



Fiscal Year Ended June 30, 2011
Comprehensive Annual Financial Report



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2011



1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department

CITY OF CARLSBAD
 Comprehensive Annual Financial Report
 Year Ended June 30, 2011

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CITY OF CARLSBAD

Comprehensive Annual Financial Report

Year Ended June 30, 2011

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Carlsbad City Council
2011
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 residents.





CITY OF CARLSBAD

FINANCE DEPARTMENT

November 11, 2011

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

LETTER OF TRANSMITTAL 2010-11 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2010-11 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, 2011.

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, 2011. 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, 2011 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 on the southern California coast, about 35 miles north of the City of San Diego. The city is governed by a five-member City Council under the Council/Manager form of government. The City

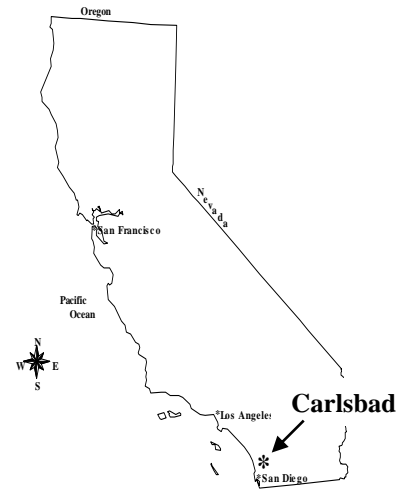


Council is elected at large, on a staggered basis, for a term of four years. The City Clerk and City Treasurer are also elected to four-year terms. The City Council appoints the City Manager and City Attorney.

The city covers approximately 42 square miles and has a population of 106,555, with an expected built out population of 117,000 residents. Industries in the city include a major regional shopping center; a specialty outlet center; 34 hotels offering over 3,600 rooms for tourist lodging; over 20 auto dealers; 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 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 density to public transportation. Revitalize the downtown Village as a community focal point and a unique and memorable center for visitors, and rejuvenate the historic Barrio neighborhood.

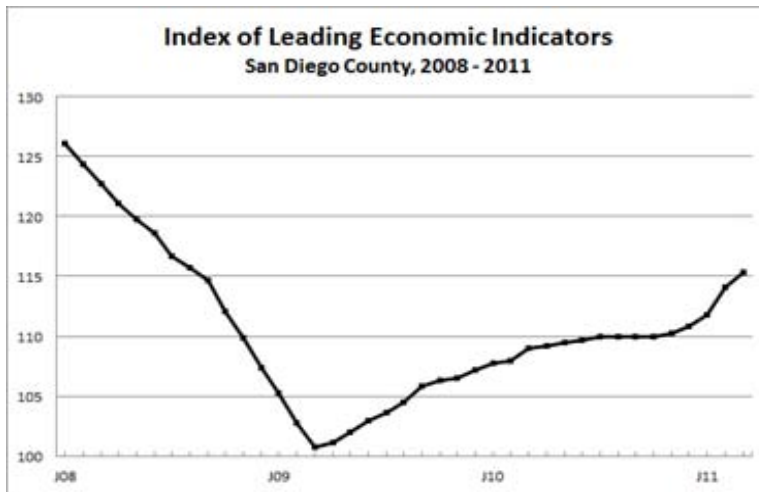
city. The City Council also provides the city with its top priority projects, which further defines the Council's vision. The goals and priority projects outline the methods used to achieve the vision and call out areas upon which the City Council would like to place special emphasis during the year. Once the vision and priority projects are developed, city staff develops operational goals and work plans based on the City Council's direction. These goals and work plans provide the basis for the development of the annual budget. The City Council adopts the formal budget for all funds at the beginning of each fiscal year and may amend those budgets throughout the year as necessary.

Budgetary control for the city is maintained through its accounting systems. 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

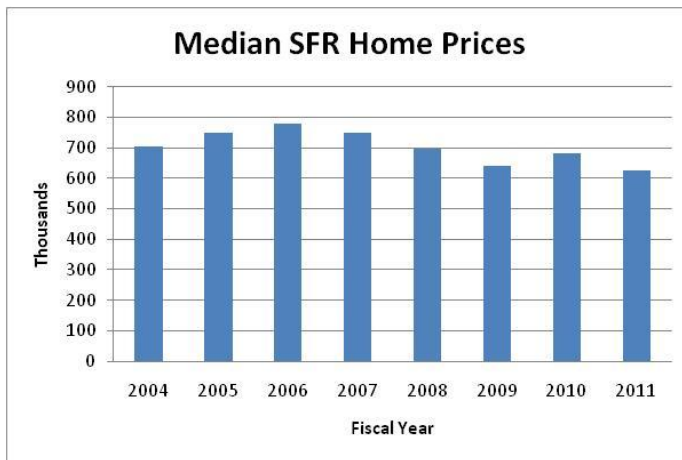
The University of San Diego (USD) monitors the structure of the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six variables to evaluate growth trends in the San Diego economy: unemployment filings, help wanted advertising, local stock prices, consumer confidence, building permits and the strength of the national economy. The index shows a continued two-year upward trend, increasing by almost six percent in March 2011, as compared to March 2010.



Carlsbad's economy is tied closely to that of the San Diego region. As we continue a slow recovery from the worst economic recession since the Great Depression, we are seeing improvement in most of the city's General Fund revenues, which are expected to increase by \$2.3 million, or 2.1 percent, in fiscal year 2011-12. Continued weakness in the residential housing market is adversely affecting property tax receipts, and a 0.2 percent decrease is anticipated in the coming year. However, the

city's sales taxes, transient occupancy taxes and development related revenues are projected to increase in step with the economic recovery.

During Fiscal Year 2009-10, development related revenues began to turn around from historic lows experienced in Fiscal Year 2008-09. In Fiscal Year 2011-12, development-related revenues are anticipated to decrease slightly as a result of the depressed housing market activity. In Fiscal Year 2009-10, there were 339 units permitted for residential housing. For Fiscal Year 2010-11, 212 residential units were permitted through April 2011. For Fiscal Year 2011-12, 187 permits are projected to be issued for residential housing. The commercial and industrial building activity remained weak for Fiscal Year 2009-10 and Fiscal Year 2010-11, and is expected to continue to be weak in the coming fiscal year. Due to subdued activity in residential and commercial development, building-related revenues are expected to drop by 9.5 percent in Fiscal Year 2011-12.



Housing prices in Carlsbad continued their downward trend during the last year. According to DataQuick, the median price for a Carlsbad home fell to \$626,000 in April, down over eight percent compared to last year. The total assessed values in the city are close to \$24 billion, a decrease of approximately one percent compared to the prior fiscal year (Fiscal Year 2009-10). According to recent growth projections prepared for the city, Carlsbad will add 1,033 units over the next five fiscal years and develop an additional 1.6 million square feet of commercial and industrial space.

Since 1992, commercial and industrial development in Carlsbad averaged approximately 1.1 million square feet per year. As opportunities for new development diminish, commercial and industrial development is tapering off, falling to an average of slightly under 300 square feet per year over the next five fiscal years. 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. Large industrial commercial developments in the next five years include Bressi Ranch, Carlsbad Raceway and Palomar Forum, Dos Colinas Retirement Community, and the Floral Trade Center. Commercial office space vacancy has witnessed a decline over the past year, falling from over 30 percent in the last quarter of 2009 to approximately 24 percent in the first quarter of 2011. Industrial vacancy fell for the same period, from almost 14 percent to 13 percent.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors, alike, as well as generating additional sales tax 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 for tourism. The city is host to a major family theme park, Legoland, and has two luxury resorts available for its visitors, the Park Hyatt 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 Crossings at Carlsbad is an 18-hole golf course set in the rolling hills and canyons of Carlsbad. With ocean views, high quality greens, 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 Fiscal Year 2011-12, General Fund revenue is projected to increase by approximately two percent from the previous year's estimates. Most sources of tax revenue, with the exception of property taxes, are expected to increase slightly in Fiscal Year 2011-12. Sales tax and TOT revenues are projected to increase by approximately three and five percent, respectively, due to the improved local economic conditions experienced to date. Home values, however, continue to decline, and the County Assessor has estimated that the city should expect assessed values to decrease by almost 0.2 percent for Fiscal Year 2011-12. New building permits are expected to decrease slightly and the development related revenue items have been adjusted accordingly for Fiscal Year 2011-12.

State of California



In January 2011, California swore in Governor Jerry Brown, who inherited an ongoing budgetary crisis that has been exacerbated by the most severe economic downturn since the Great Depression. The State of California has been in a severe fiscal crisis for a number of years and has relied on a number of dubious strategies to balance its budget, including reliance on one-time revenues, borrowing from various state funds, and raiding city, county and special district funds. Federal and state maintenance of effort requirements, legal constraints and the passage of several State propositions in the November elections have further limited the state's options for addressing the ongoing structural imbalance.

On June 30, 2011 Governor Brown signed the Fiscal Year 2011-12 budget. Within this budget are several items that may impact local agencies. The most significant for the City of Carlsbad are the components that eliminate the statutory authority of redevelopment agencies and that take away funds from public safety programs and vehicle license fees, both of which are being challenged with lawsuits. The elimination of the redevelopment agencies does allow for successor agencies to be formed, but only for servicing existing debt. Any revenues in excess of the required debt repayment will be redistributed to schools and other local agencies based on existing property tax allocation laws. Local agencies can prevent the elimination of their redevelopment agencies by making a remittance payment to the various districts that overlap with their redevelopment agencies; for local agencies, this would amount to approximately \$1.7 billion in 2011-12 and \$400 million in the future years. Also, within the budget is a trigger at the state level to reduce expenditures if estimated revenues fall short of projections. In December 2011, the State's Department of Finance will review this trigger and determine if cuts are needed, which may further impact local agencies. Due to revenue fluctuations, at this time it is anticipated that the State's Fiscal Year 2011-12 budget will be revised in January 2012.

As a result of continued attacks on cities' revenues, a coalition of cities, counties and special districts supported Proposition 22, which was approved by the voters in November 2010. The measure included a provision to stop the Legislature from raiding local government and gas tax funds that are programmed at the local level for vital services. Proposition 22, along with Proposition 1A which was passed in 2004, should provide added protection to local agencies in the future. Also passed in the November election were Propositions 25 and 26. Proposition 25 requires forfeiture of legislative pay if the June 15 Constitutional deadline for passing a budget is missed. This measure provides greater incentive for the timely adoption of the state budget, allowing local governments to include the effects of state decisions in their budgets. Proposition 26 expanded the definition of "tax," leaving state and local governments with less discretion in implementing new revenue sources.

Long-Term Financial Planning

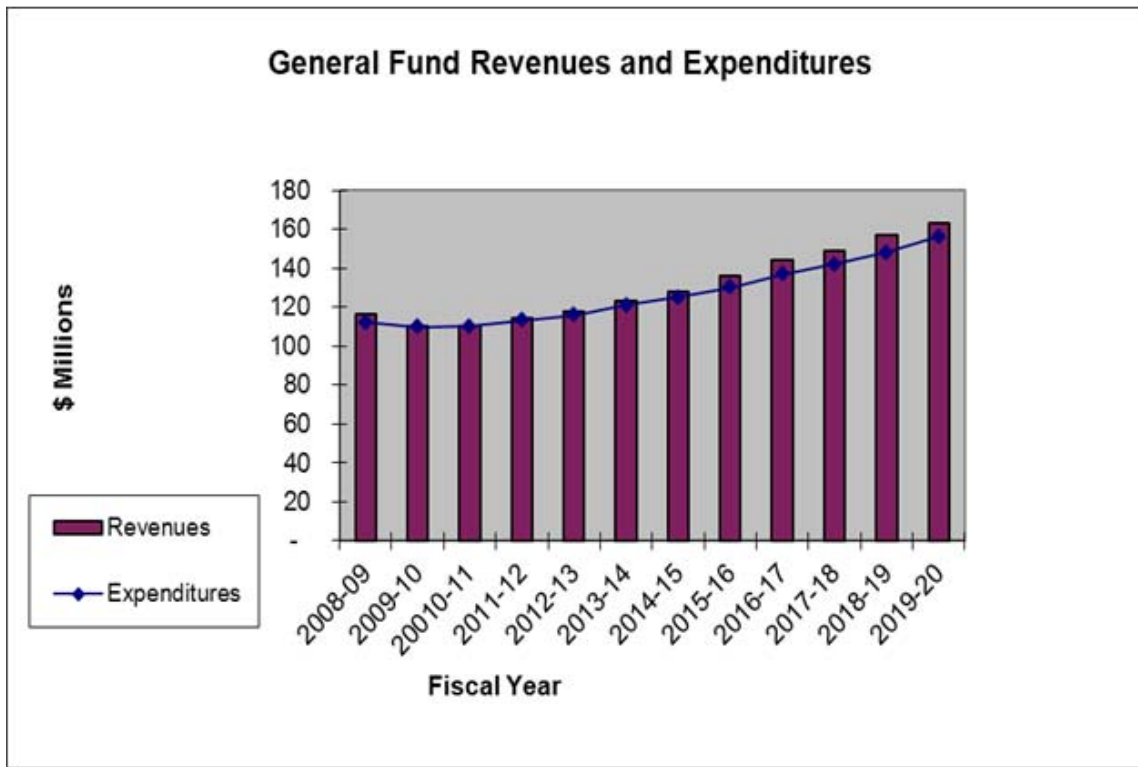
It is the City Council's goal to ensure that the city remains in good financial health, and the city has taken a number of steps to attain this goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed 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 city annually calculates the amounts needed to pay for the various projects as well as the anticipated operating budget impacts from those projects. In this way, the city can anticipate the effects of development from both a capital and an operating perspective.

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 sets aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the city's infrastructure is relatively new; thus, the city is just now beginning to experience the impact of major maintenance requirements. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, as needed, will be performed on streets, parks, and the many facilities for which the city is responsible. For Fiscal Year 2011-12, the City Council approved allocating 6.5 percent of General Fund revenues, or \$7.4 million, to the Infrastructure Replacement Fund.

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 which was revised in Fiscal Year 2010-11. The General Fund Reserve Policy sets a minimum reserve of 30 percent of the General Fund expenditures and also establishes a target reserve of between 40 percent to 50 percent. This reserve can be used by the City Council for emergencies or one-time purposes.

In addition to these steps, the city also prepares a ten-year financial forecast for the General Fund each year, in order to understand the fiscal impact of actions taken today on the city’s future. The current forecast assumes limited growth in residential and commercial development over the next decade and captures the expected revenue impacts from major projects that are expected to be completed during the forecast period. The operating costs of new city facilities supported by the General Fund, such as Alga Norte Park, are also captured in the ten-year forecast. The forecast also assumes that the Carlsbad Crossings Golf Course will require an ongoing subsidy from the General Fund and, while this subsidy is expected to decrease over time, it is no longer treated as a loan.

Economic conditions at the national, state, and local level are expected to continue improving at a modest rate and to provide a boost to most of our major sources of revenue. Home sales, however, are not expected to increase in the next fiscal year and values will continue to subdue property tax receipts. Overall, General Fund revenues are expected to cover ongoing costs in the coming decade, as depicted on the following graph:



The forecast also assumes that General Fund revenues will increase slightly, almost two percent, in Fiscal Year 2011-12, assuming unforeseen events do not derail a tepid economic recovery. To project expenditures, all known changes in personnel and maintenance and operations costs are accounted for. However, the city was still in negotiations with its General Employee association at the time of budget adoption, and the results of those negotiations have not been yet been included in the current ten-year forecast.

The forecast assumes that the city’s cost for employee health care will increase by five percent, annually, over the life of the forecast. Pension plan costs are projected to increase by approximately 1.3 percent for

miscellaneous employees, due primarily to investment losses sustained by CalPERS in Fiscal Year 2008-09 and updated actuarial assumptions. Pension costs for safety employees increase in Fiscal Year 2011-12 by approximately 3.8 percent. The forecast also assumes that \$1.4 million is set aside to stabilize future CalPERS increases or to address unfunded liabilities in both the safety and miscellaneous retirement plans. The forecast further assumes that no new positions are authorized until Fiscal Year 2013-14. Negotiated salary step increases and cost of living increases between 0.5 percent and 3.5 percent have been added to personnel costs. Finally, the forecast includes estimated operating costs for all capital projects in the timeframes shown in the Capital Improvement Program (CIP).

As indicated in the previous graph, the General Fund is balanced for Fiscal Year 2011-12 and modest surpluses are anticipated after that. However, the fragile economic recovery currently underway faces many threats in the coming years and, while the ten-year forecast employs conservative estimates, these modest surpluses could evaporate if the economy stumbles.

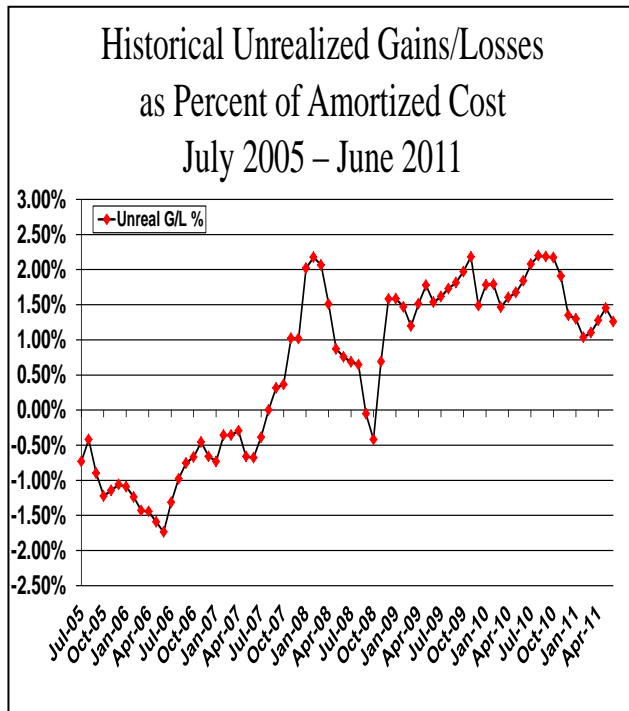
The ability to anticipate changes in revenue sources and to balance those resources against the costs related to ongoing and future programs, services, and infrastructure requirements is critical to the financial health of the city. The city relies on the General Fund forecast to effectively manage fiscal resources and map a sustainable and responsible path for attaining the goals of the community. The tumultuous economic environment experienced in the past few years makes this long-term perspective even more important.

Cash Management

The City Treasurer, an elected official, is charged with the design of an effective cash management and investment program consistent with legal requirements and the city’s Investment Policy. The city annually adopts a comprehensive investment policy specifying investment objectives, such as 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, 2011 was 1.791. The average return realized on the pooled investments declined from 2.52 percent in Fiscal Year 2009-10 to 2.06 percent for Fiscal Year 2010-11, and it is expected to further decline this fiscal year.

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 1.26 percent for Fiscal Year 2010-11. According to the City Treasurer, “It is likely that a downward trend will continue in Fiscal Year 2011-12 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 2011-12 Operating Budget did not provide for additional major initiatives. In the city's Capital Budget, 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** – The park site is located on 32 acres in the Southeast Quadrant along Poinsettia Lane between El Camino Real and Alicante Road. Planned amenities include lighted ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms, parking facilities, and an aquatic center featuring a 56-meter competition pool, a 25-meter 12-lane instruction pool, and a warm water therapy pool and a water play area for toddlers. The swimming pool complex was one of the projects approved by the voters through Proposition C in 2002. Construction is expected to begin in the summer of 2012. The total cost of the park and aquatic center is currently budgeted at \$50.4 million.



- **Leo Carrillo Phase III** – 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 Fiscal Year 2014-15.
- **Poinsettia Park Community Center** – Phase III of this 42-acre park includes amenities such as a community facility, gymnasium, enclosed soccer field, tot lot, picnic areas, tennis complex, clubhouse, stadium court and additional parking. The cost is expected to be approximately \$15 million. The timing of the design is scheduled to begin in Fiscal Year 2013-14.
- **Maintenance and Operations Center** – The city has planned the construction of a Maintenance and Operations Center (M&O Center) to physically bring together the maintenance functions to a single facility. The M&O Center will be located on the available property adjacent to the Fleet Maintenance/Public Safety Center. It is anticipated that the M&O Center will include offices and support space, workshops, outside storage, warehouse and parking to accommodate the city's maintenance personnel. This combined group of maintenance functions includes segments of the Utilities, Transportation, Parks and Recreation, and Property and Environmental Management departments. The cost of the project is approximately \$28.1 million.



- **Relocation of Fire Station No. 3** - Fire Station No. 3 is currently located at the corner of Chestnut and Catalina. As the city grows eastward, relocation of this station is needed to help ensure the six minute response time. The site for the new station is in Robertson Ranch. Total cost is projected at \$9.2 million.
- **Traffic Signal Program** – In keeping with the City Council's goal of improving traffic flow, the Fiscal Year 2011-12 CIP includes funding for the new Traffic Signal Program project. This project will upgrade traffic signal hardware and software in conjunction with the creation of a communications network that will be used to manage traffic signal operations and thereby improve the flow of traffic. A total of \$5.6 million has been included in the CIP with a \$2.3 million appropriation in Fiscal Year 2011-12.
- **Avenida Encinas Widening** - Widening to full secondary arterial standards along Avenida Encinas from Palomar Airport Road to just south of Embarcadero Lane is scheduled for design in Fiscal Year 2012-13. The CIP includes \$5.4 million to fund this project.

- **El Camino Real Widening** – There are a number of projects that are scheduled over the next five years that will focus on the widening of El Camino Real to prime arterial roadway standards. The projects include widening from Cassia Road to Camino Vida Roble, Arenal Road to La Costa Avenue, Lisa Street to Crestview Drive and Tamarack to Chestnut. The total estimated costs for these projects are \$19.5 million.
- **Pavement Management** – 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 Fiscal Year 2011-12 CIP has \$3.7 million budgeted for this program.
- **Poinsettia Lane Reach E** - This project includes completion of the final link along Poinsettia Lane between Cassia Road east to Skimmer Court. The total cost is approximately \$13.9 million and the CIP program funding for design is scheduled for Fiscal Year 2013-14.
- **Vista/Carlsbad Interceptor & Agua 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 Agua 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 \$55.1 million, of which \$17.3 million is to be funded by the City of Carlsbad, with the remainder of \$37.8 million to be funded by the City of Vista.
- **Wastewater** – Other major wastewater facilities scheduled for construction or replacement within the next five years include:
 - Buena Interceptor Sewer Improvements
 - Buena Vista Lift Station Improvements
 - Home Plant Lift Station Replacement and Forcemain
 - Simsbury Sewer Extension
- **Water/Recycled Water Lines** – Major water/recycled water facilities scheduled for construction or replacement within the next five years include:
 - Maerkle Floating Cover Replacement and Pump Station Improvements
 - Tri-Agencies Water Transmission Pipeline Replacement
 - Reservoir Repair/Maintenance Program
 - 12-inch Recycled Water Transmission Main – Carlsbad Water Recycling Facility to Chinquapin
- **Maerkle Reservoir Storage** – Construction of a buried 16 million gallon water storage reservoir next to the existing reservoir is planned in order to provide additional emergency storage and meet the 10-day storage criteria based on ultimate demands. The total cost is estimated at \$14.8 million.
- **Agua Hedionda Channel** – The project includes dredging approximately 40,000 cubic yards of accumulated sediment from the Agua 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 6.53 acres of wetland mitigation. The total estimated cost of the project is \$6.0 million. The funded portion of this project, however, is \$5.5 million, and staff is pursuing grant funding to make up the difference.



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, 2010. This was the thirteenth 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, 2010

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.

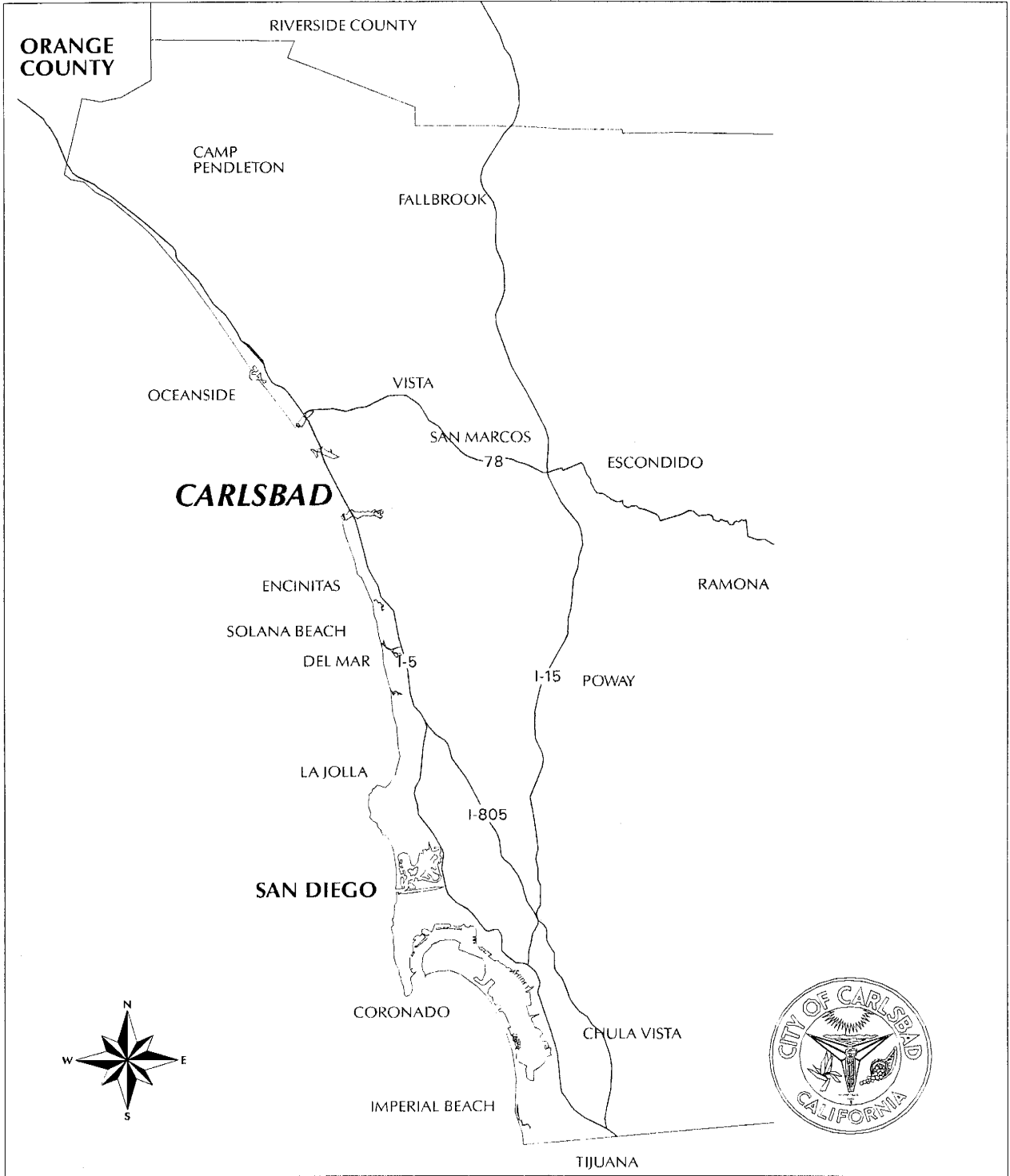


Linda C. Davison

President

Jeffrey R. Egan

Executive Director



CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Matt Hall, Mayor
Ann J. Kulchin, Mayor Pro Tem
Mark Packard, Council Member
Keith Blackburn, Council Member
Farrah Douglas, Council Member

Lorraine M. Wood, City Clerk
Jim Comstock, 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

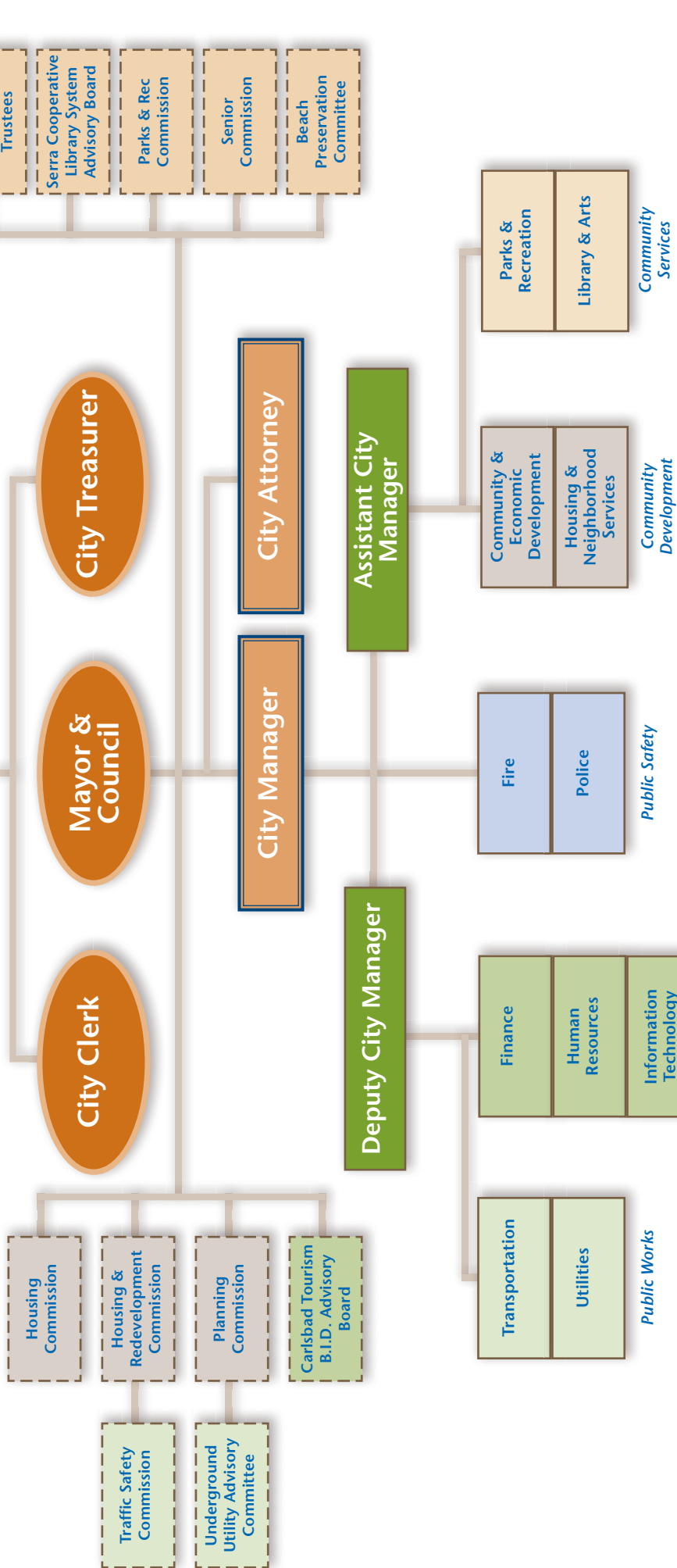
Tina Schmidt	Arts Commission
Matt Rocco	Beach Preservation Committee
Timothy Stripe	Carlsbad Tourism Business Improvement District Board
Raul Diaz	Historic Preservation Commission
Bobbie Smith	Housing Commission
Matt Hall	Housing and Redevelopment Commission
Bob Benson	Library Board of Trustees
Vacant	Parks and Recreation Commission
Vacant	Planning Commission
Jack Nelson	Senior Commission
Vacant	Serra Cooperative Library System Advisory Board
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

City of Carlsbad Organization Chart



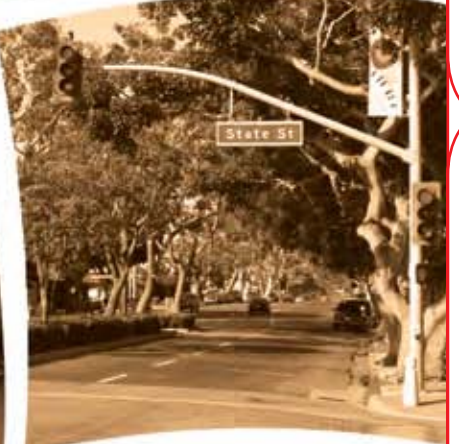
CITY OF
CARLSBAD

ELECTORATE



KEY

- Elected (Orange oval)
- Council Appointed (Blue rectangle)
- Reporting Relationship (Dashed line)
- Programs (White rectangle)



Financial Section

Financial Section

Financial Section



Financial Section



Mayer Hoffman McCann P.C.

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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, 2011, 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, 2011, 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.

As described further in notes 1 and 20 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

As explained further in note 21, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

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.

City Council
City of Carlsbad, California
Page Two

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.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2011 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 M. Conn. P.C.

Irvine, California
November 11, 2011

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, 2011. 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.

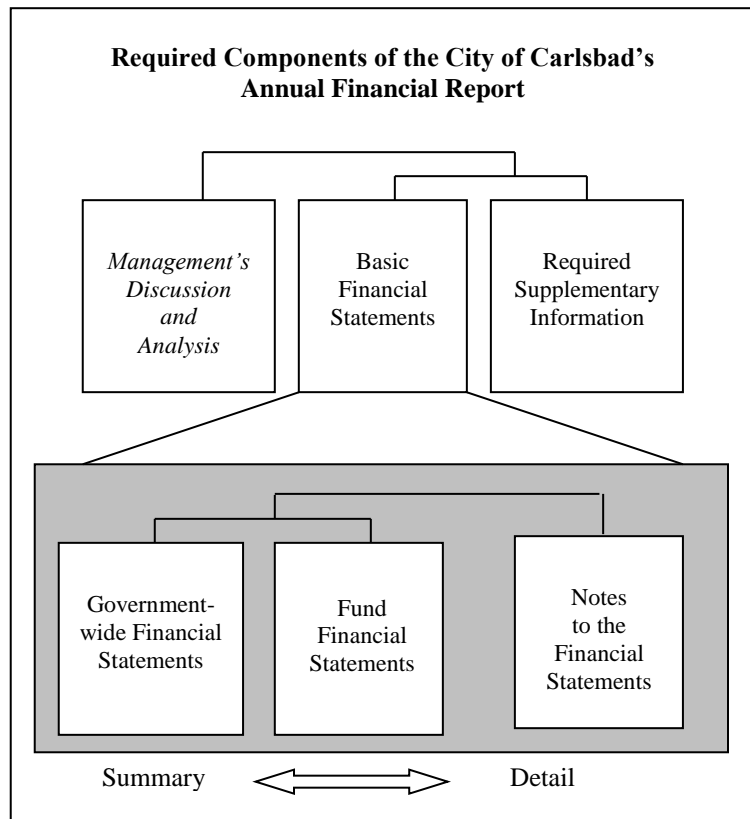
Overview of the Financial Statements

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 internal services, 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 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, solid waste 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, 2011, as shown below, were \$1.7 billion. The city's net assets increased by \$23.8 million during the current fiscal year. Over \$19 million of the increase was in current assets which was the result of revenues exceeding expenditures by over \$26 million.

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.

CITY OF CARLSBAD'S NET ASSETS							
(in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2010	2011	2010	2011	2010	2011	2010-11
Current and other assets	\$523.0	\$538.4	\$90.9	\$95.4	\$613.9	\$633.8	3.2%
Capital assets	778.0	784.6	363.4	358.2	1,141.4	1,142.8	0.1%
Total assets	1,301.0	1,323.0	454.3	453.6	1,755.3	1,776.6	1.2%
Long-term debt outstanding	10.3	10.3	48.4	45.7	58.7	56.0	-4.6%
Other liabilities	16.2	16.4	9.9	10.0	26.1	26.4	1.1%
Total liabilities	26.5	26.7	58.3	55.7	84.8	82.4	-2.8%
Net assets							
Invested in capital assets, net of related debt	767.7	774.3	317.2	314.7	1,084.9	1,089.0	0.4%
Restricted	227.0	237.2	44.2	45.0	271.2	282.2	4.1%
Unrestricted	279.8	284.8	34.6	38.3	314.4	323.1	2.8%
Total net assets	\$1,274.5	\$1,296.3	\$396.0	\$398.0	\$1,670.5	\$1,694.3	1.4%

A large portion of the city's net assets (64 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 is 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 (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$323.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

Just under 49 percent of the \$323.1 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 \$4.1 million during

Fiscal Year 2010-11 due primarily to the receipt of developer donated assets during the year (infrastructure assets in La Costa Greens, Bressi Ranch and Sheraton Resort), and the construction of several storm drain and waterline projects.. A portion of business-type net assets represents the city’s municipal golf course. At the end of Fiscal Year 2010-11, 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 and partially subsidizing the operations of the course.

Changes in Net Assets

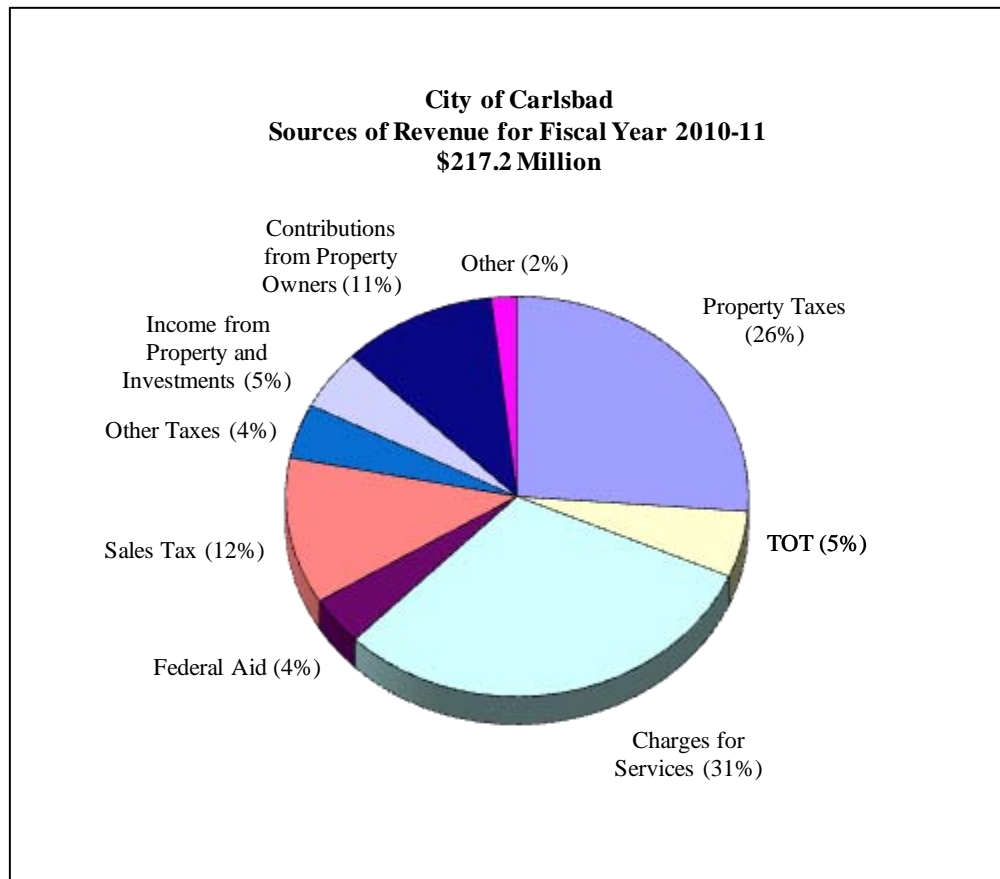
The condensed summary of activities, which follows, shows that net assets increased by \$26.1 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net assets: an emphasis on efficiencies resulting in a reduction in expenses/expenditures; a citywide restructuring initiative that either eliminated or unfunded 17.25 positions; \$18 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.

Approximately 66 percent of the revenues of the city’s governmental funds are generated through taxes collected

CITY OF CARLSBAD'S CHANGES IN NET ASSETS							
(in millions of dollars)							
	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>		<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>2010</u>	<u>2011</u>	<u>Change</u>
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010-11</u>
Revenues							
Program revenues							
Charges for services	\$15.1	\$17.1	\$48.1	\$49.6	\$63.2	\$66.7	5.5%
Operating grants and contributions	11.4	12.0	1.7	1.3	13.1	13.3	1.5%
Capital grants and contributions	32.5	13.6	17.9	5.6	50.4	19.2	-61.9%
General revenues							
Property taxes	55.1	54.0	2.8	2.8	57.9	56.8	-1.9%
Sales and use taxes	23.0	25.7	-	-	23.0	25.7	11.7%
Other taxes	21.0	21.1	-	-	21.0	21.1	0.5%
Income from property and investments	12.5	8.4	3.7	2.1	16.2	10.5	-35.2%
Other	0.4	0.3	0.2	3.6	0.6	3.9	550.0%
Total revenues	171.0	152.2	74.4	65.0	245.4	217.2	-11.5%
Expenses							
General government	23.0	16.9	-	-	23.0	16.9	-26.5%
Public safety	44.4	45.0	-	-	44.4	45.0	1.4%
Community development	18.9	17.0	-	-	18.9	17.0	-10.1%
Community services	18.8	25.1	-	-	18.8	25.1	33.5%
Public works	35.4	25.8	-	-	35.4	25.8	-27.1%
Interest on long-term debt	0.5	0.5	-	-	0.5	0.5	0.0%
Carlsbad Municipal Water District	-	-	33.9	35.0	33.9	35.0	3.2%
Golf course	-	-	11.9	11.5	11.9	11.5	-3.4%
Wastewater	-	-	10.4	11.7	10.4	11.7	12.5%
Solid waste	-	-	2.6	2.6	2.6	2.6	0.0%
Total expenses	141.0	130.3	58.8	60.8	199.8	191.1	-4.4%
Excess (deficiency) before transfers	30.0	21.9	15.6	4.2	45.6	26.1	-42.8%
Transfers	(0.4)	(0.1)	0.4	0.1	-	-	
Increase (decrease) in net assets	29.6	21.8	16.0	4.3	45.6	26.1	-42.8%
Beginning net assets (as restated)	1,244.9	1,274.5	380.0	393.6	1,624.9	1,668.1	2.7%
Ending net assets	\$1,274.5	\$1,296.3	\$396.0	\$397.9	\$1,670.5	\$1,694.2	1.4%

(property, sales, transient occupancy tax, etc.), and just under 76 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.

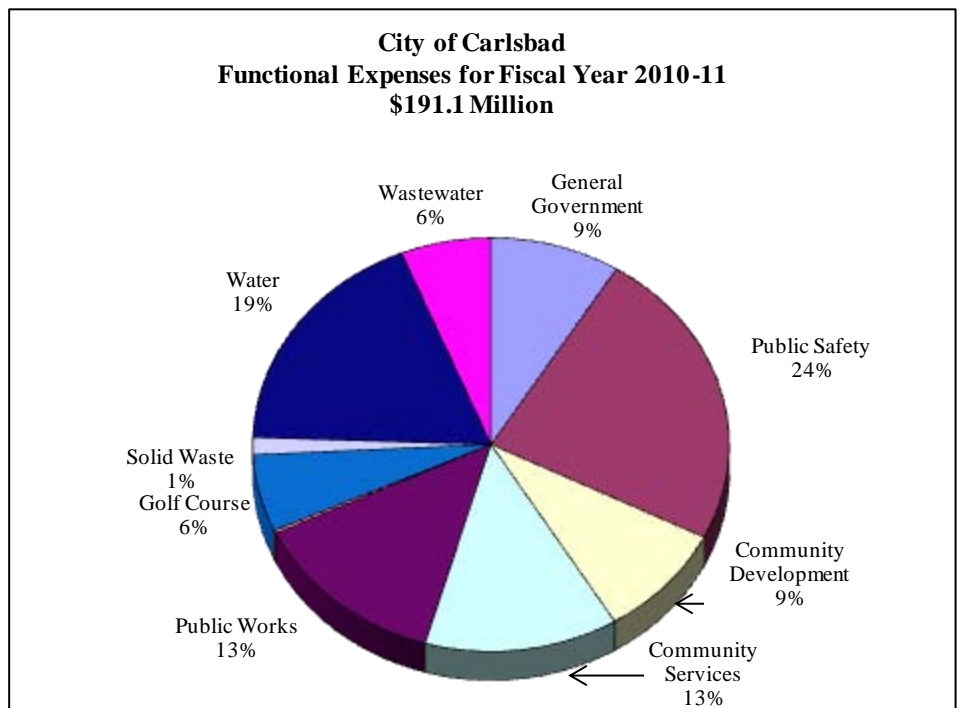
The slight recovery from the great recession has resulted in increases in our leading revenues; sales taxes and transient occupancy taxes. Property taxes tend to be a lagging revenue, meaning they don't rebound as quickly as the leading revenues, which explains the slight decrease in property tax revenues. 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 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 was water and wastewater rate increases that went into effect in January 2011.



The total cost of all programs and services was just over \$191.1 million in Fiscal Year 2010-11. The most significant factor affecting the changes in expenses from Fiscal Year 2009-10 to Fiscal Year 2011 was a city realignment of organization structure to better serve the changing needs of the community as well as to allow for increased efficiencies with fewer resources. Budgets were reallocated among various departments based on personnel tasks assigned to each of the new and continuing departments.

- General Government (9 percent)

This segment of the city is divided into three major groups: the Policy and Leadership group, the Internal Services group and non-departmental charges. The Policy and Leadership group encompasses all elected officials, the chief executive offices for the city, the Communications team and Records Management. The Internal Services group includes Finance, Human Resources, Information Technology, Risk Management, and Property and Environmental Management. Also included in General



Government are any Council directed special projects.

- Public Safety (24 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 (9 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 Land Use Planning, Economic Development, the Hiring Center, Housing and Neighborhood Services, and Building Inspection.

- Community Services (13 percent)

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

- Public Works (13 percent)

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

- Golf Course (6 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 (1 percent)

The Solid Waste Division of the Utilities Department promotes cost-effective solid waste management programs through recycling, source reduction, composting, solid waste transfer, and other non-traditional programs. In addition, solid waste is responsible for the following projects: 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 (19 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 (6 percent)

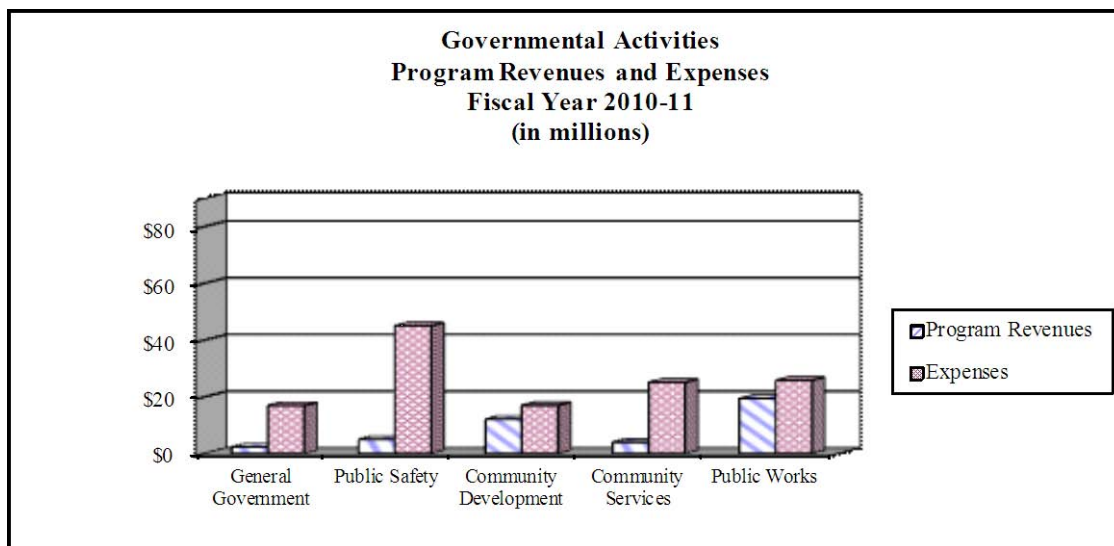
The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad and Vista, the Leucadia Wastewater 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 \$21.8 million. This increase was generated by total revenues of *governmental* activities of \$152.2 million (\$42.7 million in program revenues and \$109.5 million in general revenues) offset by \$130.3 million in total costs of *governmental* activities and a \$135,000 transfer to the Solid Waste Fund.

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).

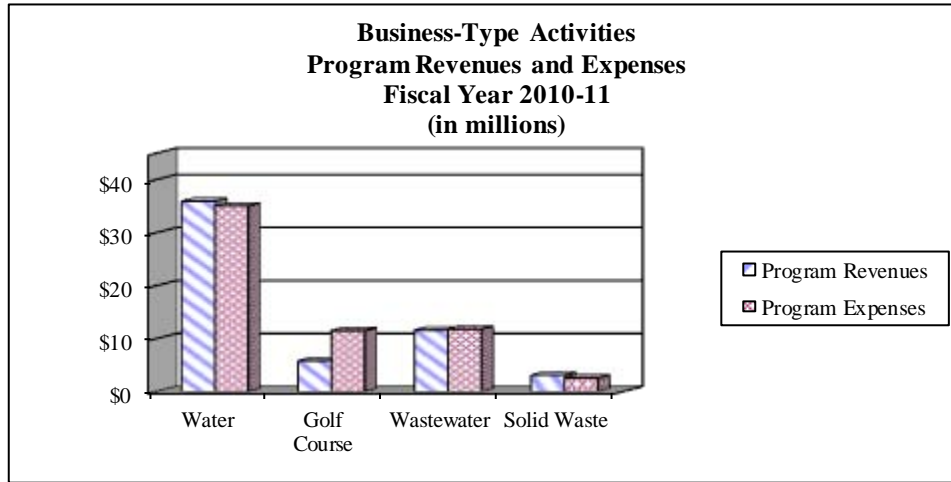


Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$17.1 million), grants and contributions from other governments and organizations which subsidize certain programs (\$25.6 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 \$110 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 has entered 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 are 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 \$56.5 million for the year, while functional expenses equaled \$60.8 million.

Water 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 \$4.1 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 fourth full year of operation. 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 depreciation related to the new golf course assets, resulting in a net loss in just under of \$5.6 million.

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

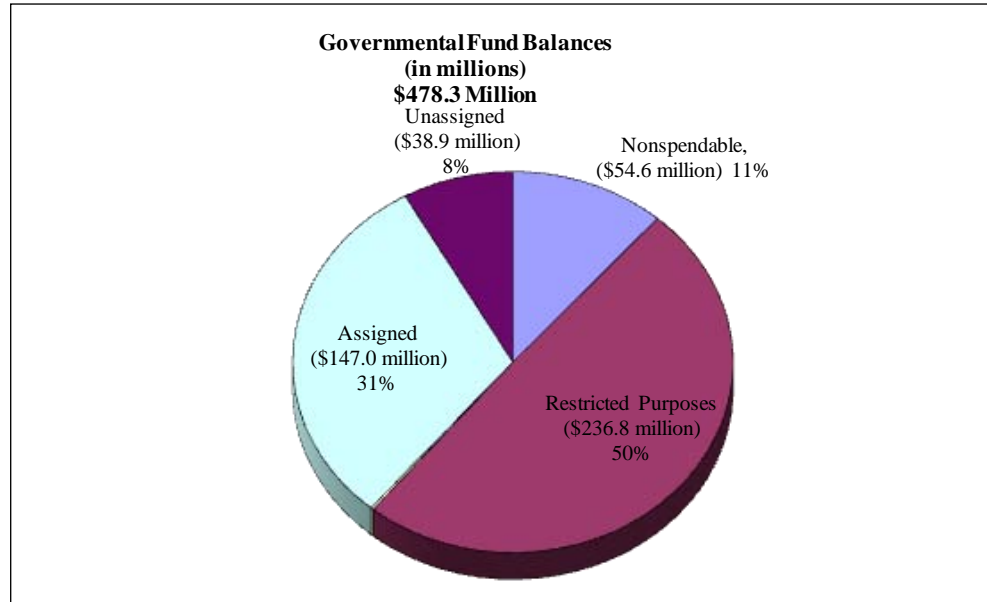
Financial Analysis of the City’s Funds

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), the implementation of Government Accounting Standards Board (GASB) No. 54 resulted in the Community Activity Grants Fund being combined with the General Fund for financial statement presentation.

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, unassigned fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

The city implemented GASB 54 which created five fund balance classifications instead of the three shown in prior years. These new fund balance classifications: nonspendable, restricted, committed, assigned and unassigned, comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detail of the fund balances by classification is shown in Note 11.



As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$478.3 million, up \$13 million from the year before. Approximately 11 percent of this (\$54.6 million) constitutes nonspendable fund balances, mostly comprised of advances to other funds. Restricted fund balances can only be spent for a specific purpose stipulated by law and make up about 50 percent (\$236.8 million). Assigned fund

balances are intended to be used by the city for specific purposes but do not meet the criteria to be classified as restricted or committed. These make up 31 percent (\$147 million) of the city's fund balance. Approximately 8 percent (\$38.9 million) of the fund balance is unassigned which is available for spending at the city council's discretion.

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 \$136 million, an increase of \$6.5 million. The unassigned fund balance portion of the General Fund was \$54.5 million.

The increase in revenues was primarily due to the increases in the leading tax revenues, sales tax and transient occupancy taxes. As the economy began to

GENERAL FUND				
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE				
(in millions of dollars)				
	Total		Increase (Decrease)	Total Percentage Change
	2010	2011	2010-11	
Revenues				
Taxes	\$93.1	\$95.5	\$2.4	2.6%
Intergovernmental	1.7	1.9	0.2	11.8%
Licenses and permits	1.5	1.6	0.1	6.7%
Charges for services	6.7	6.5	(0.2)	-3.0%
Fines and forfeitures	1.1	1.0	(0.1)	-9.1%
Income from property and investments	3.7	2.6	(1.1)	-29.7%
Miscellaneous	1.0	2.5	1.5	150.0%
Total revenues	108.8	111.6	2.8	2.6%
Expenditures				
General government	12.3	18.2	5.9	48.0%
Interdepartmental charges	(4.0)	(3.0)	1.0	-25.0%
Public safety	44.5	44.2	(0.3)	-0.7%
Community development	7.0	9.5	2.5	35.7%
Community services	16.2	23.4	7.2	44.4%
Public works	21.1	9.8	(11.3)	-53.6%
Capital outlay	4.0	0.0	(4.0)	100.0%
Total expenses	101.1	102.1	1.0	1.0%
Excess (deficiency) before transfers	7.7	9.5		
Transfers in	5.3	0.2		
Transfers out	(10.1)	(8.9)		
Increase (decrease) in fund balance	2.9	0.8		
Beginning fund balance (as restated)	125.6	129.6		
Ending fund balance	\$128.5	\$130.4		

show signs of improvement, these revenues improved and resulted in the majority of the increases in the General Fund. Decreases were realized in property taxes, which are lagging revenues, as well as a reduction in the yield on the Treasurer’s portfolio (decreased income from property and investments); and franchise taxes which decreased as a result of a drop in the “in lieu” taxes generated by a decline in the operation of the power plant in Carlsbad.

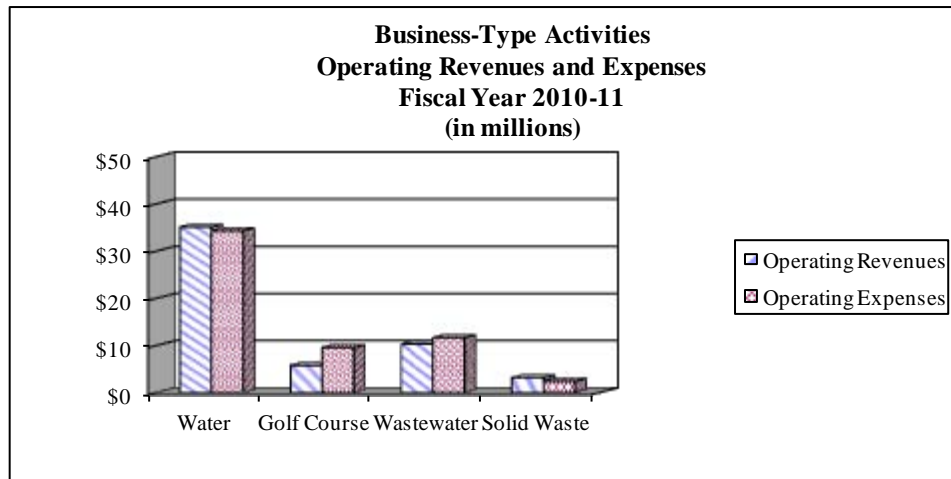
As the city was preparing its 2010-11 Fiscal Year budget, the new organizational structure was incorporated with no increases in department budgets. Positions were eliminated as a result of the realignment process which resulted in a decrease of 17.25 full-time and limited-term positions. Overall the General Fund budget increased by \$300,000. Net decreases in personnel costs were partially offset by increases in maintenance and operation costs. The majority of the increases were in transfers out from the General Fund to other city funds for infrastructure replacement and median maintenance.

One major governmental fund, the Redevelopment Debt Service Fund, had a negative fund balance of just under \$18.7 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 \$20.2 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 \$1.8 million to the Redevelopment Agency Capital Funds to assist with the funding of the operations in the Redevelopment Operating/CIP Funds. These transfers led to a reduction in the fund balance of the Redevelopment Debt Service Funds of just under \$835,000. The General Capital Construction Fund had over \$8.5 million in capital expenditures during the fiscal year which was predominantly for the construction of the Joint First Responders Training Facility and a smaller amount (\$1.4 million) for the Human Capital Management Project. These costs led to a reduction in the General Capital Construction fund balance of just under \$7.4 million.

The three 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 gain of approximately \$747,000 for the year. Impacted by the continued annual increases in water rates (about 14 percent in January 2011), residents continued to conserve water and reduce water consumption by about 7 percent during the year. The State of California has been in a drought for about eight years. The drought, technically speaking, is “officially over” and

most restrictions have been lifted. Consumers are being advised however, to continue to use water wisely and reduce where practical because water in general, is a dwindling resource. Operating revenues of \$35.1 million exceeded operating expenses by \$747,000. The largest factor is the increase in water sales revenue, due to the increased rates. The cost of purchased water from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the District's potable water) continues to increase, and therefore CMWD rates must increase to cover the added cost. Investment earnings on the capital replacement funds and property tax receipts added to the operating gain, resulting in income before transfers and capital contributions of \$3.4 million.

In the fourth year of operation, the Golf Course Fund had an operating loss of \$3.8 million, largely due to depreciating the enterprise's 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 loss of \$1.4 million for the fiscal year. Total revenues from operations decreased \$1.8 million from the previous year; in the previous year the City received a \$2.4 million reimbursement from the City of Vista for their share of a portion of the Vista-Carlsbad Wastewater Interceptor Project. In addition, wastewater operating expenses increased by \$1.2 million. There was a one-time adjustment (\$1.0 million) made to better reflect the value of the City's share of the Encina Wastewater Authority's assets. In addition, depreciation expense increased by \$400,000; a result of new infrastructure added to the sewer system.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports, and showed a net operating income of \$646,000 for the year. Both revenues and expenses were relatively flat when 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 \$38.1 million, or approximately 9.6 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 11.3 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 2011

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 \$961,000 increase in revenue estimates included:

- Several new federal and state grants were applied for and received during the year.
- Funds received from developers for Expedited Fire Plan Check fees.
- Sales tax revenue received as a result a slight recovery in the economy.
- Transfer of funds from a library Special Revenue Fund to the General Fund.

The slight increase from the total original expenditure budget to the final budget amounted to \$64,000, due predominantly to the appropriations of the grant money received and sales tax audit expenses.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$17.5 million can be generally summarized as follows:

- \$17.5 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.
- \$17.5 million in “savings” are planned to be used for:
 - ⇒ The continuation of the human capital management system software upgrade.
 - ⇒ Automated library system upgrade.
 - ⇒ New library catalog search tool.
 - ⇒ Library public copier/printer equipment replacement.
 - ⇒ Innovation projects throughout the city.
 - ⇒ Additional training and development throughout the city.
 - ⇒ Other one-time capital outlay items, as needed, throughout the City.

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 2010-11, 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	Activities	Activities	2010	2011	2010-11	2010-11
	2010	2011	2010	2011	2010	2011	2010-11	2010-11
Land	\$145.3	\$146.7	\$9.3	\$9.3	\$154.6	\$156.0	\$1.4	0.9%
Construction in progress	144.1	156.9	19.2	22.4	163.3	179.3	16.0	9.8%
Buildings and other structures	78.8	78.9	40.2	40.2	119.0	119.1	0.1	0.1%
Improvements other than buildings	45.1	45.4	50.9	50.9	96.0	96.3	0.3	0.3%
Machinery and equipment	26.7	27.1	2.4	2.4	29.1	29.5	0.4	1.4%
Infrastructure	536.0	544.1	286.0	290.4	822.0	834.5	12.5	1.5%
Wastewater treatment facility	-	-	51.8	52.2	51.8	52.2	0.4	0.8%
	976.0	999.1	459.8	467.8	1,435.8	1,466.9	31.1	2.2%
Accumulated depreciation	(198.0)	(214.5)	(99.2)	(109.6)	(297.2)	(324.1)	(26.9)	9.1%
Total	\$778.0	\$784.6	\$360.6	\$358.2	\$1,138.6	\$1,142.8	\$4.2	0.4%

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

- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines and streetlights at:
 - La Costa Greens
 - Bressi Ranch
 - Sheraton Resort and Timeshares
- Several waterline projects.
- Several storm drain projects.

In addition to carrying forward appropriations of \$179.1 million for previously budgeted projects, the city's Fiscal Year 2011-12 capital budget appropriates an additional \$64.7 million for capital projects. These additional appropriations are principally for the pavement management program, Fire Station No. 3 relocation, the city maintenance and operations center, new traffic signals, 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 \$56.0 million in bonds, loans, capital leases and agreements, a decrease of \$2.7 million from last year, as shown in the table below. 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
	2010	2011	2010	2011	2010	2011	Change
Bonds	\$10.3	\$9.7	\$18.0	\$17.7	\$28.3	\$27.4	-3.2%
Loans	-	0.6	25.7	24.2	25.7	24.8	-3.5%
Installment purchase agreement	-	-	4.1	3.4	4.1	3.4	-17.1%
Obligations under capital leases	-	-	0.5	0.3	0.5	0.3	-40.0%
Adjusted By: Deferred charges/discounts	-	-	0.1	0.1	0.1	0.1	100.0%
Total	\$10.3	\$10.3	\$48.4	\$45.7	\$58.7	\$56.0	-4.6%

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2012

- The State of California adopted its Fiscal Year 2011-12 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 2011-12 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.
 - Components that eliminate the statutory authority of redevelopment agencies and take away funds from public safety programs and vehicle license fees.
 - Prop 26 which expanded the definition of "tax", leaving state and local governments with less discretion in implementing new revenue sources.
 - If state revenues fall short of projections there is a trigger to determine if cuts are necessary which could impact local agencies.
- Net assessed values in the city stand at almost \$23.4 billion, a 1 percent decrease from the prior fiscal year.
- Sales tax revenues are projected to continue to rebound slightly with a 3 percent forecasted increase in the Fiscal Year 2011-12 Budget.
- PERS rates for the miscellaneous plan have increased for Fiscal Year 2011-12 from 21.1 percent to 22.3 percent, and have increased significantly from 28.0 percent to 32.1 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 decreased by 8.1 percent from March 2010 (\$681,000) to April 2011 (\$626,000).
- Due to recent indicators that the economy is slowly recovering from the recession, forecasted revenues for sales taxes and transient occupancy taxes 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 \$62 per pay period increase in their education incentive effective January 1, 2012. For the Carlsbad City Employees' Association (CCEA), the Employer Paid Member Contribution (EPMC) paid by the city will decrease from 7 percent to 3.5 percent effective December 1, 2011 and from 3.5 percent to 0 percent effective December 1, 2012. The management employees will receive a 3 percent salary increase effective December 1, 2011 and the Employer Paid Member Contribution (EPMC) paid by the city will decrease from 7 percent to 3.5 percent effective December 1, 2011. The Carlsbad Firefighters' Association is currently negotiating a new contract, with the expiration of their existing contract on December 31, 2011.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2011-12. Budgeted expenditures are expected to increase 2.2 percent to \$111.8 million. The total personnel budget for Fiscal Year 2011-12 is \$72.8 million, which is 0.4 percent more than the previous year's personnel budget of \$72.5 million. The total maintenance and operations budget for Fiscal Year 2011-12 is \$29.4 million, which is 0.3 percent higher than the previous year's budget of \$29.3 million. There is \$110,000 in major capital outlay purchases planned in the General Fund for Fiscal Year 2011-12. Operating transfers out of the General Fund are budgeted at \$9.5 million, a \$1.9 million increase from the prior fiscal year. This is due to the city budgeting a \$1.4 million transfer to the Golf Course Enterprise Fund. Adding to the adopted budget of \$111.8 million for the General Fund, approximately \$17.5 million in unspent Fiscal Year 2010-11 budgeted expenditures will be carried over to Fiscal Year 2011-12, as well as \$6.1 million in open encumbrances as of June 30, 2011.

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 2011-12 Operating Budget, the city has budgeted a \$7.4 million transfer from the General Fund to the IRF to meet future needs.

During the current fiscal year, the Unassigned fund balance in the General Fund increased by \$3 million to \$54.5 million due to fiscal discipline and the elimination and/or unfunding of 17.25 positions. Based on Fiscal Year 2011-12 projections, unassigned General Fund balance is expected to grow to \$55 million.

There appears to be sufficient revenue projected to build the projects listed in the Fiscal Year 2011-12 Capital Improvement Program (CIP).

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

- The combined fixed and variable costs of water purchased from the San Diego County Water Authority are projected to rise about 18 percent and 9 percent respectively in Fiscal Year 2011-12. In December 2011, a public hearing will be held to determine how much water rates will increase effective January 1, 2012. The proposed rate increases are needed to fund the additional cost of purchased water, and to maintain an adequate reserve balance.
- Proposed wastewater rate increases will also be discussed during the public hearing to be held in December 2011. If approved, these rates would be effective January 1, 2012. This proposed rate increase is needed to assist with 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 2011 budget reflects a projected operating loss of over \$1.4 million. This projected deficit will require additional transfers from the city's General Fund during the calendar year.
- There are 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, 2011

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 462,838,542	\$ 136,496,056	\$ 599,334,598
Receivables:			
Taxes	6,038,818	22,447	6,061,265
Accounts, net	165,342	6,384,889	6,550,231
Other	685,735	43,408	729,143
Due from other governments	270,873	4,134,210	4,405,083
Inventories	163,681	807,214	970,895
Prepaid items	480,291	17,140	497,431
Loan and reimbursement receivables	14,487,685	437,510	14,925,195
Deferred charges	-	356,483	356,483
Internal balances	53,259,281	(53,259,281)	-
Subtotal	538,390,248	95,440,076	633,830,324
Capital assets:			
Land	146,667,916	9,318,388	155,986,304
Construction in progress	156,879,839	22,398,596	179,278,435
Buildings and other structures	78,861,936	40,174,429	119,036,365
Improvements other than buildings	45,458,749	50,856,805	96,315,554
Machinery and equipment	27,055,545	2,418,124	29,473,669
Infrastructure	544,139,621	290,428,237	834,567,858
Wastewater treatment facility	-	52,143,129	52,143,129
Less accumulated depreciation	(214,478,236)	(109,560,697)	(324,038,933)
Total capital assets	784,585,370	358,177,011	1,142,762,381
Total assets	\$ 1,322,975,618	\$ 453,617,087	\$ 1,776,592,705

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

CITY OF CARLSBAD

Statement of Net Assets (Continued)

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 7,886,432	\$ 1,668,295	\$ 9,554,727
Accrued interest payable	170,980	452,591	623,571
Due to other governments	361	6,366,429	6,366,790
Estimated claims payable	6,037,635	-	6,037,635
Deposits payable	901,552	1,081,856	1,983,408
Unearned revenue	1,336,140	447,510	1,783,650
Noncurrent liabilities:			
Due within one year, net of deferred charges (\$46,165) and unamortized premiums (\$9,895)	540,000	2,784,580	3,324,580
Due in more than one year, net of deferred charges (\$109,292) and unamortized premiums (\$242,161)	9,776,412	42,893,062	52,669,474
Total liabilities	26,649,512	55,694,323	82,343,835
NET ASSETS			
Invested in capital assets, net of related debt	774,268,958	314,691,400	1,088,960,358
Restricted for:			
Capital assets	184,418,720	44,953,714	229,372,434
Affordable, low and moderate income housing	40,004,891	-	40,004,891
Habitat and agricultural mitigation management	5,377,048	-	5,377,048
Other purposes	7,431,667	-	7,431,667
Unrestricted	284,824,822	38,277,650	323,102,472
Total net assets	\$ 1,296,326,106	\$ 397,922,764	\$ 1,694,248,870

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,906,606	\$ 1,792,576	\$ 1,116,505	\$ 2,710
Public safety	45,010,724	4,502,275	399,494	57,730
Community development	17,043,422	4,332,359	7,239,190	513,598
Community services	25,136,052	2,933,737	754,671	318,423
Public works	25,759,332	3,567,458	2,523,240	12,664,059
Interest and fiscal charges on long-term debt	452,606	-	-	-
Total governmental activities	130,308,742	17,128,405	12,033,100	13,556,520
Business-type activities:				
Carlsbad Municipal Water District	34,977,482	30,714,858	1,149,762	4,077,193
Golf course	11,538,481	5,849,700	-	-
Wastewater	11,751,002	10,052,564	39,468	1,562,915
Solid waste	2,565,469	3,015,394	73,818	-
Total business-type activities	60,832,434	49,632,516	1,263,048	5,640,108
Total primary government	\$ 191,141,176	\$ 66,760,921	\$ 13,296,148	\$ 19,196,628

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 (as restated)
 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
\$ (13,994,815)	\$ -	\$ (13,994,815)
(40,051,225)	-	(40,051,225)
(4,958,275)	-	(4,958,275)
(21,129,221)	-	(21,129,221)
(7,004,575)	-	(7,004,575)
(452,606)	-	(452,606)
<u>(87,590,717)</u>	<u>-</u>	<u>(87,590,717)</u>
-	964,331	964,331
-	(5,688,781)	(5,688,781)
-	(96,055)	(96,055)
-	523,743	523,743
<u>-</u>	<u>(4,296,762)</u>	<u>(4,296,762)</u>
<u>(87,590,717)</u>	<u>(4,296,762)</u>	<u>(91,887,479)</u>
54,049,480	2,779,272	56,828,752
25,659,891	-	25,659,891
11,568,576	-	11,568,576
4,649,535	-	4,649,535
3,581,368	-	3,581,368
910,975	-	910,975
483,273	-	483,273
8,371,695	2,109,112	10,480,807
327,620	3,599,551	3,927,171
(134,790)	134,790	-
<u>109,467,623</u>	<u>8,622,725</u>	<u>118,090,348</u>
21,876,906	4,325,963	26,202,869
<u>1,274,449,200</u>	<u>393,596,801</u>	<u>1,668,046,001</u>
<u>\$ 1,296,326,106</u>	<u>\$ 397,922,764</u>	<u>\$ 1,694,248,870</u>

CITY OF CARLSBAD

Balance Sheet
 Governmental Funds
 June 30, 2011

	General Fund	Redevelopment Debt Service	Community Facilities District No. 1	General Capital Construction
ASSETS				
Cash and investments	\$ 78,530,155	\$ 1,540,216	\$ 60,551,609	\$ 62,142,784
Receivables:				
Taxes	5,976,784	49,345	353	-
Other	522,437	-	-	-
Accounts, net	67,775	-	-	-
Due from other governments	31,543	-	-	-
Inventories	17,042	-	-	-
Prepaid items	22,715	-	-	-
Loans receivable	114,863	-	-	-
Advances to other funds	75,310,009	-	2,768,506	261,569
Total assets	\$ 160,593,323	\$ 1,589,561	\$ 63,320,468	\$ 62,404,353
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 2,216,142	\$ -	\$ 40,333	\$ 680,233
Deposits payable	93,814	-	-	-
Due to other governments	361	-	-	-
Advances from other funds	-	20,247,633	-	-
Unearned/deferred revenue	22,222,526	-	-	100,966
Total liabilities	24,532,843	20,247,633	40,333	781,199
Fund balances:				
Nonspendable	53,943,058	-	-	250,000
Restricted	-	-	63,280,135	-
Committed	1,000,000	-	-	-
Assigned	23,584,212	-	-	61,373,154
Unassigned	57,533,210	(18,658,072)	-	-
Total fund balances (deficit)	136,060,480	(18,658,072)	63,280,135	61,623,154
Total liabilities and fund balances	\$ 160,593,323	\$ 1,589,561	\$ 63,320,468	\$ 62,404,353

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

Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 62,136,132	\$ 46,368,238	\$ 119,363,372	\$ 430,632,506
-	-	12,336	6,038,818
-	-	163,298	685,735
-	-	41,226	109,001
-	-	239,330	270,873
-	-	-	17,042
-	-	433,011	455,726
-	-	14,372,822	14,487,685
-	4,550,000	3,061,660	85,951,744
<u>\$ 62,136,132</u>	<u>\$ 50,918,238</u>	<u>\$ 137,687,055</u>	<u>\$ 538,649,130</u>

\$ 36,645	\$ 53,511	\$ 669,368	\$ 3,696,232
-	-	806,738	900,552
-	-	-	361
-	-	12,276,741	32,524,374
-	-	846,744	23,170,236
<u>36,645</u>	<u>53,511</u>	<u>14,599,591</u>	<u>60,291,755</u>

-	-	433,011	54,626,069
-	50,864,727	122,654,453	236,799,315
-	-	-	1,000,000
62,099,487	-	-	147,056,853
-	-	-	38,875,138
<u>62,099,487</u>	<u>50,864,727</u>	<u>123,087,464</u>	<u>478,357,375</u>
<u>\$ 62,136,132</u>	<u>\$ 50,918,238</u>	<u>\$ 137,687,055</u>	<u>\$ 538,649,130</u>

CITY OF CARLSBAD

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

Total fund balances - governmental funds. \$ 478,357,375

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	777,926,022
Internal service funds	6,659,348
Total capital assets	784,585,370

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	28,864,094
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(168,089)
Internal service fund net assets included as part of total capital assets	(6,659,348)
Internal service fund net assets less capital assets	22,036,657

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

(170,980)

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.

21,594,801

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

239,295

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

Governmental funds	(10,316,412)
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Net assets of governmental activities.

\$1,296,326,106

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, 2011

	General Fund	Redevelopment Debt Service	Community Facilities District No. 1
Revenues:			
Taxes	\$ 95,506,105	\$ 2,820,708	\$ 2,114,078
Intergovernmental	1,922,714	-	-
Licenses and permits	1,590,285	-	-
Charges for services	6,461,781	-	-
Fines and forfeitures	1,001,461	-	-
Income from property and investments	2,233,595	-	796,354
Contributions from property owners	-	-	59,786
Donations	-	-	-
Miscellaneous	2,467,662	-	-
Total revenues	111,183,603	2,820,708	2,970,218
Expenditures:			
Current:			
General government	16,513,394	-	140,667
Less: interdepartmental charges	(3,015,095)	-	-
Public safety	43,895,969	-	-
Community development	7,709,282	366,841	-
Community services	22,291,723	-	-
Public works	8,572,856	-	-
Capital outlay	-	-	2,572,424
Debt service:			
Principal retirement	-	515,000	-
Interest and fiscal charges	-	935,316	-
Total expenditures	95,968,129	1,817,157	2,713,091
Excess (deficiency) of revenues over (under) expenditures	15,215,474	1,003,551	257,127
Other financing sources (uses):			
Transfers in	185,094	-	-
Transfers out	(8,913,640)	(1,838,000)	-
Issuance of debt	-	-	-
Total other financing sources (uses)	(8,728,546)	(1,838,000)	-
Net change in fund balances	6,486,928	(834,449)	257,127
Fund balances (deficits) at beginning of year (as restated)	129,573,552	(17,823,623)	63,023,008
Fund balances (deficits) at end of year	<u>\$ 136,060,480</u>	<u>\$ (18,658,072)</u>	<u>\$ 63,280,135</u>

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

General Capital Construction	Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,218,929	\$ 103,659,820
-	-	-	10,923,894	12,846,608
-	-	-	-	1,590,285
-	-	-	3,475,846	9,937,627
-	-	-	49,473	1,050,934
801,005	948,424	624,032	3,874,349	9,277,759
-	-	2,314,260	3,099,331	5,473,377
-	-	-	310,343	310,343
-	-	-	53,546	2,521,208
<u>801,005</u>	<u>948,424</u>	<u>2,938,292</u>	<u>25,005,711</u>	<u>146,667,961</u>
-	-	12,466	270,342	16,936,869
-	-	-	-	(3,015,095)
-	-	-	260,544	44,156,513
-	-	-	8,904,372	16,980,495
-	-	-	268,195	22,559,918
-	-	-	4,505,421	13,078,277
8,542,813	811,806	1,508,911	7,549,514	20,985,468
-	-	-	-	515,000
-	-	-	-	935,316
<u>8,542,813</u>	<u>811,806</u>	<u>1,521,377</u>	<u>21,758,388</u>	<u>133,132,761</u>
<u>(7,741,808)</u>	<u>136,618</u>	<u>1,416,915</u>	<u>3,247,323</u>	<u>13,535,200</u>
350,000	7,175,000	-	2,091,850	9,801,944
-	-	-	(185,094)	(10,936,734)
-	-	-	581,412	581,412
<u>350,000</u>	<u>7,175,000</u>	<u>-</u>	<u>2,488,168</u>	<u>(553,378)</u>
<u>(7,391,808)</u>	<u>7,311,618</u>	<u>1,416,915</u>	<u>5,735,491</u>	<u>12,981,822</u>
<u>69,014,962</u>	<u>54,787,869</u>	<u>49,447,812</u>	<u>117,351,973</u>	<u>465,375,553</u>
<u>\$ 61,623,154</u>	<u>\$ 62,099,487</u>	<u>\$ 50,864,727</u>	<u>\$ 123,087,464</u>	<u>\$ 478,357,375</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, 2011**

Net change in fund balances - total governmental funds. \$ 12,981,822

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	17,676,434
Depreciation expense	(15,777,260)

Governmental funds do not reflect the donation of capital assets as revenues. 5,239,670

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. (89,827)

The issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.

(66,412)

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.

9,013

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

1,542,746

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

33,585

The net revenue of activities of internal service funds is reported with governmental activities.

230,709

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

96,426

Change in net assets of governmental activities.

\$ 21,876,906

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, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 92,833,000	\$ 95,009,000	\$ 95,506,105	\$ 497,105
Intergovernmental	1,745,000	1,654,000	1,922,714	268,714
Licenses and permits	1,383,000	1,450,000	1,590,285	140,285
Charges for services	6,614,000	5,954,000	6,461,781	507,781
Fines and forfeitures	1,123,000	977,000	1,001,461	24,461
Income from property and investments	2,916,000	2,532,000	2,635,179	103,179
Miscellaneous	987,000	986,000	2,467,662	1,481,662
Total revenues	107,601,000	108,562,000	111,585,187	3,023,187
Expenditures:				
Current:				
General government	32,498,014	32,927,878	18,158,687	(14,769,191)
Less: interdepartmental charges	(2,786,000)	(2,786,000)	(3,015,095)	(229,095)
Public safety	45,581,624	45,265,592	44,229,166	(1,036,426)
Community development	10,698,375	10,926,412	9,521,349	(1,405,063)
Community services	25,791,173	25,879,100	23,338,970	(2,540,130)
Public works	11,525,269	11,159,417	9,803,510	(1,355,907)
Total expenditures	123,308,455	123,372,399	102,036,587	(21,335,812)
Excess (deficiency) of revenues over (under) expenditures	(15,707,455)	(14,810,399)	9,548,600	24,358,999
Other financing sources (uses):				
Transfers in	-	-	185,094	185,094
Transfers out	(7,635,850)	(8,985,850)	(8,913,640)	72,210
Total other financing sources (uses)	(7,635,850)	(8,985,850)	(8,728,546)	257,304
Net change in fund balances	(23,343,305)	(23,796,249)	820,054	\$ 24,616,303
Fund balance at beginning of year (as restated)	129,573,552	129,573,552	129,573,552	
Fund balance at end of year	<u>\$ 106,230,247</u>	<u>\$ 105,777,303</u>	<u>\$ 130,393,606</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, 2011

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 111,585,187
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>(401,584)</u>
	<u>\$ 111,183,603</u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 102,036,587
Differences - budget to GAAP: Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(6,068,458)</u>
	<u>\$ 95,968,129</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, 2011

ASSETS	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	\$ 74,379,237	\$ 834,026	\$ 49,427,526
Receivables:			
Taxes	22,447	-	-
Accounts, net	4,569,269	34,303	1,387,579
Due from other governments	392,924	-	3,741,286
Inventories	563,545	240,959	2,710
Prepaid items	17,140	-	-
Total current assets	79,944,562	1,109,288	54,559,101
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	-	356,483	-
Loans and reimbursement receivables	-	-	437,510
Subtotal	-	1,616,916	1,412,516
Capital assets:			
Land	1,905,206	4,841,667	2,571,515
Construction in progress	9,562,140	-	12,836,456
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	955,098	1,170,745	292,281
Infrastructure	198,144,695	-	92,283,542
Wastewater treatment facility	-	-	52,143,129
Less accumulated depreciation	(45,629,804)	(10,641,410)	(53,289,483)
Total capital assets (net of accumulated depreciation)	187,490,904	57,985,068	112,701,039
Total noncurrent assets	187,490,904	59,601,984	114,113,555
Total assets	\$ 267,435,466	\$ 60,711,272	\$ 168,672,656

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ 9,663,236	\$ 134,304,025	\$ 32,206,036
-	22,447	-
393,738	6,384,889	56,341
-	4,134,210	-
-	807,214	146,639
-	17,140	24,565
<u>10,056,974</u>	<u>145,669,925</u>	<u>32,433,581</u>
-	2,192,031	-
-	43,408	-
-	356,483	-
-	437,510	-
-	<u>3,029,432</u>	-
-	9,318,388	-
-	22,398,596	-
-	40,174,429	-
-	50,856,805	-
-	2,418,124	18,646,968
-	290,428,237	-
-	52,143,129	-
-	(109,560,697)	(11,987,620)
-	<u>358,177,011</u>	<u>6,659,348</u>
-	<u>361,206,443</u>	<u>6,659,348</u>
<u>\$ 10,056,974</u>	<u>\$ 506,876,368</u>	<u>\$ 39,092,929</u>

(Continued)

CITY OF CARLSBAD

Statement of Net Assets
 Proprietary Funds (Continued)
 June 30, 2011

LIABILITIES	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Current liabilities:			
Accrued liabilities	\$ 577,803	\$ 379,722	\$ 290,821
Accrued interest payable	116,651	264,083	71,857
Due to other governments	4,213,797	-	2,152,632
Estimated claims payable	-	-	-
Current portion of long-term debt, net of deferred charges of \$46,165 and unamortized premiums of \$9,895	1,459,684	591,061	733,835
Deposits payable	159,738	496,917	425,201
Total current liabilities	6,527,673	1,731,783	3,674,346
Noncurrent liabilities:			
Advance from other funds	-	53,427,370	-
Deferred revenue	-	-	447,510
Loans payable	22,830,193	-	-
Revenue bonds payable, net of unamortized premiums of \$242,161	-	17,587,161	-
Installment purchase agreement, net of deferred charges of \$109,292	-	-	2,475,708
Total noncurrent liabilities	22,830,193	71,014,531	2,923,218
Total liabilities	29,357,866	72,746,314	6,597,564
NET ASSETS			
Invested in capital assets, net of related debt	163,201,027	41,045,171	110,445,202
Restricted for:			
Capital assets	23,141,197	-	21,812,517
Unrestricted	51,735,376	(53,080,213)	29,817,373
Total net assets	\$ 238,077,600	\$ (12,035,042)	\$ 162,075,092

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
Solid	Totals	Activities -
Waste		Internal
		Service
		Funds
\$ 419,949	\$ 1,668,295	\$ 4,190,200
-	452,591	-
-	6,366,429	-
-	-	6,037,635
-	2,784,580	-
-	1,081,856	1,000
<u>419,949</u>	<u>12,353,751</u>	<u>10,228,835</u>
-	53,427,370	-
-	447,510	-
-	22,830,193	-
-	17,587,161	-
-	2,475,708	-
-	96,767,942	-
<u>419,949</u>	<u>109,121,693</u>	<u>10,228,835</u>
-	314,691,400	6,659,348
-	44,953,714	-
<u>9,637,025</u>	<u>38,109,561</u>	<u>22,204,746</u>
<u>\$ 9,637,025</u>	<u>397,754,675</u>	<u>\$ 28,864,094</u>
	<u>168,089</u>	
	<u>\$ 397,922,764</u>	

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Assets
 Proprietary Funds
 For the Year Ended June 30, 2011

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 30,053,693	\$ -	\$ -
Wastewater service charges	-	-	9,952,563
Golf course operations	-	5,849,700	-
Other charges for services	661,165	-	100,001
Miscellaneous	4,361,090	-	275,737
Total operating revenues	35,075,948	5,849,700	10,328,301
Operating expenses:			
Encina plant operations	662,306	-	3,017,692
Purchased water	15,149,054	-	-
Golf course operations	-	6,169,541	-
Depreciation	4,283,365	3,477,728	2,644,557
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	14,233,842	-	6,066,188
Total operating expenses	34,328,567	9,647,269	11,728,437
Operating income (loss)	747,381	(3,797,569)	(1,400,136)
Nonoperating revenues (expenses):			
Income from property and investments	1,191,082	92,758	696,982
Interest expense and fees	(594,271)	(1,891,212)	(2,203)
Gain (loss) on sale of property	49,698	-	1,105
Property taxes	2,779,272	-	-
Total nonoperating revenues (expenses)	3,425,781	(1,798,454)	695,884
Income (loss) before transfers and capital contributions	4,173,162	(5,596,023)	(704,252)
Transfers in	-	-	-
Capital contributions:			
Capital restricted fees	971,184	-	622,325
Developer constructed assets	3,106,009	-	940,590
Other	-	-	-
Change in net assets	8,250,355	(5,596,023)	858,663
Total net assets at beginning of year (as restated)	229,827,245	(6,439,019)	161,216,429
Total net assets (deficit) at end of year	<u>\$ 238,077,600</u>	<u>\$ (12,035,042)</u>	<u>\$ 162,075,092</u>

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
<u>Solid Waste</u>	<u>Totals</u>	Activities - Internal Service Funds
\$ -	\$ 30,053,693	\$ -
-	9,952,563	-
-	5,849,700	-
3,015,394	3,776,560	15,086,526
174,969	4,811,796	205,104
<u>3,190,363</u>	<u>54,444,312</u>	<u>15,291,630</u>
-	3,679,998	-
-	15,149,054	-
-	6,169,541	-
-	10,405,650	1,615,256
-	-	1,271,929
-	-	5,565,203
-	-	233,856
2,544,049	22,844,079	7,864,616
<u>2,544,049</u>	<u>58,248,322</u>	<u>16,550,860</u>
646,314	(3,804,010)	(1,259,230)
128,290	2,109,112	361,674
-	(2,487,686)	-
-	50,803	59,821
-	2,779,272	-
<u>128,290</u>	<u>2,451,501</u>	<u>421,495</u>
774,604	(1,352,509)	(837,735)
134,790	134,790	1,000,000
-	1,593,509	-
-	4,046,599	-
-	-	68,444
909,394	4,422,389	230,709
<u>8,727,631</u>	<u>393,596,801</u>	<u>28,633,385</u>
<u>\$ 9,637,025</u>	<u>398,019,190</u>	<u>\$ 28,864,094</u>
	<u>(96,426)</u>	
	<u>\$ 397,922,764</u>	

CITY OF CARLSBAD

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2011

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 30,447,666	\$ 5,837,999	\$ 9,984,434
Payments to suppliers	(24,770,566)	(6,117,629)	(5,150,991)
Payments to employees	(4,023,758)	-	(1,945,073)
Internal activity - payments to other funds	(2,085,155)	-	(843,895)
Claims and premiums paid	-	-	-
Other receipts (payments)	4,361,090	-	261,612
Increase (decrease) in deposits payable	(17,358)	36,199	30,685
Net cash provided by operating activities	3,911,919	(243,431)	2,336,772
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from (to) other funds	-	-	-
Advances from (to) other funds	-	1,640,000	-
Net cash provided (used) by capital and related financing activities	-	1,640,000	-
Cash flows from capital and related financing activities:			
Capital restricted fees	971,184	-	622,325
Purchase of capital assets	(425,483)	-	(2,736,793)
Gross proceeds from the sale of capital assets	52,165	-	1,961
Principal paid on capital debt	(1,425,154)	(551,042)	(740,000)
Interest and other fees paid	(610,857)	(828,431)	(195,507)
Property taxes received	2,778,323	-	-
Net cash (used in) capital and related financing activities	1,340,178	(1,379,473)	(3,048,014)
Cash flows from investing activities:			
Interest on investments	1,191,082	92,758	696,982
Net increase (decrease) in cash and cash equivalents	6,443,179	109,854	(14,260)
Cash and cash equivalents at beginning of year	67,936,058	1,962,497	49,441,786
Cash and cash equivalents at end of year	\$ 74,379,237	\$ 2,072,351	\$ 49,427,526

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>
\$ 3,025,642	\$ 49,295,741	\$ 15,033,519
(1,148,662)	(37,187,848)	(4,286,796)
(1,118,946)	(7,087,777)	(4,159,156)
(301,006)	(3,230,056)	(985,636)
-	-	(3,463,252)
174,969	4,797,671	205,104
-	49,526	-
<u>631,997</u>	<u>6,637,257</u>	<u>2,343,783</u>
134,790	134,790	1,000,000
(680,219)	959,781	-
<u>(545,429)</u>	<u>1,094,571</u>	<u>1,000,000</u>
-	1,593,509	-
-	(3,162,276)	(1,122,068)
-	54,126	68,169
-	(2,716,196)	-
-	(1,634,795)	-
-	2,778,323	-
<u>-</u>	<u>(3,087,309)</u>	<u>(1,053,899)</u>
<u>128,290</u>	<u>2,109,112</u>	<u>361,674</u>
214,858	6,753,631	2,651,558
<u>9,448,378</u>	<u>128,788,719</u>	<u>29,554,478</u>
<u>\$ 9,663,236</u>	<u>\$ 135,542,350</u>	<u>\$ 32,206,036</u>

(Continued)

CITY OF CARLSBAD

Statement of Cash Flows
 Proprietary Funds (Continued)
 For the Year Ended June 30, 2011

	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)	\$ 747,381	\$ (3,797,569)	\$ (1,400,136)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,283,365	3,477,728	2,644,557
Change in assets and liabilities:			
(Increase) decrease in receivables	(267,193)	(11,701)	786,167
(Increase) decrease in due from other governments	149,342	-	(212,605)
(Increase) decrease in inventories	61,535	(59,906)	374
(Increase) decrease in prepaid items	(481)	-	-
(Decrease) increase in accrued liabilities	(821,243)	111,818	(8,312)
(Decrease) increase in due to other governments	(223,429)	-	496,042
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	(17,358)	36,199	30,685
Net cash provided by operating activities	<u>\$ 3,911,919</u>	<u>\$ (243,431)</u>	<u>\$ 2,336,772</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 3,106,009</u>	<u>\$ -</u>	<u>\$ 940,590</u>
Unrealized gains (losses)	<u>\$ (297,567)</u>	<u>\$ (268)</u>	<u>\$ (264,311)</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 74,379,237	\$ 834,026	\$ 49,427,526
Restricted assets:			
Cash and investments	-	1,238,325	953,706
Less investments not meeting the definition of cash equivalents:			
Investment contracts	-	-	(953,706)
Cash and cash equivalents at end of year	<u>\$ 74,379,237</u>	<u>\$ 2,072,351</u>	<u>\$ 49,427,526</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
\$ 646,314	\$ (3,804,010)	\$ (1,259,230)
-	10,405,650	1,615,256
10,247	517,520	(53,903)
-	(63,263)	-
-	2,003	67,726
-	(481)	3,741
(24,564)	(742,301)	(127,683)
-	272,613	-
-	-	2,097,876
-	49,526	-
<u>\$ 631,997</u>	<u>\$ 6,637,257</u>	<u>\$ 2,343,783</u>
<u>\$ -</u>	<u>\$ 4,046,599</u>	<u>\$ 68,444</u>
<u>\$ (48,646)</u>	<u>\$ (610,792)</u>	<u>\$ (101,536)</u>
\$ 9,663,236	\$ 134,304,025	\$ 32,206,036
-	2,192,031	-
-	(953,706)	-
<u>\$ 9,663,236</u>	<u>\$ 135,542,350</u>	<u>\$ 32,206,036</u>

CITY OF CARLSBAD

Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

ASSETS

Current assets:	
Cash and investments	\$ 16,235,814
Receivables:	
Other	87,505
Prepaid items	624,501
Total current assets	<u>16,947,820</u>
 Restricted assets:	
Cash and investments	<u>6,836,976</u>
Total assets	<u><u>\$ 23,784,796</u></u>

LIABILITIES

Accrued liabilities	\$ 736,169
Deposits held for others	<u>23,048,627</u>
Total liabilities	<u><u>\$ 23,784,796</u></u>

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, 2011

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 and there is either a financial benefit/burden relationship between the component unit and city or the management of the city has the operational responsibility for the component unit, 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.

Agency funds, which are a type of fiduciary funds, are custodial in nature (assets equal liabilities) and do not involve the recording of city revenues and expenses. Since revenues and expenses are not recognized, Agency funds have no measurement focus, however, 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 restricted for the 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 proceeds of no commitment debt issued by Community Facilities District No. 1 that are restricted for civic facilities, parks, and road segments.

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 that are restricted for specific public facilities such as parks and fire stations necessitated by growth.

CITY OF CARLSBAD

Notes to the Financial Statements

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. When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, restricted revenue will be applied first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the policy is to apply committed fund balance first, then assigned fund balance and finally unassigned fund balance.

CITY OF CARLSBAD

Notes to the Financial Statements

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, 2011, 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 and life insurance programs, 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
Software	5

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”.

The portion of fund balance associated with amounts that have been disbursed to other funds in the form of long-term interfund advances have been classified as nonspendable unless the funds associated with repayment of the advance are otherwise restricted for specific purpose.

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 percent of outstanding billings at June 30, 2011, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2011, 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 percent 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, 2011.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded 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 reported as restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance.

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

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

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.

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, 2011, the LAIF performance report shows a fair value factor of 1.00157647. 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, 2011 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	\$ 137,673,429	22.8%	2.243
Federal National Mortgage Association	92,035,851	15.2%	3.196
Federal Farm Credit Bank	76,137,527	12.6%	2.232
Federal Home Loan Mortgage Corporation	49,686,108	8.2%	2.083
United States Treasury Bills and Notes Financing Corporation	19,214,343	3.2%	0.461
Federal Agricultural Corporation	11,955,490	2.0%	1.161
Tennessee Valley Authority	11,879,274	2.0%	1.622
Subtotal U.S. agencies	<u>403,905,058</u>	<u>66.9%</u>	<u>2.359</u>
Corporate notes:			
Medium-term corporate notes	83,723,858	13.9%	1.608
Subtotal corporate notes	<u>83,723,858</u>	<u>13.9%</u>	<u>1.608</u>
LAIF	113,130,844	18.7%	-
Cash accounts	3,355,345	0.6%	-
Total Treasurer's Pool	<u>604,115,105</u>	<u>100.0%</u>	<u>1.791</u>
Investments held outside the Treasurer's Pool			
Money market funds	8,583,420		
LAIF	4,631,669		
Guaranteed investment contracts	4,460,649		
Subtotal debt service funds/bond proceeds	<u>17,675,738</u>		
Other deposits	610,294		
Petty cash funds	6,251		
Total cash and investments	<u>\$ 622,407,388</u>		
Statement of Net Assets, Primary Government			
Cash and investments	\$ 597,142,567		
Restricted cash and investments	2,192,031		
Statement of Fiduciary Assets and Liabilities, Agency Funds			
Cash and investments	16,235,814		
Restricted cash and investments	6,836,976		
Total cash and investments	<u>\$ 622,407,388</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 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. All funds in non-interest bearing transaction accounts are fully insured under the Dodd-Frank provision.

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 percent of the portfolio. As of June 30, 2011, approximately 14 percent 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 percent 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, 2011, 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. These agencies are U.S. Government-sponsored, and carried AAA credit ratings as of June 30, 2011. In August 2011, Standard and Poors downgraded U.S. long term debt one step to AA+. Competing agencies, Moody's Investors Service and Fitch Ratings, maintained their AAA rating on U.S. debt. Although the default credit risk of these investments has increased, we believe the risk of default remains low.

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, 2011, approximately 12.2 percent of the investments in medium-term corporate notes did not have one of these two credit ratings. 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.

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.

Money market funds held by bond trustees are rated AAA. Investment contracts held by bond trustees are not rated by rating agencies.

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, 2011, the portfolio had a 0.34 percent 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:

CITY OF CARLSBAD

Notes to the Financial Statements

Note 3. Deposit and Investment Risk (Continued)

1. As of June 30, 2011, the modified duration of the portfolio was 1.791. 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 percent change in market interest rates occurs, a 1.5 percent change in the security's value will result. Investments with modified durations of one to three are considered to be relatively conservative.
2. As of June 30, 2011, maturities within one year exceeded the required minimum of \$188,300,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2010-11 Operating Budget adopted by the City Council).
3. As of June 30, 2011, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 237 days. As of June 30, 2011, LAIF had a 0.16 percent gain in market value.
4. As of June 30, 2011, the City's investment portfolio included \$45,755,000 of callable step-up notes.

Note 4. Due To and From Other Funds

There were no amounts due from funds within the city to other funds within the city at June 30, 2011.

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, 2011:

Advances From	Advances To	Amount
General Fund	Redevelopment Debt Service Funds	\$ 20,247,633 (1)
General Fund	Financing Districts Special Revenue Funds	1,404,251
General Fund	Habitat Mitigation Fee Special Revenue Fund	230,755 (2)
General Fund	Golf Course Enterprise Fund	53,427,370 (3)
Capital Projects Funds:	Capital Project Funds:	
Community Facilities District No. 1	Traffic Impact Projects	2,768,506 (4)
General Capital Construction	Redevelopment Agency (South Coastal Carlsbad)	3,323,229 (5)
Public Facilities Construction	Park Development	4,550,000 (6)
		<u>\$ 85,951,744</u>

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.
- (2) The advance between the General Fund and the Habitat Mitigation Fee Fund is estimated to be repaid from future Habitat Mitigation Fees.
- (3) 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.

CITY OF CARLSBAD

Notes to the Financial Statements

- (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.

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

- (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, 2011:

	Balance at July 1, 2010	Increases	Decreases	Balance at June 30, 2011
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 145,313,678	\$ 1,354,238	\$ -	\$ 146,667,916
Construction in progress	144,116,392	16,084,689	(3,321,242)	156,879,839
Total capital assets, not being depreciated	<u>289,430,070</u>	<u>17,438,927</u>	<u>(3,321,242)</u>	<u>303,547,755</u>
Capital assets, being depreciated:				
Buildings	78,805,169	56,767	-	78,861,936
Improvements, other than buildings	45,081,779	376,970	-	45,458,749
Machinery and equipment	26,680,485	1,371,253	(996,193)	27,055,545
Infrastructure	535,955,679	8,183,942	-	544,139,621
Total capital assets, being depreciated	<u>686,523,112</u>	<u>9,988,932</u>	<u>(996,193)</u>	<u>695,515,851</u>
Less accumulated depreciation for:				
Buildings	(21,751,140)	(1,804,804)	-	(23,555,944)
Improvements, other than buildings	(10,221,960)	(2,041,521)	-	(12,263,481)
Machinery and equipment	(17,479,460)	(2,025,628)	898,017	(18,607,071)
Infrastructure	(148,531,177)	(11,520,563)	-	(160,051,740)
Total accumulated depreciation	<u>(197,983,737)</u>	<u>(17,392,516)</u>	<u>898,017</u>	<u>(214,478,236)</u>
Total capital assets being depreciated, net	<u>488,539,375</u>	<u>(7,403,584)</u>	<u>(98,176)</u>	<u>481,037,615</u>
Governmental activities capital assets, net	<u>\$ 777,969,445</u>	<u>\$ 10,035,343</u>	<u>\$ (3,419,418)</u>	<u>\$ 784,585,370</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (Continued)

	Balance at July 1, 2010	Increases	Decreases	Balance at June 30, 2011
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,318,388	\$ -	\$ -	\$ 9,318,388
Construction in progress, restated*	19,207,106	3,610,691	(419,201)	22,398,596
Total capital assets, not being depreciated	<u>28,525,494</u>	<u>3,610,691</u>	<u>(419,201)</u>	<u>31,716,984</u>
Capital assets, being depreciated:				
Buildings	40,174,429	-	-	40,174,429
Improvements, other than buildings	50,856,805	-	-	50,856,805
Machinery and equipment	2,467,546	19,664	(69,086)	2,418,124
Infrastructure	285,972,753	4,455,484	-	290,428,237
Wastewater treatment facility	51,831,725	311,404	-	52,143,129
Total capital assets, being depreciated	<u>431,303,258</u>	<u>4,786,552</u>	<u>(69,086)</u>	<u>436,020,724</u>
Less accumulated depreciation for:				
Buildings	(3,632,026)	(819,483)	-	(4,451,509)
Improvements, other than buildings	(8,718,673)	(3,248,744)	-	(11,967,417)
Machinery and equipment	(1,691,232)	(287,240)	63,740	(1,914,732)
Infrastructure	(58,094,109)	(5,808,365)	-	(63,902,474)
Wastewater treatment facility	(27,082,747)	(241,818)	-	(27,324,565)
Total accumulated depreciation	<u>(99,218,787)</u>	<u>(10,405,650)</u>	<u>63,740</u>	<u>(109,560,697)</u>
Total capital assets being depreciated, net	<u>332,084,471</u>	<u>(5,619,098)</u>	<u>(5,346)</u>	<u>326,460,027</u>
Business-type activities capital assets, net	<u>\$ 360,609,965</u>	<u>\$ (2,008,407)</u>	<u>\$ (424,547)</u>	<u>\$ 358,177,011</u>

*Restated due to prior period adjustment. See note 20.

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	\$ 741,296
Community development	301,242
Public safety	404,678
Community services	2,585,431
Public works	11,744,613
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,615,256</u>

Total depreciation expense - governmental activities \$ 17,392,516

Business-type activities:

Carlsbad Municipal Water District	\$ 4,283,365
Wastewater	2,644,557
Golf course	<u>3,477,728</u>

Total depreciation expense - business-type activities \$ 10,405,650

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2011:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 998,766	\$ 1,059,842	\$ 157,534	\$ -	\$ 2,216,142
Community Facilities					
District No. 1	40,333	-	-	-	40,333
General Capital Construction	680,233	-	-	-	680,233
Infrastructure Replacement	36,645	-	-	-	36,645
Public Facilities					
Construction	53,511	-	-	-	53,511
Other Governmental Funds	640,713	28,655	-	-	669,368
Subtotals	2,450,201	1,088,497	157,534	-	3,696,232
* Internal Service Funds	282,480	3,907,720	-	-	4,190,200
Total governmental activities	\$ 2,732,681	\$ 4,996,217	\$ 157,534	\$ -	\$ 7,886,432
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water					
District	\$ 276,368	\$ 301,435	\$ -	\$ -	\$ 577,803
Golf Course	379,722	-	-	-	379,722
Wastewater	206,868	83,953	-	-	290,821
Solid Waste	85,157	54,872	-	279,920	419,949
Total business-type activities	\$ 948,115	\$ 440,260	\$ -	\$ 279,920	\$ 1,668,295

* 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, 2011:

	Principal Balance at July 1, 2010	Increases	Decreases	Principal Balance at June 30, 2011	Due Within One Year
Governmental activities:					
Bonds	\$ 10,250,000	\$ -	\$ 515,000	\$ 9,735,000	\$ 540,000
Loans payable	-	581,412	-	581,412	-
Total governmental activities	<u>\$ 10,250,000</u>	<u>\$ 581,412</u>	<u>\$ 515,000</u>	<u>\$ 10,316,412</u>	<u>\$ 540,000</u>
Business-type activities:					
Bonds	\$ 17,975,000	\$ -	\$ 305,000	\$ 17,670,000	\$ 325,000
Installment purchase agreement	4,105,000	-	740,000	3,365,000	780,000
Loans payable	25,715,031	-	1,425,154	24,289,877	1,459,684
Obligations under capital leases	502,208	-	246,042	256,166	256,166
	48,297,239	-	2,716,196	45,581,043	2,820,850
Less deferred charges	(205,380)	-	(49,923)	(155,457)	(46,165)
Plus premiums	261,950	-	9,895	252,055	9,895
Total business type activities	<u>\$ 48,353,809</u>	<u>\$ -</u>	<u>\$ 2,676,168</u>	<u>\$ 45,677,641</u>	<u>\$ 2,784,580</u>

Long-term debt at June 30, 2011 is comprised of the following issues:

Governmental long-term debt	Balance at June 30, 2011
1993 Carlsbad Housing and Redevelopment Commission Tax Allocation	
Bonds were issued totaling \$15,495,000. Principal is 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.	\$ 9,735,000
2009 City of Carlsbad loan agreement with the California Energy Resources Conservation and Development Commission for the streetlight retrofit project. Principal and interest are due in June and December of each year following final disbursement. The loan term is 5 years with an interest rate of 1.00%. Annual payments and initial loan amount will not be known until the final loan disbursement has been made to the City. The repayment is currently estimated to begin during Fiscal Year 2011 - 12.	581,412
Sub-total governmental long-term debt	10,316,412
Less current portion	540,000
Total long-term portion of governmental debt	<u>\$ 9,776,412</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (Continued)

	Balance at June 30, 2011
<u>Business-type long-term debt</u>	
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds were issued totaling \$18,540,000. Principal is due in varying amounts ranging from \$325,000 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.	\$ 17,670,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement bonds were issued totaling \$11,080,000. Principal is due in varying amounts ranging from \$780,000 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.	3,365,000
1993 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board totaling \$2,331,489. 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.	422,067
2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board totaling \$9,694,504. Principal is due in varying amounts ranging from \$457,800 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.	7,562,376
2006 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board totaling \$19,382,546. Principal is due in varying amounts ranging from \$854,598 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.	16,305,434
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, 2011, 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>256,166</u>
Subtotal business-type long-term debt	45,581,043
Plus unamortized premiums and deferred charges	96,598
Less current portion	<u>(2,784,580)</u>
Total long-term portion of business-type debt	<u><u>\$ 42,893,061</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
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	665,000	372,634	1,846,301	1,156,494
2017–2021	3,880,000	1,286,898	10,140,422	4,934,129
2022–2026	2,850,000	231,875	11,169,944	3,369,195
2027–2031	-	-	5,211,977	1,918,771
2032–2036	-	-	5,135,000	866,813
2037–2041	-	-	1,185,000	26,662
	<u>\$ 9,735,000</u>	<u>\$ 3,705,342</u>	<u>\$ 45,581,042</u>	<u>\$ 17,774,099</u>

Excluded from the amounts shown above is a loan from the California Energy Resources Conservation and Development Commission since the repayment terms have not yet been established.

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 Bonds 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, 2011.

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)	\$ 2,140,049	\$ 1,041,459	49%
Water revenues	2,312,744	1,876,481	81%
Wastewater revenues	5,504,256	931,419	17%
Golf Course revenues	1,225,866	1,103,350	90%

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, 2011, the City has four series of Assessment District Bonds outstanding in the amount of \$60,755,000. These bonds were issued under the provisions of the Improvement Bond Act of 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, 2011, the City has two series of Community Facilities District (CFD) Bonds outstanding in the amount of \$24,865,000. 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, 2011 is \$39,066,272. 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 was paid in full on July 1, 2010. Therefore, there is no principal outstanding as of June 30, 2011.



CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances

The following is a summary of the components of fund balances as of June 30, 2011:

Fund Balances	Governmental Funds			
	General	Redevelopment Debt Service Funds	Community Facilities District No. 1	General Capital Construction
Nonspendable:				
Loans receivable	\$ 114,863	\$ -	\$ -	\$ -
Inventory	17,042	-	-	-
Prepaid items	22,715	-	-	-
Advances to other funds*	53,788,438	-	-	250,000
Totals	53,943,058	-	-	250,000
Restricted for:				
Affordable, low and moderate income housing	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	-	63,280,135	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Totals	-	-	63,280,135	-
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	1,000,000	-	-	-
Assigned to:				
General government	15,082,870	-	-	-
Public safety	745,325	-	-	-
Community development	2,552,215	-	-	-
Community services	3,135,975	-	-	-
Public works	2,067,827	-	-	-
Capital projects	-	-	-	61,373,154
Totals	23,584,212	-	-	61,373,154
Unassigned:	57,533,210	(18,658,072)	-	-
Total fund balances (deficit)	\$ 136,060,480	\$ (18,658,072)	\$ 63,280,135	\$ 61,623,154

* Only reflects that portion of fund balance invested in interfund advances (the General Fund amount is net of \$21,521,571 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			
Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 114,863
-	-	-	17,042
-	-	433,011	455,726
-	-	-	54,038,438
-	-	433,011	54,626,069
-	-	39,571,880	39,571,880
-	-	6,329,970	6,329,970
-	50,864,727	70,273,858	184,418,720
-	-	502,957	502,957
-	-	847,150	847,150
-	-	2,029,724	2,029,724
-	-	965,998	965,998
-	-	2,132,916	2,132,916
-	50,864,727	122,654,453	236,799,315
-	-	-	1,000,000
-	-	-	1,000,000
-	-	-	15,082,870
-	-	-	745,325
-	-	-	2,552,215
-	-	-	3,135,975
-	-	-	2,067,827
62,099,487	-	-	123,472,641
62,099,487	-	-	147,056,853
-	-	-	38,875,138
<u>\$ 62,099,487</u>	<u>\$ 50,864,727</u>	<u>\$ 123,087,464</u>	<u>\$ 478,357,375</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 11. Fund Balances (Continued)

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes legislation (Council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The city considers a resolution, an ordinance, or a minutes action to constitute formal action of City Council for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than the City Council.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the city’s policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

Note 12. General Fund Balance Policy

It is the policy of the City of Carlsbad to maintain a minimum reserve for unforeseen emergencies or catastrophic impacts upon the city, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund would be 30 percent of General Fund operating expenditures and the target reserve would be a range of 40 percent to 50 percent of General Fund operating expenditures. The minimum reserve would provide approximately three to four months of operating expenditures for unforeseen emergencies and the target reserve of 40 percent to 50 percent would provide approximately five to six months of operating expenditures for catastrophic events.

Note 13. Accumulated Fund Deficits/Negative Net Assets

The following funds reported deficits in fund balances or net assets as of June 30, 2011:

	<u>Deficit Balance</u>
Debt Service Funds:	
Redevelopment Areas	\$ (18,658,072)
Enterprise Funds:	
Golf Course	(12,035,042)

CITY OF CARLSBAD

Notes to the Financial Statements

Note 14. Interfund Transfers

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	\$ 10,000
	Other Special Revenue Funds	171,012
	Police Grants & Asset Forfeiture Special Revenue Funds	4,082
Infrastructure Replacement	General Fund	7,175,000
Capital Project Funds:		
General Capital Construction	General Fund	350,000
Redevelopment Agency	Redevelopment Debt Service Funds	1,838,000
Enterprise Funds:		
Storm Water Protection	General Fund	134,790
Internal Service Funds:		
Worker's Compensation	General Fund	1,000,000
Special Revenue Funds:		
Financing Districts	General Fund	253,850
		<u>\$ 10,936,734</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 (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 15. 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, 2011, the unrestricted fund equity for the Risk Management Self-Insurance fund was approximately \$10,000.

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 15. Risk Management (Continued)

per claim for police and fire employees, and \$750,000 for all other employees. At June 30, 2011, the unrestricted fund equity for the Workers' Compensation Self-Insurance fund was approximately \$1,906,000.

The estimated claims payable reported at June 30, 2011 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 2010 and 2011 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:				
2009 - 10	\$ 80,090	\$ 829,237	\$ (832,360)	\$ 76,967
2010 - 11	76,967	786,391	(787,776)	75,582
Risk Management Fund:				
2009 - 10	175,122	819,375	(743,031)	251,466
2010 - 11	251,466	2,482,440	(1,894,644)	839,262
Workers' Compensation Fund:				
2009 - 10	3,603,782	1,456,406	(1,448,862)	3,611,326
2010 - 11	3,611,326	4,394,248	(2,882,783)	5,122,791

Note 16. 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, 2011, the Cities and Districts have the following approximate ownership interest:

City of Carlsbad	25%
City of Vista	21%
Leucadia Wastewater District	21%
Vallecitos Water District	20%
Buena Sanitation District	8%
City of Encinitas	5%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Joint Ventures (Continued)

EWA’s financial statements for the fiscal year ended June 30, 2010 (the latest available) reflect the following:

Total assets	\$ 126,737,698
Total liabilities	<u>1,896,221</u>
Net assets	<u>\$ 124,841,477</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 \$49,911 in Fiscal Year 2010. 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, and in 2011, Leucadia paid off their obligation in full. Repayment of the remaining bonds will be accomplished through payments made by Carlsbad pursuant to the new installment purchase agreement. The agreement sets forth the purchase price and specify the debt service requirement for Carlsbad.

The following is a table of the outstanding balance owed as of June 30, 2011:

Member	Agreement Balance
City of Carlsbad	\$ 3,365,000
Leucadia Wastewater District	<u>-</u>
	<u>\$ 3,365,000</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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. 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 percent (9 percent for safety employees) of their annual covered salary. The City makes 7 percent of the required 8 percent contributions for non-safety employees, and 8 percent of the required 9 percent contributions for the City's safety employees who are not in management. In June 2010, non-management fire employees began paying the entire 9 percent employee contribution. Non-management police employees began paying an additional 4 percent effective July 2010 and the entire 9 percent employee contribution in July 2011. The non-safety employees (including management employees but excluding police management employees) will begin paying an additional 3.5 percent of the employee rate effective December 2011. The City is required to contribute at an actuarially determined rate. For the year ended June 30, 2011, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 27.995 percent for safety employees and 21.089 percent for miscellaneous employees. The contribution requirements of plan members and the City are established by PERS.

In October 2011, the City was notified by PERS that the employer contribution rate for the City of Carlsbad (as a percentage of payroll) will be 32.065 percent for safety employees and 22.337 percent for miscellaneous employees for the fiscal year ended June 30, 2012.

Annual pension cost

For Fiscal Year 2010-11, the City's annual pension cost (employer contribution) of \$5,108,849 for safety and \$6,997,307 for miscellaneous to PERS was equal to the City's required and actual contributions. For Fiscal Year 2010-11, the member contributions paid by the City and its employees were \$439,196 for safety and \$2,332,592 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 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55 percent to 14.45 percent depending on age, service and type of employment, (c) 3.0 percent inflation factor, (d) payroll growth of 3.25 percent, 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 percent and an annual production growth of 0.25 percent. 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 percent 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
6/30/09	\$ 5,527,794	100%	-
6/30/10	5,316,346	100%	-
6/30/11	5,108,849	100%	-

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. 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
6/30/09	\$ 6,983,588	100%	-
6/30/10	7,057,225	100%	-
6/30/11	6,997,307	100%	-

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	Actuarial Value of Assets (AVA)	Unfunded	Funded Ratios		Annual Covered Payroll	UAAL As a % of Payroll
	Normal Accrued Liability		Liability/ (Excess Assets)	AVA	Market Value		
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%
6/30/10	186,693,481	150,887,842	35,805,639	80.8%	63.5%	19,077,182	187.7%

Funded status of plan (miscellaneous)

Valuation Date	Entry Age	Actuarial Value of Assets (AVA)	Unfunded	Funded Ratios		Annual Covered Payroll	UAAL As a % of Payroll
	Normal Accrued Liability		Liability/ (Excess Assets)	AVA	Market Value		
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%
6/30/10	231,919,508	185,069,352	46,850,156	79.8%	62.8%	33,156,896	141.3%

CITY OF CARLSBAD

Notes to the Financial Statements

Note 18. 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, 2011.

The City pays for 100percent 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 660 active and 151 retired plan members as of June 30, 2011. 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 2009	\$101.00
Calendar Year 2010	105.00
Calendar Year 2011	108.00
Calendar Year 2012	112.00

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 18. 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>
2010-11 Annual Required Contribution (ARC)	\$ 160,397	\$ 405,465
2010-11 Contributions Made	(160,397)	(405,465)
Funding of Prior Year Obligation	-	-
Increase (Decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation - beginning of year	-	-
Net OPEB Obligation - end of year	<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, 2011 were as follows:

Three-year trend information for OPEB (CMWD)

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/09	\$ 22,139	100.0%	\$ -
6/30/10	22,139	100.0%	-
6/30/11	160,397	100.0%	-

Three-year trend information for OPEB (City)

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/09	\$ 306,947	100.0%	\$ -
6/30/10	306,947	100.0%	-
6/30/11	405,465	100.0%	-

CITY OF CARLSBAD

Notes to the Financial Statements

Note 18. Postretirement Healthcare (Continued)

Funded status and funding progress

The funded status of the plans as of June 30, 2011, 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>\$ 1,602,528</u>	<u>\$ 1,049,417</u>
Funded Ratio (b)/(a)	<u>55.00%</u>	<u>82.9%</u>
Covered Payroll	<u>\$ 333,553</u>	<u>\$ 51,477,827</u>
UAAL as a percentage of Covered Payroll	<u>480.44%</u>	<u>2.04%</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 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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 18. Postretirement Healthcare (Continued)

Funded status of plan (CMWD)

Valuation Date	Entry Age	Actuarial Value of Assets (AVA)	Unfunded	Funded Ratios AVA	Annual Covered Payroll	UAAL As a % of Payroll
	Normal Accrued Liability		Liability/ (Excess Assets)			
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 As a % of Payroll
	Normal Accrued Liability		Liability/ (Excess Assets)			
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. This was done in conjunction with the implementation of GASB No. 45. At time of implementation, the city elected to retroactively apply GASB No. 45 for a number of years equivalent to the payment made.

Note 19. 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 \$1,038.58 per acre foot or a minimum of \$409,202 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 percent 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, 2011 is \$1,262,810.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 19. Commitments and Contingencies (Continued)

As of June 30, 2011, city commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) by major governmental fund and nonmajor funds in the aggregate are as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 6,083,470
Community Facilities District No. 1	3,306
General Capital Construction	8,207,920
Infrastructure Replacement	114,509
Public Facilities Construction	311,796
Nonmajor Governmental Funds in the Aggregate	<u>2,370,383</u>
Total	<u>\$ 17,091,384</u>

Note 20. Prior Period Adjustments

The City of Carlsbad combined its Community Activity Grants special revenue fund with the city's General Fund for financial statement presentation as required under GASB 54. The effect of this change on the beginning fund balances of General Fund and Other Governmental Funds in the fund financial statements, and Other Special Revenue Funds in the Combining Fund Statements – Nonmajor Governmental Funds are as follows:

	Combining Fund Statements - Nonmajor		
	<u>Fund Financial Statements</u>	<u>Governmental Funds</u>	
	Other General Fund	Governmental Funds	Other Special Revenue Funds
Total fund balances at July 1, 2010	\$ 128,521,420	\$ 118,404,105	\$ 1,649,156
Combine the Community Activity Grants Fund with the General Fund	<u>1,052,132</u>	<u>(1,052,132)</u>	<u>(1,052,132)</u>
Total fund balances at July 1, 2010, as restated	<u>\$ 129,573,552</u>	<u>\$ 117,351,973</u>	<u>\$ 597,024</u>

The City of Carlsbad is participating in a joint sewer construction project with the City of Vista. Carlsbad is the lead agency for the project and is reimbursed by Vista for their share of the cost, which is based on ownership percentages of the capital asset segments. As of June 30, 2010, the capitalized project cost included Vista's share. A reduction to Construction in Progress was made to accurately reflect only Carlsbad's share of the capital assets. In addition, there was an amount previously expensed that should have been recorded as an amount due from the City of Vista (\$351,787) instead of as an expense. The effect of this change on the beginning net assets of the Proprietary Funds in the fund financial statements is as follows:

CITY OF CARLSBAD

Notes to the Financial Statements

Note 20. Prior Period Adjustments (Continued)

	Wastewater Fund	Government- wide Business-type Activities
Total fund balances at July 1, 2010	\$ 163,654,433	\$ 396,034,805
Reduce Construction in Progress	\$ (2,789,791)	\$ (2,789,791)
Reduce Revenue from Other Agencies	351,787	351,787
Total fund balances at July 1, 2010, as restated	<u>\$ 161,216,429</u>	<u>\$ 393,596,801</u>

Note 21. Subsequent Events

Recent Changes in Legislation Affecting California Redevelopment Agencies

In June 2011, the Governor of the State of California signed legislation to provide for the eventual dissolution of redevelopment agencies. This legislation provides for the continued operation of the agency if certain payments are made to the State of California. Those agencies that elect not to make such payments will not be permitted to initiate new projects, obligations, or activities after July 1, 2011. Such agencies will only be permitted to pay existing obligations as defined by this legislation. This legislation is the subject of certain lawsuits that challenge its constitutionality. The Agency's plans regarding this matter are to continue to make the required payments in order to allow for continued receipt of tax increment.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that fiscal year are dependent upon the outcome of litigation surrounding the actions of the state.



SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2011

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
ASSETS				
Cash and investments	\$ 14,809,000	\$ 1,924,625	\$ 1,928,730	\$ 3,591,419
Receivables:				
Taxes	-	-	-	-
Other	-	-	-	74,215
Accounts, net	-	-	-	4,557
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Loan receivables	11,470,241	224,404	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 26,279,241	\$ 2,149,029	\$ 1,928,730	\$ 3,670,191
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 10,287	\$ 119,305	\$ 9,810	\$ 133,024
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	1,404,251
Unearned/deferred revenue	-	-	-	-
Total liabilities	10,287	119,305	9,810	1,537,275
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	26,268,954	-	-	-
Habitat and agricultural mitigation/preservation	-	-	952,922	-
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	2,029,724	-	-
Community services	-	-	965,998	-
Public works	-	-	-	2,132,916
Total fund balances	26,268,954	2,029,724	1,918,920	2,132,916
Total liabilities and fund balances	\$ 26,279,241	\$ 2,149,029	\$ 1,928,730	\$ 3,670,191

Special Revenue Funds

Gas Tax	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
\$13,697,911	\$ 5,607,803	\$ 7,413,741	\$ 472,830	\$ 718,499	\$ 1,163,362	\$ 2,058,496	\$ 53,386,416
-	-	12,336	-	-	-	-	12,336
-	-	-	87,850	-	-	-	162,065
-	-	-	-	-	34,672	-	39,229
-	-	-	-	130,784	-	-	130,784
-	-	-	-	-	433,011	-	433,011
-	-	2,678,177	-	-	-	-	14,372,822
-	-	-	-	-	-	-	-
<u>\$13,697,911</u>	<u>\$ 5,607,803</u>	<u>\$ 10,104,254</u>	<u>\$ 560,680</u>	<u>\$ 849,283</u>	<u>\$ 1,631,045</u>	<u>\$ 2,058,496</u>	<u>\$ 68,536,663</u>
\$ 121,937	\$ -	\$ 522	\$ 57,723	\$ 2,133	\$ 6,811	\$ 331	\$ 461,883
-	-	-	-	-	22,504	25,190	47,694
-	230,755	-	-	-	-	-	1,635,006
371,631	-	-	-	-	-	2,500	374,131
<u>493,568</u>	<u>230,755</u>	<u>522</u>	<u>57,723</u>	<u>2,133</u>	<u>29,315</u>	<u>28,021</u>	<u>2,518,714</u>
-	-	-	-	-	433,011	-	433,011
-	-	10,103,732	-	-	1,168,719	2,030,475	39,571,880
-	5,377,048	-	-	-	-	-	6,329,970
13,204,343	-	-	-	-	-	-	13,204,343
-	-	-	502,957	-	-	-	502,957
-	-	-	-	847,150	-	-	847,150
-	-	-	-	-	-	-	2,029,724
-	-	-	-	-	-	-	965,998
-	-	-	-	-	-	-	2,132,916
<u>13,204,343</u>	<u>5,377,048</u>	<u>10,103,732</u>	<u>502,957</u>	<u>847,150</u>	<u>1,601,730</u>	<u>2,030,475</u>	<u>66,017,949</u>
<u>\$13,697,911</u>	<u>\$ 5,607,803</u>	<u>\$ 10,104,254</u>	<u>\$ 560,680</u>	<u>\$ 849,283</u>	<u>\$ 1,631,045</u>	<u>\$ 2,058,496</u>	<u>\$ 68,536,663</u>

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2011

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
ASSETS				
Cash and investments	\$ 10,146,685	\$ 8,497,074	\$ 1,584,113	\$ 5,217,322
Receivables:				
Taxes	-	-	-	-
Other	1,233	-	-	-
Accounts, net	-	-	-	-
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Loan receivables	-	-	-	-
Advances to other funds	-	-	-	-
Total assets	\$ 10,147,918	\$ 8,497,074	\$ 1,584,113	\$ 5,217,322
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ -	\$ -	\$ 111,007	\$ -
Deposits payable	755,044	-	-	-
Advances from other funds	-	-	-	4,550,000
Unearned revenue	-	-	-	-
Total liabilities	755,044	-	111,007	4,550,000
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	9,392,874	8,497,074	1,473,106	667,322
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Total fund balances	9,392,874	8,497,074	1,473,106	667,322
Total liabilities and fund balances	\$ 10,147,918	\$ 8,497,074	\$ 1,584,113	\$ 5,217,322

Capital Project Funds

Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 5,736,878	\$ 4,968,074	\$ 4,974,317	\$ 6,907,363	\$ 17,945,130	\$ 65,976,956	\$ 119,363,372
-	-	-	-	-	-	12,336
-	-	-	-	-	1,233	163,298
-	-	1,997	-	-	1,997	41,226
-	-	-	108,546	-	108,546	239,330
-	-	-	-	-	-	433,011
-	-	-	-	-	-	14,372,822
-	-	-	3,061,660	-	3,061,660	3,061,660
<u>\$ 5,736,878</u>	<u>\$ 4,968,074</u>	<u>\$ 4,976,314</u>	<u>\$ 10,077,569</u>	<u>\$ 17,945,130</u>	<u>\$ 69,150,392</u>	<u>\$ 137,687,055</u>
\$ 11,533	\$ 3,530	\$ 61,990	\$ -	\$ 19,425	\$ 207,485	\$ 669,368
-	-	4,000	-	-	759,044	806,738
-	-	3,323,229	-	2,768,506	10,641,735	12,276,741
-	-	-	170,613	302,000	472,613	846,744
<u>11,533</u>	<u>3,530</u>	<u>3,389,219</u>	<u>170,613</u>	<u>3,089,931</u>	<u>12,080,877</u>	<u>14,599,591</u>
-	-	-	-	-	-	433,011
-	-	-	-	-	-	39,571,880
-	-	-	-	-	-	6,329,970
5,725,345	4,964,544	1,587,095	9,906,956	14,855,199	57,069,515	70,273,858
-	-	-	-	-	-	502,957
-	-	-	-	-	-	847,150
-	-	-	-	-	-	2,029,724
-	-	-	-	-	-	965,998
-	-	-	-	-	-	2,132,916
<u>5,725,345</u>	<u>4,964,544</u>	<u>1,587,095</u>	<u>9,906,956</u>	<u>14,855,199</u>	<u>57,069,515</u>	<u>123,087,464</u>
<u>\$ 5,736,878</u>	<u>\$ 4,968,074</u>	<u>\$ 4,976,314</u>	<u>\$ 10,077,569</u>	<u>\$ 17,945,130</u>	<u>\$ 69,150,392</u>	<u>\$ 137,687,055</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2011

	Special Revenue Funds				
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts	Gas Tax
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,513,752
Intergovernmental	90,988	405,785	5,000	63,905	-
Charges for services	96,750	-	-	2,240,721	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	199,045	1,983,234	26,448	71,738	187,819
Contributions from property owners	574,185	-	-	-	-
Donations	-	-	310,343	-	-
Miscellaneous	-	-	19,841	-	-
Total revenues	<u>960,968</u>	<u>2,389,019</u>	<u>361,632</u>	<u>2,376,364</u>	<u>2,701,571</u>
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	422,789	584,815	19,800	-	-
Community services	-	-	251,535	-	-
Public works	-	-	-	3,905,421	600,000
Capital outlay	-	-	11,741	-	1,373,452
Total expenditures	<u>422,789</u>	<u>584,815</u>	<u>283,076</u>	<u>3,905,421</u>	<u>1,973,452</u>
Excess (deficiency) of revenues over (under) expenditures	<u>538,179</u>	<u>1,804,204</u>	<u>78,556</u>	<u>(1,529,057)</u>	<u>728,119</u>
Other financing sources (uses):					
Transfers in	-	-	-	253,850	-
Transfers out	-	-	-	-	(10,000)
Issuance of debt	-	-	-	581,412	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>835,262</u>	<u>(10,000)</u>
Net change in fund balances	<u>538,179</u>	<u>1,804,204</u>	<u>78,556</u>	<u>(693,795)</u>	<u>718,119</u>
Fund balances (deficits) at beginning of year (as restated)	<u>25,730,775</u>	<u>225,520</u>	<u>1,840,364</u>	<u>2,826,711</u>	<u>12,486,224</u>
Fund balances at end of year	<u>\$26,268,954</u>	<u>\$ 2,029,724</u>	<u>\$ 1,918,920</u>	<u>\$2,132,916</u>	<u>\$13,204,343</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
\$ -	\$ 705,177	\$ -	\$ -	\$ -	\$ -	\$ 3,218,929
-	-	-	352,303	6,620,340	-	7,538,321
-	-	-	-	-	469,727	2,807,198
-	-	-	49,473	-	-	49,473
73,990	361,098	8,690	8,329	20,440	26,871	2,967,702
104,695	-	356,330	-	-	-	1,035,210
-	-	-	-	-	-	310,343
-	-	-	-	21,558	-	41,399
<u>178,685</u>	<u>1,066,275</u>	<u>365,020</u>	<u>410,105</u>	<u>6,662,338</u>	<u>496,598</u>	<u>17,968,575</u>
-	-	196,242	-	-	-	196,242
-	-	-	260,544	-	-	260,544
47,000	122,198	-	-	6,356,974	455,613	8,009,189
-	-	16,660	-	-	-	268,195
-	-	-	-	-	-	4,505,421
<u>1,354,237</u>	<u>-</u>	<u>75,173</u>	<u>186,931</u>	<u>-</u>	<u>-</u>	<u>3,001,534</u>
<u>1,401,237</u>	<u>122,198</u>	<u>288,075</u>	<u>447,475</u>	<u>6,356,974</u>	<u>455,613</u>	<u>16,241,125</u>
<u>(1,222,552)</u>	<u>944,077</u>	<u>76,945</u>	<u>(37,370)</u>	<u>305,364</u>	<u>40,985</u>	<u>1,727,450</u>
-	-	-	-	-	-	253,850
-	-	(171,012)	(4,082)	-	-	(185,094)
-	-	-	-	-	-	581,412
-	-	(171,012)	(4,082)	-	-	650,168
<u>(1,222,552)</u>	<u>944,077</u>	<u>(94,067)</u>	<u>(41,452)</u>	<u>305,364</u>	<u>40,985</u>	<u>2,377,618</u>
<u>6,599,600</u>	<u>9,159,655</u>	<u>597,024</u>	<u>888,602</u>	<u>1,296,366</u>	<u>1,989,490</u>	<u>63,640,331</u>
<u>\$ 5,377,048</u>	<u>\$ 10,103,732</u>	<u>\$ 502,957</u>	<u>\$ 847,150</u>	<u>\$ 1,601,730</u>	<u>\$ 2,030,475</u>	<u>\$ 66,017,949</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, 2011

	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	-	-	247,653	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	45,389	116,648	15,032	72,957	66,822
Contributions from property owners	-	120,712	11,240	318,783	105,044
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	45,389	237,360	273,925	391,740	171,866
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	115,575	-	2,165,356	2,544	1,068,618
Total expenditures	115,575	-	2,165,356	2,544	1,068,618
Excess (deficiency) of revenues over (under) expenditures	(70,186)	237,360	(1,891,431)	389,196	(896,752)
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Issuance of debt	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	(70,186)	237,360	(1,891,431)	389,196	(896,752)
Fund balances at beginning of year (as restated)	9,463,060	8,259,714	3,364,537	278,126	6,622,097
Fund balances at end of year	<u>\$ 9,392,874</u>	<u>\$ 8,497,074</u>	<u>\$ 1,473,106</u>	<u>\$ 667,322</u>	<u>\$ 5,725,345</u>

Capital Project Funds

Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,218,929
80,570	-	3,057,350	-	3,385,573	10,923,894
-	7,718	660,930	-	668,648	3,475,846
-	-	-	-	-	49,473
63,220	196,274	76,331	253,974	906,647	3,874,349
-	-	-	1,508,342	2,064,121	3,099,331
-	-	-	-	-	310,343
-	-	-	12,147	12,147	53,546
<u>143,790</u>	<u>203,992</u>	<u>3,794,611</u>	<u>1,774,463</u>	<u>7,037,136</u>	<u>25,005,711</u>
74,100	-	-	-	74,100	270,342
-	-	-	-	-	260,544
-	895,183	-	-	895,183	8,904,372
-	-	-	-	-	268,195
-	-	-	-	-	4,505,421
<u>377,294</u>	<u>106,834</u>	<u>194,558</u>	<u>517,201</u>	<u>4,547,980</u>	<u>7,549,514</u>
<u>451,394</u>	<u>1,002,017</u>	<u>194,558</u>	<u>517,201</u>	<u>5,517,263</u>	<u>21,758,388</u>
<u>(307,604)</u>	<u>(798,025)</u>	<u>3,600,053</u>	<u>1,257,262</u>	<u>1,519,873</u>	<u>3,247,323</u>
-	1,838,000	-	-	1,838,000	2,091,850
-	-	-	-	-	(185,094)
-	-	-	-	-	581,412
<u>-</u>	<u>1,838,000</u>	<u>-</u>	<u>-</u>	<u>1,838,000</u>	<u>2,488,168</u>
<u>(307,604)</u>	<u>1,039,975</u>	<u>3,600,053</u>	<u>1,257,262</u>	<u>3,357,873</u>	<u>5,735,491</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>117,351,973</u>
<u>\$ 4,964,544</u>	<u>\$ 1,587,095</u>	<u>\$ 9,906,956</u>	<u>\$ 14,855,199</u>	<u>\$ 57,069,515</u>	<u>\$ 123,087,464</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds
 Year Ended June 30, 2011

	Budget	Actual Amounts (Budgetary Basis)	Variance Over Under
Affordable Housing			
Total revenues	\$ 657,100	\$ 1,025,996	\$ 368,896
Total expenditures	547,043	454,154	(92,889)
Net change in fund balance	110,057	571,842	461,785
Community Development Block Grant			
Total revenues	2,440,000	2,389,019	(50,981)
Total expenditures	956,831	813,506	(143,325)
Net change in fund balance	1,483,169	1,575,513	92,344
Donations			
Total revenues	337,400	370,855	33,455
Total expenditures	399,723	308,992	(90,731)
Net change in fund balance	(62,323)	61,863	124,186
Financing Districts			
Total revenues	2,851,275	2,406,242	(445,033)
Total expenditures	5,062,500	4,396,274	(666,226)
Net change in fund balance	(2,211,225)	(1,990,032)	221,193
Gas Tax			
Total revenues	2,932,592	2,756,125	(176,467)
Total expenditures	8,254,834	2,109,788	(6,145,046)
Net change in fund balance	(5,322,242)	646,337	5,968,579
Habitat and Agricultural Management			
Total revenues	-	224,098	224,098
Total expenditures	5,846,053	1,401,237	(4,444,816)
Net change in fund balance	(5,846,053)	(1,177,139)	4,668,914
Low and Moderate Income Housing			
Total revenues	941,250	1,083,505	142,255
Total expenditures	163,741	124,198	(39,543)
Net change in fund balance	777,509	959,307	181,798

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds (Continued)
 Year Ended June 30, 2011

	Budget	Actual Amounts (Budgetary Basis)	Variance Over Under
Other Special Revenue Funds			
Total revenues	\$ 360,800	\$ 367,516	\$ 6,716
Total expenditures	458,437	428,348	(30,089)
Net change in fund balance	<u>(97,637)</u>	<u>(60,832)</u>	<u>36,805</u>
Police Grants and Asset Forfeiture			
Total revenues	366,925	415,143	48,218
Total expenditures	1,571,755	460,540	(1,111,215)
Net change in fund balance	<u>(1,204,830)</u>	<u>(45,397)</u>	<u>1,159,433</u>
Section 8 Rental Assistance			
Total revenues	6,652,400	6,664,174	11,774
Total expenditures	6,578,677	6,356,974	(221,703)
Net change in fund balance	<u>73,723</u>	<u>307,200</u>	<u>233,477</u>
Totals			
Total revenues	17,539,742	17,702,673	162,931
Total expenditures	29,839,594	16,854,011	(12,985,583)
Net change in fund balance	<u>\$ (12,299,852)</u>	<u>\$ 848,662</u>	<u>\$ 13,148,514</u>

CITY OF CARLSBAD

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Debt Service Funds
Year Ended June 30, 2011**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	\$ 2,800,000	\$ 2,873,537	\$ 73,537
Total expenditures	1,772,509	1,772,030	(479)
Net change in fund balance	<u>\$ 1,027,491</u>	<u>\$ 1,101,507</u>	<u>\$ 74,016</u>

**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2011**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	\$ 24,000	\$ 78,237	\$ 54,237
Total expenditures	6,514,961	1,014,375	(5,500,586)
Net change in fund balance	<u>\$ (6,490,961)</u>	<u>\$ (936,138)</u>	<u>\$ 5,554,823</u>



CITY OF CARLSBAD

Combining Statement of Net Assets
Internal Service Funds
June 30, 2011

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 14,886,651	\$ 4,881,249	\$ 4,518,383
Receivables:			
Accounts, net	56,341	-	-
Inventories	146,639	-	-
Prepaid items	-	24,565	-
Total current assets	<u>15,089,631</u>	<u>4,905,814</u>	<u>4,518,383</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	15,426,815	-	3,220,153
Less accumulated depreciation	<u>(9,635,779)</u>	<u>-</u>	<u>(2,351,841)</u>
Total capital assets (net of accumulated depreciation)	<u>5,791,036</u>	<u>-</u>	<u>868,312</u>
Total noncurrent assets	<u>5,791,036</u>	<u>-</u>	<u>868,312</u>
Total assets	<u>\$ 20,880,667</u>	<u>\$ 4,905,814</u>	<u>\$ 5,386,695</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 155,822	\$ 3,687,561	\$ 306,089
Estimated claims payable	-	75,582	-
Deposits payable	-	-	-
Total current liabilities	<u>155,822</u>	<u>3,763,143</u>	<u>306,089</u>
Total liabilities	<u>155,822</u>	<u>3,763,143</u>	<u>306,089</u>
NET ASSETS			
Invested in capital assets	5,791,036	-	868,312
Unrestricted	<u>14,933,809</u>	<u>1,142,671</u>	<u>4,212,294</u>
Total net assets	<u>\$ 20,724,845</u>	<u>\$ 1,142,671</u>	<u>\$ 5,080,606</u>

Risk Management	Workers' Compensation	Total
\$ 888,917	\$ 7,030,836	\$ 32,206,036
-	-	56,341
-	-	146,639
-	-	24,565
<u>888,917</u>	<u>7,030,836</u>	<u>32,433,581</u>
-	-	18,646,968
-	-	(11,987,620)
-	-	6,659,348
-	-	6,659,348
<u>\$ 888,917</u>	<u>\$ 7,030,836</u>	<u>\$ 39,092,929</u>

\$ 38,970	\$ 1,758	\$ 4,190,200
839,262	5,122,791	6,037,635
1,000	-	1,000
<u>879,232</u>	<u>5,124,549</u>	<u>10,228,835</u>
<u>879,232</u>	<u>5,124,549</u>	<u>10,228,835</u>
-	-	6,659,348
<u>9,685</u>	<u>1,906,287</u>	<u>22,204,746</u>
<u>\$ 9,685</u>	<u>\$ 1,906,287</u>	<u>\$ 28,864,094</u>

CITY OF CARLSBAD

**Combining Statement of Revenues, Expenses and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2011**

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 4,805,870	\$ 875,389	\$ 6,514,147
Miscellaneous	30,271	100	46,537
Total operating revenues	4,836,141	875,489	6,560,684
Operating expenses:			
Depreciation	1,337,888	-	277,368
Fuel and supplies	1,271,929	-	-
Claims and premiums expense	-	787,776	-
Small equipment purchases	15,065	-	218,791
General and administrative	1,457,120	195,851	5,683,859
Total operating expenses	4,082,002	983,627	6,180,018
Operating income (loss)	754,139	(108,138)	380,666
Nonoperating revenues (expenses):			
Income from property and investments	205,560	-	58,255
Gain (loss) on sale of property	45,691	-	14,130
Total nonoperating revenues (expenses)	251,251	-	72,385
Income (loss) before transfers and capital contributions	1,005,390	(108,138)	453,051
Transfers in	-	-	-
Capital contributions	28,399	-	40,045
Change in net assets	1,033,789	(108,138)	493,096
Total net assets at beginning of year	19,691,056	1,250,809	4,587,510
Total net assets at end of year	\$ 20,724,845	\$ 1,142,671	\$ 5,080,606

Risk Management	Workers' Compensation	Totals
\$ 1,563,720	\$ 1,327,400	\$ 15,086,526
28,493	99,703	205,104
<u>1,592,213</u>	<u>1,427,103</u>	<u>15,291,630</u>
-	-	1,615,256
-	-	1,271,929
1,894,644	2,882,783	5,565,203
-	-	233,856
<u>380,969</u>	<u>146,817</u>	<u>7,864,616</u>
<u>2,275,613</u>	<u>3,029,600</u>	<u>16,550,860</u>
<u>(683,400)</u>	<u>(1,602,497)</u>	<u>(1,259,230)</u>
8,985	88,874	361,674
-	-	59,821
<u>8,985</u>	<u>88,874</u>	<u>421,495</u>
(674,415)	(1,513,623)	(837,735)
-	1,000,000	1,000,000
-	-	68,444
<u>(674,415)</u>	<u>(513,623)</u>	<u>230,709</u>
<u>684,100</u>	<u>2,419,910</u>	<u>28,633,385</u>
<u>\$ 9,685</u>	<u>\$ 1,906,287</u>	<u>\$ 28,864,094</u>

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2011

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,751,967	\$ 876,285	\$ 6,514,147
Payments to suppliers	(1,770,007)	-	(2,483,751)
Payments to employees	(664,759)	(4,507)	(3,196,361)
Internal activity - payments to other funds	(330,188)	-	(450,053)
Claims and premiums paid	-	(785,420)	-
Other receipts (payments)	30,271	100	46,537
Net cash provided by (used in) operating activities	2,017,284	86,458	430,519
Cash flows from noncapital financing activities:			
Operating subsidies and transfers (to) from other funds	-	-	-
Cash flows from capital and related financing activities:			
Purchase of capital assets	(552,231)	-	(569,837)
Gross proceeds from the sale of capital assets	54,039	-	14,130
Net cash provided by (used in) capital and related financing activities	(498,192)	-	(555,707)
Cash flows from investing activities:			
Interest on investments	205,560	-	58,255
Net increase (decrease) in cash and cash equivalents	1,724,652	86,458	(66,933)
Cash and cash equivalents at beginning of year	13,161,999	4,794,791	4,585,316
Cash and cash equivalents at end of year	\$ 14,886,651	\$ 4,881,249	\$ 4,518,383

	Risk Management	Workers' Compensation	Total
\$	1,563,720	\$ 1,327,400	\$15,033,519
	(33,038)	-	(4,286,796)
	(194,368)	(99,161)	(4,159,156)
	(155,177)	(50,218)	(985,636)
	(1,306,848)	(1,370,984)	(3,463,252)
	28,493	99,703	205,104
	(97,218)	(93,260)	2,343,783
	-	1,000,000	1,000,000
	-	-	(1,122,068)
	-	-	68,169
	-	-	(1,053,899)
	8,985	88,874	361,674
	(88,233)	995,614	2,651,558
	977,150	6,035,222	29,554,478
\$	888,917	\$ 7,030,836	\$32,206,036

(Continued)

CITY OF CARLSBAD

Combining Statement of Cash Flows
 Internal Service Funds (Continued)
 For the Year Ended June 30, 2011

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 754,139	\$ (108,138)	\$ 380,666
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,337,888	-	277,368
Change in assets and liabilities:			
(Increase) decrease in receivables	(53,903)	-	-
(Increase) in inventories	67,726	-	-
(Increase) in prepaid items	-	3,741	-
Increase (decrease) in accrued liabilities	(88,566)	192,240	(227,515)
Increase (decrease) in estimated claims payable	-	(1,385)	-
Net cash provided by (used in) operating activities	<u>\$ 2,017,284</u>	<u>\$ 86,458</u>	<u>\$ 430,519</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 28,399</u>	<u>\$ -</u>	<u>\$ 40,045</u>
Unrealized gains (losses)	<u>\$ (52,504)</u>	<u>\$ -</u>	<u>\$ (20,941)</u>

<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ (683,400)	\$ (1,602,497)	\$ (1,259,230)
-	-	1,615,256
-	-	(53,903)
-	-	67,726
-	-	3,741
(1,614)	(2,228)	(127,683)
<u>587,796</u>	<u>1,511,465</u>	<u>2,097,876</u>
<u>\$ (97,218)</u>	<u>\$ (93,260)</u>	<u>\$ 2,343,783</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,444</u>
<u>\$ (6,121)</u>	<u>\$ (21,970)</u>	<u>\$ (101,536)</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2011

Contractors' and Miscellaneous Deposits

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Current assets:				
Cash and investments	\$ 10,067,488	\$ 42,783,516	\$ 44,476,823	\$ 8,374,181
Receivables:				
Other	-	22,568	15,298	7,270
Prepaid items	565,627	1,240,851	1,181,977	624,501
Total current assets	<u>\$ 10,633,115</u>	<u>\$ 44,046,935</u>	<u>\$ 45,674,098</u>	<u>\$ 9,005,952</u>
LIABILITIES				
Accrued liabilities	\$ 40,523	\$ 45,778,217	\$ 45,115,618	\$ 703,122
Deposits held for others	10,592,592	2,118,758	4,408,520	8,302,830
Total liabilities	<u>\$ 10,633,115</u>	<u>\$ 47,896,975</u>	<u>\$ 49,524,138</u>	<u>\$ 9,005,952</u>

Assessment Districts

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Current assets:				
Cash and investments	\$ 10,796,342	\$ 7,628,886	\$ 10,563,595	\$ 7,861,633
Receivables:				
Other	72,085	87,661	79,511	80,235
Total current assets	<u>10,868,427</u>	<u>7,716,547</u>	<u>10,643,106</u>	<u>7,941,868</u>
Restricted assets:				
Cash and investments	7,174,889	156	338,069	6,836,976
Total restricted assets	<u>7,174,889</u>	<u>156</u>	<u>338,069</u>	<u>6,836,976</u>
Total assets	<u>\$ 18,043,316</u>	<u>\$ 7,716,703</u>	<u>\$ 10,981,175</u>	<u>\$ 14,778,844</u>
LIABILITIES				
Accrued liabilities	\$ 30,319	\$ 75,807	\$ 73,079	\$ 33,047
Deposits held for others	18,012,997	7,509,986	10,777,186	14,745,797
Total liabilities	<u>\$ 18,043,316</u>	<u>\$ 7,585,793</u>	<u>\$ 10,850,265</u>	<u>\$ 14,778,844</u>

(Continued)

CITY OF CARLSBAD

**Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2011**

Total Agency Funds

ASSETS	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Current assets:				
Cash and investments	\$ 20,863,830	\$ 50,412,402	\$ 55,040,418	\$ 16,235,814
Receivables:				
Other	72,085	110,229	94,809	87,505
Prepaid items	565,627	1,240,851	1,181,977	624,501
Total current assets	<u>21,501,542</u>	<u>51,763,482</u>	<u>56,317,204</u>	<u>16,947,820</u>
Restricted assets:				
Cash and investments	7,174,889	156	338,069	6,836,976
Total current assets	<u>7,174,889</u>	<u>156</u>	<u>338,069</u>	<u>6,836,976</u>
Total assets	<u>\$ 28,676,431</u>	<u>\$ 51,763,638</u>	<u>\$ 56,655,273</u>	<u>\$ 23,784,796</u>
LIABILITIES				
Accrued liabilities	\$ 70,842	\$ 45,854,024	\$ 45,188,697	\$ 736,169
Deposits held for others	28,605,589	9,628,744	15,185,706	23,048,627
Total liabilities	<u>\$ 28,676,431</u>	<u>\$ 55,482,768</u>	<u>\$ 60,374,403</u>	<u>\$ 23,784,796</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
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	\$ 1,980,906	\$ 1,724,436	\$ 3,705,342	\$ 9,735,000	\$ 13,440,342

**\$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
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	\$ 220,887	\$ 134,660	\$ 355,547	\$ 3,365,000	\$ 3,720,547

**\$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
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	\$ 22,891	\$ 422,068	\$ 444,959

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
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	\$ 1,493,655	\$ 7,562,376	\$ 9,056,031

**\$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
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	\$ 3,368,535	\$ 16,305,433	\$ 19,673,968

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
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	<u>\$ 6,462,517</u>	<u>\$ 6,066,408</u>	<u>\$ 12,528,925</u>	<u>\$ 17,670,000</u>	<u>\$ 30,198,925</u>

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

Fiscal Year	Interest Due Monthly	Principal Due Monthly	Total Annual Debt Service
2011-12	\$ 4,400	\$ 242,355	\$ 246,755
2012-13	146	13,810	13,956
Totals	<u>\$ 4,546</u>	<u>\$ 256,165</u>	<u>\$ 260,711</u>





Statistical Section

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.

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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.	120
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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.	136
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.	146
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.	150

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 Ten Fiscal Years
(dollars in thousands)**

	<u>2002</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 (2)	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 (2)	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 large increase in 2005-06 reflects the addition of infrastructure assets as per GASB34 requirements.

(2) 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).

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

(4) 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.

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 604,117 (1)	\$ 645,995	\$ 713,026	\$ 742,500	\$ 767,719	\$ 774,269
172,474	178,559	189,694	186,597	178,669	184,419
27,453	30,356	33,888	35,330	36,187	40,005
7,042	7,670	6,949	7,115	6,600	5,377
5,131	4,849	5,297	4,608	5,537	7,431
197,672	232,701	250,835	268,779	279,737	284,825
<u>\$ 1,013,889</u>	<u>\$ 1,100,130</u>	<u>\$ 1,199,689</u> (5)	<u>\$ 1,244,929</u>	<u>\$ 1,274,449</u>	<u>\$ 1,296,326</u>
\$ 234,560	\$ 253,645	\$ 292,684	\$ 308,440	\$ 317,238	\$ 314,691
107,841	47,164 (4)	44,738	43,167	44,241	44,954
(22,240) (3)	36,044 (4)	32,600	28,469	34,556	38,278
<u>\$ 320,161</u>	<u>\$ 336,853</u>	<u>\$ 370,022</u> (5)	<u>\$ 380,076</u>	<u>\$ 396,035</u>	<u>\$ 397,923</u>
\$ 838,677	\$ 899,640	\$ 1,005,710	\$ 1,050,940	\$ 1,084,957	\$ 1,088,960
280,315	225,723	234,432	229,764	222,910	229,373
27,453	30,356	33,888	35,330	36,187	40,005
7,042	7,670	6,949	7,115	6,600	5,377
5,131	4,849	5,297	4,608	5,537	7,431
175,432	268,745	283,435	297,248	314,293	323,103
<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>	<u>\$ 1,694,249</u>

CITY OF CARLSBAD

Changes in Net Assets
Last Ten 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>

2007	2008	2009	2010	2011
\$ 12,273	\$ 14,537	\$ 12,859	\$ 23,038 (8)	\$ 16,907
38,327	42,796	44,632	44,371	45,011
13,860	15,697	16,168	18,920	17,043
17,913	18,938	20,270	18,755	25,136
37,278	35,971	35,190	35,383	25,759
688	666	588	547	453
<u>120,339</u>	<u>128,605</u>	<u>129,707</u>	<u>141,014</u>	<u>130,309</u>
40,383 (2)	28,796	30,134	33,923	34,978
200	7,347	13,040 (7)	11,927	11,538
9,590	10,400	11,836	10,434	11,751
1,901	2,588	2,580	2,535	2,565
<u>52,074</u>	<u>49,131</u>	<u>57,590</u>	<u>58,819</u>	<u>60,832</u>
<u>\$ 172,413</u>	<u>\$ 177,736</u>	<u>\$ 187,297</u>	<u>\$ 199,833</u>	<u>\$ 191,141</u>
\$ 1,194	\$ 2,698	\$ 847	\$ 341	\$ 1,793
4,170	4,578	4,591	4,358	4,502
4,158	3,191	2,177	3,110	4,332
2,639	2,803	3,000	3,089	2,934
5,083	8,522	3,573	4,196	3,567
17,597 (3)	11,349	12,120	11,445	12,033
49,254 (4)	73,708 (6)	27,722	32,459	13,557
<u>84,095</u>	<u>106,849</u>	<u>54,030</u>	<u>58,998</u>	<u>42,718</u>
22,186	22,894	24,574	29,865	30,715
-	5,704	5,801	5,625	5,850
7,507	8,151	8,531	9,580	10,053
1,966	2,195	3,032	2,988	3,015
2,296	1,300	1,824	1,734	1,263
25,053 (4)	30,223	14,612	17,882	5,640
<u>59,008</u>	<u>70,467</u>	<u>58,374</u>	<u>67,674</u>	<u>56,536</u>
<u>\$ 143,103</u>	<u>\$ 177,316</u>	<u>\$ 112,404</u>	<u>\$ 126,672</u>	<u>\$ 99,254</u>
\$ (36,244)	\$ (21,756)	\$ (75,677)	\$ (82,016)	\$ (87,591)
6,934	21,336	784	8,855	(4,296)
<u>\$ (29,310)</u>	<u>\$ (420)</u>	<u>\$ (74,893)</u>	<u>\$ (73,161)</u>	<u>\$ (91,887)</u>

(Continued)

CITY OF CARLSBAD

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

	2002	2003	2004	2005	2006
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>	<u>2011</u>
\$ 49,284	\$ 52,705	\$ 55,338	\$ 55,113	\$ 54,049
27,445	27,031	23,098	23,031	25,660
12,929	14,277	12,752	11,490	11,569
5,346	4,634	5,274	4,906	4,650
3,056	3,328	3,422	3,458	3,581
1,262	951	621	758	911
608	450	353	309	483
21,455	24,955	19,828	12,523	8,372
700	513	359	391	328
400	(2,634)	(127)	(443)	(135)
<u>122,485</u>	<u>126,210</u>	<u>120,918</u>	<u>111,536</u>	<u>109,468</u>
2,504	2,711	2,861	2,822	2,779
7,621	8,030	5,908	3,686	2,109
34	954	209	153	3,599
(400)	2,634	127	443	135
<u>9,759</u>	<u>14,329</u>	<u>9,105</u>	<u>7,104</u>	<u>8,622</u>
<u>\$ 132,244</u>	<u>\$ 140,539</u>	<u>\$ 130,023</u>	<u>\$ 118,640</u>	<u>\$ 118,090</u>
\$ 86,241	\$ 104,454	\$ 45,241	\$ 29,520	\$ 21,877
16,693	35,665	9,889	15,959	4,326
<u>\$ 102,934</u>	<u>\$ 140,119</u>	<u>\$ 55,130</u>	<u>\$ 45,479</u>	<u>\$ 26,203</u>

CITY OF CARLSBAD

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

	2002	2003	2004	2005	2006
General Fund					
Reserved	\$ 12,006	\$ 12,794	\$ 27,917 (2)	\$ 44,996 (3)	\$ 45,131
Unreserved	76,149	58,343 (1)	56,141	54,400	61,494
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 88,155</u>	<u>\$ 71,137</u>	<u>\$ 84,058</u>	<u>\$ 99,396</u>	<u>\$ 106,625</u>
All Other Governmental Funds					
Reserved	\$ 37,776	\$ 44,265	\$ 54,414	\$ 49,583	\$ 38,000
Unreserved, reported in:					
Special revenue funds	20,542	21,011	29,841	30,031	30,024
Debt service funds	(10,371)	(10,449)	(9,789)	(11,317)	(11,681)
Capital project funds	128,869	171,227	171,194	206,711	221,393
Nonspendable					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Restricted					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Committed					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Assigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Unassigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 176,816</u>	<u>\$ 226,054</u>	<u>\$ 245,660</u>	<u>\$ 275,008</u>	<u>\$ 277,736</u>

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) 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.
- (2) \$15 million was reserved at the end of the 2004 Fiscal Year for future advances to the Golf Course Fund.
- (3) \$30.3 million was reserved at the end of the 2006 Fiscal Year for future advances to the Golf Course Fund.
- (4) 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.
- (5) \$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.
- (6) 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.
- (7) GASB 54, which requires changes in the reporting categories for fund balances, was implemented in Fiscal Year 2011.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (7)</u>
\$ 56,505 (4)	\$ 56,479	\$ 59,303	\$ 59,586	\$ -
66,084	64,494	66,302	68,935	-
-	-	-	-	53,943
-	-	-	-	-
-	-	-	-	1,000
-	-	-	-	23,584
-	-	-	-	57,533
<u>\$ 122,589</u>	<u>\$ 120,973</u>	<u>\$ 125,605</u>	<u>\$ 128,521</u>	<u>\$ 136,060</u>
\$ 44,352	\$ 38,963	\$ 34,573	\$ 50,617	\$ -
32,485	36,277	40,207	41,449	-
(12,423)	(12,095)	(11,150)	(17,824)	-
231,071	268,915 (5)	276,183	262,612 (6)	-
-	-	-	-	433
-	-	-	-	-
-	-	-	-	250
-	-	-	-	65,585
-	-	-	-	-
-	-	-	-	171,214
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	123,473
-	-	-	-	-
-	-	-	-	(18,658)
-	-	-	-	-
<u>\$ 295,485</u>	<u>\$ 332,060</u>	<u>\$ 339,813</u>	<u>\$ 336,854</u>	<u>\$ 342,297</u>

CITY OF CARLSBAD

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

	2002	2003	2004	2005	2006
Revenues:					
Taxes	\$ 71,528	\$ 74,156	\$ 79,533	\$ 84,065	\$ 94,862
Intergovernmental	14,267	19,775	22,506	24,245	13,027
Licenses and permits	1,998	2,043	2,329	3,393	2,504
Charges for services	7,751	10,059	9,899	10,433	11,038
Fines and forfeitures	947	923	1,092	1,084	1,178
Income from property and investments	18,700	14,802	3,902	10,741	10,387
Contributions from property owners (3)	11,251	14,547	23,682	49,446	25,365
Donations	210	149	141	164	130
Miscellaneous	2,386	2,349	1,543	1,107	2,077
Total revenues	<u>129,038</u>	<u>138,803</u>	<u>144,627</u>	<u>184,678</u>	<u>160,568</u>
Expenditures:					
Current:					
General government	8,415	8,805	9,745	12,113	16,311
Less: Interdepartmental charges	(2,284)	(2,815)	(2,735)	(2,700)	(2,639)
Public safety	25,598	26,798	30,799	33,819	36,365
Community development	10,316	11,799	13,644	14,319	14,300
Community services	12,449	13,374	13,915	14,744	15,637
Public works	15,404	18,177	18,045	18,737	20,327
Capital outlay	37,503	26,410	26,406	46,420	47,032
Debt service:					
Principal retirement	1,133	1,672	1,214	1,040	1,037
Interest and fiscal charges	1,694	1,628	1,466	1,501	1,599
Total expenditures	<u>110,228</u>	<u>105,848</u>	<u>112,499</u>	<u>139,993</u>	<u>149,969</u>
Excess (deficiency) of revenues over (under) expenditures	18,810	32,955	32,128	44,685	10,599
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	-	-
Issuance of debt	6	-	-	-	-
Transfers in	11,833	47,846	8,729	10,228	11,685
Transfers out	(11,816)	(48,581)	(8,329)	(10,228)	(12,334)
Total other financing sources (uses)	<u>23</u>	<u>(735)</u>	<u>400</u>	<u>-</u>	<u>(649)</u>
Net change in fund balances	<u>\$ 18,833</u>	<u>\$ 32,220</u>	<u>\$ 32,528</u>	<u>\$ 44,685</u>	<u>\$ 9,950</u>
Debt service as percentage of noncapital expenditures (1,2)	3.86%	4.17%	3.10%	2.71%	2.41%

Source: City of Carlsbad Comprehensive Annual Financial Report.

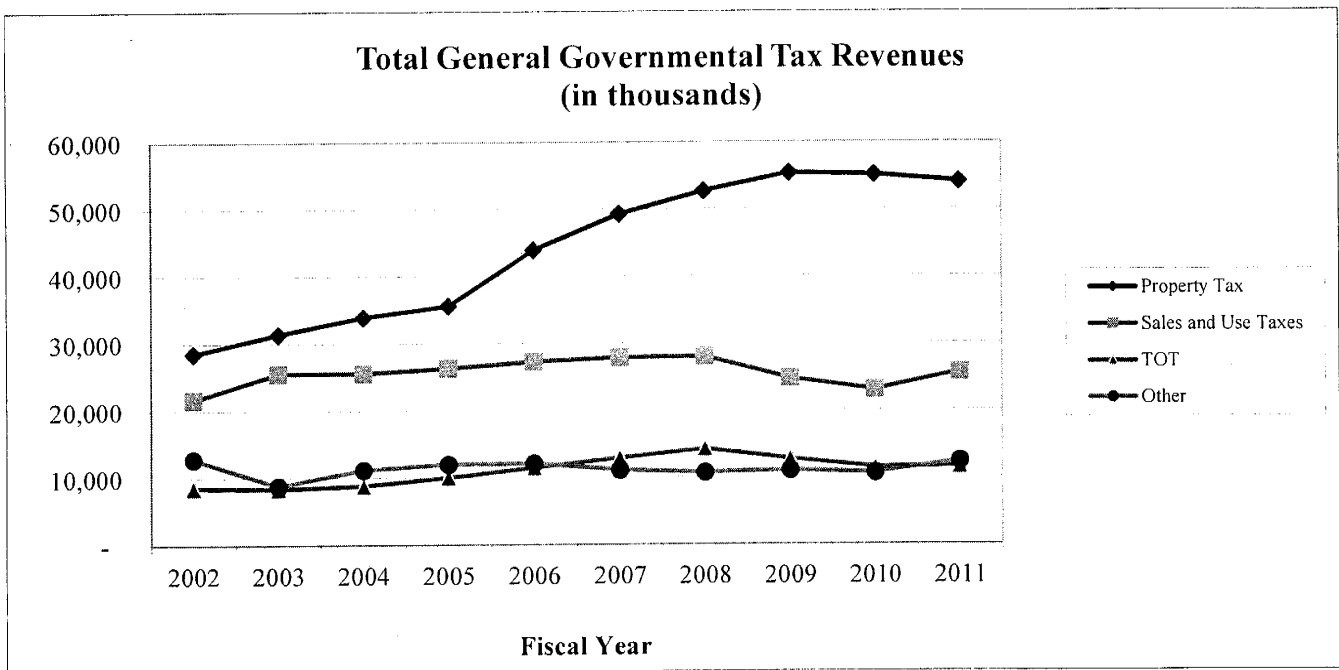
- (1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Assets) and expenditures for capitalized assets included within the functional expenditure categories.
- (2) Information not available for years prior to GASB 34 implementation.
- (3) Steep drop in development throughout the City due to the economic recession starting in 2009.

	2007	2008	2009	2010	2011
\$	101,196	\$ 105,724	\$ 103,874	\$ 100,249	\$ 103,660
	25,097	19,565	10,029	12,108	12,847
	2,094	1,991	1,022	1,484	1,590
	10,937	11,089	9,616	10,215	9,938
	1,387	1,500	1,402	1,199	1,051
	22,270	24,163	19,132	12,719	9,278
	10,311	23,850	3,117	4,580	5,473
	173	281	174	203	310
	950	932	926	1,263	2,521
	<u>174,415</u>	<u>189,095</u>	<u>149,292</u>	<u>144,020</u>	<u>146,668</u>
	18,013	14,433	12,896	22,778	16,937
	(2,151)	(2,287)	(3,676)	(3,991)	(3,015)
	39,832	43,719	45,003	44,686	44,157
	13,998	15,726	16,294	18,272	16,980
	16,667	17,136	17,517	16,493	22,560
	22,481	24,355	23,851	23,851	13,078
	30,765	39,010	22,097	19,727	20,985
	1,091	1,140	1,200	490	515
	1,333	1,347	1,188	1,016	935
	<u>142,029</u>	<u>154,579</u>	<u>136,370</u>	<u>143,322</u>	<u>133,132</u>
	32,386	34,516	12,922	698	13,536
	1,364	-	-	-	-
	-	-	-	-	581
	9,723	20,390	9,101	21,837	9,802
	<u>(9,760)</u>	<u>(19,948)</u>	<u>(9,637)</u>	<u>(22,578)</u>	<u>(10,937)</u>
	<u>1,327</u>	<u>442</u>	<u>(536)</u>	<u>(741)</u>	<u>(554)</u>
\$	<u>33,713</u>	<u>\$ 34,958</u>	<u>\$ 12,386</u>	<u>\$ (43)</u>	<u>\$ 12,982</u>
	2.01%	2.08%	2.01%	1.18%	1.26%

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
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
2011	54,049	25,660	11,569	4,650	3,581	911	3,240	103,660
Change 2002-2011	90%	18%	36%	-38%	47%	-24%	91%	45%



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>
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
2011	18.00	2.70	23.03

Source: City of Carlsbad.

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

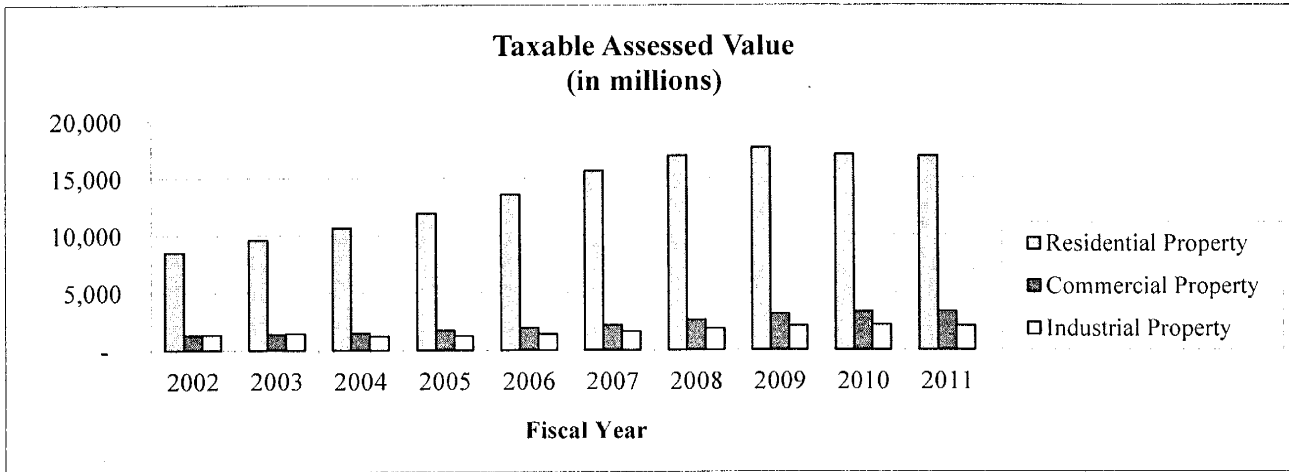
(1) One unit of water equals 748 gallons.

(2) Tiered rates were implemented starting in Fiscal Year 2010. From that point on, 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)
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%
2011	16,946	3,355	2,111	601	23,013	48,410 (5)	0.210%



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

**Direct and Overlapping Property Tax Rates (1)
Last Ten Fiscal Years
(rate per \$100 of assessed value)**

Allocation of 1% Ad Valorem Property Taxes									
Fiscal Year	City of Carlsbad Direct Rate	Overlapping Rates					Total Prop 13 Rate (2)	Voter Approved Debt (3)	Total Tax Rate (4)
		Carlsbad Unified School District	San Diego County	Educational Revenue Augmentation Fund	Mira Costa Community College	All Other Rates			
2002	0.1927 %	0.3412 %	0.1576 %	0.1497 %	0.0937 %	0.0651 %	1.0000 %	0.0235 %	1.0235 %
2003	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0278	1.0278
2004	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0286	1.0286
2005	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0239	1.0239
2006	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0207	1.0207
2007	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0185	1.0185
2008	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0419	1.0419
2009	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0393	1.0393
2010	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0408	1.0408
2011	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0432	1.0432

Source: County of San Diego Auditor and Controller's Office.

- (1) Tax rates are for Tax Rate Area 09000, which has the highest total assessed value of the 103 tax rate areas in the City of Carlsbad. Tax Rate Area 09000 was chosen as the most representative for the City.
- (2) In 1978, California voters passed Proposition 13 which limited property taxes to a total maximum rate of 1.00% based on the assessed value of each property being taxed. This 1.00% is shared by all taxing agencies within a tax rate area. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the purchase price of the property becomes the new assessed value.
- (3) The majority of voter approved debt shown above is related to Carlsbad Unified School District bonds.
- (4) The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.

CITY OF CARLSBAD

Principal Property Taxpayers
Current Year and Nine Years Ago

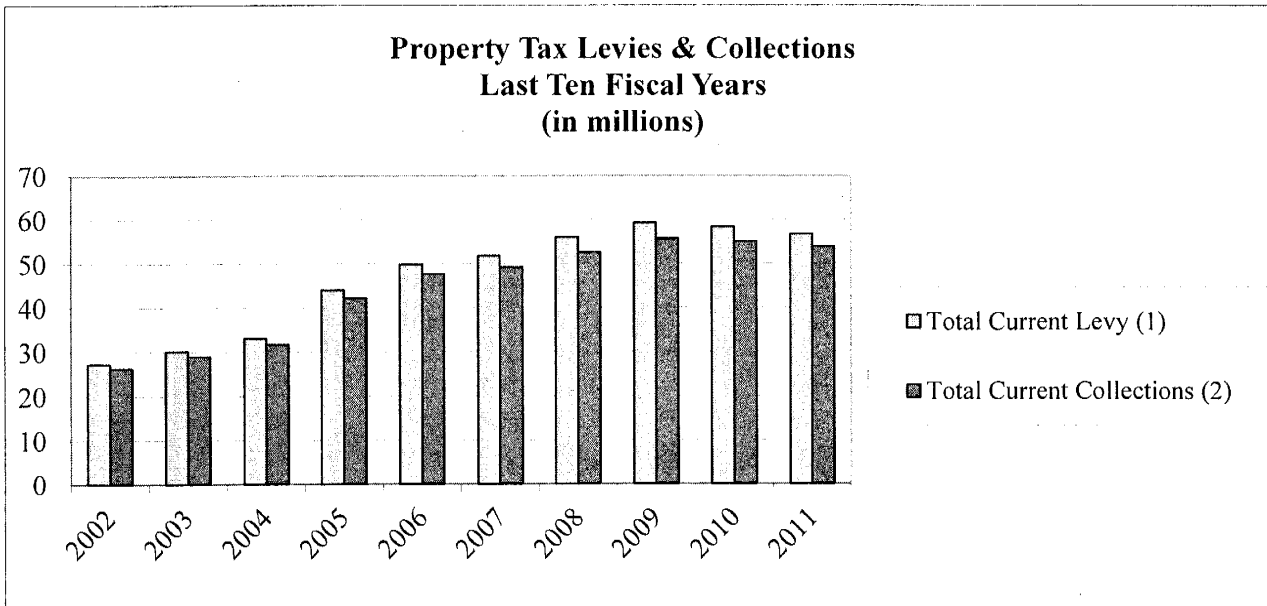
Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
La Costa Glen Retirement Community	\$ 229,289,820	1	1.00%	-	-	-
Aviara Resort Associates LLC	215,939,676	2	0.94%	\$ 119,818,629	5	1.14%
KSL La Costa Resort Corp.	203,859,602	3	0.89%	132,214,291	4	1.26%
Legoland California, Inc.	123,022,648	4	0.53%	177,211,809	3	1.69%
O C/s D Holdings LLC	121,152,686	5	0.53%	n/a		n/a
Carlsbad Premium Outlets	113,760,447	6	0.49%	n/a		n/a
Plaza Camino Real	101,354,271	7	0.44%	n/a		n/a
Grand Pacific Palisades LP	95,909,809	8	0.42%	n/a		n/a
Callaway Golf Company	95,444,058	9	0.41%	187,083,605	2	1.78%
Fourth Quarter Properties	84,074,846	10	0.37%	n/a		n/a
Cabrillo Power, LLC	-		-	298,576,808	1	2.85%
Real Estate Collateral Mgmt. Co.	-		-	76,499,989	6	0.73%
Prentiss Properties Acquisition	-		-	64,652,790	7	0.62%
H.G. Fenton Company	-		-	57,133,163	8	0.54%
Air Products & Chemicals, Inc.	-		-	51,921,351	9	0.49%
Standard Pacific Corporation	-		-	49,262,713	10	0.47%
Total	\$ 1,383,807,863		6.01%	\$ 1,214,375,148		11.58%
Net assessed valuation	\$ 23,012,997,313			\$ 10,490,646,919		

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>
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	94.20%
2011	56,792,002	53,953,149	95.00%



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.

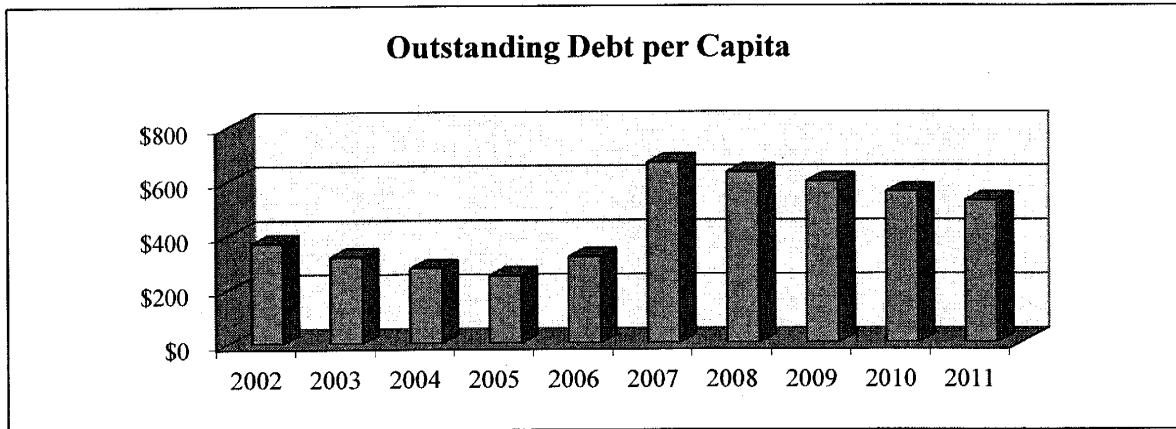
(2) Total current collections includes prior year delinquencies and adjustments; delinquency collections by year are not available.

(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				
Fiscal Year	Bonds / Special Debt	Certificates of Participation	Capital Leases	Loans Payable
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	-	-	-
2011	9,735	-	-	581



- 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 per capita personal income beginning in 2011, in prior years the percentage is calculated using household median income.
- Sources: MuniServices, LLC, California Department of Finance, US Census Data.

Business-Type Activities

<u>Accrued Assessments</u>	<u>Bonds / Special Debt (1)</u>	<u>Certificates of Participation</u>	<u>Installment Purchase Agreements</u>	<u>Loan Payable (2)</u>	<u>Capital Leases</u>	<u>Total</u>	<u>Percentage of Personal Income (3)</u>	<u>Per Capita</u>
\$ 621	\$ -	\$ 2,295	\$ 8,870	\$ 1,574	\$ -	\$ 32,536	0.59%	\$ 369.22
443	-	1,175	8,375	1,460	-	28,952	0.52%	319.41
257	-	-	7,855	1,343	-	25,734	0.44%	277.24
-	-	-	7,305	1,223	-	23,735	0.39%	250.12
-	-	-	6,730	10,592	-	31,493	0.50%	319.27
-	18,540	-	6,125	29,096	699	67,540	1.00%	666.49
-	18,540	-	5,485	28,465	958	65,388	0.92%	629.88
-	18,265	-	4,810	27,106	736	61,657	0.84%	596.26
-	17,975	-	4,105	25,715	502	58,547	0.79%	557.30
-	17,670	-	3,365	24,290	256	55,897	1.38%	524.58

CITY OF CARLSBAD

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

Fiscal Year 2010-11 Assessed Valuation:	\$ 23,360,822,671
Redevelopment Incremental Valuation:	347,825,358
Adjusted Assessed Valuation:	<u>\$ 23,012,997,313</u>

<u>Overlapping Tax and Assessment Debt:</u>	Total Debt 06/30/11	Percent Applicable (1)	City's Share of Debt 6/30/11
Metropolitan Water District	\$ 227,670,000	1.300%	\$ 2,959,710
Palomar Community College District	322,528,901	3.190%	10,288,672
Carlsbad Unified School District	203,530,319	97.916%	199,288,747
Carlsbad Unified School District CFD No. 1	4,415,000	100.000%	4,415,000
Oceanside Unified School District	218,410,045	0.006%	13,105
Vista Unified School District	132,674,882	0.684%	907,496
Encinitas Union School District	27,041,273	30.374%	8,213,516
San Marcos Unified School District School Facility Improvement District	11,998,019	38.758%	4,650,192
San Marcos Unified School District CFD No. 4	22,760,000	24.403%	5,554,123
San Marcos Unified School District CFD No. 5	22,540,000	100.000%	22,540,000
San Dieguito Union HS District CFD No. 94-1	93,335	100.000%	93,335
San Dieguito Union HS District CFD No. 94-2	25,650,155	98.080%	25,157,672
San Dieguito Union HS District CFD No. 95-2	4,217,045	12.035%	507,521
San Dieguito Union High School District Combined CFD	16,299,685	30.399%	4,954,941
Palomar Pomerado Hospital District	481,514,998	2.121%	10,212,933
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	16,150,000	20.979%	3,388,109
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	24,865,000	100.000%	24,865,000
City of Carlsbad 1915 Act Bonds	60,755,000	100.000%	60,755,000
Total Overlapping Tax and Assessment Debt	<u>\$ 1,823,113,657</u>		<u>\$ 388,765,072</u>
 <u>Direct and Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 385,650,000	6.762%	\$ 26,077,653
San Diego County Pension Obligations	820,288,160	6.762%	55,467,885
San Diego City Superintendent of Schools General Fund Obligations	19,992,500	6.762%	1,351,893
Mira Costa Community College District Certificates of Participation	3,065,000	27.196%	833,557
Palomar Community College District General Fund Obligations	6,275,000	3.190%	200,173
Carlsbad Unified School District General Fund Obligations	49,095,000	97.916%	48,071,860
San Marcos Unified School District General Fund Obligations	56,128,327	34.053%	19,113,379
San Dieguito Union High School District General Fund Obligations	13,015,000	8.691%	1,131,134
Other Unified School District Certificates of Participation	6,055,000	Various	39,246
Total Direct and Overlapping General Fund Obligation Debt	<u>\$ 1,359,563,987</u>		<u>\$ 152,286,780</u>
Combined Total Debt	<u>\$ 3,182,677,644</u>		<u>\$ 541,051,852 (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 2010-11 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.66%
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Ratios to Adjusted Assessed Valuation:

Combined Direct Debt	0.00%
Combined Total Debt	2.35%

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>2002</u>	<u>2003</u>	<u>2004</u>
<u>Overlapping Tax and Assessment Debt:</u>			
San Diego County Water Authority	\$ 0.017	\$ 0.008	\$ -
Metropolitan Water District	0.481	0.398	0.368
Palomar Community College District	-	-	-
Carlsbad Unified School District	2.099	1.832	1.594
Carlsbad Unified School District Lease Tax Obligations	0.122	0.070	0.033
Carlsbad Unified School District CFD No. 1	0.909	0.789	0.678
Oceanside Unified School District	-	-	-
Vista Unified School District	0.005	0.004	0.005
Encinitas Union School District	0.678	0.621	0.530
Encinitas Union School District Lease Tax Obligations	0.050	0.020	-
San Marcos Unified School District School Fac. Improv. Dist.	0.629	0.544	0.524
San Marcos Unified School District CFD No. 4	-	-	-
San Marcos Unified School District CFD No. 5	1.059	1.909	1.886
San Dieguito Union HS District CFD No. 94-1	0.025	0.023	0.020
San Dieguito Union HS District CFD No. 94-2	1.816	1.628	1.456
San Dieguito Union HS District CFD No. 95-2	0.028	0.025	0.023
San Dieguito Union HS District combined CFD	-	-	0.973
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.400	0.357	0.314
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	-	-	-
City of Carlsbad 1915 Act Bonds	3.287	2.809	3.145
Total Overlapping Tax and Assessment Debt	<u>\$ 11.608</u>	<u>\$ 11.038</u>	<u>\$ 11.548</u>
<u>Direct and Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 2.701	\$ 2.281	\$ 1.881
San Diego County Pension Obligations	1.470	3.951	5.528
San Diego City Superintendent of Schools General Fund Obligations	0.011	0.010	0.009
Mira Costa Community College District Certificates of Participation	0.145	0.121	0.098
Palomar Community College District General Fund Obligations	-	-	-
Carlsbad Unified School District General Fund Obligations	4.843	4.392	3.961
San Marcos Unified School District General Fund Obligations	-	-	0.143
San Marcos Unified School District Certificates of Participation	0.015	-	-
Encinitas Union School District Certificates of Participation	0.078	0.045	0.037
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.022	0.021	0.018
City of Carlsbad General Fund Obligations	<u>0.381</u>	<u>0.304</u>	<u>0.235</u>
Total Direct and Overlapping General Fund Obligation Debt	<u>\$ 9.666</u>	<u>\$ 11.123</u>	<u>\$ 11.911</u>
Combined Total Debt	<u>\$ 21.274</u>	<u>\$ 22.162</u>	<u>\$ 23.460</u>

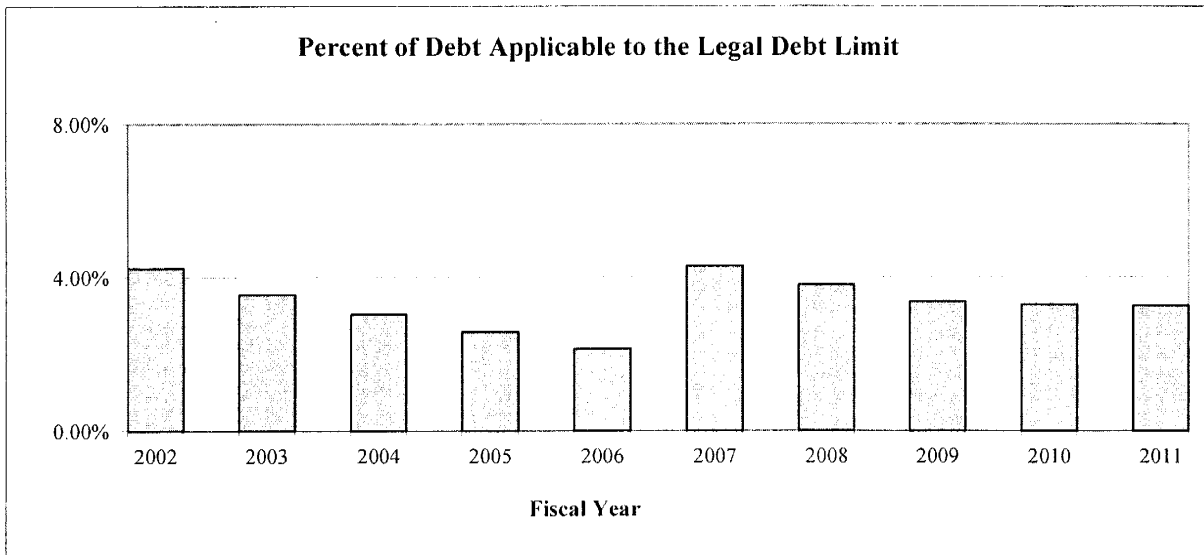
Source: California Municipal Statistics, Inc. & MuniServices, LLC

2005	2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
0.319	0.269	0.224	0.187	0.160	0.147	0.129
-	-	0.239	0.224	0.208	0.207	0.447
1.342	1.102	0.897	2.521	5.513	5.401	8.660
-	-	-	-	-	-	-
0.578	0.477	0.386	0.318	0.263	0.230	0.192
-	-	-	-	-	0.001	0.001
0.005	0.007	0.011	0.029	0.033	0.043	0.039
0.471	0.389	0.322	0.270	0.228	0.205	0.357
-	-	-	-	-	-	-
0.448	0.383	0.327	0.282	0.250	0.227	0.202
-	0.187	0.302	0.270	0.248	0.245	0.241
1.677	1.457	1.255	1.114	1.016	1.000	0.979
0.018	0.016	0.014	0.012	0.011	0.004	0.004
1.298	1.128	0.975	0.867	0.793	1.105	1.093
0.020	0.006	0.005	0.004	0.004	0.022	0.022
0.884	0.832	0.734	0.668	0.626	0.218	0.215
0.279	0.242	0.203	0.177	0.157	0.151	0.147
-	0.649	0.573	1.338	1.246	1.244	1.080
4.848	4.143	3.553	3.091	2.806	2.685	2.640
<u>\$ 12.186</u>	<u>\$ 11.386</u>	<u>\$ 10.100</u>	<u>\$ 11.675</u>	<u>\$ 13.952</u>	<u>\$ 13.516</u>	<u>\$ 16.893</u>
\$ 1.855	\$ 1.385	\$ 1.125	\$ 1.051	\$ 1.304	\$ 1.201	\$ 1.133
5.008	4.376	4.306	3.094	2.782	2.470	2.410
0.051	0.044	0.058	0.051	0.046	0.061	0.059
0.085	0.072	0.061	0.052	0.046	0.043	0.036
-	0.013	0.012	0.011	0.010	0.010	0.009
3.557	3.106	2.694	2.404	2.206	2.132	2.089
0.122	0.106	0.093	0.082	0.076	0.834	0.831
-	-	-	-	-	-	-
0.032	0.024	0.018	0.013	0.008	0.004	-
-	-	-	-	-	0.048	0.049
0.015	0.001	0.001	0.001	0.002	0.002	0.002
<u>0.174</u>	<u>0.119</u>	<u>0.072</u>	<u>0.033</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 10.900</u>	<u>\$ 9.246</u>	<u>\$ 8.439</u>	<u>\$ 6.793</u>	<u>\$ 6.480</u>	<u>\$ 6.805</u>	<u>\$ 6.617</u>
\$ 23.086	\$ 20.632	\$ 18.538	\$ 18.467	\$ 20.431	\$ 20.321	\$ 23.511

CITY OF CARLSBAD

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Net assessed valuation	\$ 11,850,679	\$ 13,009,712	\$ 14,303,050	\$ 15,741,122	\$ 17,707,928
Debt limit (25% x 15%)	444,400	487,864	536,364	590,292	664,047
Less amount of debt applicable to limit:					
Bonded debt	13,540	13,200	12,840	12,460	12,065
Certificates of participation	4,515	3,950	3,360	2,740	2,105
Loan payable	-	-	-	-	-
Obligations under capital leases	791	179	79	7	1
Total net debt applicable to limit	<u>18,846</u>	<u>17,329</u>	<u>16,279</u>	<u>15,207</u>	<u>14,171</u>
Legal debt margin	<u>\$ 425,554</u>	<u>\$ 470,535</u>	<u>\$ 520,085</u>	<u>\$ 575,085</u>	<u>\$ 649,876</u>
Total net debt applicable to the limit as a percentage of debt limit	4.24%	3.55%	3.04%	2.58%	2.13%



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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 20,059,893	\$ 22,040,018	\$ 23,517,153	\$ 23,234,948	\$ 23,012,997
752,246	826,501	881,893	871,311	862,987
30,185 (1)	29,745	29,005	28,225	27,405
1,435	735	-	-	-
-	-	-	-	581
699	958	736	502	256
<u>32,319</u>	<u>31,438</u>	<u>29,741</u>	<u>28,727</u>	<u>28,242</u>
<u>\$ 719,927</u>	<u>\$ 795,063</u>	<u>\$ 852,152</u>	<u>\$ 842,584</u>	<u>\$ 834,745</u>
4.30%	3.80%	3.37%	3.30%	3.27%

CITY OF CARLSBAD

**Pledged-Revenue Coverage
Last Ten Fiscal Years**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Wastewater Revenue Bonds					
Gross revenues (1)	\$ 10,618,890	\$ 10,461,096	\$ 8,291,693	\$ 9,427,318	\$ 8,763,977
Less expenses (2)	<u>4,270,640</u>	<u>3,979,400</u>	<u>4,781,158</u>	<u>4,512,427</u>	<u>5,438,600</u>
Net available revenue	<u>\$ 6,348,250</u>	<u>\$ 6,481,696</u>	<u>\$ 3,510,535</u>	<u>\$ 4,914,891</u>	<u>\$ 3,325,377</u>
Debt service					
Principal	\$ 480,000	\$ 495,000	\$ 520,000	\$ 550,000	\$ 575,000
Interest	462,162	441,199	416,256	389,581	361,394
Total debt service	<u>\$ 942,162</u>	<u>\$ 936,199</u>	<u>\$ 936,256</u>	<u>\$ 939,581</u>	<u>\$ 936,394</u>
Coverage	6.74	6.92	3.75	5.23	3.55
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>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</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>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</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>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</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>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 10,540,303	\$ 11,134,290	\$ 10,551,005	\$ 10,837,232	\$ 11,564,398
6,173,656	6,645,724	7,523,300	6,197,845	6,060,142
<u>\$ 4,366,647</u>	<u>\$ 4,488,566</u>	<u>\$ 3,027,705</u>	<u>\$ 4,639,387</u>	<u>\$ 5,504,256</u>
\$ 605,000	\$ 640,000	\$ 675,000	\$ 705,000	\$ 740,000
328,944	295,506	262,169	228,006	191,419
<u>\$ 933,944</u>	<u>\$ 935,506</u>	<u>\$ 937,169</u>	<u>\$ 933,006</u>	<u>\$ 931,419</u>
4.68	4.80	3.23	4.97	5.91
\$ 4,187,044	\$ 4,714,098	\$ 5,749,477	\$ 6,635,220	\$ 5,942,531
1,968,609	2,484,843	2,925,479	3,300,263	3,629,787
<u>\$ 2,218,435</u>	<u>\$ 2,229,255</u>	<u>\$ 2,823,998</u>	<u>\$ 3,334,957</u>	<u>\$ 2,312,744</u>
\$ 409,896	\$ 1,041,202	\$ 1,223,781	\$ 1,252,343	\$ 1,282,018
236,964	799,759	652,702	624,140	594,463
<u>\$ 646,860</u>	<u>\$ 1,840,961</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,481</u>
3.43	1.21	1.50	1.78	1.23
n/a	\$ 6,614,579	\$ 7,680,342	\$ 7,080,711	\$ 7,582,458
n/a	6,312,031	6,848,161	6,426,412	6,356,592
<u>n/a</u>	<u>\$ 302,548</u>	<u>\$ 832,181</u>	<u>\$ 654,299</u>	<u>\$ 1,225,866</u>
n/a	\$ -	\$ 275,000	\$ 290,000	\$ 305,000
n/a	827,050	821,550	810,250	798,350
<u>n/a</u>	<u>\$ 827,050</u>	<u>\$ 1,096,550</u>	<u>\$ 1,100,250</u>	<u>\$ 1,103,350</u>
n/a	0.37	0.76	0.59	1.11

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>
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
2011	106,555	3.42%	1.43%	39.4	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 the United States Census Data Sets Tables.

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

(1) U.S. Census Bureau, and 2010 American Community Survey. Personal income is the estimated total aggregate income for the total population.

(2) Per Capita Personal Income is reported for FY2011; prior amounts are Median Household Income, adjusted for inflation.

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 (2)</u>	<u>Unemployment Rate</u>
n/a	n/a	n/a	\$ 62,138	3.40%
n/a	n/a	n/a	61,178	3.40%
n/a	n/a	n/a	62,937	3.10%
95.0%	46.9%	n/a	63,403	2.80%
95.4%	53.0%	n/a	64,252	2.60%
n/a	n/a	n/a	66,325	4.00%
96.4%	49.3%	n/a	68,214	3.00%
95.8%	50.9%	n/a	70,833	3.90%
n/a	n/a	n/a	70,581	6.50%
96.2%	51.6%	\$4,048 (1)	37,985 (2)	6.80%

CITY OF CARLSBAD

Principal Employers
Current Year and Nine Years Ago

Employer	2011			2002		
	Employees	Rank	% of Total City Employment	Employees	Rank	
Manufacturing						
Life Technologies	4,121	1	7.56%	295	6	
Taylor Made Golf Company, Inc.	2,498	2	4.58%	727	2	
Callaway Golf Company	1,637	3	3.00%	2,500	1	
Genoptix, Inc.	984	4	1.81%	n/a	n/a	
Zimmer Dental Inc.	638	5	1.17%	n/a	n/a	
Alphatec Spine, Inc.	610	6	1.12%	n/a	n/a	
Asymtek	556	7	1.02%	n/a	n/a	
Crestone Group Baking Co.	530	8	0.97%	n/a	n/a	
Astec America	299	9	0.55%	n/a	n/a	
The Upper Deck Company	293	10	0.54%	250	10	
Acushnet Golf	n/a			540	3	
Ashworth, Inc.	n/a			394	4	
Melles-Griot, Inc.	n/a			300	5	
Beckman Coulter, Inc.	n/a			260	7	
Modern Postcard/The Iris Group, Inc.	n/a			250	8	
Syntron Bioresearch, Inc.	n/a			250	9	
Non-Manufacturing						
ViaSat, Inc.	2,114	1	3.88%	700	8	
GIA Laboratory	1,206	2	2.21%	500	10	
LEGOLAND California, LLC	1,140	3	2.09%	1,100	3	
Carlsbad Unified School District	1,004	4	1.84%	800	6	
La Costa Resort & Spa	871	5	1.60%	950	4	
City of Carlsbad	699	6	1.28%	625	9	
Park Hyatt Aviara	580	7	1.06%	1,100	2	
24-Hour Fitness, Inc.	545	8	1.00%	n/a	n/a	
Prescription Solution	516	9	0.95%	n/a	n/a	
Continuing Life Communities	397	10	0.73%	n/a	n/a	
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	21,238		38.97%	16,091		
Total Employees (estimate)	54,500			n/a (1)		

Source: Carlsbad Business License Data (2011) and Carlsbad Chamber of Commerce (2002).

(1) Total employee count is not available for 2002.

(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 Program Area
Last Ten Fiscal Years

<u>Program Area</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Policy and Leadership Group					
City Council	1.00	1.00	1.00	1.00	1.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
City Manager	6.00	6.00	6.00	6.00	6.00
Communications	1.00	2.75	2.75	2.75	2.75
City Attorney	7.00	7.00	7.00	7.00	7.00
Records Management	8.00	8.00	8.00	8.00	8.00
Internal Services					
Finance and Risk Management	31.00	32.00	32.00	32.00	31.00
Human Resources and Worker's Comp	10.00	10.00	10.00	10.00	10.00
Information Technology	15.00	16.00	16.00	16.00	16.00
Property and Environmental Management	-	-	-	-	-
Public Safety					
Police	143.00	150.00	148.00	148.00	151.00
Fire	79.75	79.75	79.75	79.75	79.75
Community Development					
Community and Economic Development	44.00	44.00	44.00	44.00	44.00
Housing and Neighborhood Services	10.00	10.00	10.00	10.00	10.00
Community Services					
Library and Arts	51.00	52.75	53.00	53.00	53.00
Parks and Recreation	30.00	33.00	33.00	32.50	32.50
Public Works					
General Services, Engineering, Environmental	119.45	120.75	121.75	148.15	157.75
Transportation	-	-	-	-	-
Utilities	70.30	73.00	73.00	47.10	49.50
Full and 3/4 Time Authorized Employees					
Increase/(decrease) over prior year	627.25	646.75	646.00	646.00	660.00
	27.50	19.50	(0.75)	-	14.00

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 - Parks and Recreation.

(2) During Fiscal Year 2010-11, the Community Development, Public Works and Information Technology groups were realigned/reorganized to better reflect the future needs of the City.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
1.00	1.00	1.00	1.00	1.00
0.75	0.75	0.75	0.75	0.75
7.00	7.00	8.00	8.00	8.00
3.75	3.75	3.75	3.75	2.75
7.00	7.00	7.00	7.00	7.00
8.00	8.00	8.00	8.00	8.00
32.00	32.00	32.00	31.00	30.50
10.00	10.00	10.00	10.00	9.00
19.00	19.00	19.50	19.00	22.50 (2)
-	-	-	-	41.60 (2)
157.00	162.00	162.00	162.00	162.00
87.75	88.75	88.75	88.75	88.75
49.00	50.00	50.00	50.00	54.00 (2)
10.00	10.00	10.00	10.00	11.00 (2)
53.00	53.00	53.00	53.00	52.25
30.50	30.50	30.50	72.10 (1)	71.95
166.00	173.05	174.80	133.00 (1)	- (2)
-	-	-	-	58.40 (2)
48.50	55.45	55.20	55.40	69.55 (2)
690.25	711.25	714.25	712.75	699.00
30.25	21.00	3.00	(1.50)	(13.75)

CITY OF CARLSBAD

Operating Indicators by Function/Program
Last Five Fiscal Years

	2007	2008	2009	2010	2011
General Government					
Number of recruitments processed	74	54	39	44	31
Number of new hires and promotions	105	118	75	61	39
Business licenses processed	8,926	9,405	9,029	9,173	9,539
Number of payments processed	41,337	41,991	41,381	40,310	41,344
Public Safety					
Police					
Calls for service	87,213	94,126	94,492	94,678	97,414
Average priority one response (minutes)	6.3	6.0	5.9	6.0	5.5
Cases	11,178	11,259	10,309	8,826	8,188
Crime prevention programs/services	888	965	1,062	956	1,083
Fire					
Emergency responses	5,908	6,705	7,853	9,503	9,084
Response time: arrivals on scene within goal standard	89%	89%	85%	74% (1)	71%
Community Development					
Affordable housing units completed	66	168	90	6	5
Financial assistance to affordable housing projects	\$3,009,000	\$1,932,000	\$1,014,000	\$3,750,000	\$ 525,000
Residential building permits issued	481	340	114	343	262
Building inspections conducted	33,523	26,801	18,232	19,860	20,017
Final inspections (dwelling units)	765	787	269	285	306
Code enforcement inspections	6,800	5,500	4,484	3,400	4,320
Response time: inspections performed by next working day	96%	98%	99%	98%	95%
Community Services					
Library - total material circulation	1,283,662	1,291,611	1,334,875	1,322,972	1,376,600
Library - patron visits	665,277	662,794	670,932	749,514	749,500
Arts - number of events	58	62	58	54	50
Arts - attendance of events	64,000	76,000	80,000	80,000	75,000
Recreation - youth sports participants	1,150	1,200	1,200	1,200	1,200
Recreation - adult sports participants	5,300	5,400	5,400	5,400	5,450
Recreation - enrichment class enrollees	16,700	15,000	13,539	13,075	13,300
Recreation - special events participants	5,200	6,400	10,700	12,000	9,000
Recreation - aquatics classes conducted	262	271	350	368	370
Trees trimmed	1,811	1,808	1,820	1,816	2,221
Public Works					
Streets					
Road miles - overlay or slurry seal	23.80	11.90	4.70	15.25	3.77
Roadway segments meeting CalTrans collision rates	83%	94%	94%	90%	86%
Carlsbad Municipal Water District					
Average consumption (millions of gallons per day)	17.6	18.1	17.7	15.3 (2)	14.1 (3)
Annual water deliveries (acre feet)	19,500	20,271	19,867	17,142 (2)	15,786 (3)
Water connections	25,791	27,770	27,890	27,910	27,978
Wastewater					
Sewage pumped (millions of gallons per day)	6.62	6.81	7.96	7.73	7.09
Annual flow (millions of gallons)	2,416	2,486	2,906	2,823	2,590
Wastewater connections	20,858	22,200	22,331	22,335	22,342

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.
- (3) Water conservation efforts continued in Fiscal Year 2011, plus the summer season had unusually low temperatures.

CITY OF CARLSBAD

Capital Asset Statistics
Last Five Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Community Services					
Number of parks	31	31	31	31	31
Acres of developed parks	348	348	348	348	348
Acres of open space	625	625	625	625	791 (1)
Miles of trails	31	35	38	47	47
Number of pools	1	1	1	1	1
Number of community centers	2	2	2	2	2
Number of libraries	2	2	3	3	3
Number of records in library catalog	371,885	373,592	367,161	365,371	370,228
Public Safety					
Fire Protection					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	11
Number of ambulances	5	5	5	5	5 (2)
Number of other fire vehicles	13	14	14	14	14 (2)
Police Protection					
Number of patrol and other vehicles	90	93	91	91	90 (2)
Number of motorcycles	12	17	18	15	11 (2)
Public Works					
Carlsbad Municipal Water District					
Miles of lines and mains	442	442	447	447	518 (3)
Wastewater					
Miles of sewers	260	265	269	282	284
Streets					
Miles of streets	332	338	340	340	340
Number of street lights	7,372	7,588	7,638	7,687	7,703
Number of traffic signals	155	164	168	172	172

Source: City of Carlsbad

(1) During Fiscal Year 2010-11, the open space category was adjusted to include undeveloped parkland and urban forest.

Prior year figures show only preserves (primarily coastal lagoons).

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

(3) During Fiscal Year 2010-11, the figure for miles of lines and mains was adjusted to include recycled lines and mains.



