Carlsbad Municipal Water District has a defined benefit plan.

Plan descriptions

Carlsbad Municipal Water District

The first plan is for active and retired employees that were employed with the Carlsbad Municipal Water District (CMWD) at the time the District was acquired by the City. Per Resolution 614, all former employees of CMWD (including dependents) are eligible for postretirement health care benefits if they voluntarily retire after the age of 50, with no less than five years of service and whose age, combined with years of service, equals 70 or more. There are approximately five active and seventeen retired plan members as of June 30, 2010.

The City pays for 100% of the premiums for health insurance which is coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums. This plan is administered by the Association of California Water Agencies (ACWA).

City of Carlsbad

City of Carlsbad (City) employees are offered health insurance coverage under the Public Employee' Medical and Hospital Care Act (PEMHCA), which is administered by the California Public Employees Retirement System (CalPERS). Under PEMHCA, the City is required to pay a small portion of the monthly medical premiums of retired employees (considered a subsidy), if the retired employees continue their medical coverage under PEMHCA. There are approximately 712 active and 132 retired plan members as of June 30, 2010. Surviving spouses of eligible retirees are eligible for the City subsidy. Surviving spouses/domestic partners of deceased active members are eligible for the City subsidy only if the employee had attained age 50 with five years of service.

The City pays a monthly subsidy per eligible employee/retiree regardless of coverage elected:

Calendar Year 2008	\$ 97.90
Calendar Year 2009	101.00
Calendar Year 2010	105.00
Calendar Year 2011	108.00

Thereafter, the subsidy is adjusted annually to reflect changes in the medical component of the Consumer Price Index.

California Public Employer's Retiree Benefit Trust Program

The City is participating in the California Employer's Retiree Benefit Trust Program (CERBT) through irrevocable trust agreements for both plans. CERBT, an agent multiple-employer plan, is held and after the first three years, will be administered by the California Public Employee's Retirement System (CalPERS). The City does not issue separate stand-alone financial reports for either of the two plans. The City's OPEB financial statements will be included in the CalPERS annual financial report. The CalPERS annual financial report can be obtained by contacting their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

The obligation of the CMWD to contribute to the CMWD plan is established, and may not be amended by the CMWD Board. The obligation of the City to contribute to the City plan is established, and as long as the City is a member of PEMHCA, may not be amended by the City Council. The City Council does have the authority to change health insurance coverage outside of PEMHCA, which could change the funding obligation for City employees.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare (Continued)

Employees are not required to contribute to the plan. The City and CMWD are required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a "closed" basis. The City's and CMWD's annual OPEB costs for the current year and the related information for each plan are as follows:

Annual OPEB cost

	<u>CMWD</u>	<u>City</u>
2009-10 Annual Required Contribution (ARC)	\$ 22,139	\$ 306,947
2009-10 Contributions Made	(22,139)	(306,947)
Funding of Prior Year Obligation	<u>-</u>	<u>-</u>
Increase (Decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation - beginning of year	<u>-</u>	<u>-</u>
Net OPEB Obligation - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The City's and CMWD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2010 were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Carlsbad Municipal Water District	6/30/10	\$ 22,139	100.0%	\$ -
City of Carlsbad	6/30/09	\$ 306,947	100.0%	\$ -

Funded status and funding progress

The funded status of the plans as of June 30, 2010, was as follows:

	<u>CMWD</u>	<u>City</u>
Actuarial Accrued Liability (a)	\$ 3,561,082	\$ 6,147,434
Actuarial Value of Plan Assets (b)	<u>1,958,554</u>	<u>5,098,017</u>
Unfunded Actuarial Accrued Liability	<u><u>\$ 1,602,528</u></u>	<u><u>\$ 1,049,417</u></u>
Funded Ratio (b)/(a)	<u><u>55.00%</u></u>	<u><u>82.9%</u></u>
Covered Payroll	<u><u>\$ 319,932</u></u>	<u><u>\$ 51,741,620</u></u>
UAAL as a percentage of Covered Payroll	<u><u>500.90%</u></u>	<u><u>2.03%</u></u>

During Fiscal Year 2007-08, the City and CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006. The City and CMWD are required to have bi-annual actuarial valuations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. 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 to past expectations and new estimates are made

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Postretirement Healthcare (Continued)

about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

Actuarial methods and assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Unfunded liabilities are amortized over a closed period based on a level dollar amortization over 30 years.

In the June 30, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return (net of administrative expenses), a medical inflation rate of 8.5 percent per annum graded down each year in one-half percent increments to an ultimate rate of five percent, and a City subsidy rate increasing at a rate of 4.25 percent.

The annual required contribution under this method equals the normal cost plus the amortization of the unfunded actuarial accrued liability. The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Funded status of plan (CMWD)

Valuation Date	Entry Age	Actuarial Value of Assets (AVA)	Unfunded	Funded Ratios AVA	Annual Covered Payroll	UAAL
	Normal Accrued Liability		Liability/ (Excess Assets)			As a % of Payroll
6/30/06	\$ 2,548,860	\$ -	\$ 2,548,860	0.0%	\$ 797,161	319.7% *
6/30/08	2,355,945	2,508,087	(152,142)	106.5%	491,788	-30.9%
6/30/10	3,561,082	1,958,554	1,602,528	55.0%	319,932	500.9%

Funded status of plan (City)

Valuation Date	Entry Age	Actuarial Value of Assets (AVA)	Unfunded	Funded Ratios AVA	Annual Covered Payroll	UAAL
	Normal Accrued Liability		Liability/ (Excess Assets)			As a % of Payroll
6/30/06	\$ 5,404,319	\$ -	\$ 5,404,319	0.0%	\$ 42,470,918	12.7% *
6/30/08	5,427,245	5,317,868	109,377	98.0%	\$ 50,449,959	0.2%
6/30/10	6,147,434	5,098,017	1,049,417	82.9%	51,741,620	2.0%

* During Fiscal Year 2007-08, the City and the CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006.

Note 18. Commitments and Contingencies

Operating lease

The Agency has one parking lot lease and one building lease, both on a month-to-month lease term.

Water purchase agreements

On March 25, 1991, CMWD entered into a twenty year agreement with the Leucadia County Water District, to purchase recycled water to be used primarily for irrigation at the La Costa Resort & Spa golf course, and for other appropriate uses within the Carlsbad Municipal Water District's (CMWD) boundaries. CMWD agreed to purchase a minimum of 394 acre feet of recycled water per fiscal year, at a basic price of retail potable water charged to residential users within the CMWD boundary. The current cost is \$984.45 per acre foot or a minimum of \$387,873 per fiscal year, regardless of the actual amount used.

On August 5, 2003, CMWD entered into a twenty-two year agreement with the Vallecitos Water District, to purchase three million gallons per day (3,360 acre feet) of recycled water for uses throughout CMWD's boundaries. The agreement stipulates that CMWD pay for its share of the actual operating costs (up to a maximum cost of 75% of the wholesale cost of potable water from the San Diego County Water Authority) of the Mahr Reservoir, which produces the water. The estimated operating costs paid by CMWD for the period ended June 30, 2010 is \$1,090,500.



SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
ASSETS					
Cash and investments	\$ 13,914,745	\$ -	\$ 1,861,187	\$ 4,478,084	\$ 12,560,586
Receivables:					
Taxes	-	-	-	-	-
Other	-	-	-	10,254	-
Accounts, net	-	-	-	21,443	-
Due from other governments	-	48,996	-	-	-
Prepaid items	-	-	-	-	-
Loan receivables	11,835,577	224,404	-	-	-
Total assets	\$ 25,750,322	\$ 273,400	\$ 1,861,187	\$ 4,509,781	\$ 12,560,586
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 19,547	\$ 7,433	\$ 20,823	\$ 278,819	\$ 52,731
Due to other funds	-	40,447	-	-	-
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	1,404,251	-
Unearned/deferred revenue	-	-	-	-	21,631
Total liabilities	19,547	47,880	20,823	1,683,070	74,362
Fund balances:					
Reserved for:					
Loans receivable	11,835,577	224,404	-	-	-
Prepaid items	-	-	-	-	-
Flower fields preservation	-	-	935,000	-	-
Library endowment	-	-	250,000	-	-
Low and moderate income housing	-	-	-	-	-
Encumbrances	27,688	292,877	17,087	1,546,424	195,195
Unreserved:					
Designated for approved capital projects	-	-	-	-	7,011,240
Designated for continuing appropriations	-	-	120,147	85,000	5,279,789
Undesignated	13,867,510	(291,761)	518,130	1,195,287	-
Total fund balances	25,730,775	225,520	1,840,364	2,826,711	12,486,224
Total liabilities and fund balances	\$ 25,750,322	\$ 273,400	\$ 1,861,187	\$ 4,509,781	\$ 12,560,586

Special Revenue Funds

Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 6,599,600	\$ 5,983,814	\$1,635,802	\$ 916,357	\$ 887,792	\$2,017,572	\$ 50,855,539
-	14,731	-	-	-	-	14,731
-	-	89,263	-	-	-	99,517
-	-	-	-	32,695	-	54,138
-	-	-	16,323	-	-	65,319
-	-	-	-	417,631	51	417,682
-	3,164,191	-	-	-	-	15,224,172
<u>\$ 6,599,600</u>	<u>\$ 9,162,736</u>	<u>\$1,725,065</u>	<u>\$ 932,680</u>	<u>\$ 1,338,118</u>	<u>\$2,017,623</u>	<u>\$ 66,731,098</u>
\$ -	\$ 3,081	\$ 75,909	\$ 44,078	\$ 21,000	\$ -	\$ 523,421
-	-	-	-	-	-	40,447
-	-	-	-	20,752	24,800	45,552
-	-	-	-	-	-	1,404,251
-	-	-	-	-	3,333	24,964
-	3,081	75,909	44,078	41,752	28,133	2,038,635
-	3,164,191	-	-	-	-	15,224,172
-	-	-	-	417,631	51	417,682
-	-	-	-	-	-	935,000
-	-	-	-	-	-	250,000
-	4,250,000	-	-	-	-	4,250,000
-	2,000	39,789	46,063	-	-	2,167,123
-	-	-	-	-	-	7,011,240
2,600,293	-	39,448	157,375	-	-	8,282,052
3,999,307	1,743,464	1,569,919	685,164	878,735	1,989,439	26,155,194
<u>6,599,600</u>	<u>9,159,655</u>	<u>1,649,156</u>	<u>888,602</u>	<u>1,296,366</u>	<u>1,989,490</u>	<u>64,692,463</u>
<u>\$ 6,599,600</u>	<u>\$ 9,162,736</u>	<u>\$1,725,065</u>	<u>\$ 932,680</u>	<u>\$ 1,338,118</u>	<u>\$2,017,623</u>	<u>\$ 66,731,098</u>

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2010

	Capital Project Funds				
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development	Planned Local Drainage Facilities
ASSETS					
Cash and investments	\$ 9,604,247	\$ 8,259,714	\$ 3,157,741	\$ 4,828,126	\$ 6,772,552
Receivables:					
Taxes	-	-	-	-	-
Other	460	-	-	-	-
Accounts, net	-	-	-	-	-
Due from other governments	-	-	267,470	-	-
Prepaid items	-	-	-	-	-
Loan receivables	-	-	-	-	-
Total assets	<u>\$ 9,604,707</u>	<u>\$ 8,259,714</u>	<u>\$ 3,425,211</u>	<u>\$ 4,828,126</u>	<u>\$ 6,772,552</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 141,647	\$ -	\$ 60,674	\$ -	\$ 150,455
Due to other funds	-	-	-	-	-
Deposits payable	-	-	-	-	-
Advances from other funds	-	-	-	4,550,000	-
Unearned revenue	-	-	-	-	-
Total liabilities	<u>141,647</u>	<u>-</u>	<u>60,674</u>	<u>4,550,000</u>	<u>150,455</u>
Fund balances:					
Reserved for:					
Loans receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Flower fields preservation	-	-	-	-	-
Library endowment	-	-	-	-	-
Low and moderate income housing	-	-	-	-	-
Encumbrances	25,238	-	394,539	-	694,495
Unreserved:					
Designated for approved capital projects	2,730,009	7,910,412	1,468,108	59,026	2,762,835
Designated for continuing appropriations	6,707,813	349,302	1,501,890	219,100	3,164,767
Undesignated	-	-	-	-	-
Total fund balances	<u>9,463,060</u>	<u>8,259,714</u>	<u>3,364,537</u>	<u>278,126</u>	<u>6,622,097</u>
Total liabilities and fund balances	<u>\$ 9,604,707</u>	<u>\$ 8,259,714</u>	<u>\$ 3,425,211</u>	<u>\$ 4,828,126</u>	<u>\$ 6,772,552</u>

Capital Project Funds

Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 5,383,590	\$ 835,184	\$ 6,361,854	\$ 16,428,876	\$ 61,631,884	\$ 112,487,423
-	-	-	-	-	14,731
-	-	-	-	460	99,977
-	753	-	-	753	54,891
-	-	62,594	-	330,064	395,383
-	-	-	-	-	417,682
-	-	-	-	-	15,224,172
<u>\$ 5,383,590</u>	<u>\$ 835,937</u>	<u>\$ 6,424,448</u>	<u>\$ 16,428,876</u>	<u>\$ 61,963,161</u>	<u>\$ 128,694,259</u>
\$ 111,442	\$ 28,516	\$ 8,592	\$ 3,166	\$ 504,492	\$ 1,027,913
-	-	-	-	-	40,447
-	4,000	-	-	4,000	49,552
-	256,301	-	2,816,498	7,622,799	9,027,050
-	-	108,953	11,275	120,228	145,192
<u>111,442</u>	<u>288,817</u>	<u>117,545</u>	<u>2,830,939</u>	<u>8,251,519</u>	<u>10,290,154</u>
-	-	-	-	-	15,224,172
-	-	-	-	-	417,682
-	-	-	-	-	935,000
-	-	-	-	-	250,000
-	-	-	-	-	4,250,000
553,622	68,421	244,168	176,262	2,156,745	4,323,868
2,840,806	-	-	3,586,828	21,358,024	28,369,264
1,877,720	478,699	6,062,735	9,834,847	30,196,873	38,478,925
-	-	-	-	-	26,155,194
<u>5,272,148</u>	<u>547,120</u>	<u>6,306,903</u>	<u>13,597,937</u>	<u>53,711,642</u>	<u>118,404,105</u>
<u>\$ 5,383,590</u>	<u>\$ 835,937</u>	<u>\$ 6,424,448</u>	<u>\$ 16,428,876</u>	<u>\$ 61,963,161</u>	<u>\$ 128,694,259</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2010

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations and Endowments	Financing Districts	Gas Tax
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,703,543
Intergovernmental	228,124	294,812	-	938,900	-
Charges for services	133,366	-	-	2,309,961	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	359,025	108,484	49,130	116,398	320,899
Contributions from property owners	370,470	-	-	-	-
Donations	-	-	203,384	-	-
Miscellaneous	-	-	22,455	-	-
Total revenues	1,090,985	403,296	274,969	3,365,259	2,024,442
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	489,966	435,565	29,700	-	-
Community services	-	-	335,237	-	-
Public works	-	-	-	2,731,407	-
Capital outlay	-	63	-	2,780	812,406
Total expenditures	489,966	435,628	364,937	2,734,187	812,406
Excess (deficiency) of revenues over (under) expenditures	601,019	(32,332)	(89,968)	631,072	1,212,036
Other financing sources (uses):					
Transfers in	-	-	-	-	320,764
Transfers out	-	-	-	-	(10,000)
Total other financing sources (uses)	-	-	-	-	310,764
Net change in fund balances	601,019	(32,332)	(89,968)	631,072	1,522,800
Fund balances (deficits) at beginning of year	25,129,756	257,852	1,930,332	2,195,639	10,963,424
Fund balances at end of year	<u>\$25,730,775</u>	<u>\$ 225,520</u>	<u>\$ 1,840,364</u>	<u>\$2,826,711</u>	<u>\$12,486,224</u>

Special Revenue Funds

Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ 705,980	\$ -	\$ -	\$ -	\$ -	\$ 2,409,523
-	-	-	282,629	5,723,985	-	7,468,450
-	-	-	-	-	472,419	2,915,746
-	-	-	144,732	-	-	144,732
167,563	155,011	43,581	19,962	20,539	50,500	1,411,092
33,906	-	337,880	-	-	-	742,256
-	-	-	-	-	-	203,384
-	-	-	-	15,313	-	37,768
<u>201,469</u>	<u>860,991</u>	<u>381,461</u>	<u>447,323</u>	<u>5,759,837</u>	<u>522,919</u>	<u>15,332,951</u>
-	-	168,896	-	-	-	168,896
-	-	-	189,695	-	-	189,695
717,304	114,071	-	-	6,251,051	307,148	8,344,805
-	-	6,542	-	-	-	341,779
-	-	-	-	-	-	2,731,407
-	-	68,688	77,523	-	-	961,460
<u>717,304</u>	<u>114,071</u>	<u>244,126</u>	<u>267,218</u>	<u>6,251,051</u>	<u>307,148</u>	<u>12,738,042</u>
<u>(515,835)</u>	<u>746,920</u>	<u>137,335</u>	<u>180,105</u>	<u>(491,214)</u>	<u>215,771</u>	<u>2,594,909</u>
-	-	-	-	-	-	320,764
-	-	-	-	-	-	(10,000)
-	-	-	-	-	-	-
-	-	-	-	-	-	310,764
<u>(515,835)</u>	<u>746,920</u>	<u>137,335</u>	<u>180,105</u>	<u>(491,214)</u>	<u>215,771</u>	<u>2,905,673</u>
<u>7,115,435</u>	<u>8,412,735</u>	<u>1,511,821</u>	<u>708,497</u>	<u>1,787,580</u>	<u>1,773,719</u>	<u>61,786,790</u>
<u>\$ 6,599,600</u>	<u>\$ 9,159,655</u>	<u>\$ 1,649,156</u>	<u>\$ 888,602</u>	<u>\$ 1,296,366</u>	<u>\$ 1,989,490</u>	<u>\$ 64,692,463</u>

(Continued)

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds (Continued)
 For the Year Ended June 30, 2010

	Capital Project Funds				
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development	Planned Local Drainage Facilities
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	2,610,442	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	57,877	215,459	59,663	125,016	184,571
Contributions from property owners	232,633	-	-	68,831	45,118
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	4,818
Total revenues	290,510	215,459	2,670,105	193,847	234,507
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	1,280,539	-	3,462,438	22,920	2,038,498
Total expenditures	1,280,539	-	3,462,438	22,920	2,038,498
Excess (deficiency) of revenues over (under) expenditures	(990,029)	215,459	(792,333)	170,927	(1,803,991)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	(320,764)	-	-	-
Total other financing sources (uses)	-	(320,764)	-	-	-
Net change in fund balances	(990,029)	(105,305)	(792,333)	170,927	(1,803,991)
Fund balances at beginning of year	10,453,089	8,365,019	4,156,870	107,199	8,426,088
Fund balances at end of year	<u>\$ 9,463,060</u>	<u>\$ 8,259,714</u>	<u>\$ 3,364,537</u>	<u>\$ 278,126</u>	<u>\$ 6,622,097</u>

Capital Project Funds

Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,409,523
-	-	57,725	24,228	2,692,395	10,160,845
-	10,416	638,231	-	648,647	3,564,393
-	-	-	-	-	144,732
73,992	-	170,505	456,954	1,344,037	2,755,129
-	-	-	1,282,743	1,629,325	2,371,581
-	-	-	-	-	203,384
-	-	-	142,902	147,720	185,488
<u>73,992</u>	<u>10,416</u>	<u>866,461</u>	<u>1,906,827</u>	<u>6,462,124</u>	<u>21,795,075</u>
10,092,449	-	2,783	-	10,095,232	10,264,128
-	-	-	-	-	189,695
-	1,537,180	-	-	1,537,180	9,881,985
-	-	-	-	-	341,779
-	-	-	-	-	2,731,407
<u>1,742,417</u>	<u>147,035</u>	<u>969,764</u>	<u>1,493,717</u>	<u>11,157,328</u>	<u>12,118,788</u>
<u>11,834,866</u>	<u>1,684,215</u>	<u>972,547</u>	<u>1,493,717</u>	<u>22,789,740</u>	<u>35,527,782</u>
<u>(11,760,874)</u>	<u>(1,673,799)</u>	<u>(106,086)</u>	<u>413,110</u>	<u>(16,327,616)</u>	<u>(13,732,707)</u>
-	6,823,000	-	-	6,823,000	7,143,764
-	(4,705,655)	-	-	(5,026,419)	(5,036,419)
-	<u>2,117,345</u>	-	-	<u>1,796,581</u>	<u>2,107,345</u>
<u>(11,760,874)</u>	<u>443,546</u>	<u>(106,086)</u>	<u>413,110</u>	<u>(14,531,035)</u>	<u>(11,625,362)</u>
<u>17,033,022</u>	<u>103,574</u>	<u>6,412,989</u>	<u>13,184,827</u>	<u>68,242,677</u>	<u>130,029,467</u>
<u>\$ 5,272,148</u>	<u>\$ 547,120</u>	<u>\$ 6,306,903</u>	<u>\$ 13,597,937</u>	<u>\$ 53,711,642</u>	<u>\$ 118,404,105</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds
 Year Ended June 30, 2010

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 632,000	\$ 1,049,670	\$ 417,670
Total expenditures	570,755	517,654	(53,101)
Net change in fund balance	61,245	532,016	470,771
Community Development Block Grant			
Total revenues	635,500	403,296	(232,204)
Total expenditures	752,887	728,505	(24,382)
Net change in fund balance	(117,387)	(325,209)	(207,822)
Donations and Endowments			
Total revenues	221,600	272,658	51,058
Total expenditures	504,390	382,024	(122,366)
Net change in fund balance	(282,790)	(109,366)	173,424
Financing Districts			
Total revenues	4,857,573	3,344,014	(1,513,559)
Total expenditures	5,505,513	4,280,611	(1,224,902)
Net change in fund balance	(647,940)	(936,597)	(288,657)
Gas Tax			
Total revenues	2,210,177	1,981,073	(229,104)
Total expenditures	6,287,390	1,007,601	(5,279,789)
Net change in fund balance	(4,077,213)	973,472	5,050,685
Habitat and Agricultural Management			
Total revenues	-	196,433	196,433
Total expenditures	3,289,404	717,304	(2,572,100)
Net change in fund balance	(3,289,404)	(520,871)	2,768,533
Low and Moderate Income Housing			
Total revenues	768,000	849,641	81,641
Total expenditures	151,506	116,071	(35,435)
Net change in fund balance	616,494	733,570	117,076

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds (Continued)
 Year Ended June 30, 2010

	Budget	Actual Amounts (Budgetary Basis)	Variance Over Under
Other Special Revenue Funds			
Total revenues	\$ 339,100	\$ 374,861	\$ 35,761
Total expenditures	323,364	283,915	(39,449)
Net change in fund balance	<u>15,736</u>	<u>90,946</u>	<u>75,210</u>
Police Grants and Asset Forfeiture			
Total revenues	482,900	444,435	(38,465)
Total expenditures	617,559	313,281	(304,278)
Net change in fund balance	<u>(134,659)</u>	<u>131,154</u>	<u>265,813</u>
Section 8 Rental Assistance			
Total revenues	5,659,249	5,753,353	94,104
Total expenditures	6,368,266	6,251,051	(117,215)
Net change in fund balance	<u>(709,017)</u>	<u>(497,698)</u>	<u>211,319</u>
Totals			
Total revenues	15,806,099	14,669,434	(1,136,665)
Total expenditures	24,371,034	14,598,017	(9,773,017)
Net change in fund balance	<u>\$ (8,564,935)</u>	<u>\$ 71,417</u>	<u>\$ 8,636,352</u>

CITY OF CARLSBAD

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Debt Service Funds
Year Ended June 30, 2010**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<hr/>			
Redevelopment Areas			
Total revenues	\$ 2,673,000	\$ 2,985,794	\$ 312,794
Total expenditures	2,897,574	2,896,509	(1,065)
Net change in fund balance	<u>\$ (224,574)</u>	<u>\$ 89,285</u>	<u>\$ 313,859</u>

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2010**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<hr/>			
Redevelopment Areas			
Total revenues	\$ 104,000	\$ 10,416	\$ (93,584)
Total expenditures	2,714,594	1,568,379	(1,146,215)
Net change in fund balance	<u>\$ (2,610,594)</u>	<u>\$ (1,557,963)</u>	<u>\$ 1,052,631</u>



CITY OF CARLSBAD

Combining Statement of Net Assets
Internal Service Funds
June 30, 2010

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 13,161,999	\$ 4,794,791	\$ 4,585,316
Receivables:			
Accounts, net	2,438	-	-
Inventories	214,365	-	-
Prepaid items	-	28,306	-
Total current assets	13,378,802	4,823,097	4,585,316
Noncurrent assets:			
Capital assets:			
Machinery and equipment	15,530,895	-	2,708,076
Less accumulated depreciation	(8,974,253)	-	(2,172,278)
Total capital assets (net of accumulated depreciation)	6,556,642	-	535,798
Total noncurrent assets	6,556,642	-	535,798
Total assets	\$ 19,935,444	\$ 4,823,097	\$ 5,121,114
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 244,388	\$ 3,495,321	\$ 533,604
Estimated claims payable	-	76,967	-
Deposits payable	-	-	-
Total current liabilities	244,388	3,572,288	533,604
Total liabilities	244,388	3,572,288	533,604
NET ASSETS			
Invested in capital assets	6,556,642	-	535,798
Unrestricted	13,134,414	1,250,809	4,051,712
Total net assets	\$ 19,691,056	\$ 1,250,809	\$ 4,587,510

Risk Management	Workers' Compensation	Total
\$ 977,150	\$ 6,035,222	\$ 29,554,478
-	-	2,438
-	-	214,365
-	-	28,306
<u>977,150</u>	<u>6,035,222</u>	<u>29,799,587</u>
-	-	18,238,971
-	-	(11,146,531)
-	-	7,092,440
-	-	7,092,440
<u>\$ 977,150</u>	<u>\$ 6,035,222</u>	<u>\$ 36,892,027</u>

\$ 40,584	\$ 3,986	\$ 4,317,883
251,466	3,611,326	3,939,759
1,000	-	1,000
<u>293,050</u>	<u>3,615,312</u>	<u>8,258,642</u>
<u>293,050</u>	<u>3,615,312</u>	<u>8,258,642</u>
-	-	7,092,440
<u>684,100</u>	<u>2,419,910</u>	<u>21,540,945</u>
<u>\$ 684,100</u>	<u>\$ 2,419,910</u>	<u>\$ 28,633,385</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2010

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 4,832,874	\$ 951,440	\$ 5,828,154
Miscellaneous	28,801	-	494
Total operating revenues	4,861,675	951,440	5,828,648
Operating expenses:			
Depreciation	1,591,415	-	229,870
Fuel and supplies	1,026,204	-	-
Claims and premiums expense	-	832,360	-
Small equipment purchases	27,879	-	482,492
General and administrative	1,541,106	126,668	5,215,136
Total operating expenses	4,186,604	959,028	5,927,498
Operating income (loss)	675,071	(7,588)	(98,850)
Nonoperating revenues (expenses):			
Income from property and investments	337,991	-	106,362
Gain (loss) on sale of property	95,563	-	-
Total nonoperating revenues (expenses)	433,554	-	106,362
Income (loss) before transfers and capital contributions	1,108,625	(7,588)	7,512
Transfers in	-	-	297,463
Capital contributions	69,705	-	10,335
Change in net assets	1,178,330	(7,588)	315,310
Total net assets at beginning of year	18,512,726	1,258,397	4,272,200
Total net assets at end of year	<u>\$ 19,691,056</u>	<u>\$ 1,250,809</u>	<u>\$ 4,587,510</u>

Risk Management	Workers' Compensation	Totals
\$ 1,563,720	\$ 1,327,400	\$ 14,503,588
21,787	36,974	88,056
<u>1,585,507</u>	<u>1,364,374</u>	<u>14,591,644</u>
-	-	1,821,285
-	-	1,026,204
743,031	1,448,862	3,024,253
-	-	510,371
<u>375,290</u>	<u>147,171</u>	<u>7,405,371</u>
<u>1,118,321</u>	<u>1,596,033</u>	<u>13,787,484</u>
<u>467,186</u>	<u>(231,659)</u>	<u>804,160</u>
21,805	155,307	621,465
-	-	95,563
<u>21,805</u>	<u>155,307</u>	<u>717,028</u>
488,991	(76,352)	1,521,188
-	-	297,463
-	-	80,040
<u>488,991</u>	<u>(76,352)</u>	<u>1,898,691</u>
<u>195,109</u>	<u>2,496,262</u>	<u>26,734,694</u>
<u>\$ 684,100</u>	<u>\$ 2,419,910</u>	<u>\$ 28,633,385</u>

CITY OF CARLSBAD

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2010**

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,832,501	\$ 951,645	\$ 5,828,154
Payments to suppliers	(1,587,329)	-	(2,555,371)
Payments to employees	(650,815)	(65,609)	(2,504,122)
Internal activity - payments to other funds	(375,786)	-	(444,763)
Claims and premiums paid	-	(829,177)	-
Other receipts (payments)	28,801	1,620	494
Net cash provided by (used in) operating activities	<u>2,247,372</u>	<u>58,479</u>	<u>324,392</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from other funds	-	-	<u>297,463</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,023,337)	-	(273,789)
Gross proceeds from the sale of capital assets	<u>135,275</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(888,062)</u>	<u>-</u>	<u>(273,789)</u>
Cash flows from investing activities:			
Interest on investments	<u>337,991</u>	<u>-</u>	<u>106,362</u>
Net increase (decrease) in cash and cash equivalents	1,697,301	58,479	454,428
Cash and cash equivalents at beginning of year	<u>11,464,698</u>	<u>4,736,312</u>	<u>4,130,888</u>
Cash and cash equivalents at end of year	<u><u>\$ 13,161,999</u></u>	<u><u>\$ 4,794,791</u></u>	<u><u>\$ 4,585,316</u></u>

	Risk Management	Workers' Compensation	Total
\$	1,563,720	\$ 1,327,400	\$ 14,503,420
	(27,129)	-	(4,169,829)
	(187,105)	(98,979)	(3,506,630)
	(152,016)	(48,850)	(1,021,415)
	(670,189)	(1,442,460)	(2,941,826)
	22,787	36,974	90,676
	<u>550,068</u>	<u>(225,915)</u>	<u>2,954,396</u>
	-	-	297,463
	-	-	(1,297,126)
	-	-	135,275
	-	-	<u>(1,161,851)</u>
	<u>21,805</u>	<u>155,307</u>	<u>621,465</u>
	571,873	(70,608)	2,711,473
	<u>405,277</u>	<u>6,105,830</u>	<u>26,843,005</u>
\$	<u>977,150</u>	<u>\$ 6,035,222</u>	<u>\$29,554,478</u>

(Continued)

CITY OF CARLSBAD

Combining Statement of Cash Flows
 Internal Service Funds (Continued)
 For the Year Ended June 30, 2010

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 675,071	\$ (7,588)	\$ (98,850)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,591,415	-	229,870
Change in assets and liabilities:			
(Increase) decrease in receivables	(373)	205	-
(Increase) in inventories	(97,379)	-	-
(Increase) in prepaid items	-	6,307	-
Increase (decrease) in accrued liabilities	78,638	62,678	193,372
Increase (decrease) in estimated claims payable	-	(3,123)	-
Increase (decrease) in deposits payable	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 2,247,372</u>	<u>\$ 58,479</u>	<u>\$ 324,392</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 69,705</u>	<u>\$ -</u>	<u>\$ 10,335</u>
Unrealized gains (losses)	<u>\$ 49,429</u>	<u>\$ -</u>	<u>\$ 16,077</u>

Risk Management	Workers' Compensation	Total
\$ 467,186	\$ (231,659)	\$ 804,160
-	-	1,821,285
-	-	(168)
-	-	(97,379)
-	114,306	120,613
5,538	(116,106)	224,120
76,344	7,544	80,765
1,000	-	1,000
<u>\$ 550,068</u>	<u>\$ (225,915)</u>	<u>\$ 2,954,396</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,040</u>
<u>\$ 9,719</u>	<u>\$ 10,769</u>	<u>\$ 85,994</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2010

Contractors' and Miscellaneous Deposits

ASSETS	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Current assets:				
Cash and investments	\$ 13,309,750	\$ 41,287,112	\$ 44,529,374	\$ 10,067,488
Receivables:				
Other	-	48,380	48,380	-
Prepaid items	557,079	565,650	557,102	565,627
Total current assets	\$ 13,866,829	\$ 41,901,142	\$ 45,134,856	\$ 10,633,115
 LIABILITIES				
Accrued liabilities	\$ 1,495,615	\$ 43,871,455	\$ 45,326,547	\$ 40,523
Deposits held for others	12,371,214	3,029,475	4,808,097	10,592,592
Total liabilities	\$ 13,866,829	\$ 46,900,930	\$ 50,134,644	\$ 10,633,115

Assessment Districts

ASSETS	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
Current assets:				
Cash and investments	\$ 11,766,233	\$ 8,526,681	\$ 9,496,572	\$ 10,796,342
Receivables:				
Taxes	2,308	-	2,308	-
Other	157,296	83,719	168,930	72,085
Total current assets	11,925,837	8,610,400	9,667,810	10,868,427
Restricted assets:				
Cash and investments	7,845,389	62,879	733,379	7,174,889
Total restricted assets	7,845,389	62,879	733,379	7,174,889
Total assets	\$ 19,771,226	\$ 8,673,279	\$ 10,401,189	\$ 18,043,316
 LIABILITIES				
Accrued liabilities	\$ 47,951	\$ 105,189	\$ 122,821	\$ 30,319
Deposits held for others	19,723,275	7,813,745	9,524,023	18,012,997
Total liabilities	\$ 19,771,226	\$ 7,918,934	\$ 9,646,844	\$ 18,043,316

(Continued)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
 Agency Funds (Continued)
 For the Year Ended June 30, 2010

Total Agency Funds

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
ASSETS				
Current assets:				
Cash and investments	\$ 25,075,983	\$ 49,813,793	\$ 54,025,946	\$ 20,863,830
Receivables:				
Taxes	2,308	-	2,308	-
Other	157,296	132,099	217,310	72,085
Prepaid items	557,079	565,650	557,102	565,627
Total current assets	<u>25,792,666</u>	<u>50,511,542</u>	<u>54,802,666</u>	<u>21,501,542</u>
Restricted assets:				
Cash and investments	7,845,389	62,879	733,379	7,174,889
Total current assets	<u>7,845,389</u>	<u>62,879</u>	<u>733,379</u>	<u>7,174,889</u>
Total assets	<u>\$ 33,638,055</u>	<u>\$ 50,574,421</u>	<u>\$ 55,536,045</u>	<u>\$ 28,676,431</u>
LIABILITIES				
Accrued liabilities	\$ 1,543,566	\$ 43,976,644	\$ 45,449,368	\$ 70,842
Deposits held for others	32,094,489	10,843,220	14,332,120	28,605,589
Total liabilities	<u>\$ 33,638,055</u>	<u>\$ 54,819,864</u>	<u>\$ 59,781,488</u>	<u>\$ 28,676,431</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements

**\$15,495,000 - 1993 Carlsbad Housing and
Redevelopment Commission Tax Allocation Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2010-11	\$ 269,989	\$ 256,470	\$ 526,459	\$ 515,000	\$ 1,041,459
2011-12	256,470	242,295	498,765	540,000	1,038,765
2012-13	242,295	227,332	469,627	570,000	1,039,627
2013-14	227,332	211,583	438,915	600,000	1,038,915
2014-15	211,583	195,045	406,628	630,000	1,036,628
2015-16	195,045	177,589	372,634	665,000	1,037,634
2016-17	177,589	159,213	336,802	700,000	1,036,802
2017-18	159,214	139,920	299,134	735,000	1,034,134
2018-19	139,920	119,576	259,496	775,000	1,034,496
2019-20	119,576	98,183	217,759	815,000	1,032,759
2020-21	98,182	75,525	173,707	855,000	1,028,707
2021-22	75,525	51,675	127,200	900,000	1,027,200
2022-23	51,675	26,500	78,175	950,000	1,028,175
2023-24	26,500	-	26,500	1,000,000	1,026,500
Totals	<u>\$ 2,250,895</u>	<u>\$ 1,980,906</u>	<u>\$ 4,231,801</u>	<u>\$ 10,250,000</u>	<u>\$ 14,481,801</u>

**\$11,080,000 - Encina Financing Joint Powers Authority
Installment Purchase Agreement**

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2010-11	\$ 105,191	\$ 86,228	\$ 191,419	\$ 740,000	\$ 931,419
2011-12	86,228	66,241	152,469	780,000	932,469
2012-13	66,241	45,228	111,469	820,000	931,469
2013-14	45,228	23,191	68,419	860,000	928,419
2014-15	23,190	-	23,190	905,000	928,190
Totals	<u>\$ 326,078</u>	<u>\$ 220,888</u>	<u>\$ 546,966</u>	<u>\$ 4,105,000</u>	<u>\$ 4,651,966</u>

**\$2,331,489 - Carlsbad Municipal Water District
State Loan for Reclaimed Water Projects**

Fiscal Year	Interest Due November 30	Principal Due November 30	Total Annual Debt Service
2010-11	\$ 16,391	\$ 143,136	\$ 159,527
2011-12	12,240	147,287	159,527
2012-13	7,969	151,558	159,527
2013-14	2,682	123,223	125,905
Totals	<u>\$ 39,282</u>	<u>\$ 565,204</u>	<u>\$ 604,486</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$9,694,504 - Carlsbad Municipal Water District
State Water Resources Control Board Loan**

Fiscal Year	Interest Due June 1	Principal Due June 1	Total Annual Debt Service
2010-11	\$ 200,225	\$ 446,634	\$ 646,859
2011-12	189,059	457,800	646,859
2012-13	177,614	469,245	646,859
2013-14	165,883	480,976	646,859
2014-15	153,859	493,000	646,859
2015-16	141,534	505,326	646,860
2016-17	128,901	517,959	646,860
2017-18	115,952	530,908	646,860
2018-19	102,679	544,180	646,859
2019-20	89,075	557,785	646,860
2020-21	75,130	571,729	646,859
2021-22	60,837	586,023	646,860
2022-23	46,186	600,673	646,859
2023-24	31,169	615,690	646,859
2024-25	15,777	631,082	646,859
Totals	\$ 1,693,880	\$ 8,009,010	\$ 9,702,890

**\$19,382,546 - Carlsbad Municipal Water District
State Water Resources Control Board Loan**

Fiscal Year	Interest Due April 1	Principal Due April 1	Total Annual Debt Service
2010-11	\$ 394,239	\$ 835,384	\$ 1,229,623
2011-12	375,025	854,598	1,229,623
2012-13	355,370	874,253	1,229,623
2013-14	335,262	894,361	1,229,623
2014-15	314,691	914,932	1,229,623
2015-16	293,648	935,975	1,229,623
2016-17	272,121	957,502	1,229,623
2017-18	250,098	979,525	1,229,623
2018-19	227,569	1,002,054	1,229,623
2019-20	204,522	1,025,101	1,229,623
2020-21	180,944	1,048,679	1,229,623
2021-22	156,825	1,072,798	1,229,623
2022-23	132,150	1,097,473	1,229,623
2023-24	106,908	1,122,715	1,229,623
2024-25	81,086	1,148,537	1,229,623
2025-26	54,670	1,174,953	1,229,623
2026-27	27,646	1,201,977	1,229,623
Totals	\$ 3,762,774	\$ 17,140,817	\$ 20,903,591

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (Continued)

**\$18,540,000 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Revenue Bonds**

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2010-11	\$ 402,225	\$ 396,125	\$ 798,350	\$ 305,000	\$ 1,103,350
2011-12	396,125	389,625	785,750	325,000	1,110,750
2012-13	389,625	381,975	771,600	340,000	1,111,600
2013-14	381,975	373,875	755,850	360,000	1,115,850
2014-15	373,875	365,213	739,088	385,000	1,124,088
2015-16	365,212	356,100	721,312	405,000	1,126,312
2016-17	356,100	346,538	702,638	425,000	1,127,638
2017-18	346,537	335,288	681,825	450,000	1,131,825
2018-19	335,287	323,288	658,575	480,000	1,138,575
2019-20	323,287	310,538	633,825	510,000	1,143,825
2020-21	310,537	299,738	610,275	540,000	1,150,275
2021-22	299,737	288,438	588,175	565,000	1,153,175
2022-23	288,437	276,638	565,075	590,000	1,155,075
2023-24	276,637	262,688	539,325	620,000	1,159,325
2024-25	262,687	247,950	510,637	655,000	1,165,637
2025-26	247,950	232,425	480,375	690,000	1,170,375
2026-27	232,425	216,113	448,538	725,000	1,173,538
2027-28	216,112	199,013	415,125	760,000	1,175,125
2028-29	199,012	181,013	380,025	800,000	1,180,025
2029-30	181,012	162,113	343,125	840,000	1,183,125
2030-31	162,112	142,200	304,312	885,000	1,189,312
2031-32	142,200	121,275	263,475	930,000	1,193,475
2032-33	121,275	99,338	220,613	975,000	1,195,613
2033-34	99,337	76,275	175,612	1,025,000	1,200,612
2034-35	76,275	52,088	128,363	1,075,000	1,203,363
2035-36	52,087	26,663	78,750	1,130,000	1,208,750
2036-37	26,662	-	26,662	1,185,000	1,211,662
Totals	\$ 6,864,742	\$ 6,462,533	\$ 13,327,275	\$ 17,975,000	\$ 31,302,275

**\$1,170,745 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Leases**

Fiscal Year	Interest Due Monthly	Principal Due Monthly	Total Annual Debt Service
2010-11	\$ 20,208	\$ 246,043	\$ 266,251
2011-12	4,400	242,355	246,755
2012-13	146	13,810	13,956
Totals	\$ 24,754	\$ 502,208	\$ 526,962



STATISTICAL SECTION

CITY OF CARLSBAD
Statistical Section

This section of the City of Carlsbad's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	118
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	129
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	134
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	144
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	148

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in Fiscal Year 2001-02; schedules presenting government-wide information include information beginning in that year.

CITY OF CARLSBAD

**Net Assets by Component
Last Nine Fiscal Years
(dollars in thousands)**

	<u>2002 (1)</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 198,808	\$ 248,219	\$ 282,728	\$ 342,232
Restricted for:				
Capital assets	130,545	139,760	151,395	175,663
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528
Other purposes	4,260	6,019	20,451 (3)	35,173
Unrestricted	<u>126,632</u>	<u>146,018</u>	<u>149,662</u>	<u>152,352</u>
Total governmental activities net assets	<u>\$ 482,877</u>	<u>\$ 565,481</u>	<u>\$ 634,171</u>	<u>\$ 738,092</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 143,175	\$ 165,943	\$ 185,971	\$ 213,101
Restricted for:				
Capital assets	96,807	96,666	102,585	100,597
Unrestricted	<u>16,261</u>	<u>22,509</u>	<u>15,072</u>	<u>11,670</u>
Total business-type activities net assets	<u>\$ 256,243</u>	<u>\$ 285,118</u>	<u>\$ 303,628</u>	<u>\$ 325,368</u>
Total government				
Invested in capital assets, net of related debt	\$ 341,983	\$ 414,162	\$ 468,699	\$ 555,333
Restricted for:				
Capital assets	227,352	236,426	253,980	276,260
Affordable, low and moderate income housing	16,652	18,625	23,042	25,144
Habitat and agricultural mitigation management	5,980	6,840	6,893	7,528
Other purposes	4,260	6,019	20,451 (3)	35,173
Unrestricted	<u>142,893</u>	<u>168,527</u>	<u>164,734</u>	<u>164,022</u>
Total net assets	<u>\$ 739,120</u>	<u>\$ 850,599</u>	<u>\$ 937,799</u>	<u>\$ 1,063,460</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports.

(1) The City first began calculating net asset balances in Fiscal Year 2001-02.

(2) The large increase in 2005-06 reflects the addition of infrastructure assets as per GASB34 requirements.

(3) Net Assets Restricted for Other Purposes increased significantly in Fiscal Years 2003-04 and 2004-05 to set aside funds for future golf course construction (\$15 million in 2003-04 and an additional \$15.3 million in 2004-05).

(4) The large decrease in 2005-06 reflects an additional \$30.3 million advance to the Golf Course Fund from the General Fund.

(5) Beginning in Fiscal Year 2006-07, the City began reflecting funds set aside for the replacement of water and wastewater infrastructure as unrestricted net assets since these funds are not restricted per the GASB.

(6) Net assets for prior years were restated in Fiscal Year 2007-08, to reflect the application of GASB 45.

2006	2007	2008	2009	2010
\$ 604,117 (2)	\$ 645,995	\$ 713,026	\$ 742,500	\$ 767,719
172,474	178,559	189,694	186,597	178,669
27,453	30,356	33,888	35,330	36,187
7,042	7,670	6,949	7,115	6,600
5,131	4,849	5,297	4,608	5,537
197,672	232,701	250,835	268,779	279,737
<u>\$ 1,013,889</u>	<u>\$ 1,100,130</u>	<u>\$ 1,199,689</u> (6)	<u>\$ 1,244,929</u>	<u>\$ 1,274,449</u>

\$ 234,560	\$ 253,645	\$ 292,684	\$ 308,440	\$ 317,238
107,841	47,164 (5)	44,738	43,167	44,241
(22,240) (4)	36,044 (5)	32,600	28,469	34,556
<u>\$ 320,161</u>	<u>\$ 336,853</u>	<u>\$ 370,022</u> (6)	<u>\$ 380,076</u>	<u>\$ 396,035</u>

\$ 838,677	\$ 899,640	\$ 1,005,710	\$ 1,050,940	\$ 1,084,957
280,315	225,723	234,432	229,764	222,910
27,453	30,356	33,888	35,330	36,187
7,042	7,670	6,949	7,115	6,600
5,131	4,849	5,297	4,608	5,537
175,432	268,745	283,435	297,248	314,293
<u>\$ 1,334,050</u>	<u>\$ 1,436,983</u>	<u>\$ 1,569,711</u>	<u>\$ 1,625,005</u>	<u>\$ 1,670,484</u>

CITY OF CARLSBAD

**Changes in Net Assets
Last Nine Fiscal Years
(dollars in thousands)**

	2002	2003	2004	2005	2006
Expenses					
Governmental activities					
General government	\$ 7,600	\$ 8,518	\$ 8,604	\$ 11,353	\$ 15,382 (1)
Public safety	25,660	27,748	30,894	34,366	35,822
Community development	10,539	12,004	13,814	14,363	14,332
Community services	13,270	14,538	15,035	16,033	16,790
Public works	15,015	16,826	19,534	22,064	35,937
Interest and fiscal charges on long-term debt	1,673	1,048	996	1,014	1,036
Total governmental activities	<u>73,757</u>	<u>80,682</u>	<u>88,877</u>	<u>99,193</u>	<u>119,299</u>
Business-type activities					
Carlsbad Municipal Water District	19,311	19,261	20,950	21,422	24,124
Golf course	98	93	54	25	2,471
Wastewater	6,169	6,104	6,891	7,235	8,265
Solid waste	213	218	1,300	1,488	1,699
Total business-type activities	<u>25,791</u>	<u>25,676</u>	<u>29,195</u>	<u>30,170</u>	<u>36,559</u>
Total government	<u>\$ 99,548</u>	<u>\$ 106,358</u>	<u>\$ 118,072</u>	<u>\$ 129,363</u>	<u>\$ 155,858</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 582	\$ 750	\$ 571	\$ 926	\$ 945
Public safety	2,957	3,269	3,699	3,232	3,611
Community development	3,810	4,261	4,203	5,934	4,677
Community services	1,828	2,086	2,102	2,292	2,437
Public works	5,440	6,668	4,533	4,633	6,451
Operating grants and contributions	7,985	10,139	14,570	12,817	12,116
Capital grants and contributions	26,852	45,180	42,215	74,414	39,286
Total governmental activities	<u>49,454</u>	<u>72,353</u>	<u>71,893</u>	<u>104,248</u>	<u>69,523</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	19,102	18,276	18,862	18,788	19,462
Golf course	-	-	-	-	-
Wastewater	5,919	6,286	6,203	6,378	6,801
Solid waste	505	868	1,673	2,348	1,893
Operating grants and contributions	577	1,267	1,504	508	718
Capital grants and contributions	16,155	19,539	17,377	17,122	11,213
Total business-type activities	<u>42,258</u>	<u>46,236</u>	<u>45,619</u>	<u>45,144</u>	<u>40,087</u>
Total government	<u>\$ 91,712</u>	<u>\$ 118,589</u>	<u>\$ 117,512</u>	<u>\$ 149,392</u>	<u>\$ 109,610</u>
Net (Expense)/Revenue:					
Governmental activities	\$ (24,303)	\$ (8,329)	\$ (16,984)	\$ 5,055	\$ (49,776)
Business-type activities	16,467	20,560	16,424	14,974	3,528
Total government net expense	<u>\$ (7,836)</u>	<u>\$ 12,231</u>	<u>\$ (560)</u>	<u>\$ 20,029</u>	<u>\$ (46,248)</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 12,273	\$ 14,537	\$ 12,859	\$ 23,038 (8)
38,327	42,796	44,632	44,371
13,860	15,697	16,168	18,920
17,913	18,938	20,270	18,755
37,278	35,971	35,190	35,383
688	666	588	547
<u>120,339</u>	<u>128,605</u>	<u>129,707</u>	<u>141,014</u>

40,383 (2)	28,796	30,134	33,923
200	7,347	13,040 (7)	11,927
9,590	10,400	11,836	10,434
1,901	2,588	2,580	2,535
<u>52,074</u>	<u>49,131</u>	<u>57,590</u>	<u>58,819</u>
<u>\$ 172,413</u>	<u>\$ 177,736</u>	<u>\$ 187,297</u>	<u>\$ 199,833</u>

\$ 1,194	\$ 2,698	\$ 847	\$ 341
4,170	4,578	4,591	4,358
4,158	3,191	2,177	3,110
2,639	2,803	3,000	3,089
5,083	8,522	3,573	4,196
17,597 (3)	11,349	12,120	11,445
49,254 (4)	73,708 (6)	27,722	32,459
<u>84,095</u>	<u>106,849</u>	<u>54,030</u>	<u>58,998</u>

22,186	22,894	24,574	29,865
-	5,704	5,801	5,625
7,507	8,151	8,531	9,580
1,966	2,195	3,032	2,988
2,296	1,300	1,824	1,734
25,053 (4)	30,223	14,612	17,882
<u>59,008</u>	<u>70,467</u>	<u>58,374</u>	<u>67,674</u>
<u>\$ 143,103</u>	<u>\$ 177,316</u>	<u>\$ 112,404</u>	<u>\$ 126,672</u>

\$ (36,244)	\$ (21,756)	\$ (75,677)	\$ (82,016)
6,934	21,336	784	8,855
<u>\$ (29,310)</u>	<u>\$ (420)</u>	<u>\$ (74,893)</u>	<u>\$ (73,161)</u>

(Continued)

CITY OF CARLSBAD

Changes in Net Assets (Continued)
Last Nine Fiscal Years
(dollars in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes:					
Property taxes	\$ 28,495	\$ 31,411	\$ 33,949	\$ 41,479 (5)	\$ 43,936
Sales and use taxes	21,004	25,767	24,578	24,759	25,429
Transient occupancy taxes	8,533	8,387	8,813	10,072	11,513
Franchise taxes	7,495	3,730	5,027	5,683	5,429
Business license taxes	2,440	2,305	2,872	2,890	3,040
Real property transfer taxes	1,193	1,127	1,587	1,646	1,906
Vehicle license fees	4,675	5,067	4,125	2,136 (5)	587
Income from property and investments	18,095	13,347	3,124	9,910	11,682
Other general revenues	762	390	637	441	650
Transfers	17	(600)	963	(150)	(315)
Total governmental activities	<u>92,709</u>	<u>90,931</u>	<u>85,675</u>	<u>98,866</u>	<u>103,857</u>
Business type activities					
Property taxes	1,516	1,672	1,842	2,025	2,257
Income from property and investments	7,010	5,836	1,193	4,162	3,538
Other general revenues	804	208	14	579	56
Transfers	(17)	600	(963)	-	315
Total business-type activities	<u>9,313</u>	<u>8,316</u>	<u>2,086</u>	<u>6,766</u>	<u>6,166</u>
Total government	<u>\$ 102,022</u>	<u>\$ 99,247</u>	<u>\$ 87,761</u>	<u>\$ 105,632</u>	<u>\$ 110,023</u>
Change in Net Assets					
Governmental activities	\$ 68,406	\$ 82,602	\$ 68,691	\$ 103,921	\$ 54,081
Business-type activities	25,780	28,876	18,510	21,740	9,694
Total government	<u>\$ 94,186</u>	<u>\$ 111,478</u>	<u>\$ 87,201</u>	<u>\$ 125,661</u>	<u>\$ 63,775</u>

Source: City of Carlsbad Comprehensive Annual Financial Report.

Note: Data in this table is available from the date the City implemented GASB 34 (Fiscal Year 2001-02).

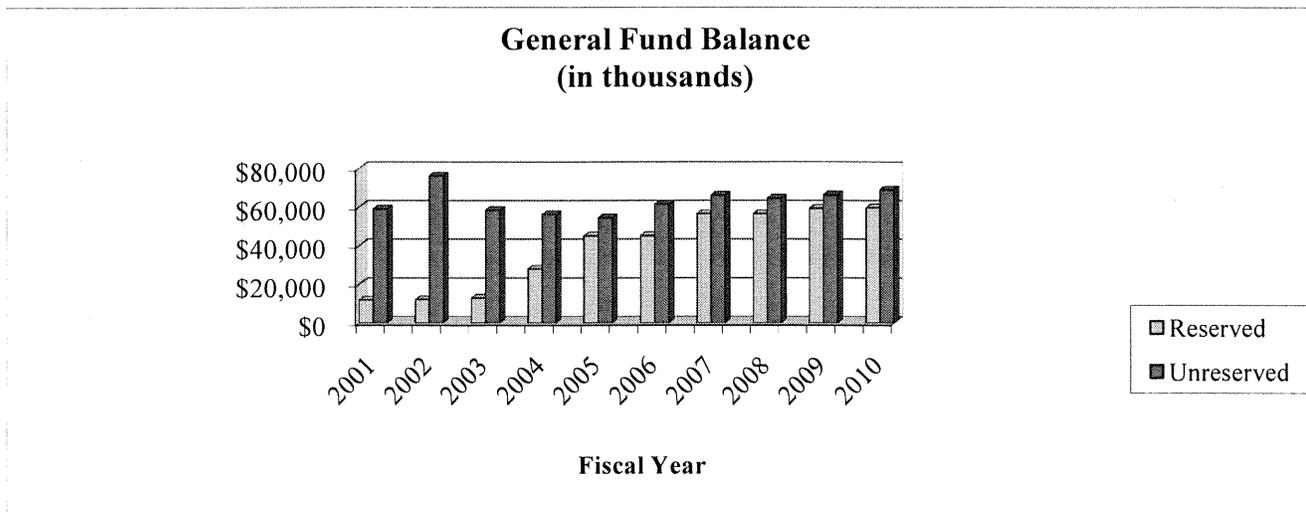
- (1) In Fiscal Year 2005-06, the City incurred clean-up and repair costs related to the winter storms of 2005.
- (2) In Fiscal Year 2006-07, the Water Enterprise settled a lawsuit regarding a landslide at the Marbella Condominiums for \$11.3 million and the Enterprise transferred funds to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45.
- (3) The large increase in Fiscal Year 2006-07 reflects a \$6.3 million reimbursement from the Federal Highway Administration for reimbursement of the 2005 winter storm damage in the City.
- (4) The large increase in Fiscal Year 2006-07 reflects the recording of infrastructure assets acquired by the City for development at Bressi Ranch, the Oaks South, the Ridge and the Greens communities.
- (5) Beginning in Fiscal Year 2004-05, the City began receiving additional property tax revenue in-lieu of reduced vehicle license fees.
- (6) The large increase in Fiscal Year 2007-08 reflects the recording of infrastructure assets acquired by the City for development at La Costa Greens, La Costa Oaks, La Costa Ridge, Bressi Ranch, Thompson/Tabata and the Palomar Forum.
- (7) In Fiscal Year 2008-09, the City's municipal golf course began making debt service payments and depreciating its assets.
- (8) The large increase in General government expenses is primarily a result of a refund of over \$10 million in excess development fees paid by Rancho Santa Fe Road property owners.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 49,284	\$ 52,705	\$ 55,338	\$ 55,113
27,445	27,031	23,098	23,031
12,929	14,277	12,752	11,490
5,346	4,634	5,274	4,906
3,056	3,328	3,422	3,458
1,262	951	621	758
608	450	353	309
21,455	24,955	19,828	12,523
700	513	359	391
400	(2,634)	(127)	(443)
<u>122,485</u>	<u>126,210</u>	<u>120,918</u>	<u>111,536</u>
2,504	2,711	2,861	2,822
7,621	8,030	5,908	3,686
34	954	209	153
(400)	2,634	127	443
<u>9,759</u>	<u>14,329</u>	<u>9,105</u>	<u>7,104</u>
<u>\$ 132,244</u>	<u>\$ 140,539</u>	<u>\$ 130,023</u>	<u>\$ 118,640</u>
\$ 86,241	\$ 104,454	\$ 45,241	\$ 29,520
16,693	35,665	9,889	15,959
<u>\$ 102,934</u>	<u>\$ 140,119</u>	<u>\$ 55,130</u>	<u>\$ 45,479</u>

CITY OF CARLSBAD

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(dollars in thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund					
Reserved	\$ 11,746	\$ 12,006	\$ 12,794	\$ 27,917 (3)	\$ 44,996 (4)
Unreserved	58,857	76,149	58,343 (2)	56,141	54,400
Total General Fund	<u>\$ 70,603</u>	<u>\$ 88,155</u>	<u>\$ 71,137</u>	<u>\$ 84,058</u>	<u>\$ 99,396</u>
All Other Governmental Funds					
Reserved	\$ 36,030	\$ 37,776	\$ 44,265	\$ 54,414	\$ 49,583
Unreserved, reported in:					
Special revenue funds	19,709	20,542	21,011	29,841	30,031
Debt service funds (1)	(11,586)	(10,371)	(10,449)	(9,789)	(11,317)
Capital project funds	131,382	128,869	171,227	171,194	206,711
Total all other governmental funds	<u>\$ 175,535</u>	<u>\$ 176,816</u>	<u>\$ 226,054</u>	<u>\$ 245,660</u>	<u>\$ 275,008</u>



Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) Effective July 1, 1999, the City changed the manner in which it accounted for advances from the City to the Redevelopment Agency, and began recording such advances as a liability on the balance sheet of the funds obligated for the repayment.
- (2) A \$35 million transfer was made in Fiscal Year 2003 from the General Fund to the General Capital Construction Fund to assist in the construction of four large projects.
- (3) \$15 million was reserved at the end of the 2004 Fiscal Year for future advances to the Golf Course Fund.
- (4) \$30.3 million was reserved at the end of the 2006 Fiscal Year for future advances to the Golf Course Fund.
- (5) A \$9.7 million transfer was made in Fiscal Year 2007 from the General Fund to the Golf Course Fund to assist in the construction of the City's new municipal golf course.
- (6) \$18.8 million in transfers were made in Fiscal Year 2008 from the General Fund to the Infrastructure Replacement Fund and the General Capital Construction Fund for future capital projects.
- (7) The large decrease in the unreserved fund balance in the capital project funds is primarily a result of a refund of over \$10 million in excess development fees paid by Rancho Santa Fe Road property owners.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 45,131	\$ 56,505 (5)	\$ 56,479	\$ 59,303	\$ 59,586
61,494	66,084	64,494	66,302	68,935
<u>\$ 106,625</u>	<u>\$ 122,589</u>	<u>\$ 120,973</u>	<u>\$ 125,605</u>	<u>\$ 128,521</u>
\$ 38,000	\$ 44,352	\$ 38,963	\$ 34,573	\$ 50,617
30,024	32,485	36,277	40,207	41,449
(11,681)	(12,423)	(12,095)	(11,150)	(17,824)
221,393	231,071	268,915 (6)	276,183	262,612 (7)
<u>\$ 277,736</u>	<u>\$ 295,485</u>	<u>\$ 332,060</u>	<u>\$ 339,813</u>	<u>\$ 336,854</u>

CITY OF CARLSBAD

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(dollars in thousands)**

	2001	2002	2003	2004	2005
Revenues:					
Taxes	\$ 70,147	\$ 71,528	\$ 74,156	\$ 79,533	\$ 84,065
Intergovernmental	14,286	14,267	19,775	22,506	24,245
Licenses and permits	3,409	1,998	2,043	2,329	3,393
Charges for services	6,427	7,751	10,059	9,899	10,433
Fines and forfeitures	889	947	923	1,092	1,084
Income from property and investments	20,385	18,700	14,802	3,902	10,741
Contributions from property owners	15,982	11,251	14,547	23,682	49,446
Donations	312	210	149	141	164
Miscellaneous	2,260	2,386	2,349	1,543	1,107
Total revenues	<u>134,097</u>	<u>129,038</u>	<u>138,803</u>	<u>144,627</u>	<u>184,678</u>
Expenditures:					
Current:					
General government	9,022	8,415	8,805	9,745	12,113
Less: Interdepartmental charges	(2,148)	(2,284)	(2,815)	(2,735)	(2,700)
Public safety	23,627	25,598	26,798	30,799	33,819
Community development	9,352	10,316	11,799	13,644	14,319
Community services	11,571	12,449	13,374	13,915	14,744
Public works	14,402	15,404	18,177	18,045	18,737
Capital outlay	22,067	37,503	26,410	26,406	46,420
Debt service:					
Principal	1,029	1,133	1,672	1,214	1,040
Interest and fiscal charges	1,814	1,694	1,628	1,466	1,501
Total expenditures	<u>90,736</u>	<u>110,228</u>	<u>105,848</u>	<u>112,499</u>	<u>139,993</u>
Excess (deficiency) of revenues over (under) expenditures	43,361	18,810	32,955	32,128	44,685
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	-	-
Proceeds of debt	91	6	-	-	-
Transfers in	9,544	11,833	47,846	8,729	10,228
Transfers out	(9,651)	(11,816)	(48,581)	(8,329)	(10,228)
Total other financing sources (uses)	<u>(16)</u>	<u>23</u>	<u>(735)</u>	<u>400</u>	<u>-</u>
Net change in fund balances	<u>\$ 43,345</u>	<u>\$ 18,833</u>	<u>\$ 32,220</u>	<u>\$ 32,528</u>	<u>\$ 44,685</u>
Debt service as percentage of noncapital expenditures (1,2)		3.86%	4.17%	3.10%	2.71%

Source: City of Carlsbad Comprehensive Annual Financial Report.

(1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Assets) and expenditures for capitalized assets included within the functional expenditure categories.

(2) Information not available for years prior to GASB 34 implementation.

(3) Reflects the steep drop in development throughout the City due to the economic recession.

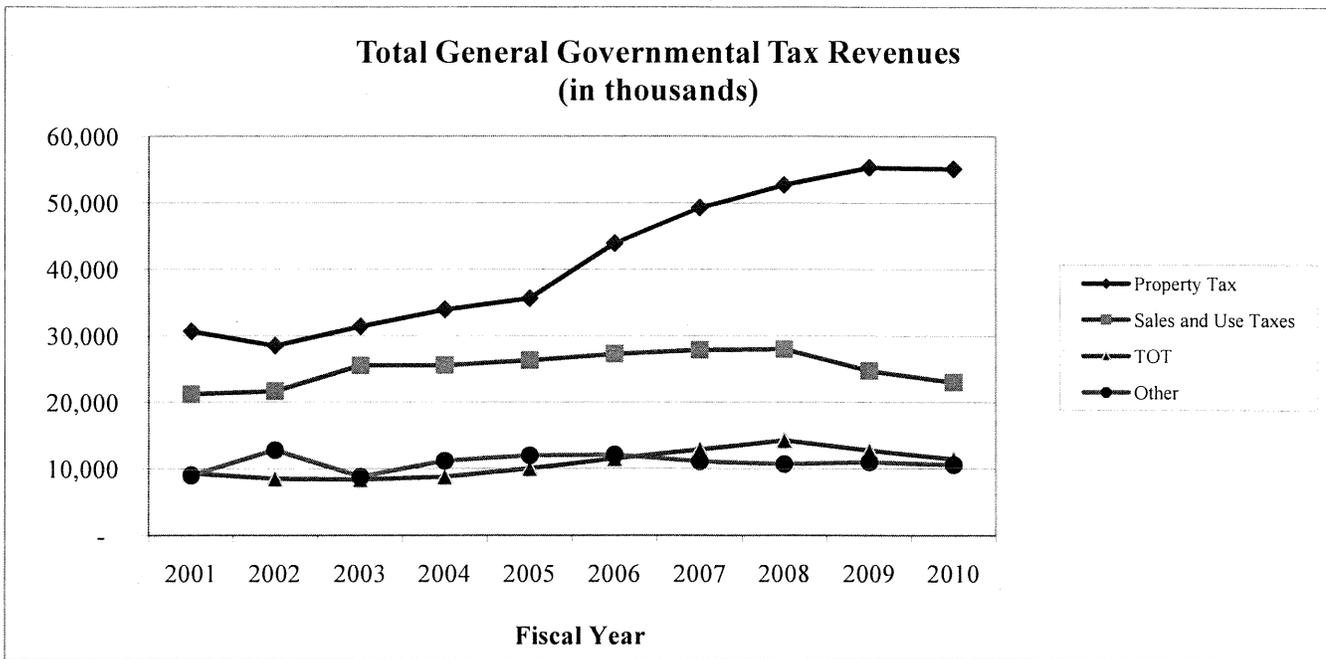
	2006	2007	2008	2009	2010
\$	94,862	\$ 101,196	\$ 105,724	\$ 103,874	\$ 100,249
	13,027	25,097	19,565	10,029	12,108
	2,504	2,094	1,991	1,022	1,484
	11,038	10,937	11,089	9,616	10,215
	1,178	1,387	1,500	1,402	1,199
	10,387	22,270	24,163	19,132	12,719
	25,365	10,311	23,850	3,117	4,580
	130	173	281	174	203
	2,077	950	932	926	1,263
	<u>160,568</u>	<u>174,415</u>	<u>189,095</u>	<u>149,292</u>	<u>144,020</u>
	16,311	18,013	14,433	12,896	22,778
	(2,639)	(2,151)	(2,287)	(3,676)	(3,991)
	36,365	39,832	43,719	45,003	44,686
	14,300	13,998	15,726	16,294	18,272
	15,637	16,667	17,136	17,517	16,493
	20,327	22,481	24,355	23,851	23,851
	47,032	30,765	39,010	22,097	19,727
	1,037	1,091	1,140	1,200	490
	1,599	1,333	1,347	1,188	1,016
	<u>149,969</u>	<u>142,029</u>	<u>154,579</u>	<u>136,370</u>	<u>143,322</u>
	10,599	32,386	34,516	12,922	698
	-	1,364	-	-	-
	-	-	-	-	-
	11,685	9,723	20,390	9,101	21,837
	<u>(12,334)</u>	<u>(9,760)</u>	<u>(19,948)</u>	<u>(9,637)</u>	<u>(22,578)</u>
	<u>(649)</u>	<u>1,327</u>	<u>442</u>	<u>(536)</u>	<u>(741)</u>
\$	<u>9,950</u>	<u>\$ 33,713</u>	<u>\$ 34,958</u>	<u>\$ 12,386</u>	<u>\$ (43)</u>
	2.41%	2.01%	2.08%	2.01%	1.18%

CITY OF CARLSBAD

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Misc. Taxes	Total Tax Revenue
2001	30,656	21,197	9,269	3,916	2,300	1,095	1,714	70,147
2002	28,512	21,661	8,533 (4)	7,495 (5)	2,440	1,193	1,694	71,528
2003	31,412	25,543 (3)	8,387	3,730	2,305	1,127	1,652	74,156
2004	33,949	25,571	8,814	5,027	2,872 (2)	1,587	1,713	79,533
2005	35,650 (1)	26,331	10,072	5,683	2,890	1,646	1,793	84,065
2006	43,936	27,294	11,513	5,429	3,040	1,906	1,744	94,862
2007	49,284	27,889	12,929	5,346	3,056	1,262 (6)	1,430	101,196
2008	52,705	28,012	14,277	4,634	3,328	951	1,817	105,724
2009	55,338	24,765 (7)	12,752 (7)	5,274	3,422	621	1,702	103,874
2010	55,113 (7)	23,031 (7)	11,490 (7)	4,906 (7)	3,458	758	1,493	100,249

Change 2001-2010	80%	9%	24%	25%	50%	-31%	-13%	43%
------------------	-----	----	-----	-----	-----	------	------	-----



Source: City of Carlsbad.

* Includes Vehicle License Fees (VLF) in lieu, property tax increment, low/moderate housing, set aside taxes and CFD#1 special taxes.

- (1) Property taxes increased in 2004-05 as the City began receiving additional property tax revenues in lieu of a portion of the VLF.
- (2) This reflects the results from hiring a company to assist in the identification of unlicensed businesses, and the recovery of non-reported and under-reported business license taxes.
- (3) The City modified the methodology used in accruing sales tax revenue for the year, in accordance with Generally Accepted Accounting Principles (GAAP).
- (4) The drop in transient occupancy tax was the result of the impacts from September 11, 2001 on tourism.
- (5) This was the result of higher natural gas prices paid by consumers in calendar year 2001.
- (6) Reflects the beginning of the downturn in the housing market.
- (7) Reflects the impact of the economic recession.

CITY OF CARLSBAD

**Water and Wastewater Rates
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>
	<u>Monthly Delivery Charge</u>	<u>Base Price Per Unit (1)</u>	<u>Monthly Base Rate</u>
2001	\$9.25	\$1.60	\$13.00
2002	9.25	1.60	13.00
2003	9.25	1.60	13.00
2004	9.25	1.60	13.00
2005	9.25	1.60	13.00
2006	9.25	1.60	13.50
2007	9.75	1.68	14.65
2008	12.12	1.76	16.20
2009	14.54	2.12	17.65
2010	16.78	2.29	20.93

Source: City of Carlsbad.

Note: Rates shown are for a 5/8" meter, which is the standard household meter size.

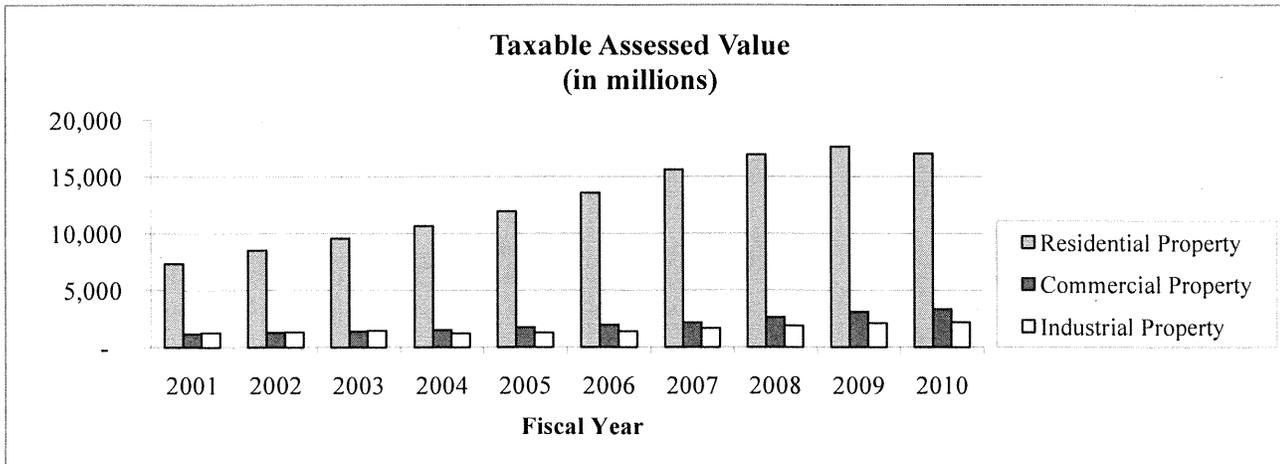
(1) One unit of water equals 748 gallons.

(2) Tiered rates were implemented in Fiscal Year 2010. The base price shown is for tier 1, which applies to the first 12 units of usage per month at a single family residence.

CITY OF CARLSBAD

**Assessed Value of Taxable Property
Last Ten Fiscal Years
(dollars in millions)**

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property (1)	Net Assessed Valuation	Total Property Tax Revenue (2)	Total Direct Tax Rate (3)
2001	\$ 7,367	\$ 1,192	\$ 1,282	\$ 649	\$ 10,490	\$ 19.658	0.187%
2002	8,543	1,310	1,341	657	11,851	22.286	0.188%
2003	9,612	1,413	1,469	516	13,010	24.974	0.192%
2004	10,700	1,516	1,231	856	14,303	26.960	0.188%
2005	11,984	1,749	1,266	742	15,741	33.330 (4)	0.212%
2006	13,619	1,962	1,398	729	17,708	38.041	0.215%
2007	15,650	2,181	1,660	569	20,060	43.651	0.218%
2008	16,988	2,635	1,883	534	22,040	47.197	0.214%
2009	17,683	3,132	2,102	600	23,517	50.439	0.214%
2010	17,086	3,340	2,192	617	23,235	49.695 (5)	0.214%



Source: County of San Diego, California Auditor and Controller.

Notes: Information about estimated actual value of property is not available; the assessed value is based on the most recent sales value and includes secured property only.

- (1) Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.
- (2) Property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.
- (3) The total direct tax rate was calculated by dividing the total property tax revenue by the total taxable value.
- (4) In Fiscal Year 2004-05, there was an increase in the property taxes received, offset by a decrease in Vehicle License Fees (VLF).
- (5) The decrease in property taxes received is a result of the current economic recession.

CITY OF CARLSBAD

Principal Property Taxpayers
Current Year and Nine Years Ago

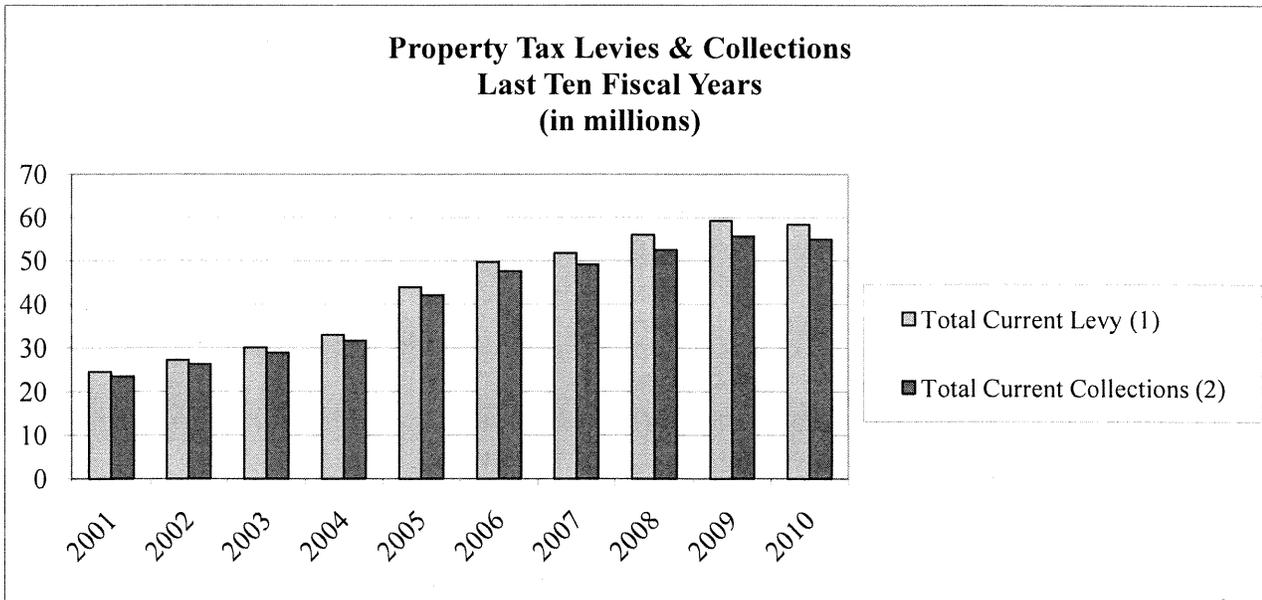
Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
La Costa Glen Retirement Community	\$ 230,280,630	1	0.99%	-		-
Aviara Resort Associates LLC	216,600,922	2	0.93%	\$ 119,818,629	5	1.14%
KSL La Costa Resort Corp.	204,343,913	3	0.88%	132,214,291	4	1.26%
O C/s D Holdings LLC	121,238,334	4	0.52%	-		-
Carlsbad Premium Outlets	114,030,700	5	0.49%	-		-
Callaway Golf Company	99,591,497	6	0.43%	187,083,605	2	1.78%
Grand Pacific Palisades LP	95,986,981	7	0.41%	-		-
Borders, Inc.	84,274,577	8	0.36%	-		-
Waterstone Apartments	82,580,928	9	0.36%			
H.G. Fenton Company	78,679,423	10	0.34%	57,133,163	8	0.54%
Cabrillo Power, LLC	-		-	298,576,808	1	2.85%
Legoland California, Inc.	-		-	177,211,809	3	1.69%
Real Estate Collateral Mgmt. Co.	-		-	76,499,989	6	0.73%
Prentiss Properties Acquisition	-		-	64,652,790	7	0.62%
Standard Pacific Corporation	-		-	49,262,713	10	0.47%
Air Products & Chemicals, Inc.	-		-	51,921,351	9	0.49%
Total	<u>\$ 1,327,607,905</u>		<u>5.71%</u>	<u>\$ 1,214,375,148</u>		<u>11.58%</u>
Net assessed valuation	<u>\$ 23,234,947,883</u>			<u>\$ 10,490,115,729</u>		

Source: County of San Diego Office of the Auditor and Controller, County Assessor.

CITY OF CARLSBAD

**Property Tax Levies and Collections
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Current Levy (1)</u>	<u>Total Current Collections (2)</u>	<u>% of Levy Collected</u>
2001	24,597,515	23,572,005	95.80%
2002	27,351,054	26,360,056	96.40%
2003	30,178,314	29,018,421	96.20%
2004	33,117,599	31,753,020	95.90%
2005	44,057,622 (3)	42,251,018	95.90%
2006	49,806,112	47,723,226	95.80%
2007	51,854,596	49,219,793	94.90%
2008	56,098,718	52,622,619	93.80%
2009	59,297,940	55,759,900	94.00%
2010	58,433,851	55,030,915	94.00%



Source: County of San Diego Office of the Auditor and Controller.

(1) Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.

(2) Total current collections includes prior year delinquencies and adjustments; delinquency collections by year are not available.

(3) Starting in Fiscal Year 2004-05, the City received additional property tax payments in lieu of vehicle license fees.

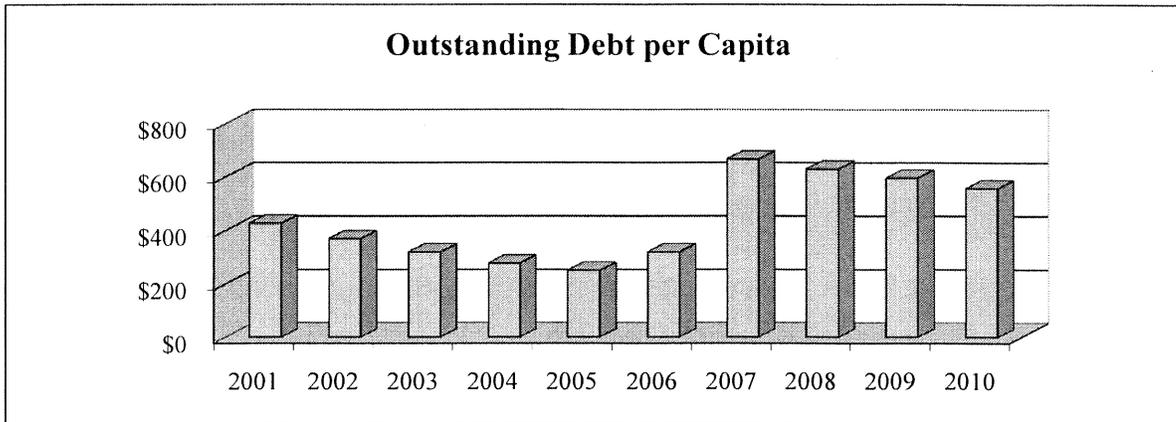


CITY OF CARLSBAD

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands except per capita)**

Governmental Activities

<u>Fiscal Year</u>	<u>Bonds / Special Debt</u>	<u>Certificates of Participation</u>	<u>Capital Leases</u>	<u>Loans Payable</u>
2001	\$ 13,865	\$ 5,055	\$ 888	\$ 480
2002	13,540	4,515	791	330
2003	13,200	3,950	179	170
2004	12,840	3,360	79	-
2005	12,460	2,740	7	-
2006	12,065	2,105	1	-
2007	11,645	1,435	-	-
2008	11,205	735	-	-
2009	10,740	-	-	-
2010	10,250	-	-	-



Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) During Fiscal Year 2006-07, Carlsbad Municipal Golf Course Revenue Bonds were issued for \$18.5 million.

(2) The State Water Resources Control Board issued low interest loans for the Carlsbad Water Recycling Facility for \$9.7 million during Fiscal Year 2005-06, and \$19.4 million in Fiscal Year 2006-07.

(3) Percentage of personal income is calculated using personal income for the prior year.

Sources: MuniServices, LLC, California Department of Finance, US Census Data.

Business-Type Activities

Accrued Assessments	Bonds / Special Debt (1)	Certificates of Participation	Installment Purchase Agreements	Loan Payable (2)	Capital Leases	Total	Percentage of Personal Income (3)	Per Capita
\$ 789	\$ -	\$ 3,370	\$ 9,350	\$ 1,705	\$ -	\$ 35,502	0.66%	\$ 426.49
621	-	2,295	8,870	1,574	-	32,536	0.58%	369.22
443	-	1,175	8,375	1,460	-	28,952	0.51%	319.41
257	-	-	7,855	1,343	-	25,734	0.45%	277.24
-	-	-	7,305	1,223	-	23,735	0.40%	250.12
-	-	-	6,730	10,592	-	31,493	0.50%	319.27
-	18,540	-	6,125	29,096	699	67,540	1.04%	666.49
-	18,540	-	5,485	28,465	958	65,388	0.95%	629.88
-	18,265	-	4,810	27,106	736	61,657	0.87%	596.26
-	17,975	-	4,105	25,715	502	58,547	0.79%	557.30



CITY OF CARLSBAD

**Schedule of Direct and Overlapping Bonded Debt
Current Fiscal Year**

Fiscal Year 2009-10 Assessed Valuation:	\$ 23,580,740,366
Redevelopment Incremental Valuation:	345,792,483
Adjusted Assessed Valuation:	<u>\$ 23,234,947,883</u>

	Total Debt 06/30/10	Percent Applicable (1)	City's Share of Debt 6/30/10
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 264,220,000	1.294%	\$ 3,419,007
Palomar Community College District	149,845,000	3.212%	4,813,021
Carlsbad Unified School District	128,461,518	97.682%	125,483,780
Carlsbad Unified School District CFD No. 1	5,335,000	100.000%	5,335,000
Oceanside Unified School District	194,985,045	0.006%	11,699
Vista Unified School District	134,914,882	0.738%	995,672
Encinitas Union School District	15,603,847	30.479%	4,755,897
San Marcos Unified School District School Facility Improvement District	13,498,019	39.093%	5,276,781
San Marcos Unified School District CFD No. 4	23,310,000	24.403%	5,688,339
San Marcos Unified School District CFD No. 5	23,230,000	100.000%	23,230,000
San Dieguito Union HS District CFD No. 94-1	95,216	100.000%	95,216
San Dieguito Union HS District CFD No. 94-2	26,167,088	98.080%	25,664,680
San Dieguito Union HS District CFD No. 95-2	4,302,032	12.035%	517,750
San Dieguito Union High School District Combined CFD	16,628,176	30.399%	5,054,799
Palomar Pomerado Hospital District	417,623,319	2.129%	8,891,200
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	16,830,000	20.801%	3,500,808
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	28,915,000	100.000%	28,915,000
City of Carlsbad 1915 Act Bonds	62,395,000	100.000%	62,395,000
Total Overlapping Tax and Assessment Debt	<u>\$ 1,526,359,142</u>		<u>\$ 314,043,649</u>
<u>Direct and Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 415,240,000	6.723%	\$ 27,916,585
San Diego County Pension Obligations	853,514,739	6.723%	57,381,796
San Diego City Superintendent of Schools General Fund Obligations	21,187,500	6.723%	1,424,436
Mira Costa Community College District Certificates of Participation	3,675,000	27.050%	994,088
Palomar Community College District General Fund Obligations	6,890,000	3.212%	221,307
Carlsbad Unified School District General Fund Obligations	50,710,000	97.682%	49,534,542
San Marcos Unified School District General Fund Obligations	56,388,327	34.368%	19,379,540
Encinitas Union School District Certificates of Participation	320,000	30.479%	97,533
San Dieguito Union High School District General Fund Obligations	13,015,000	8.637%	1,124,106
Other Unified School District Certificates of Participation	6,795,000	Various	45,573
City of Carlsbad General Fund Obligations	-	100.000%	-
Total Direct and Overlapping General Fund Obligation Debt	<u>\$ 1,427,735,566</u>		<u>\$ 158,119,506</u>
 Combined Total Debt	 <u>\$ 2,954,094,708</u>		 <u>\$ 472,163,155 (2)</u>

- (1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Fiscal Year 2009-10 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.33%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt 0.00%
Combined Total Debt 2.03%

Source: MuniServices, LLC and County of San Diego Office of the Auditor and Controller

CITY OF CARLSBAD

Direct and Overlapping Debt
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

	<u>2001</u>	<u>2002</u>	<u>2003</u>
<u>Overlapping Tax and Assessment Debt:</u>			
San Diego County Water Authority	\$ 0.028	\$ 0.017	\$ 0.008
Metropolitan Water District	0.545	0.481	0.398
Palomar Community College District	-	-	-
Carlsbad Unified School District	2.472	2.099	1.832
Carlsbad Unified School District Lease Tax Obligations	0.187	0.122	0.070
Carlsbad Unified School District CFD No. 1	1.073	0.909	0.789
Oceanside Unified School District	-	-	-
Vista Unified School District	-	0.005	0.004
Encinitas Union School District	0.756	0.678	0.621
Encinitas Union School District Lease Tax Obligations	0.138	0.050	0.020
San Marcos Unified School District School Fac. Improv. Dist.	0.615	0.629	0.544
Tri-City Hospital District	-	-	-
Palomar Pomerado Hospital District	-	-	-
Leucadia County Water District and I.D. No. 1	-	-	-
Vallecitos Water District and I.D. No. 6	-	-	-
San Marcos Unified School District CFD No. 4	-	-	-
San Marcos Unified School District CFD No. 5	1.216	1.059	1.909
San Dieguito Union HS District CFD No. 1	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.029	0.025	0.023
San Dieguito Union HS District CFD No. 94-2	2.051	1.816	1.628
San Dieguito Union HS District CFD No. 95-2	0.032	0.028	0.025
San Dieguito Union HS District combined CFD	-	-	-
Olivenhain Municipal Water District, I.D. No. 1	-	-	-
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.465	0.400	0.357
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	-	-	-
City of Carlsbad 1915 Act Bonds	3.959	3.287	2.809
Total Overlapping Tax and Assessment Debt	<u>\$ 13.564</u>	<u>\$ 11.608</u>	<u>\$ 11.038</u>
<u>Direct and Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 3.016	\$ 2.701	\$ 2.281
San Diego County Pension Obligations	1.801	1.470	3.951
San Diego City Superintendent of Schools General Fund Obligations	0.012	0.011	0.010
Mira Costa Community College District Certificates of Participation	0.176	0.145	0.121
Palomar Community College District General Fund Obligations	-	-	-
Carlsbad Unified School District General Fund Obligations	5.493	4.843	4.392
San Marcos Unified School District General Fund Obligations	-	-	-
San Marcos Unified School District Certificates of Participation	0.031	0.015	-
Encinitas Union School District Certificates of Participation	0.063	0.078	0.045
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.018	0.022	0.021
City of Carlsbad General Fund Obligations	0.482	0.381	0.304
Total Direct and Overlapping General Fund Obligation Debt	<u>\$ 11.093</u>	<u>\$ 9.666</u>	<u>\$ 11.123</u>
Combined Total Debt	<u>\$ 24.657</u>	<u>\$ 21.274</u>	<u>\$ 22.162</u>

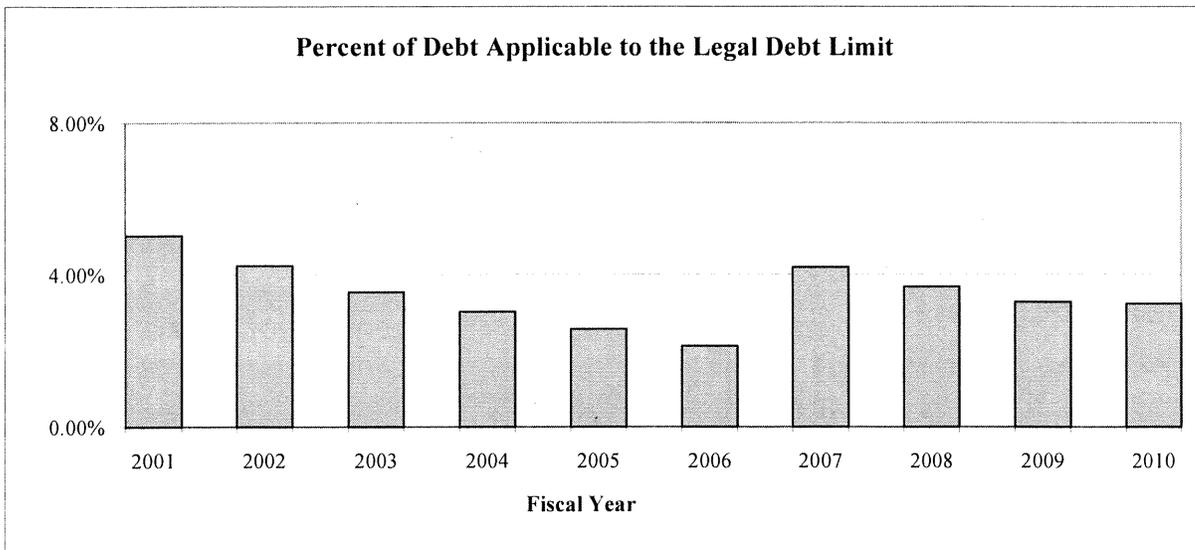
Source: California Municipal Statistics, Inc. & MuniServices, LLC

2004	2005	2006	2007	2008	2009	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.368	0.319	0.269	0.224	0.187	0.160	0.147
-	-	-	0.239	0.224	0.208	0.207
1.594	1.342	1.102	0.897	2.521	5.513	5.401
0.033	-	-	-	-	-	-
0.678	0.578	0.477	0.386	0.318	0.263	0.230
-	-	-	-	-	-	0.001
0.005	0.005	0.007	0.011	0.029	0.033	0.043
0.530	0.471	0.389	0.322	0.270	0.228	0.205
-	-	-	-	-	-	-
0.524	0.448	0.383	0.327	0.282	0.250	0.227
-	-	-	-	-	-	-
-	-	0.100	0.080	0.303	0.389	0.383
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	0.187	0.302	0.270	0.248	0.245
1.886	1.677	1.457	1.255	1.114	1.016	1.000
-	-	-	-	-	-	-
0.020	0.018	0.016	0.014	0.012	0.011	0.004
1.456	1.298	1.128	0.975	0.867	0.793	1.105
0.023	0.020	0.006	0.005	0.004	0.004	0.022
0.973	0.884	0.832	0.734	0.668	0.626	0.218
-	-	-	-	-	-	-
0.314	0.279	0.242	0.203	0.177	0.157	0.151
-	-	0.649	0.573	1.338	1.246	1.244
3.145	4.848	4.143	3.553	3.091	2.806	2.685
\$ 11.548	\$ 12.186	\$ 11.386	\$ 10.100	\$ 11.675	\$ 13.952	\$ 13.516
\$ 1.881	\$ 1.855	\$ 1.385	\$ 1.125	\$ 1.051	\$ 1.304	\$ 1.201
5.528	5.008	4.376	4.306	3.094	2.782	2.470
0.009	0.051	0.044	0.058	0.051	0.046	0.061
0.098	0.085	0.072	0.061	0.052	0.046	0.043
-	-	0.013	0.012	0.011	0.010	0.010
3.961	3.557	3.106	2.694	2.404	2.206	2.132
0.143	0.122	0.106	0.093	0.082	0.076	0.834
-	-	-	-	-	-	-
0.037	0.032	0.024	0.018	0.013	0.008	0.004
-	-	-	-	-	-	0.048
0.018	0.015	0.001	0.001	0.001	0.002	0.002
0.235	0.174	0.119	0.072	0.033	-	-
\$ 11.911	\$ 10.900	\$ 9.246	\$ 8.439	\$ 6.793	\$ 6.480	\$ 6.805
\$ 23.460	\$ 23.086	\$ 20.632	\$ 18.538	\$ 18.467	\$ 20.431	\$ 20.321

CITY OF CARLSBAD

**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net assessed valuation	\$ 10,490,116	\$ 11,850,679	\$ 13,009,712	\$ 14,303,050	\$ 15,741,122
Debt limit (25% x 15%)	393,380	444,400	487,864	536,364	590,292
Less amount of debt applicable to limit:					
Bonded debt	13,865	13,540	13,200	12,840	12,460
Certificates of participation	5,055	4,515	3,950	3,360	2,740
Obligations under capital leases	888	791	179	79	7
Total net debt applicable to limit	<u>19,808</u>	<u>18,846</u>	<u>17,329</u>	<u>16,279</u>	<u>15,207</u>
Legal debt margin	<u>\$ 373,572</u>	<u>\$ 425,554</u>	<u>\$ 470,535</u>	<u>\$ 520,085</u>	<u>\$ 575,085</u>
Total net debt applicable to the limit as a percentage of debt limit	5.04%	4.24%	3.55%	3.04%	2.58%



Note: Under state finance law, the City's outstanding general obligation debt should not exceed 15 percent (as adjusted by 25% per the law) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

(1) \$18.5 million in golf course bonds were issued in Fiscal Year 2006-07. If the golf course net operating revenue is not sufficient to cover the debt service payment, the General Fund will make the debt service payment.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 17,707,928	\$ 20,059,893	\$ 22,040,018	\$ 23,517,153	\$ 23,234,948
664,047	752,246	826,501	881,893	871,311
12,065	30,185 (1)	29,745	29,005	28,225
2,105	1,435	735	-	-
1	1	1	1	1
<u>14,171</u>	<u>31,621</u>	<u>30,481</u>	<u>29,006</u>	<u>28,226</u>
<u>\$ 649,876</u>	<u>\$ 720,625</u>	<u>\$ 796,020</u>	<u>\$ 852,887</u>	<u>\$ 843,085</u>
2.13%	4.20%	3.69%	3.29%	3.24%

CITY OF CARLSBAD

Pledged-Revenue Coverage
Last Ten Fiscal Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Wastewater Revenue Bonds					
Gross revenues (1)	\$ 8,995,734	\$ 10,618,890	\$ 10,461,096	\$ 8,291,693	\$ 9,427,318
Less expenses (2)	<u>3,829,770</u>	<u>4,270,640</u>	<u>3,979,400</u>	<u>4,781,158</u>	<u>4,512,427</u>
Net available revenue	<u><u>\$ 5,165,964</u></u>	<u><u>\$ 6,348,250</u></u>	<u><u>\$ 6,481,696</u></u>	<u><u>\$ 3,510,535</u></u>	<u><u>\$ 4,914,891</u></u>
Debt service					
Principal	\$ 460,000	\$ 480,000	\$ 495,000	\$ 520,000	\$ 550,000
Interest	<u>482,027</u>	<u>462,162</u>	<u>441,199</u>	<u>416,256</u>	<u>389,581</u>
Total debt service	<u><u>\$ 942,027</u></u>	<u><u>\$ 942,162</u></u>	<u><u>\$ 936,199</u></u>	<u><u>\$ 936,256</u></u>	<u><u>\$ 939,581</u></u>
Coverage	5.48	6.74	6.92	3.75	5.23
Recycled Water Loans					
Gross revenues (3)	n/a	n/a	n/a	n/a	n/a
Less expenses (4)	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Net available revenue	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>
Debt service					
Principal (5)	n/a	n/a	n/a	n/a	n/a
Interest	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total debt service	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>
Coverage	n/a	n/a	n/a	n/a	n/a
Golf Course Revenue Bonds					
Gross revenues (1)	n/a	n/a	n/a	n/a	n/a
Less expenses (2)	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Net available revenue	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>
Debt service					
Principal (6)	n/a	n/a	n/a	n/a	n/a
Interest	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total debt service	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>	<u><u>n/a</u></u>
Coverage	n/a	n/a	n/a	n/a	n/a

Source: City of Carlsbad

- (1) Include operating and non-operating revenues and transfers in from the General Fund.
- (2) Include operating and non-operating expenses, excluding interest expense and depreciation.
- (3) Include recycled water operating and non-operating revenues and fees.
- (4) Include recycled water operating and non-operating expenses, excluding interest expense and depreciation.
- (5) Fiscal Year 2006-07 is the first year loan payments were made.
- (6) Fiscal Year 2008-09 is the first year for principal payment.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 8,763,977	\$ 10,540,303	\$ 11,134,290	\$ 10,551,005	\$ 10,837,232
5,438,600	6,173,656	6,645,724	7,523,300	6,197,845
<u>\$ 3,325,377</u>	<u>\$ 4,366,647</u>	<u>\$ 4,488,566</u>	<u>\$ 3,027,705</u>	<u>\$ 4,639,387</u>
\$ 575,000	\$ 605,000	\$ 640,000	\$ 675,000	\$ 705,000
361,394	328,944	295,506	262,169	228,006
<u>\$ 936,394</u>	<u>\$ 933,944</u>	<u>\$ 935,506</u>	<u>\$ 937,169</u>	<u>\$ 933,006</u>
3.55	4.68	4.80	3.23	4.97
n/a	\$ 4,187,044	\$ 4,714,098	\$ 5,749,477	\$ 6,635,220
n/a	1,968,609	2,484,843	2,925,479	3,300,263
<u>n/a</u>	<u>\$ 2,218,435</u>	<u>\$ 2,229,255</u>	<u>\$ 2,823,998</u>	<u>\$ 3,334,957</u>
n/a	\$ 409,896	\$ 1,041,202	\$ 1,223,781	\$ 1,252,343
n/a	236,964	799,759	652,702	624,140
<u>n/a</u>	<u>\$ 646,860</u>	<u>\$ 1,840,961</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,483</u>
n/a	3.43	1.21	1.50	1.78
n/a	n/a	\$ 6,614,579	\$ 7,680,342	\$ 7,080,711
n/a	n/a	6,312,031	6,848,161	6,426,412
<u>n/a</u>	<u>n/a</u>	<u>\$ 302,548</u>	<u>\$ 832,181</u>	<u>\$ 654,299</u>
n/a	n/a	\$ -	\$ 275,000	\$ 290,000
n/a	n/a	827,050	821,550	810,250
<u>n/a</u>	<u>n/a</u>	<u>\$ 827,050</u>	<u>\$ 1,096,550</u>	<u>\$ 1,100,250</u>
n/a	n/a	0.37	0.76	0.59

CITY OF CARLSBAD

**Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Year</u>	<u>Total Population</u>	<u>% of S.D. County Population</u>	<u>% Change from Previous Year</u>	<u>Median Age</u>	<u>Avg. Household Size</u>
2001	83,242	2.91%	6.38%	38.9	2.46
2002	88,120	3.02%	5.86%	39.4	2.48
2003	90,643	3.05%	2.86%	39.7	2.48
2004	92,823	3.08%	2.41%	40.2	2.51
2005	94,896	3.12%	2.23%	40.6	2.48
2006	98,641	3.22%	3.95%	40.9	2.51
2007	101,337	3.27%	2.73%	41.2	2.53
2008	103,811	3.30%	2.44%	39.7	2.45
2009	103,406	3.30%	-0.39%	39.4	2.50
2010	105,055	3.30%	1.59%	38.7	2.53

Sources: MuniServices, LLC, and previously published City of Carlsbad CAFR Reports

Population projections are from the California Department of Finance.

Household and demographic characteristics estimates are from MuniServices current estimates, the U.S. Census Bureau Census 2000 and American Community Survey.

Income estimates are derived from the Bureau of Economic Analysis, U.S. Census Bureau Census 2000 data, and adjusted for inflation.

Unemployment rate estimates are from the California Employment Development Department, Bureau of Labor Statistics.

(1) Personal Income is the total aggregate income that correlates to the total population.

Educational Attainment

<u>% High School Graduate</u>	<u>% Bachelor's Degree or Higher</u>	<u>Personal Income (1) (millions)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
93.1%	45.6%	\$ 5,261	\$ 63,205	2.70%
n/a	n/a	5,476	62,138	3.40%
n/a	n/a	5,545	61,178	3.40%
n/a	n/a	5,842	62,937	3.10%
95.0%	46.9%	6,017	63,403	2.80%
95.4%	53.0%	6,338	64,252	2.60%
n/a	n/a	6,721	66,325	4.00%
96.4%	49.3%	7,081	68,214	3.00%
95.8%	50.9%	7,325	70,833	3.90%
n/a	n/a	7,415	70,581	6.50%

CITY OF CARLSBAD

**Principal Employers
Current Year and Nine Years Ago**

<u>Employer</u>	<u>2010</u>			<u>2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	
Manufacturing						
Life Technologies	3,988	1	7.34%	295	9	
Taylor Made Golf Company, Inc.	2,075	2	3.82%	727	2	
Callaway Golf Company	1,637	3	3.01%	2,000	1	
Asymtek	671	4	1.24%	320	6	
Zimmer Dental Inc.	643	5	1.18%			
Genoptix, Inc.	537	6	0.99%			
Crestone Group Baking Co.	530	7	0.98%			
Alphatec Spine, Inc.	504	8	0.93%			
Titleist and Foot-Joy Worldwide	307	9	0.57%			
Astec America	299	10	0.55%			
Tyco-Mallinckrodt	n/a			650	3	
Acushnet Golf	n/a			540	4	
Ashworth, Inc.	n/a			394	5	
Modern Postcard/The Iris Group, Inc.	n/a			320	6	
Republic Tool & Manufacturing	n/a			300	7	
Syntron Bioresearch, Inc.	n/a			300	8	
Beckman Coulter, Inc.	n/a			260	10	
Non-Manufacturing						
ViaSat, Inc.	1,940	1	3.57%			
LEGOLAND California, LLC	1,022	2	1.88%	1,100	3	
Carlsbad Unified School District	983	3	1.81%	800	6	
La Costa Resort & Spa	838	4	1.54%	950	4	
Four Seasons Resort Aviara	823	5	1.52%	1,100	2	
City of Carlsbad	713	6	1.31%	600	8	
24-Hour Fitness, Inc.	536	7	0.99%	400	10	
Prescription Solution	516	8	0.95%			
GIA Laboratory	496	9	0.91%	500	9	
Toyota Carlsbad/Scion Carlsbad	357	10	0.66%			
Westfield/Plaza Camino Real	n/a			3,000	1	(2)
Carlsbad Premium Outlets	n/a			850	5	(2)
Grand Pacific Resorts	n/a			700	7	(3)
Subtotal Employees	19,415		35.76%	16,106		
Total Employees (estimate)	54,300			n/a (1)		

Source: Carlsbad Business License Data (2010) and Carlsbad Chamber of Commerce (2001).

(1) Total employee count is not available for 2001.

(2) These employers are now tracked by individual store versus combined by mall name.

(3) These employers are now tracked by individual hotel versus combined by ownership group.



CITY OF CARLSBAD

Authorized Full and 3/4 Time City Government Employees by Major Service Area
Last Ten Fiscal Years

<u>Major Service Area</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government					
City Council	1.00	1.00	1.00	1.00	1.00
City Manager	6.00	6.00	6.00	6.00	6.00
Communications	1.00	1.00	2.75	2.75	2.75
City Treasurer	0.75	0.75	0.75	0.75	0.75
City Attorney	6.00	7.00	7.00	7.00	7.00
Administration	2.00	2.00	2.00	2.00	2.00
Records Management	8.00	8.00	8.00	8.00	8.00
Information Technology	15.00	15.00	16.00	16.00	16.00
Finance	27.00	27.00	28.00	28.00	28.00
Risk Management	2.00	2.00	2.00	2.00	2.00
Human Resources and Worker's Comp	9.00	10.00	10.00	10.00	10.00
Public Safety					
Police	138.00	143.00	150.00	148.00	148.00
Fire	79.75	79.75	79.75	79.75	79.75
Community Development					
Community Development Administration	3.75	3.00	3.00	3.00	3.00
Building Inspection	13.00	13.00	13.00	13.00	13.00
Economic Development and Real Estate Mgmt.	1.00	1.00	1.00	1.00	1.00
Geographic Information Systems	2.00	2.00	2.00	2.00	2.00
Planning	24.00	25.00	25.00	25.00	25.00
Housing and Redevelopment	10.00	10.00	10.00	10.00	10.00
Community Services					
Library	41.75	46.25	48.00	48.00	48.00
Cultural Arts	4.00	4.75	4.75	5.00	5.00
Recreation & Senior Programs	27.00	30.00	33.00	33.00	32.50
Public Works					
Administration & Environmental Programs	3.00	3.50	6.00	6.00	14.20
Engineering Services	48.70	58.70	57.00	57.00	51.10
General Services	55.75	57.25	57.75	58.75	82.85
Maintenance & Operations	70.30	70.30	73.00	73.00	47.10
Full and 3/4 Time Authorized Employees	599.75	627.25	646.75	646.00	646.00
Increase/(decrease) over prior year	15.25	27.50	19.50	(0.75)	-

Source: City of Carlsbad Operating Budget

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick-leave).

A 3/4 time employee is scheduled to work 1,560 hours per year (including vacation and sick-leave).

(1) During Fiscal Year 2009-10, the Parks Department was moved from Public Works - General Services to Community Services - Recreation & Senior Programs.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1.00	1.00	1.00	1.00	1.00
6.00	7.00	7.00	8.00	8.00
2.75	3.75	3.75	3.75	3.75
0.75	0.75	0.75	0.75	0.75
7.00	7.00	7.00	7.00	7.00
2.00	2.00	2.00	2.00	1.00
8.00	8.00	8.00	8.00	8.00
16.00	19.00	19.00	19.50	19.00
27.00	28.00	28.00	28.00	28.00
2.00	2.00	2.00	2.00	2.00
10.00	10.00	10.00	10.00	10.00
151.00	157.00	162.00	162.00	162.00
79.75	87.75	88.75	88.75	88.75
4.00	5.00	3.00	3.00	3.00
13.00	13.00	14.00	14.00	14.00
1.00	1.00	2.00	2.00	2.00
2.00	3.00	4.00	4.00	4.00
24.00	27.00	27.00	27.00	27.00
10.00	10.00	10.00	10.00	10.00
48.00	48.00	48.00	48.00	48.00
5.00	5.00	5.00	5.00	5.00
32.50	30.50	30.50	30.50	72.10 (1)
14.20	15.20	18.15	18.60	18.60
51.60	54.60	56.90	56.90	56.90
91.95	96.20	98.00	99.30	57.50 (1)
49.50	48.50	55.45	55.20	55.40
660.00	690.25	711.25	714.25	712.75
14.00	30.25	21.00	3.00	(1.50)

CITY OF CARLSBAD

Operating Indicators by Function/Program
Last Five Fiscal Years

	2006	2007	2008	2009	2010
General Government					
Number of recruitments processed	64	74	54	39	44
Number of new hires and promotions	124	105	118	75	61
Business licenses processed	8,955	8,926	9,405	9,029	9,173
Number of payments processed	40,283	41,337	41,991	41,381	40,310
Public Safety					
Police					
Calls for service	74,546	87,213	94,126	94,492	94,678
Average priority one response (minutes)	6.8	6.3	6.0	5.9	6.0
Cases	10,059	11,178	11,259	10,309	8,826
Crime prevention programs/services	743	888	965	1,062	956
Fire					
Emergency responses	5,908	6,705	7,853	9,503	9,084
Response time: arrivals on scene within goal standard	88%	89%	89%	85%	74% (1)
Community Development					
Affordable housing units completed	110	66	168	90	6
Financial assistance to affordable housing projects	\$1,440,000	\$3,009,000	\$1,932,000	\$1,014,000	\$3,750,000
Residential building permits issued	948	481	340	114	343
Building inspections conducted	51,100	33,523	26,801	18,232	19,860
Final inspections (dwelling units)	1,440	765	787	269	285
Code enforcement inspections	5,600	6,800	5,500	4,484	3,400
Response time: inspections performed by next working day	97%	96%	98%	99%	98%
Community Services					
Library - total material circulation	1,237,311	1,283,662	1,291,611	1,334,875	1,376,601
Library - patron visits	898,511	665,277	662,794	670,932	749,514
Arts - number of events	62	58	62	58	54
Arts - attendance of events	65,000	64,000	76,000	80,000	80,000
Recreation - youth sports participants	1,150	1,150	1,200	1,200	1,200
Recreation - adult sports participants	5,150	5,300	5,400	5,400	5,400
Recreation - enrichment class enrollees	16,700	16,700	15,000	13,539	13,075
Recreation - special events participants	3,500	5,200	6,400	10,700	12,000
Recreation - aquatics classes conducted	273	262	271	350	345
Trees trimmed	1,800	1,811	1,808	1,820	1,816
Public Works					
Streets					
Road miles - overlay or slurry seal	32.30	23.80	11.90	4.70	15.25
Roadway segments meeting CalTrans collision rates	83%	94%	94%	90%	86%
Carlsbad Municipal Water District					
Average consumption (millions of gallons per day)	19.1	18.6	21.5	18.1	17.7 (2)
Annual water deliveries (acre feet)	19,885	19,500	20,271	19,867	17,142 (2)
Water connections	23,099	25,791	27,770	27,890	27,978
Wastewater					
Sewage pumped (millions of gallons per day)	6.62	6.81	7.96	8.06	7.09
Annual flow (millions of gallons)	2,416	2,486	2,905	2,942	2,588
Wastewater connections	18,754	20,858	22,200	22,331	22,449

Source: City of Carlsbad

(1) The percentage decrease reflects a change in the response-time goal from eight minutes to six minutes.

(2) Water deliveries and consumption decreased significantly in Fiscal Year 2009 and 2010 as a result of conservation efforts.

CITY OF CARLSBAD

**Capital Asset Statistics
Last Five Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Community Services					
Number of parks	30	31	31	31	31
Acres of parks	295	348	348	348	348
Acres of open space	625	625	625	625	625
Miles of trails	27	31	35	38	47
Number of pools	1	1	1	1	1
Number of community centers	2	2	2	2	2
Number of libraries	2	2	2	3	3
Number of records in library catalog	356,385	371,885	373,592	367,161	365,371
Public Safety					
Fire Protection					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	11
Number of ambulances	4	5	5	5	5 *
Number of other fire vehicles	11	13	14	14	14 *
Police Protection					
Number of patrol and other vehicles	82	90	93	91	91 *
Number of motorcycles	13	12	17	18	15 *
Public Works					
Carlsbad Municipal Water District					
Miles of lines and mains	434	442	442	447	447
Wastewater					
Miles of sewers	254	260	265	282	284
Streets					
Miles of streets	308	332	338	340	340
Number of street lights	6,786	7,372	7,588	7,687	7,703
Number of traffic signals	152	155	164	168	172

Source: City of Carlsbad

* Excludes vehicles classified as out-of-service at June 30th of that particular fiscal year.

