



Fiscal Year Ended June 30, 2014
Comprehensive Annual
Financial Report



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2014



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, 2014
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November 21, 2014

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

LETTER OF TRANSMITTAL
2013-14 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Honorable Mayor, City Council, and Citizens:

I am pleased to present the Fiscal Year 2013-14 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, 2014.

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 P.C. has issued an unqualified (“clean”) opinion on the City of Carlsbad’s financial statements for the year ended June 30, 2014. 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, 2014 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 39 square miles and has a population of 110,169, with an expected built out population of 120,000 residents. Industries in the city include a major regional shopping center; a specialty outlet center; a commercial center with upscale retail shops; 35 hotels offering over 4,000 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 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 Housing Authority administers federal housing assistance to 600 low-income households in Carlsbad 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 when the City Council meets to develop goals that help city staff prioritize programs, projects and services, as well as the resources required to fund them. Once the goals 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.

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.

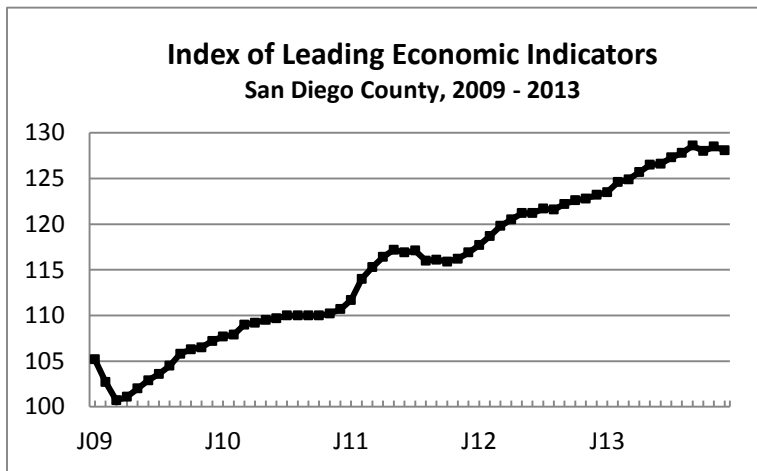
Neighborhood revitalization, community design and livability - Revitalize neighborhoods and enhance citywide community design and livability. Promote a greater mix of uses citywide, more activities along the coastline and link density to public transportation. Revitalize the downtown Village as a community focal point and a unique and memorable center for visitors, and rejuvenate the historic Barrio neighborhood.

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 health of the San Diego economy through its Index of Leading Economic Indicators. The chart below reflects historical movement in the USD's Leading Economic Indicators. The index, which measures local stock prices, help wanted advertising, and other pertinent metrics, turned mildly negative (-0.2 percent) in the last month of 2013.



Carlsbad's economy is tied closely to that of the San Diego region. For Fiscal Year 2013-14, property taxes decreased by 1.4 percent compared to the prior year, primarily due to one-time revenues received from the dissolution of the Redevelopment Agency in Fiscal Year 2012-13. Transient Occupancy Tax (TOT), a gauge of the health of local tourism, ended Fiscal Year 2013-14 with an 18.8 percent increase over last year. This increase was due to the additional room inventory, especially the

addition of the 250 room LEGOLAND Hotel, and improving occupancy and daily rates. Sales tax revenues ended Fiscal Year 2013-14 with an increase of 7.4 percent over last year due to the continuing strength in retail, restaurant and auto sales. Overall, General Fund revenues increased 5.2 percent compared to the prior fiscal year and are projected to increase slightly (2.5 percent) in Fiscal Year 2014-15.

From 1992 to 2008, 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 approximately 162,000 square feet per year over the next five fiscal years. Large industrial and commercial developments in the next five years include 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 several years, falling from over 30 percent in the last quarter of 2009 to just under 20 percent in the first quarter of 2014. Industrial vacancy fell to 10.1 percent from 12.4 percent last year.

Housing prices in Carlsbad are following national, state and regional trends. Data on single family residence (SFR) sales from DataQuick indicate that the median sales price increased to approximately \$720,000 in the first quarter of 2014, an increase of over 10 percent compared to the same quarter in 2013. According to Movoto, inventory of units for sale have increased in Carlsbad, from 255 units in April 2013 to 337 units for sale, this April. The total assessed values in the city are close to \$24 billion, an increase of 1.9 percent



compared to the prior fiscal year (Fiscal Year 2012-13). According to recent growth projections prepared for the city, Carlsbad will add 920 residential units over the next five fiscal years.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, as well as generating additional sales taxes to help pay for city services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the Forum at Carlsbad – a commercial center with upscale retail shops, restaurants and other commercial uses. A new Lowe’s opened in fall 2013, and La Costa Town Square is scheduled to open in late fall 2014.

Development has also enhanced Carlsbad’s reputation as a destination resort for tourism. The city is host to a major family theme park, LEGOLAND, and has two luxury resorts available for its visitors, the 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 Hilton Oceanfront Resort & Spa and the LEGOLAND California Resort.

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

Overall, for Fiscal Year 2014-15, General Fund revenue is projected to increase by 4.8 percent from the previous year’s estimates. Most major sources of tax revenue are expected to increase slightly in Fiscal Year 2014-15, including property tax (6.6 percent increase), following several years of stagnant growth. Sales tax is expected to increase by 1.8 percent and TOT revenues are projected to increase by 3 percent as occupancy and average daily rates increase and new hotels, such as the LEGOLAND Hotel, continue to draw visitors. Home values are showing substantial appreciation, which is expected to improve assessed values in the coming years. Development related revenue items are forecast to increase modestly in Fiscal Year 2014-15, due primarily to an increase in commercial and industrial activity, as compared to the previous fiscal year.



State of California – In January, Governor Jerry Brown submitted a balanced budget to the California legislature. The passage of Proposition 30, which temporarily increases income tax rates and sales tax rates, increased revenue projections and, coupled with budget cuts made in past years, allowed the governor to claim a fiscal balance for the first time in over a decade.

The budget for Fiscal Year 2014-15 relies on projected revenues of \$108.7 billion to cover \$106.8 billion in expenditures. The budget also addresses the “wall of debt” that was built up by the state in earlier budget cycles, as it attempted to cover shortfalls. Under the governor’s plan, this debt of \$24.9 billion will be eliminated by the end of Fiscal Year 2017-18. The budget also sets aside \$1.6 billion in a budget stabilization account to allow the state to face future uncertainties. Of course, the state still has looming fiscal issues to tackle, including unfunded pension liabilities of over \$217 billion dollars for state workers, teachers, university workers, and judges. The state also relies heavily on capital gains taxes (these will account for \$4 billion in additional revenue in Fiscal Year 2014-15) and this revenue source has proven extremely volatile in past years. The budget also assumes that the federal court will grant a two-year extension to California’s requirement to meet the capacity threshold of its prisons, which is uncertain. Finally, Proposition 30 is temporary, and the sales tax increase expires in 2016, followed by expiration of the income tax increase in 2018.

California, as mentioned previously, continues to face sizable pension liabilities. The reform enacted under Assembly Bill 340 should decrease pension costs in the long-run, but more reforms are being proposed, including a measure proposed by San Jose Mayor Chuck Reed, which would effectively allow cities to change pension benefits going forward for public employees.

General Fund expenditures in the proposed budget increased by 8.5 percent, with significant increases in K-12 education and transportation, while revenues are expected to increase by 5.9 percent in Fiscal Year 2014-15.

Long-Term Financial Planning

It is the Council's goal to ensure that the city remains in good financial health, and there are a number of steps the city has taken to attain that goal. One of the steps is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities were constructed along with development. It also ensures that a financing plan is in place to pay for the facilities prior to the development of the property.

In addition to the Growth Management Plan, the city also prepares a long-term financial model for both the capital and operating needs of the city. With a growing city such as Carlsbad, it is imperative that we plan for the impacts of the economy, serving new development and operating new public facilities, as well as planning for capital needed to build them. Thus, the city prepares a ten-year operating forecast for the General Fund, and 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, and calculates the anticipated operating budget impacts. In this way, the city can anticipate the effects of development from both a capital and an operating perspective.

One important initiative the city has undertaken to ensure its financial health is the development of an Infrastructure Replacement Fund. With this fund, the city sets aside a portion of General Fund revenues 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 experiencing the impact of 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 many facilities for which the city is responsible.

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.

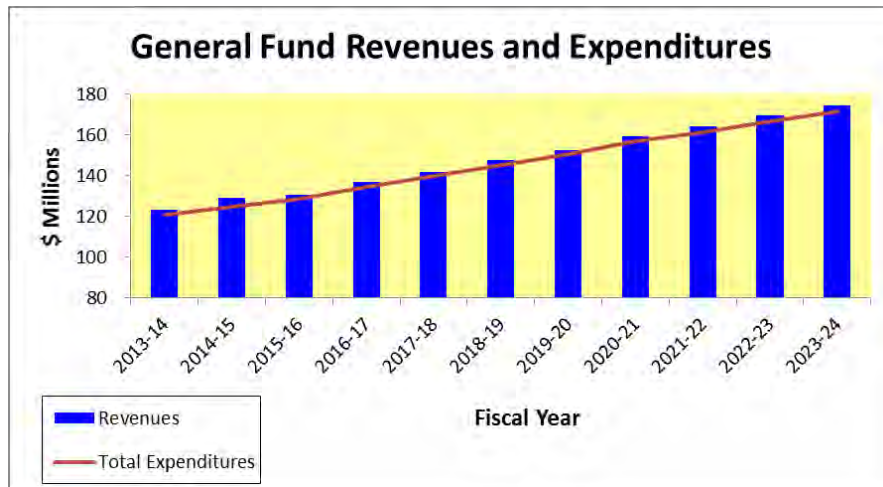
In order to strategically address the future needs of the city and to ensure that the city maintains a structurally balanced budget in the long term, city staff prepares a ten-year financial forecast. Revenue projections are developed based on current and forecasted economic variables at the national, state, and local levels, and provide city leaders with some measurement of future capacity to support city programs and services. In recent years, revenue growth has become more difficult to project in the long-term, as the city finds itself in an economic climate that changes rapidly and unpredictably, and the forecast allows decision makers to adjust for these changes. The ten-year forecast is updated frequently to avoid potential pitfalls and to ensure that city staff and leaders can identify and resolve fiscal challenges and continue to develop a balanced and responsible budget.

Over the past several years, the city has addressed the budgetary challenges brought on by the recent recession and taken deliberate measures to continue to allocate resources in a responsible manner, minimizing the impact to users of city services. These measures included a reduction in full-time and hourly full-time equivalent (FTE) positions, delaying the construction of non-essential capital projects, reducing the funding for capital outlay and goal projects, reducing and/or eliminating cost of living salary increases, requiring city employees to pay a larger portion of their retirement costs, using technology and other tools to create efficiencies and reducing certain non-essential service levels with a minimal impact to the community.

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 ten-year 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.

The 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. Ongoing transfers to the Carlsbad Crossings Golf Course are expected to continue over the forecast period; however, the transfer is expected to decrease steadily over the ten-year forecast horizon. The operating costs of new city facilities projected in the Capital Improvement Program and supported by the General Fund, such as Alga Norte Community Park, are also captured in the forecast. 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 prices, which have been slumping for several years, are continuing to increase substantially and will begin to provide a boost to the city's property tax revenues in the following years. Overall, the outlook for General Fund revenues has improved, since the last fiscal year, and revenues are expected to exceed ongoing operating costs.



The forecast assumes that General Fund revenues will increase by less than 5 percent in Fiscal Year 2014-15, as improving economic conditions buoy revenues from the property taxes, sales taxes and TOT. To project the expenditures, all known changes in personnel and maintenance and operations costs have been accounted for. However, the effects of future negotiations with employee bargaining units are not contemplated in the current ten-year forecast. The city is currently undertaking an evaluation of services in order to pursue a managed competition process, known as Best Value Services. The financial impact of a change in service delivery is also not considered in the ten-year forecast.

The forecast assumes that the city's cost for employee health care will increase by 5 percent, annually, over the life of the forecast. Pension plan costs continue to be a major driver of overall personnel costs for the city. CalPERS, the pension plan which funds city employee pension benefits, has recently decided to substantially increase required annual pension contributions from participating agencies in order to fully fund outstanding pension obligations within 30 years. This decision, coupled with new mortality assumptions (pensioners are living longer), will substantially increase personnel costs for the city and are contemplated in the current ten-year forecast. The cumulative effect of the five year ramp-up in pension costs will increase the General Fund's annual contribution by 45 percent from Fiscal Year 2015-16 to Fiscal Year 2019-20. The forecast further assumes that no new positions are authorized after Fiscal Year 2014-15, except those that may be related to the operating costs of new city facilities supported by the General Fund. Negotiated salary step increases and cost of living increases are included in personnel costs, in order to provide a conservative estimate of future costs. The contribution from the General Fund to the Infrastructure Replacement Fund is forecasted to remain at 6.5 percent of General Fund revenues. 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 graph on the previous page, the General Fund is balanced for Fiscal Year 2014-15 and revenues exceed expenses over the life of the forecast. Although the revenue forecast is optimistic, Carlsbad is still exposed to a fragile and slowly recovering economy, which could rapidly deteriorate and adversely affect local revenues. Despite these threats, responsible fiduciary stewardship and planning have placed the city in a position to benefit from even modest improvements in the economic environment.

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, 2014 was 2.08. The average return realized on the pooled investments declined from 1.144 percent in Fiscal Year 2012-13 to 1.045 percent for Fiscal Year 2013-14, 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 0.197 percent for Fiscal Year 2013-14. According to the City Treasurer, “If interest rates continue at current levels, unrealized losses will narrow as existing positions mature or are called. When interest rates begin to rise, a portion of the portfolio will benefit as a result of its short duration. Reinvestment of maturing positions and new investments will begin to capture and reflect new money rates over time.”



Major Initiatives and Projects

In the city’s Fiscal Year 2014-15 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:

Park Development Projects

Leo Carrillo Ranch Phase III – In the southeast quadrant of the city, design and construction of Phase III of Leo Carrillo Ranch Historic Park is planned. This phase will re-evaluate the Master Plan to make sure that the proposed project amenities are serving the greatest need of the community. The total cost of the project is estimated at \$1.9 million.

Civic Facilities



Civic facilities include a variety of facilities from which the city can offer its services to the public.

Fire Station No. 3 Relocation – 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 a six minute response time. The land for the new fire station was previously acquired at the Robertson Ranch site, and the remaining construction cost is estimated at \$9.4 million.

Library Renovation Projects – Significant renovation projects are planned at the Dove and the Cole libraries. Improvements are designed to accommodate current staffing needs, meet patron demands for modern library services and allow for better wireless and communication services for the public. Funds were approved in the Fiscal Year 2014-15 Capital Budget and subsequent City Council resolutions. The estimated combined renovation and improvement costs for both libraries are \$11.3 million.

Facilities Maintenance – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. Projects for the next five years have been identified at a total cost of about \$4 million. Included are refurbishments to Fire Station No. 2, the Fleet Maintenance Facility, and the Safety Center.

Trails – Additional funding is included to complete the Arroyo Vista Trail Extension and the Lake Calavera Trails system.

Street and Circulation Projects



Livable Streets continues to be a top Council priority. To help improve the flow of traffic throughout Carlsbad and to keep the city’s street and pedestrian ways in top condition. Another area of focus is a concept called “complete streets” which uses street design to create a sense of place and community through green spaces, medians and signage, while encouraging a healthier, less vehicle dependent lifestyle. The City Council identified complete streets as a top priority. An example of a recent project which incorporates these concepts is construction of a traffic circle “roundabout” along the northern end of Carlsbad Boulevard next to Buena Vista Lagoon, making it easier for vehicles, pedestrians and bicyclists to move through the intersection.



ADA Improvements – ADA projects throughout the city are scheduled for \$1 million in funding over the next five years. The projects include various accessibility improvements, including sidewalk curb ramps and pedestrian signals.

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 2016-17. The CIP includes \$5.4 million to fund this project in the next five years.

Carlsbad Boulevard Alignment from Cannon Road to Manzano Drive – This project will widen the road from two lanes to four lanes, including a center raised median, curb and gutter, stamped concrete, and landscaping. The total cost is budgeted at \$6 million.

Carlsbad Boulevard Bridges Concrete Barriers – Installation of concrete barriers on the existing bridges located on Carlsbad Boulevard are planned at a total cost of about \$2.2 million, primarily funded through a federal grant. The bridges are located north of Cannon Road over the power plant outlet channel, and over the railroad tracks south of State Street.

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, in addition to other improvements, such as median construction. 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. In the next five years, \$5.4 million in additional funding is included for these projects.

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 streets. Part of the maintenance program is the sealing and overlay of the existing street surface. In addition, any problem areas are addressed along with the overlay as they are identified. The Fiscal Year 2014-15 CIP has \$18.5 million budgeted in the next five years for this program.

Parking Lot Maintenance Program – The maintenance of city-owned parking lots is a relatively new program and is scheduled to receive funding of \$1.2 million in the next five years.

Water and Wastewater Projects

The city's water and wastewater projects are vital to the continued health and welfare of its citizens. Most new lines are built and paid for by developers. As the city ages, it becomes necessary to repair and replace the lines that already exist, and an increase in these projects is anticipated in future years. In the next five years, an additional \$47.9 million in funding is scheduled for both new and replacement water and sewer projects.

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 \$64.2 million, of which an estimated \$19.9 million is to be funded by the City of Carlsbad, with the remaining \$44.3 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
- Faraday/El Camino Real Sewer Replacement
- Las Palmas Trunk Sewer
- Poinsettia Lane Lift Station Emergency Overflow Basin
- Quarry Creek Sewer Extension
- Terramar Sewer Replacement

Water Lines

Major water facilities scheduled for construction or replacement within the next five years are estimated at \$32.1 million, and include the following locations:

- Aviara Parkway and Plum Tree
- Carlsbad Boulevard – South of Avenida Encinas
- College Boulevard – Cannon Road to Badger Lane
- Desalinated Seawater Transmission Main
- Fire Flow System Improvements
- Hydroelectric Generator at Palomar Airport Road/White Sands
- La Costa High Reservoir Inlet Pipeline
- Maerkle Reservoir Floating Cover Replacement
- Maerkle Pump Station Improvements and Transmission Main
- Santa Fe II Inlet Pipeline
- Tri-agencies Water Transmission Pipeline Replacements

Recycled Water Expansion

Expansion to the Carlsbad Water Recycling Facility, including construction of additional pipelines and a reservoir, are anticipated to cost \$29.6 million in total, with \$21.6 million in scheduled future appropriations. These facilities are expected to meet the 76 percent increase in future recycled water demand.

Drainage Projects

The city's drainage infrastructure plays an important role in handling storm water runoff flows, as well as maintaining the water quality of the city's creeks, lagoons and ocean. Carlsbad supports programs that will ensure that all water bodies within the city are safe and clean and, where possible, open to the public at all times. The system consists of drainage pipes 30-inches or larger in diameter, large concrete and rock lined channels, permanent sedimentation basins and miscellaneous large facilities. As the city continues to age, it

will become necessary to repair and replace the lines that already exist. An increase in these projects is anticipated in future years. An additional \$2.3 million will be added to the program in the next five years.

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, 2013. This was the sixteenth 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 finance staff, especially Kevin Branca, Finance Director. I also appreciate the staff of Mayer Hoffman McCann P.C. 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 Executive Management 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
Administrative Services Director



**Carlsbad City Council
Fiscal Year 2014-15
Strategic Goals**



City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life.

City of Carlsbad provides exceptional, top quality services on a daily basis by proactively listening, engaging and responding to its residents.

- **Balanced community development:** Be a city that connects community, place and spirit, through balanced and economically sustainable land uses.
- **Resident connection and partnership:** Be a city that embraces community connectivity through the effective use of technological and interpersonal mediums.
- **Communication:** Ensure that community members, council and staff are well informed, continuing to be a more responsive government while providing a high level of citizen confidence in its government.
- **Economic Development:** Strengthen the city's strong and diverse economy, supporting local businesses, attracting new businesses in targeted industries and solidifying the city's position as a key employment hub.
- **Environmental management:** An environmentally sensitive community by focusing on conservation, storm water, sewage collection and treatment, solid waste, and cost effective and efficient use of energy including alternative energy sources.
- **Financial health:** Pursue and implement proactive strategies that support sustainable economic health and manage city resources effectively.
- **Learning, culture and arts:** Promote and support continuous learning, cultural opportunities and the arts within the community and the city organization.
- **Parks, open spaces and trails:** Acquire, develop and maintain a broad range of open space and recreational facilities that actively address citizen needs which are fiscally responsible, and are consistent with the general plan and growth management standards.
- **Safe community:** Maintain a safe and secure community through collaborative partnerships. Public safety providers support high standards, deliver protection of life and property and encourage community involvement in prevention and preparedness efforts.
- **Transportation and circulation:** Provide and support a safe and efficient transportation system that moves people, services and goods throughout the city.
- **Water:** Ensure, in the most cost-effective manner, water quality and reliability to the maximum extent practical, to deliver high quality potable and reclaimed water incorporating drought-resistant community principles.



Government Finance Officers Association

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

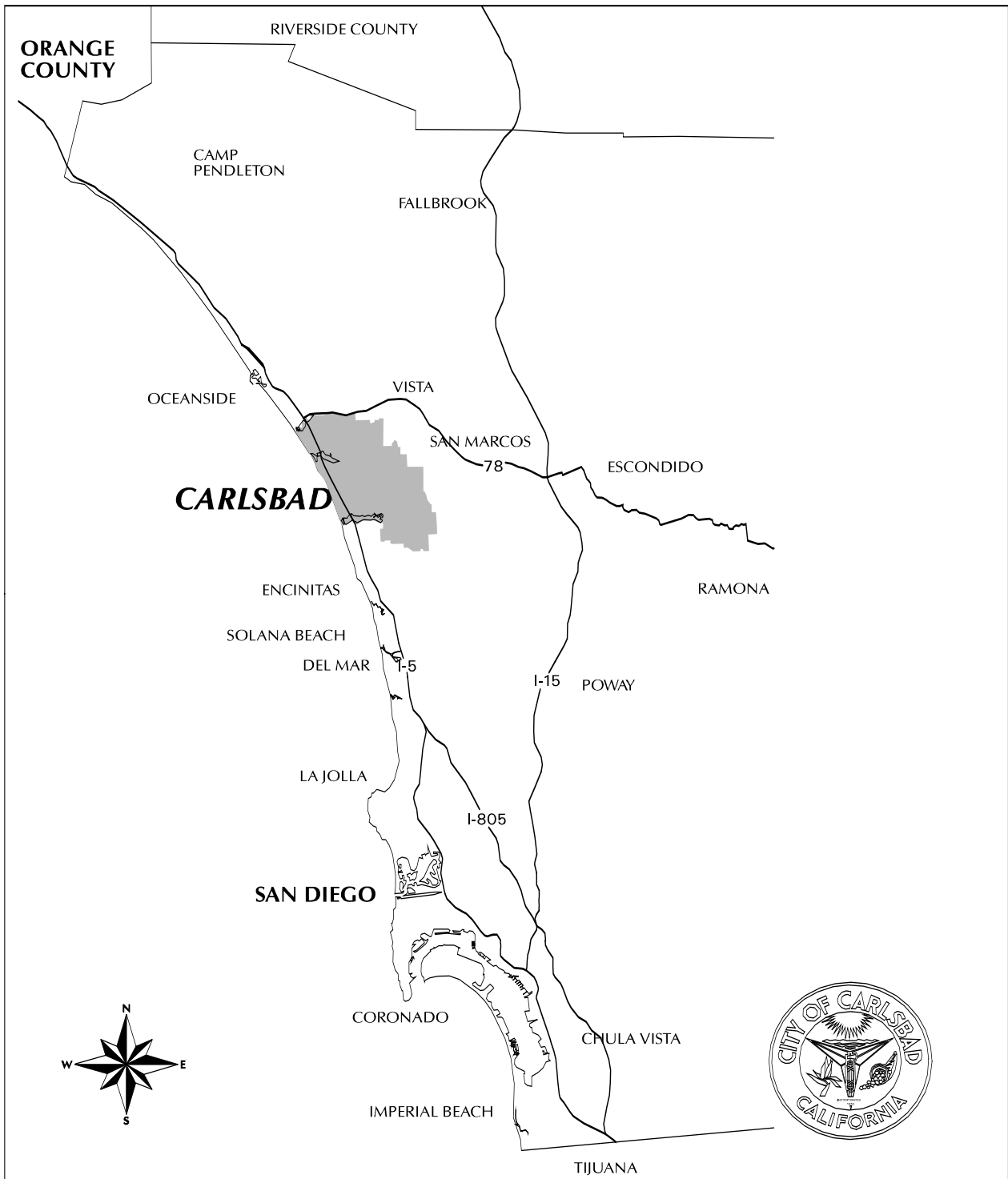
Presented to

**City of Carlsbad
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO



CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Matt Hall, Mayor
Mark Packard, Mayor Pro Tem
Keith Blackburn, Council Member
Lorraine Wood, Council Member
Michael Schumacher, Council Member
Barbara Engleson, City Clerk
Craig Lindholm, City Treasurer

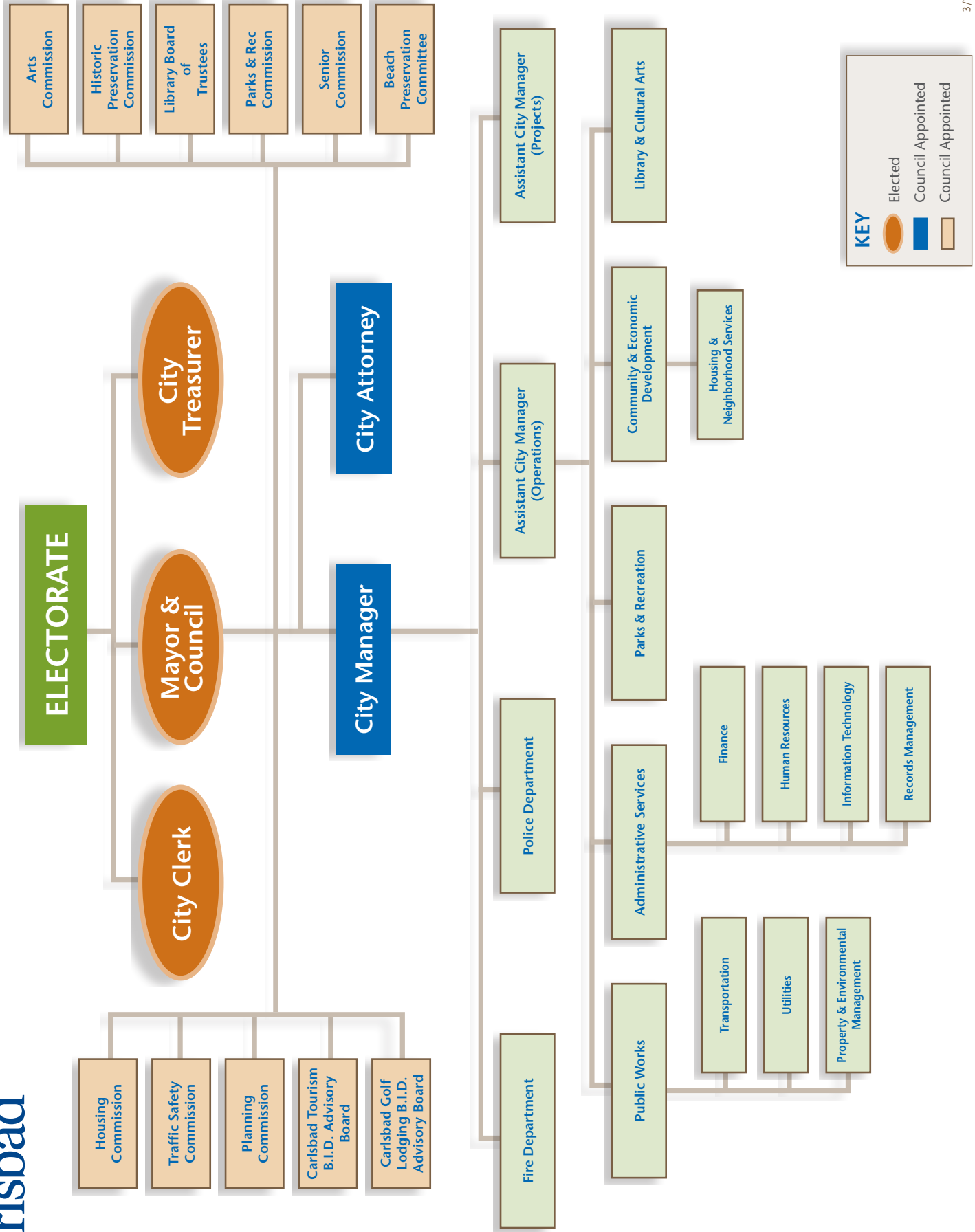
LEADERSHIP TEAM

Steve Sarkozy, City Manager
Celia Brewer, City Attorney
Gary Barberio, Assistant City Manager
Kathy Dodson, Assistant City Manager
Michael Davis, Fire Chief
Chris Hazeltine, Parks & Recreation Director
Pat Thomas, Public Works Director
Chuck McBride, Administrative Services Director
Gary Morrison, Police Chief
Heather Pizzuto, Library & Cultural Arts Director
Glen Van Peski, Community & Economic Development Director

CHAIRPERSONS, COMMISSIONS AND BOARDS

Tina Schmidt	Arts Commission
Linda Petrucci	Beach Preservation Committee
Gary Glaser	Carlsbad Golf Lodging Business Improvement District
Timothy Stripe	Carlsbad Tourism Business Improvement District Board
Vacant	Historic Preservation Commission
Bobbie Smith	Housing Commission
Bob Benson	Library Board of Trustees
Dianne Proulx	Parks and Recreation Commission
Kerry Siekmann	Planning Commission
David Tweedy	Senior Commission
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

Organization Chart











City Council
City of Carlsbad
Carlsbad, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the statement of revenues, expenditures and changes in fund balance - budget to actual statement of the general fund of the City of Carlsbad, California, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 combining and individual fund financial statements, the schedule of annual debt service requirements, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and the schedule of annual debt service requirements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, the schedule of annual debt service requirements, the introductory section and the statistical section are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information in the introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of the City of Carlsbad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carlsbad's internal control over financial reporting and compliance.

Mayor Hoffman Malcom C.

Irvine, California
November 20, 2014

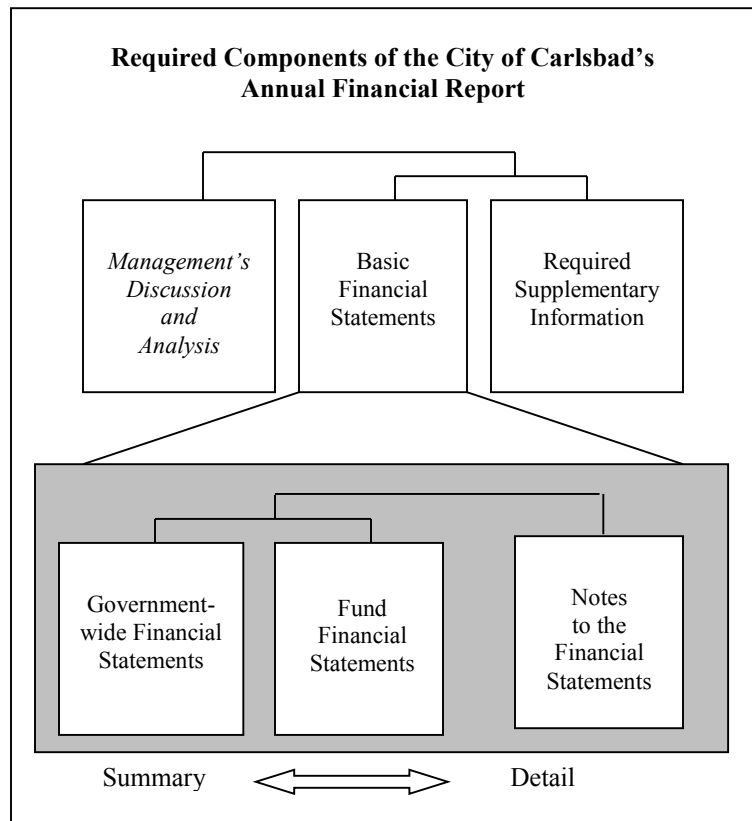
Management's Discussion and Analysis

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, 2014. 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 providing 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 greater detail. 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 financial information 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 content 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 Position 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* position and how it has changed. Net position – the difference between the city's assets and liabilities – is one way to measure the city's financial health, or *position*. Over time, increases or decreases in the city's net position 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 used by the city 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 future 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 three governmental fund types being used by the city: the *General Fund*, *special revenue 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*.
 - *Enterprise funds* are used 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.
 - *Internal service funds* are used 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 Net Position. 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 Position

The city’s *combined* net position as of June 30, 2014, as shown below, was \$1.756 billion. The city’s net position increased by \$16.2 million during the current fiscal year. This increase was derived in large part to a significant increase in current and other assets, a direct result of revenues exceeding expenditures by \$16.2 million for the year. The decrease in capital assets was the result of current year depreciation expenses exceeding the addition of new capital assets. The decrease in long-term debt outstanding was generated from the annual debt service requirements being met on the city’s outstanding debt. Other liabilities decreased due to a drop in water purchases in June from the San Diego County Water Authority (due to the stage 2 drought response that was in effect at the time), lower general liability claims payable at year end, and a drop in assessment district prepayments (Cannon Road).

CITY OF CARLSBAD'S NET POSITION							
(in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	2013-14
Current and other assets	\$571.8	\$575.5	\$114.3	\$126.6	\$686.1	\$702.1	2.3%
Capital assets	782.7	784.2	345.0	341.0	1,127.7	1,125.2	-0.2%
Total assets	1,354.5	1,359.7	459.3	467.6	1,813.8	1,827.3	0.7%
Long-term debt outstanding	0.2	0.0	37.6	37.6	37.8	37.6	-0.5%
Other liabilities	23.1	21.9	12.9	11.6	36.0	33.5	-6.9%
Total liabilities	23.3	21.9	50.5	49.2	73.8	71.1	-3.7%
Net position							
Net investment in							
capital assets	782.5	784.2	307.0	305.7	1,089.5	1,089.9	0.0%
Restricted	229.4	225.0	46.0	46.6	275.4	271.6	-1.4%
Unrestricted	319.3	328.6	55.8	66.1	375.1	394.7	5.2%
Total net position	\$1,331.2	\$1,337.8	\$408.8	\$418.4	\$1,740.0	\$1,756.2	0.9%

As noted earlier, over time net position may serve as a useful indicator of the city’s financial position. For the City of Carlsbad, assets currently exceed liabilities by \$1.756 billion at the close of the most recent fiscal year.

A large portion of the city’s net position (62 percent) reflects its net 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 pay for these liabilities.

An additional portion of the city’s net position (15.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$394.7 million) may be used to meet the government’s ongoing obligations to citizens and creditors.

Just under 52 percent of the \$328.6 million in unrestricted governmental activities net position is attributable to the General Fund. The net investment in capital assets for the city increased slightly during Fiscal Year 2013-14 due primarily to an increase in capital assets in governmental activities. The completion of Alga Norte Community Park and the donation of several large developer infrastructure assets contributed to this increase. During the year, the city

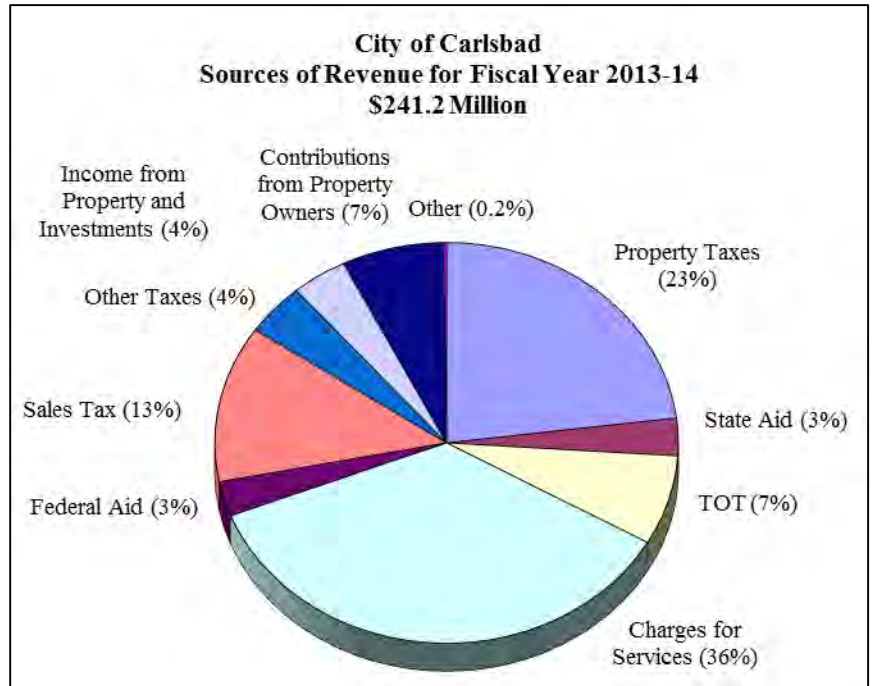
again saw higher depreciation expenses in the water and golf funds from the recent acquisition over the past couple of years of several major capital assets. This increase in depreciation expense exceeded the addition of new capital assets for the fiscal year, thereby reducing the net investment in capital assets for business-type activities. A portion of business-type net position represents the city's municipal golf course. At the end of Fiscal Year 2013-14, there is a large deficit in unrestricted net position 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 in prior fiscal years.

Changes in Net Position

The condensed summary of activities shows that net position increased by \$16.2 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net position: the continuance of a citywide restructuring initiative that either eliminated or unfunded 6.75 positions, partially offsetting other personnel increases; \$20.7 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 (indicating spending levels less than budgeted expenditures); revenues outpacing budgeted projections due to the recovering economy; the build-up of cash reserves in the city's capital project and enterprise funds for future capital project construction and acquisition; revenues received in the city's special revenue funds for future services and programs; and the donation of infrastructure assets from developers.

CITY OF CARLSBAD'S CHANGES IN NET POSITION							
(in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2013	2014	2013	2014	2013	2014	
Revenues							
Program revenues							
Charges for services	\$17.6	\$16.7	\$66.0	\$69.6	\$83.6	\$86.3	3.2%
Operating grants and contributions	13.2	11.9	-	0.1	13.2	12.0	-9.1%
Capital grants and contributions	17.7	16.2	2.9	3.2	20.6	19.4	-5.8%
General revenues							
Property taxes	52.9	52.6	2.9	2.9	55.8	55.5	-0.5%
Sales and use taxes	28.4	30.5	-	-	28.4	30.5	7.4%
Other taxes	24.7	27.6	-	-	24.7	27.6	11.7%
Income from property and investments	1.8	6.9	0.5	2.5	2.3	9.4	308.7%
Other	0.9	0.5	0.1	-	1.0	0.5	-50.0%
Total revenues	157.2	162.9	72.4	78.3	229.6	241.2	5.1%
Expenses							
General government	23.5	20.2	-	-	23.5	20.2	-14.0%
Public safety	48.5	48.9	-	-	48.5	48.9	0.8%
Community development	23.1	16.3	-	-	23.1	16.3	-29.4%
Community services	24.8	29.1	-	-	24.8	29.1	17.3%
Public works	36.8	30.3	-	-	36.8	30.3	-17.7%
Carlsbad Municipal Water District	-	-	41.6	43.5	41.6	43.5	4.6%
Golf course	-	-	10.7	11.0	10.7	11.0	2.8%
Wastewater	-	-	13.5	12.5	13.5	12.5	-7.4%
Solid waste	-	-	2.9	2.9	2.9	2.9	0.0%
Total expenses	156.7	144.8	68.7	69.9	225.4	214.7	-4.7%
Excess (deficiency) before transfers	0.5	18.1	3.7	8.4	4.2	26.5	531.0%
Extraordinary loss	-	(10.3)	-	-	-	(10.3)	100.0%
Transfers	(0.7)	(1.2)	0.7	1.2	-	-	0.0%
Increase (decrease) in net position	(0.2)	6.6	4.4	9.6	4.2	16.2	285.7%
Beginning position	1,331.4	1,331.2	404.4	408.8	1,735.8	1,740.0	0.2%
Ending net position	\$1,331.2	\$1,337.8	\$408.8	\$418.4	\$1,740.0	\$1,756.2	0.9%

Approximately 68 percent of the revenues of the city's governmental funds are generated through taxes collected (property, sales, transient occupancy, etc.), and just under 89 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.



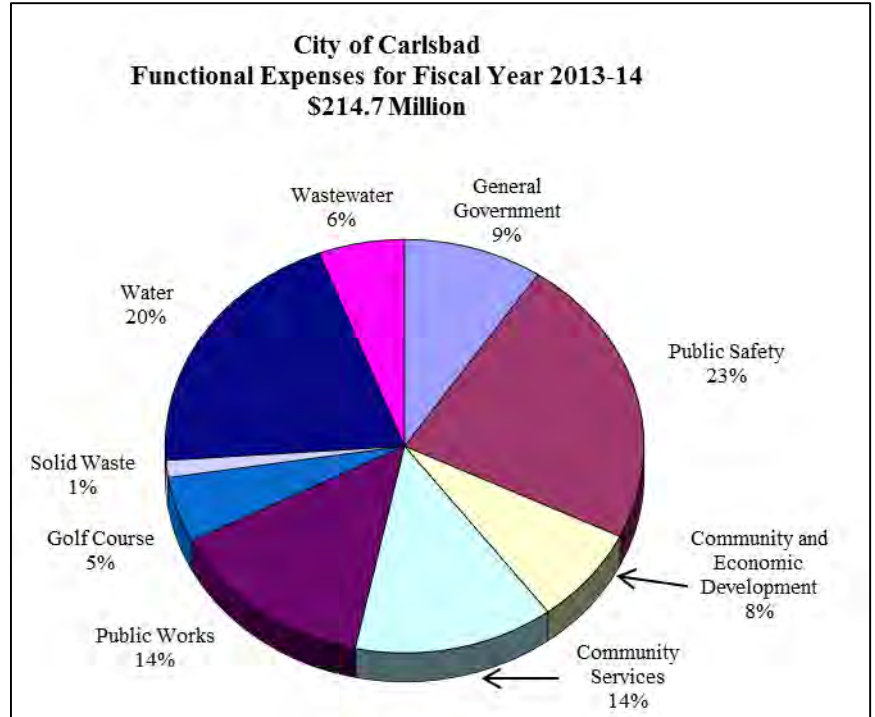
The continuing recovery from the great recession has resulted in increases in the city's leading revenues: sales taxes and transient occupancy taxes. The addition of the new LEGOLAND Hotel also added substantially to the city's TOT revenues for the year. Property taxes tend to be a lagging revenue source, meaning they don't rebound as quickly as the leading revenues. Property taxes showed a slight decline from the previous year as this segment of the city's revenue base has not begun to recover yet. The Federal Reserve, in an effort to continue to stimulate the economy, has kept interest rates at historic lows, affecting the city's income from property and investments.

However, since the General Capital Construction (GCC) Fund is funded entirely with General Fund money, the city decided to record the interest earnings associated with the GCC cash in the General Fund in the current fiscal year, offsetting the low interest rates. Another factor in the higher income from property and investments was the year-end adjustment that was done to reflect the fair market value of the city's cash and investments (GASB 31 application). Development throughout the city continues to remain strong. Although developer impact fees (capital contributions) and developer contributed assets (capital contributions) dropped off slightly from the previous fiscal year, permitted activity (charges for services) was up from last year. Some additional one-time revenues were received during the previous fiscal year including reimbursement of prior year administrative fees collected by the county from the implementation by the state of the "Triple Flip" sales tax and the VLF-in-lieu programs (charges for services), and reimbursement received for the street lighting retrofit program (charges for services). Another factor affecting charges for services was water and wastewater rate increases that went into effect in January 2014. During the 2013-14 Fiscal Year, the California Department of Finance directed the city to reduce the amount of accrued interest reported on the city's Recognized Obligation Payment Schedule. This reduction is reflected as an extraordinary loss in the financial statements of the city.

The total cost of all programs and services was just over \$214.7 million in Fiscal Year 2013-14. This was a \$10.7 million, or 4.7 percent, decrease over Fiscal Year 2012-13 costs. The decrease in governmental activity expenses was driven by higher internal service charges (primarily workers' compensation and general liability) last fiscal year. These charges increased dramatically last year as the city changed its worker's compensation claims administrator which led to a reevaluation of the claims liability calculation. Public Works expenses were higher last year, a reflection of expensing a couple of projects that were previously accounted for in construction in progress. Lower community development expenses reflect a reduction in community assistance as compared to the previous fiscal year. Higher purchased water costs and implementation costs associated with the automated meter reading program in the Water Fund created the increase for the year in business-type activities.

- General Government (9 percent)

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



- Public Safety (23 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 & Economic Development (8 percent)

The mission of Community and Economic Development is helping people build a strong community by guiding and facilitating high quality projects, preserving the environment, providing for, and maintaining a strong economic base and strengthening neighborhoods through partnerships and collaboration to improve or enhance the quality of life and sense of community within Carlsbad. Community Development encompasses Land Use Planning, Economic Development, the Hiring Center, Housing & Neighborhood Services, Land Development Engineering, and Building Inspection.

- Community Services (14 percent)

Community Services consists of the Libraries, Cultural Arts, Parks & Recreation, and Senior Citizen programs. The Library & Cultural Arts Department provides education, information, and cultural arts services for all community residents, which contributes to quality of life by supporting lifelong learning, the pursuit of knowledge, and creating community gathering places. The Parks & Recreation Department offers comprehensive opportunities for meeting the recreational and social needs and interest of the community by providing programs for all segments of the population.

- Public Works (14 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, Traffic Sign and Signal Maintenance programs, and Property & Environmental Management.

- Golf Course (5 percent)

The City of Carlsbad opened a municipal golf course in the summer of 2007, which further enhances the tourist 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 administers and monitors the solid waste contract and the Palomar Transfer Station agreement, and is responsible for the waste reduction and recycling components of the Source Reduction and Recycling Element and Household Hazardous Waste Element to comply with state mandated AB939, AB341 and SB1016 diversion and disposal requirements.

- Water Operations (20 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 29,000 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)

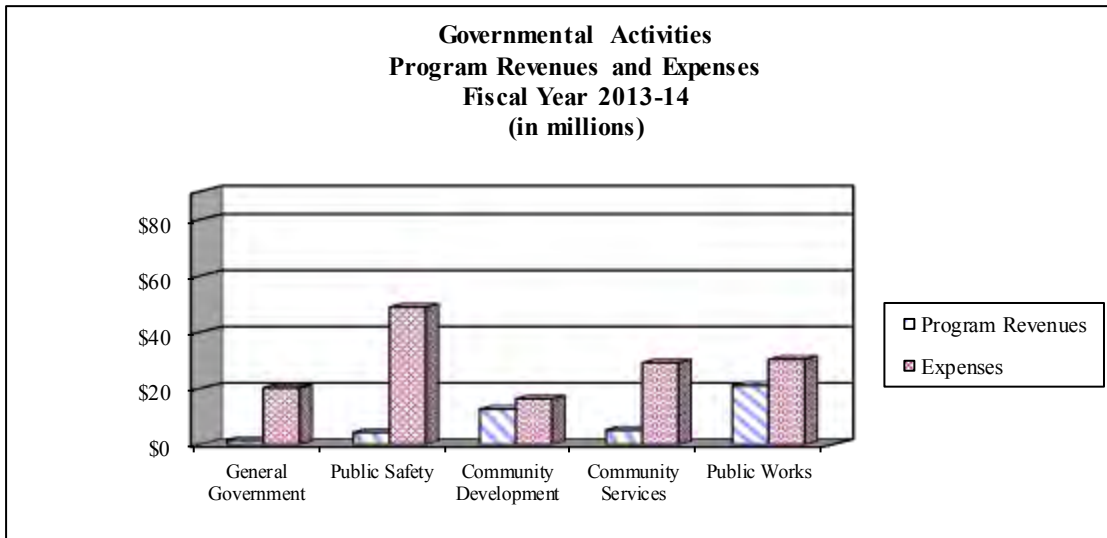
The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad, Vista and Encinitas; the Leucadia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

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

Governmental Activities

The increase in net position for *governmental* activities was \$6.6 million. This increase was generated by total revenues of *governmental* activities of \$162.9 million (\$44.8 million in program revenues and \$118.1 million in general revenues) offset by \$144.8 million in total costs of *governmental* activities, \$1.2 million in transfers to the Golf Course and Solid Waste funds, and an extraordinary loss of \$10.3 million from the write down of the deferred interest income on the loan from the city's General Fund to the Successor Housing Agency.

The table on the following page 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).

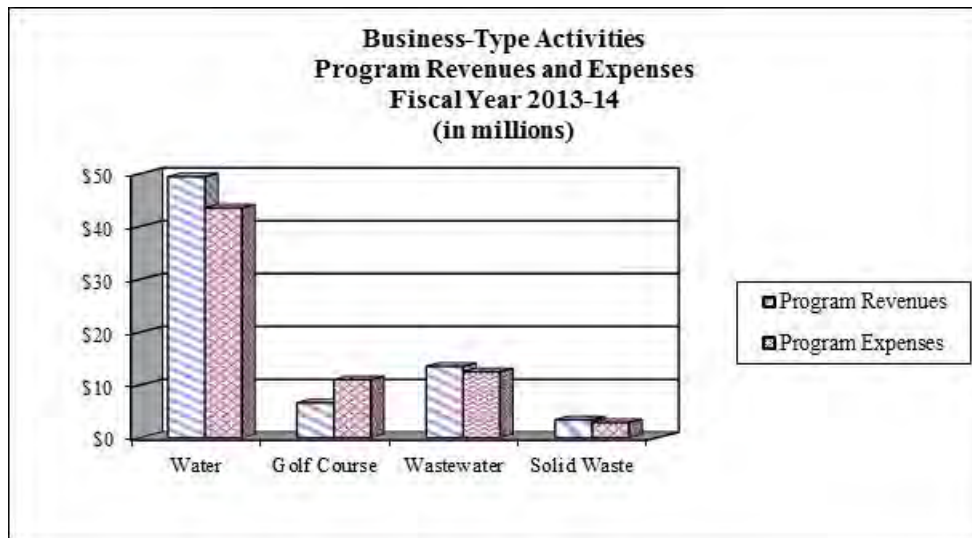


Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$16.7 million), grants and contributions from other governments and organizations which subsidize certain programs (\$28.1 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 \$118.1 million.

Community development revenues are largely comprised of housing assistance programs (Section 8 Rental Assistance, affordable housing loan repayments, and developers paying into the Affordable Housing Trust Fund) as well as charges for development related services. Development activity spiked during Fiscal Year 2013-14, thereby almost offsetting all of the program expenses.

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, there will be fewer master planned projects being developed. In past years, these projects constructed new facilities, roads, parks, and other city-owned infrastructure. The city is shifting its focus towards maintenance of existing facilities, and will use funding sources such as the Infrastructure Replacement Fund to maintain and replace these assets. However, there are still some master planned communities that were recently completed or are near completion (La Costa Oaks and Robertson Ranch); the developers of these communities recently dedicated infrastructure to the city, a requirement for development.

Business-Type Activities



Program revenues for the city's business-type activities totaled \$72.9 million for the year, while program expenses equaled \$69.9 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 \$2.6 million. Additionally, water sales were higher than the previous fiscal year due to an average 8 and 5 percent increase in water rates charged to our customers (water and delivery charges) that went into effect in January 2013 and January 2014 respectively, coupled with larger than average sales due to a warmer, drier year. Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses), and therefore are not reflected as an expense in the year acquired.

The city's golf course enterprise was in its seventh full year of operation. Golf course revenues were sufficient to fund normal golf course operating expenses. However, golf course operating expenses also included interest on the advance from the General Fund, principal 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 of \$4.3 million.

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

Financial Analysis of the City's Funds

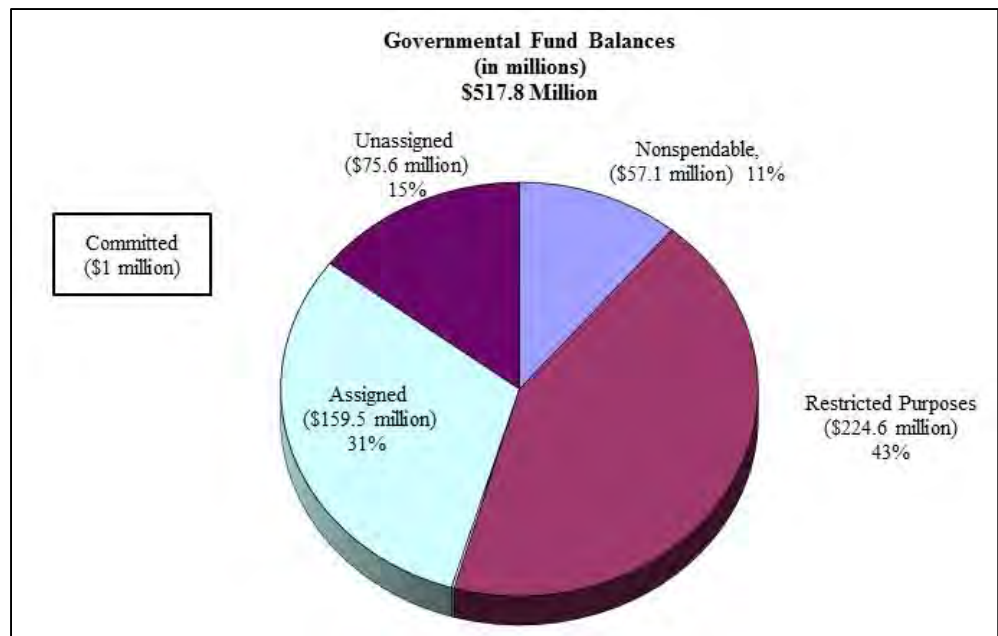
As noted earlier, the city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), the implementation of Government Accounting Standards Board (GASB) No. 54 resulted in the Community Activity Grants 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 in Fiscal Year 2010-11, which created five fund balance classifications instead of the three shown previously. These 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 of the financial statements.



GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(in millions of dollars)

	Total		Increase (Decrease)	Total Percentage Change
	2013	2014		
Revenues				
Taxes	\$105.2	\$109.6	\$4.4	4.2%
Intergovernmental	1.5	1.1	(0.4)	-26.7%
Licenses and permits	2.0	2.2	0.2	10.0%
Charges for services	6.7	7.6	0.9	13.4%
Fines and forfeitures	0.8	0.7	(0.1)	-12.5%
Income from property and investments	1.4	3.6	2.2	157.1%
Miscellaneous	1.9	1.0	(0.9)	-47.4%
Total revenues	119.5	125.8	6.3	5.3%
Expenditures				
General government	16.8	13.5	(3.3)	-19.6%
Interdepartmental charges	(3.9)	(3.5)	0.4	-10.3%
Public safety	45.7	46.9	1.2	2.6%
Community development	7.5	8.1	0.6	8.0%
Community services	21.9	23.9	2.0	9.1%
Public works	8.4	14.1	5.7	67.9%
Total expenses	96.4	103.0	6.6	6.8%
Excess (deficiency) before transfers	23.1	22.8		
Transfers in	0.0	0.0		
Transfers out	(11.0)	(16.1)		
Increase (decrease) in fund balance	12.1	6.7		
Beginning fund balance (as restated)	142.4	154.5		
Ending fund balance	\$154.5	\$161.2		

As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$517.8 million, up \$12.1 million from the year before. Approximately 11 percent of this (\$57.1 million) constitutes nonspendable fund balances, mostly comprised of advances and loans to other funds. Restricted fund balances can only be spent for a specific purpose stipulated by law and make up about 43 percent (\$224.6 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 (\$159.5 million) of the city's fund balance. Approximately 15 percent (\$75.6 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 \$161.2 million, an increase of \$6.7 million. The unassigned fund balance portion of the General Fund was \$75.6 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 continues to show signs of improvement, these revenues rose which resulted in the majority of the increases in the General Fund. Income from property and investments also showed a significant increase for the year. Since the General Capital Construction (GCC) Fund is funded entirely with General Fund money, the city decided to record the earned interest associated with the GCC fund in the General Fund. Small decreases were seen in property taxes due to one-time revenues received in the prior year from the dissolution of the former Redevelopment Agency; a one-time large refund received in the prior fiscal year for administrative fees associated with the collection of the triple flip sales tax and VLF-in-lieu revenues (miscellaneous revenues); and revenues received last year for a habitat restoration grant and funds received from SANDAG for freeway emergencies (intergovernmental revenues).

In the city's 2013-14 Fiscal Year budget, maintenance and operations budgets were kept relatively flat for all departments, unless increases were required for new facilities, such as the new Alga Norte Community Park. A total of 6.75 full-time positions were eliminated. These reductions were partially offset by anticipated increases in health, retirement and previously negotiated salary and benefit increases. Additional costs associated with a \$1.4 million transfer from the General Fund to the city's General Capital Construction Fund to pay for seven new Village and Barrio revitalization projects, an additional transfer to the General Liability Fund for increases to settlements and estimated claims payable, and a higher annual transfer to the Infrastructure Replacement Fund which is based on projected General Fund revenues led to higher transfers out of the General Fund. Overall, the General Fund budget increased by \$4.5 million for the 2013-14 Fiscal Year. The majority of this increase (\$2.9 million) was due to an increase in budgeted transfers out from the General Fund to other city funds, additional personnel costs and the opening of the new Alga Norte Community Park.

The Community Facilities District No. 1 fund continues to collect assessments for the future construction of city infrastructure and facilities.

The General Capital Construction (GCC) Fund received a transfer from the General Fund for the funding of several Village and Barrio revitalization projects that are currently being completed.

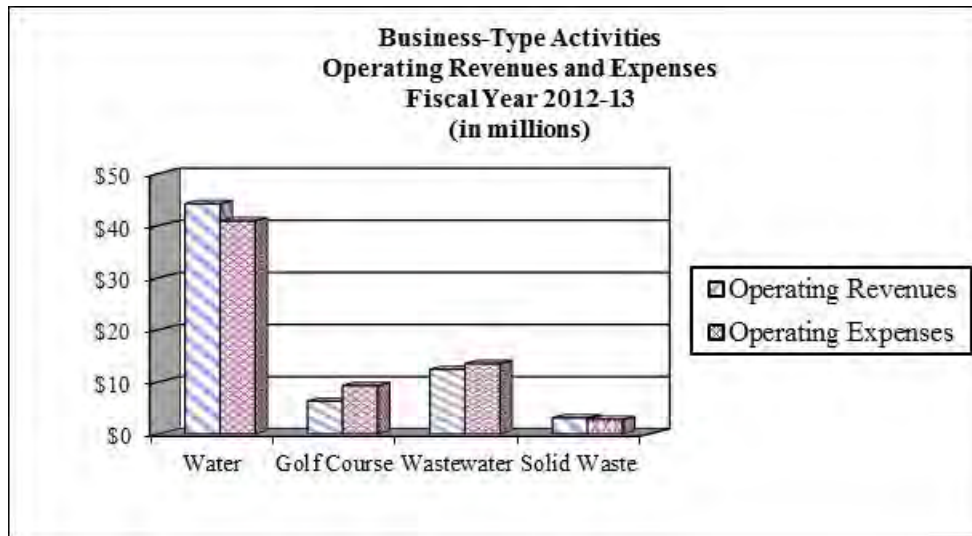
The fund balance in the Infrastructure Replacement Fund increased as the city continues to transfer funds from the General Fund on an annual basis for the future replacement of current infrastructure and facilities.

Due to the construction of the new Alga Norte Community Park, the Public Facilities Construction Fund (PFF) saw its fund balance decrease by just under \$8.9 million.

The reduction in the fund balance of the PFF fund was anticipated, as the city has been setting aside money for several years for the construction of various projects within this fund. Historically, the city has not issued debt to fund the construction of capital projects, and sets aside funds on an annual basis until sufficient funds have been collected for the construction of the project. In addition, projects will not be constructed until anticipated annual operating costs can be absorbed into the city's budget without creating a deficit.

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 position (cost recovery), financial position, and cash flows.



The Carlsbad Municipal Water District (CMWD) funds had an operating gain of approximately \$3.6 million for the year. Operating revenues were just under \$46.8 million and operating expenses were slightly over \$43.1 million. The largest factor resulting in the operating gain is the increase in water sales revenue due to increased rates. Impacted by the continued annual increases in water rates (about 8 percent in January 2013 and 5 percent in January 2014), residents continued to conserve water during the year. A level II drought alert was declared during the year, with water restrictions put in place. Consumers are being advised to use water wisely and reduce where practical because water in general, is a dwindling resource. 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. The bi-annual update of the city’s cost allocation plan resulted in decreased fees associated with miscellaneous charges for services. A large factor in the drop in miscellaneous revenues was a \$1.6 million reimbursement from the 2005 Marbella lawsuit in the prior fiscal year. Higher purchased water costs resulting from additional water purchases and rate increases and the continuation of the Automated Meter Reading (AMR) program led to the \$2.2 increase in operating expenses. Non-operating revenues from 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 \$7.6 million.

In the seventh year of operation, the Golf Course Fund had an operating loss of \$3.1 million, primarily due to depreciating the enterprise’s assets (\$3.5 million). 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. Food and beverage sales at the golf course restaurant (The Canyons) remain strong, and golf revenues are on the rise due to an increase in fees charged at the course (although golf rounds were down slightly for the year).

The Wastewater Funds had an annual operating gain of \$382,000 for the fiscal year. Total revenues from operations increased \$494,000 from the previous year due to service charge rate increases. In addition, operating expenses decreased by \$987,000 from the previous fiscal year. Decreases in depreciation expense (due to adjustments made to the investment in the Encina plant), and an increase in capitalized assets, account for the decrease in operating expenses. Non-operating revenues of \$749,000 added to the operating income, resulting in a net gain of \$1.1 million before transfers and capital contributions.

Solid Waste Operations and Storm Water Programs are combined on the city’s financial reports, and showed a net operating income of \$549,000 for the year. Revenues were up moderately due to two factors. First, the City of Carlsbad was the lead agency for a regional water quality improvement plan, and received reimbursements from the other co-permit participants. In addition, the city received additional beverage container grant revenues for the year. Expenses for the year remained relatively flat. This was the net result of additional expenses associated with the costs resulting from fronting the expenses associated with being the lead agency on the regional water quality improvement plan mentioned above, offset by a reallocation of staffing to better reflect the work being done in the enterprise.

The unrestricted net position for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to \$66.1 million, or approximately 15.8 percent of the total enterprise fund net position. The unrestricted net position may be used for rate stabilization, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately \$47 million, or 11.1 percent, of the net position of all the proprietary funds are restricted for the 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 Position 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 position deficit balance in the Golf Course Fund represents funds advanced from the city's General Fund that were used to fund construction, former operating losses and debt expenses of the municipal golf course.

General Fund Budgetary Highlights for Fiscal Year 2014

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 \$2.3 million increase in revenue estimates included:

- Several new federal and state grants were applied for and received during the year.
- Increased transient occupancy tax (TOT) revenue received as a result a new hotel and an increase in tourism and occupancy.
- Higher sales tax revenues derived from a recovering economy.
- Increased interest resulting from allowing the interest earned on cash balances in the city's General Capital Construction (GCC) Fund to be recorded in the city's General Fund since the GCC is funded entirely by the General Fund.

The increase from the total original expenditure budget to the final budget amounted to \$2.6 million, due primarily to:

- The appropriation of the grant money received.
- Sales tax audit expenses.
- Developer funded studies.
- Appropriation for the 2014 Poinsettia Fire damages.
- Police and fire labor negotiations.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$20.6 million can be generally summarized as follows:

- Interdepartmental charges were \$150,000 below estimates, which are offset against expenditures for reporting purposes in the financial statements.
- \$20.7 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.
 - Accumulated savings set aside for future technology and innovation enhancements.
 - The \$20.7 million in "savings" are planned to be used for:
 - ⇒ Police radios.
 - ⇒ The Community Paramedicine pilot program.
 - ⇒ Fire and Police equipment replacement.
 - ⇒ An enhanced customer service initiative in Community and Economic Development.
 - ⇒ A library radio frequency identification system.
 - ⇒ A library automated materials handling upgrade.
 - ⇒ Replacement of library furniture and equipment.
 - ⇒ The Parks Master Plan update.
 - ⇒ Monroe Street Pool renovations.
 - ⇒ Minor building renovations.
 - ⇒ LED lighting retrofitting.
 - ⇒ Traffic signal upgrades/modifications.

- ⇒ Hardware and software upgrades related to a new Integrated Community Development System (permitting and business license system).
- ⇒ Software upgrades related to a new Enterprise Content Management (ECM) system.
- ⇒ Innovation projects throughout the city (including hardware and software).
- ⇒ 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

CITY OF CARLSBAD'S CAPITAL ASSETS								
(in millions of dollars)								
	Governmental		Business-Type		Total		Total	
	Activities		Activities				Change	Percentage
	2013	2014	2013	2014	2013	2014	2013-14	2013-14
Land	\$150.6	\$150.5	\$9.3	\$9.3	\$159.9	\$159.8	(\$0.1)	-0.1%
Construction in progress	47.3	18.3	7.6	9.8	54.9	28.1	(26.8)	-48.8%
Buildings and other structures	101.3	114.4	40.6	40.6	141.9	155.0	13.1	9.2%
Improvements other than buildings	45.5	70.9	50.8	50.9	96.3	121.8	25.5	26.5%
Machinery and equipment	28.3	33.3	2.8	3.3	31.1	36.6	5.5	17.7%
Infrastructure	655.8	663.9	314.5	318.1	970.3	982.0	11.7	1.2%
Wastewater treatment facility	-	-	52.6	54.5	52.6	54.5	1.9	3.6%
Intangibles	3.2	3.2	-	-	3.2	3.2	-	0.0%
	1,032.0	1,054.5	478.2	486.5	1,510.2	1,541.0	30.8	2.0%
Accumulated depreciation	(249.3)	(270.3)	(121.1)	(145.5)	(382.5)	(415.8)	(33.3)	8.7%
Total	\$782.7	\$784.2	\$357.1	\$341.0	\$1,127.7	\$1,125.2	(\$2.5)	-0.2%

At the end of Fiscal Year 2013-14, 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.

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

- The opening of Alga Norte Community Park.
- The Buena Vista lift station and force main.
- College Blvd. /Cannon Road BNB and BJB drainage facilities.
- The purchase of two ambulances and one fire truck.
- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines, and streetlights in La Costa Oaks North.
- The police CAD system.
- Several waterline projects.
- Several storm drain projects.

In addition to carrying forward appropriations of \$186.9 million for previously budgeted projects, the city's Fiscal Year 2014-15 capital budget appropriates an additional \$69.7 million for capital projects. These additional appropriations are principally for the remodeling and refurbishments at both the Cole and Dove Libraries, the pavement management program, the acquisition of open space (Prop C projects), the Buena interceptor sewer/manhole rehabilitation, the Vista/Carlsbad sewer interceptor, the Terramar sewer replacement, the tri-agencies water transmission pipeline replacement, the Carlsbad Blvd. realignment project (Coastal Corridor Project), facilities maintenance projects, 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, 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

CITY OF CARLSBAD'S OUTSTANDING DEBT							
(in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013-14</u>
Bonds	\$0.0	\$0.0	\$17.0	\$16.7	\$17.0	\$16.7	-1.8%
Loans	0.2	-	21.3	19.8	21.5	19.8	-7.9%
Installment purchase agreement	-	-	1.8	0.9	1.8	0.9	-50.0%
Adjusted by: premiums/discouts	-	-	0.2	0.2	0.2	0.2	0.0%
Total	\$0.2	\$0.0	\$40.3	\$37.6	\$40.5	\$37.6	-7.2%

At year-end, the city had \$37.6 million in bonds, loans, and agreements, a decrease of \$2.9 million from last year, as shown in the table below. Payments made on all of the city's outstanding debt created the reduction in the city's total debt at the end of the fiscal year. More detail about the city's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2015

- The State of California adopted its Fiscal Year 2014-15 Annual Budget with the following provisions affecting the city:
 - Governor Brown's submitted budget is the first balanced budget in over a decade.
 - Budget sets aside \$1.6 billion in a budget stabilization account to allow the state to face future uncertainties.
 - 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 2014-15 Fiscal Year.
 - The "Triple Flip" swap will have no effect on the ultimate amount of revenue the city receives, but it will result in a delay in the timing of the receipt of money by the city. The "Triple Flip" is set to expire in Fiscal Year 2014-15, with the final clean-up payment to be made in Fiscal Year 2015-16.
 - Through the passage of Proposition 30, additional sales tax and income tax revenues are expected to be generated at the state level. The sales tax increase expires in 2016, followed by expiration of the income tax increase in 2018.
 - Assembly Bill 340 was previously passed in an effort to address growing pension costs at both the state and local levels. This should decrease pension costs in the long-run, but more reforms are being proposed, including a measure proposed by San Jose Mayor Chuck Reed, which would effectively allow cities to change pension benefits going forward for public employees.
- Net assessed values in the city stand at almost \$25.9 billion, an 8.4 percent increase from the prior fiscal year due to new construction and escalating home and commercial property values.
- Sales tax revenues are projected to continue to grow modestly with a 2 percent forecasted increase in the Fiscal Year 2014-15 Budget due in part to new additions in Carlsbad, such as La Costa Town Square, and will continue to benefit from recent additions, such as the opening of the new LEGOLAND Hotel and the Palomar Commons (Lowe's) shopping center.
- Due to the overall improvement in the national and state economies, tourism has been bolstered in the region, and the San Diego Tourism Authority expects demand for hotel rooms to continue rebounding in 2014. Transient occupancy taxes (TOT) are therefore expected to grow by 3 percent.
- PERS rates for the miscellaneous plan have increased for Fiscal Year 2014-15 from 24 percent to 25.1 percent, and rates have also increased from 33.9 percent to 35.3 percent for the safety plan.

- Median home prices in Carlsbad have increased by 10 percent from the first quarter of 2013 (\$655,000) to the first quarter of 2014 (\$720,000).
- City departments were given maximum increases of 2 percent for maintenance and operational funding to cover changes in the Consumer Price Index (CPI), minimal new capital outlay, and additional personnel funding for only existing contractual obligations.
- The city added 10 full-time positions and eliminated 8 positions to better align staff with the services the city provides.
- Through Memorandum of Understandings (MOU's):
 - The Carlsbad City Employees' Association (CCEA) will receive an allocated share of a 4 percent raise/stipend pool on December 31, 2014.
 - Police, Fire and General Management employees will receive an allocated share of a 4 percent raise/stipend pool on December 31, 2014.
 - The Carlsbad Firefighters Association (CFA) will receive education incentives based on meeting eligibility requirements and a \$1,000 stipend per person in January 2015.
 - The Carlsbad Police Management Association (CPMA) are currently in negotiations.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2014-15. Budgeted expenditures are expected to increase 4.1 percent to \$124.6 million. The total personnel budget for Fiscal Year 2014-15 is \$78.3 million, which is 5.4 percent more than the previous year's personnel budget of \$74.3 million. The total maintenance and operations (M&O) budget for Fiscal Year 2014-15 is \$36.1 million, which is 4.5 percent higher than the previous year's budget of \$31.6 million. The increase in personnel budgets is based on previously negotiated salary and benefit increases and the net addition of two new staff members. Higher M&O budgets reflect the opening of the new Alga Norte Community Park, higher utility costs, additional plan check services, higher internal service fund charges (information technology, workers' compensation and fleet), and CPI adjustments given to the various operating departments. Operating transfers out of the General Fund are budgeted at \$10.1 million, a \$3.7 million decrease from the prior fiscal year. This decrease is due to the city previously budgeting for a \$2,000,000 transfer to the city's Self-Insured Benefits Fund as a set aside to address anticipated future pension rate increases from CalPERS and a \$1.5 million transfer to the city's General Capital Construction Fund to pay for seven new village and barrio revitalization projects in the previous fiscal year. Adding to the adopted budget of \$124.6 million for the General Fund, approximately \$20.7 million in unspent Fiscal Year 2013-14 budgeted expenditures will be carried over to Fiscal Year 2014-15, as well as \$7.1 million in open encumbrances as of June 30, 2014.

As the city is approaching the buildout of its remaining vacant land, the city is 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 2014-15 Operating Budget, the city has budgeted an \$8.3 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 \$6 million to \$75.6 million due to fiscal discipline, a strong tourism season combined with a new hotel (increased TOT revenues), a rebounding economy (higher sales taxes), higher income from investments due to the recording of interest earnings on GCC cash in the General Fund, and higher than anticipated development within the city (increased development related services revenue). Based on Fiscal Year 2014-15 projections, the unassigned General Fund balance is expected to grow approximately \$4.3 million.

There appears to be sufficient revenue projected to build the projects listed in the Fiscal Year 2014-15 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 5 percent and 3.6 percent respectively in Fiscal Year 2014-15. In November 2013, a public meeting was held to determine the maximum water rate increases effective for both January 1, 2014 and January 1, 2015. It was proposed then that water rates would increase by a maximum of 5 percent on January 1, 2015. This rate increase was used in preparing the Fiscal Year 2014-15 water budget. The proposed rate increase is needed to fund the additional cost of purchased water, and to maintain an adequate reserve balance.

- Proposed wastewater rate increases were also discussed during the public meeting held in November 2013. The proposed maximum rate increases of 2 percent per year were approved, to be effective January 1, 2014 and January 1, 2015. 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 Fiscal Year 2014-15 budget reflects a projected operating loss of over \$1 million for the Golf Course Fund. The City Council has authorized the General Fund to transfer adequate funds to cover the anticipated loss to the Golf Course Fund during the fiscal 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 Administrative Services Department, 1635 Faraday Avenue, Carlsbad, CA 92008, (760) 602-2430, or visit us online at www.carlsbadca.gov.



CITY OF CARLSBAD

Statement of Net Position
June 30, 2014

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Cash and investments	\$ 478,675,210	\$ 170,350,919	\$ 649,026,129
Receivables:			
Taxes	7,581,685	16,730	7,598,415
Accounts, net of allowances	115,964	8,809,963	8,925,927
Other	975,240	359,068	1,334,308
Due from other governments	744,692	2,655,133	3,399,825
Inventories	316,186	750,945	1,067,131
Prepaid items	429,671	20,232	449,903
Loan and reimbursement receivables, net of allowances	22,015,707	-	22,015,707
Due from Successor Agency	8,199,957	-	8,199,957
Deposits	25,000	-	25,000
Internal balances	56,446,687	(56,446,687)	-
Subtotal	575,525,999	126,516,303	702,042,302
Capital assets:			
Land	150,481,536	9,318,388	159,799,924
Construction in progress	18,348,085	9,804,736	28,152,821
Buildings and other structures	114,356,257	40,620,929	154,977,186
Improvements other than buildings	70,872,224	50,856,805	121,729,029
Machinery and equipment	33,329,531	3,321,245	36,650,776
Infrastructure	663,880,906	318,124,767	982,005,673
Wastewater treatment facility	-	54,467,480	54,467,480
Intangible assets	3,186,520	-	3,186,520
Less accumulated depreciation	(270,245,384)	(145,505,154)	(415,750,538)
Total capital assets	784,209,675	341,009,196	1,125,218,871
Total assets	\$ 1,359,735,674	\$ 467,525,499	\$ 1,827,261,173

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

CITY OF CARLSBAD

Statement of Net Position (Continued)
June 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 11,497,147	\$ 2,700,452	\$ 14,197,599
Accrued interest payable	-	360,070	360,070
Due to other governments	211	7,010,692	7,010,903
Estimated claims payable	7,657,738	-	7,657,738
Deposits payable	344,478	1,469,926	1,814,404
Unearned revenue	2,449,619	10,000	2,459,619
Noncurrent liabilities:			
Due within one year, net of unamortized discounts (\$30,909) and unamortized premiums (\$9,895)	-	2,676,918	2,676,918
Due in more than one year, net of unamortized premiums (\$212,477)	-	34,901,121	34,901,121
Total liabilities	21,949,193	49,129,179	71,078,372
NET POSITION			
Net investment in capital assets	784,209,675	305,680,950	1,089,890,625
Restricted for:			
Capital assets	175,467,736	46,631,965	222,099,701
Lighting and landscaping districts	4,702,638	-	4,702,638
Affordable housing	39,317,238	-	39,317,238
Habitat and agricultural mitigation management	1,712,984	-	1,712,984
Other purposes	3,774,042	-	3,774,042
Unrestricted	328,602,168	66,083,405	394,685,573
Total net position	\$ 1,337,786,481	\$ 418,396,320	\$ 1,756,182,801

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, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 20,187,018	\$ 289,493	\$ 1,279,354	\$ 34,227
Public safety	48,941,998	3,949,672	344,454	55,895
Community development	16,285,825	4,377,564	6,504,677	1,757,969
Community services	29,055,102	4,354,145	504,476	300,441
Public works	30,314,616	3,719,821	3,286,457	13,980,526
Interest and fiscal charges on long-term debt	797	-	-	-
Total governmental activities	144,785,356	16,690,695	11,919,418	16,129,058
Business-type activities:				
Carlsbad Municipal Water District	43,546,780	46,749,893	-	2,590,828
Golf course	11,031,535	6,635,242	-	-
Wastewater	12,488,150	12,895,891	-	606,929
Solid waste	2,856,211	3,320,078	90,329	-
Total business-type activities	69,922,676	69,601,104	90,329	3,197,757
Total primary government	\$ 214,708,032	\$ 86,291,799	\$ 12,009,747	\$ 19,326,815

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

 Net position at end of year

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

Net Revenue (Expense) and
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (18,583,944)	\$ -	\$ (18,583,944)
(44,591,977)	-	(44,591,977)
(3,645,615)	-	(3,645,615)
(23,896,040)	-	(23,896,040)
(9,327,812)	-	(9,327,812)
(797)	-	(797)
(100,046,185)	-	(100,046,185)
-	5,793,941	5,793,941
-	(4,396,293)	(4,396,293)
-	1,014,670	1,014,670
-	554,196	554,196
-	2,966,514	2,966,514
(100,046,185)	2,966,514	(97,079,671)
52,607,748	2,896,749	55,504,497
30,519,754	-	30,519,754
17,472,317	-	17,472,317
4,906,849	-	4,906,849
4,177,481	-	4,177,481
1,080,168	-	1,080,168
6,916,523	2,497,326	9,413,849
429,275	99,307	528,582
(10,288,957)	-	(10,288,957)
(1,188,165)	1,188,165	-
106,632,993	6,681,547	113,314,540
6,586,808	9,648,061	16,234,869
1,331,199,673	408,748,259	1,739,947,932
<u>\$ 1,337,786,481</u>	<u>\$ 418,396,320</u>	<u>\$1,756,182,801</u>

CITY OF CARLSBAD

Balance Sheet

Governmental Funds

June 30, 2014

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
ASSETS				
Cash and investments	\$ 102,216,637	\$ 70,336,085	\$ 48,750,006	\$ 84,207,723
Receivables:				
Taxes	7,576,857	4,828	-	-
Other	789,836	-	-	-
Accounts, net of allowances	61,530	-	-	-
Due from other funds	138,482	-	-	-
Due from other governments	36,412	-	-	-
Inventories	30,404	-	-	-
Prepaid items	-	-	-	-
Loans receivable, net of allowances	101,755	-	-	-
Deposits	25,000	-	-	-
Due from Successor Agency	8,199,957	-	-	-
Advances to other funds	57,233,609	2,389,636	-	-
Total assets	\$ 176,410,479	\$ 72,730,549	\$ 48,750,006	\$ 84,207,723
LIABILITIES				
Accrued liabilities	\$ 4,323,189	\$ 35,705	\$ 1,048,696	\$ 83,465
Due to other funds	-	-	-	-
Deposits payable	99,185	-	-	-
Due to other governments	211	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	1,577,758	-	198,350	-
Total liabilities	6,000,343	35,705	1,247,046	83,465
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - sales tax	391,405	-	-	-
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - interest on advances	8,858,483	-	-	-
Total deferred inflows of resources	9,249,888	-	-	-
FUND BALANCES				
Nonspendable	56,707,242	-	-	-
Restricted	-	72,694,844	-	-
Committed	1,000,000	-	-	-
Assigned	27,837,824	-	47,502,960	84,124,258
Unassigned	75,615,182	-	-	-
Total fund balances (deficit)	161,160,248	72,694,844	47,502,960	84,124,258
Total liabilities, deferred inflows of resources, and fund balances	\$ 176,410,479	\$ 72,730,549	\$ 48,750,006	\$ 84,207,723

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 31,816,305	\$ 103,023,820	\$ 440,350,576
-	-	7,581,685
-	185,404	975,240
-	52,500	114,030
-	-	138,482
-	708,280	744,692
-	-	30,404
-	429,671	429,671
-	21,913,952	22,015,707
-	-	25,000
-	-	8,199,957
4,550,000	-	64,173,245
<u>\$ 36,366,305</u>	<u>\$ 126,313,627</u>	<u>\$ 544,778,689</u>
\$ 999,571	\$ 656,464	\$ 7,147,090
-	138,482	138,482
-	244,293	343,478
-	-	211
-	7,592,721	7,592,721
-	673,511	2,449,619
<u>999,571</u>	<u>9,305,471</u>	<u>17,671,601</u>
-	-	391,405
-	95,096	95,096
-	-	8,858,483
<u>-</u>	<u>95,096</u>	<u>9,344,984</u>
-	429,671	57,136,913
35,366,734	116,483,389	224,544,967
-	-	1,000,000
-	-	159,465,042
-	-	75,615,182
<u>35,366,734</u>	<u>116,913,060</u>	<u>517,762,104</u>
<u>\$ 36,366,305</u>	<u>\$ 126,313,627</u>	<u>\$ 544,778,689</u>

CITY OF CARLSBAD

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014**

Total fund balances - governmental funds.	\$ 517,762,104
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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	776,883,046
Internal service funds	7,326,629
Total capital assets	784,209,675

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 position.

Total internal service fund net position	33,930,184
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(133,837)
Internal service fund net assets included as part of total capital assets	(7,326,629)
Internal service fund net assets less capital assets	26,469,718

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.	8,858,483
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A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	391,405
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A portion of the unearned revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	95,096
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Net position of governmental activities.	\$1,337,786,481
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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, 2014

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Revenues:				
Taxes	\$ 109,624,351	\$ 2,084,496	\$ -	\$ -
Intergovernmental	1,092,378	-	-	-
Licenses and permits	2,183,714	-	-	-
Charges for services	7,568,266	-	-	-
Fines and forfeitures	747,787	-	-	-
Income from property and investments	3,616,624	931,960	-	1,129,320
Contributions from property owners	-	600,487	338,455	-
Donations	-	-	-	-
Miscellaneous	968,719	-	31,149	-
Total revenues	125,801,839	3,616,943	369,604	1,129,320
Expenditures:				
Current:				
General government	13,541,660	143,775	-	-
Less: interdepartmental charges	(3,566,716)	-	-	-
Public safety	46,942,883	-	-	-
Community development	8,078,299	-	-	-
Community services	23,915,434	-	-	-
Public works	14,107,321	-	-	-
Capital outlay	-	-	-	1,215,143
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	103,018,881	143,775	-	1,215,143
Excess (deficiency) of revenues over (under) expenditures	22,782,958	3,473,168	369,604	(85,823)
Other financing sources (uses):				
Transfers in	15,500	-	1,682,630	7,800,000
Transfers out	(16,135,216)	-	-	-
Total other financing sources (uses)	(16,119,716)	-	1,682,630	7,800,000
Net change in fund balances	6,663,242	3,473,168	2,052,234	7,714,177
Fund balances at beginning of year	154,497,006	69,221,676	45,450,726	76,410,081
Fund balances at end of year	\$ 161,160,248	\$ 72,694,844	\$ 47,502,960	\$ 84,124,258

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,287,629	\$ 114,996,476
-	9,509,787	10,602,165
-	-	2,183,714
-	3,709,486	11,277,752
-	127,754	875,541
523,895	1,401,746	7,603,545
2,413,506	5,689,942	9,042,390
-	210,249	210,249
-	218,992	1,218,860
<u>2,937,401</u>	<u>24,155,585</u>	<u>158,010,692</u>
15,008	7,770,698	21,471,141
-	-	(3,566,716)
-	390,342	47,333,225
-	7,610,436	15,688,735
-	1,900,957	25,816,391
-	1,334,888	15,442,209
11,790,503	5,696,264	18,701,910
-	159,052	159,052
-	4,576	4,576
<u>11,805,511</u>	<u>24,867,213</u>	<u>141,050,523</u>
<u>(8,868,110)</u>	<u>(711,628)</u>	<u>16,960,169</u>
-	1,979,251	11,477,381
-	(280,330)	(16,415,546)
-	1,698,921	(4,938,165)
(8,868,110)	987,293	12,022,004
44,234,844	115,925,767	505,740,100
<u>\$35,366,734</u>	<u>\$ 116,913,060</u>	<u>\$ 517,762,104</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, 2014**

Net change in fund balances - total governmental funds.	\$ 12,022,004
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	14,875,954
Depreciation expense	(19,353,679)
Governmental funds do not reflect the donation of capital assets as revenues.	4,947,806
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.	
	(42,099)
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.	
	159,052
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	
	578,901
A portion of the sales tax receivable and grant revenues are not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	
	(42,235)
The net revenue of activities of internal service funds is reported with governmental activities.	
	3,833,941
Unpaid interest income on the advance to the Successor Agency was adjusted down to the LAIF rate in effect when the advance was approved by the Oversight Board.	
	(10,288,957)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	
	(103,880)
Change in net position of governmental activities.	<u>\$ 6,586,808</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
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With
	Original	Final		Final Budget - Over (Under)
Revenues:				
Taxes	\$ 104,002,000	\$ 106,705,000	\$ 109,624,351	\$ 2,919,351
Intergovernmental	999,000	1,019,000	1,092,378	73,378
Licenses and permits	1,584,000	1,458,000	2,183,714	725,714
Charges for services	6,643,878	6,210,000	7,568,266	1,358,266
Fines and forfeitures	813,500	680,000	747,787	67,787
Income from property and investments	2,158,824	2,400,000	2,969,854	569,854
Miscellaneous	855,000	855,000	968,719	113,719
Total revenues	117,056,202	119,327,000	125,155,069	5,828,069
Expenditures:				
Current:				
General government	29,828,203	30,221,774	15,399,453	(14,822,321)
Less: interdepartmental charges	(3,946,983)	(3,718,000)	(3,566,716)	151,284
Public safety	47,429,296	48,360,305	47,078,082	(1,282,223)
Community development	9,354,587	9,722,154	9,263,950	(458,204)
Community services	27,050,675	27,463,885	24,994,859	(2,469,026)
Public works	18,452,276	18,669,602	16,951,300	(1,718,302)
Total expenditures	128,168,054	130,719,720	110,120,928	(20,598,792)
Excess (deficiency) of revenues over (under) expenditures	(11,111,852)	(11,392,720)	15,034,141	26,426,861
Other financing sources (uses):				
Transfers in	-	10,000	15,500	5,500
Transfers out	(13,794,349)	(16,135,216)	(16,135,216)	-
Total other financing sources (uses)	(13,794,349)	(16,125,216)	(16,119,716)	5,500
Net change in fund balances	(24,906,201)	(27,517,936)	(1,085,575)	\$ 26,432,361
Fund balance at beginning of year	154,497,006	154,497,006	154,497,006	
Fund balance at end of year	<u>\$ 129,590,805</u>	<u>\$ 126,979,070</u>	<u>\$ 153,411,431</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, 2014

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 125,155,069
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>646,770</u>
	<u>\$ 125,801,839</u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 110,120,928
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(7,102,047)</u>
	<u>\$ 103,018,881</u>

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



CITY OF CARLSBAD

Statement of Net Position
 Proprietary Funds
 June 30, 2014

ASSETS	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	\$ 102,614,663	\$ 1,399,382	\$ 52,575,300
Receivables:			
Taxes	16,730	-	-
Accounts, net of allowances	6,743,108	-	1,681,996
Other	-	260,301	-
Due from other governments	481,521	-	2,173,612
Inventories	564,571	174,742	11,632
Prepaid items	20,232	-	-
Total current assets	<u>110,440,825</u>	<u>1,834,425</u>	<u>56,442,540</u>
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,270,243	979,550
Accrued interest - restricted for debt service	-	22,108	21,300
Subtotal	-	<u>1,292,351</u>	<u>1,000,850</u>
Capital assets:			
Land	1,905,206	4,841,667	2,571,515
Construction in progress	2,306,611	-	7,498,125
Buildings and other structures	20,551,948	20,068,981	-
Improvements other than buildings	2,322,549	42,670,657	5,863,599
Machinery and equipment	804,648	2,259,983	256,614
Infrastructure	212,051,752	-	106,073,015
Wastewater treatment facility	-	-	54,467,480
Less accumulated depreciation	<u>(59,373,313)</u>	<u>(20,884,010)</u>	<u>(65,247,831)</u>
Total capital assets (net of accumulated depreciation)	<u>180,569,401</u>	<u>48,957,278</u>	<u>111,482,517</u>
Total noncurrent assets	<u>180,569,401</u>	<u>50,249,629</u>	<u>112,483,367</u>
Total assets	<u>\$ 291,010,226</u>	<u>\$ 52,084,054</u>	<u>\$ 168,925,907</u>

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ 11,511,781	\$ 168,101,126	\$ 38,324,634
-	16,730	-
384,859	8,809,963	1,934
55,359	315,660	-
-	2,655,133	-
-	750,945	285,782
-	20,232	-
<u>11,951,999</u>	<u>180,669,789</u>	<u>38,612,350</u>
-	2,249,793	-
-	43,408	-
-	2,293,201	-
-	9,318,388	-
-	9,804,736	41,381
-	40,620,929	-
-	50,856,805	-
-	3,321,245	22,299,268
-	318,124,767	-
-	54,467,480	-
-	(145,505,154)	(15,014,020)
-	<u>341,009,196</u>	<u>7,326,629</u>
-	<u>343,302,397</u>	<u>7,326,629</u>
<u>\$ 11,951,999</u>	<u>\$ 523,972,186</u>	<u>\$ 45,938,979</u>

(Continued)

CITY OF CARLSBAD

Statement of Net Position
 Proprietary Funds (Continued)
 June 30, 2014

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 1,190,768	\$ 536,322	\$ 457,964
Accrued interest payable	91,494	249,250	19,326
Due to other governments	5,449,562	29,871	1,531,259
Estimated claims payable	-	-	-
Current portion of long-term debt, net of unamortized discounts of \$30,909 and unamortized premiums of \$9,895	1,407,932	394,895	874,091
Deposits payable	153,440	713,824	602,662
Total current liabilities	8,293,196	1,924,162	3,485,302
Noncurrent liabilities:			
Advance from other funds	-	56,580,524	-
Unearned revenue	-	-	10,000
Loans payable	18,428,644	-	-
Revenue bonds payable, net of unamortized premiums of \$212,477	-	16,472,477	-
Total noncurrent liabilities	18,428,644	73,053,001	10,000
Total liabilities	26,721,840	74,977,163	3,495,302
NET POSITION			
Net investment in capital assets	160,732,825	33,360,149	111,587,976
Restricted for:			
Capital assets	26,789,943	-	19,842,022
Unrestricted	76,765,618	(56,253,258)	34,000,607
Total net position (deficit)	\$ 264,288,386	\$ (22,893,109)	\$ 165,430,605

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

Net position of business-type activities

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ 515,398	\$ 2,700,452	\$ 4,350,057
-	360,070	-
-	7,010,692	-
-	-	7,657,738
-	2,676,918	-
-	1,469,926	1,000
<u>515,398</u>	<u>14,218,058</u>	<u>12,008,795</u>
-	56,580,524	-
-	10,000	-
-	18,428,644	-
-	16,472,477	-
-	91,491,645	-
<u>515,398</u>	<u>105,709,703</u>	<u>12,008,795</u>
-	305,680,950	7,326,629
-	46,631,965	-
<u>11,436,601</u>	<u>65,949,568</u>	<u>26,603,555</u>
<u>\$ 11,436,601</u>	<u>418,262,483</u>	<u>\$ 33,930,184</u>
	<u>133,837</u>	
	<u>\$ 418,396,320</u>	

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2014

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 44,696,142	\$ -	\$ -
Wastewater service charges pledged as security for revenue bonds	-	-	12,581,312
Golf course operations	-	6,635,242	-
Other charges for services	659,029	-	-
Miscellaneous	1,394,722	-	314,579
Total operating revenues	46,749,893	6,635,242	12,895,891
Operating expenses:			
Encina plant operations	694,343	-	3,129,223
Purchased water	20,674,937	-	-
Golf course operations	-	6,227,985	-
Depreciation	4,734,025	3,469,474	4,119,468
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	17,013,852	-	5,265,597
Total operating expenses	43,117,157	9,697,459	12,514,288
Operating income (loss)	3,632,736	(3,062,217)	381,603
Nonoperating revenues (expenses):			
Income from property and investments	1,482,783	113,325	754,895
Interest expense and fees	(495,805)	(1,334,076)	(6,391)
Gain (loss) on sale of property	96,375	-	-
Property taxes	2,896,749	-	-
Total nonoperating revenues (expenses)	3,980,102	(1,220,751)	748,504
Income (loss) before transfers and capital contributions	7,612,838	(4,282,968)	1,130,107
Transfers in	-	998,549	-
Capital contributions:			
Capital restricted fees	742,099	-	264,491
Developer constructed assets	1,848,729	-	342,438
Other	-	-	-
Change in net position	10,203,666	(3,284,419)	1,737,036
Total net position (deficit) at beginning of year	254,084,720	(19,608,690)	163,693,569
Total net position (deficit) at end of year	<u>\$ 264,288,386</u>	<u>\$ (22,893,109)</u>	<u>\$ 165,430,605</u>

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

Changes in net position of business-type activities

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ -	\$ 44,696,142	\$ -
-	12,581,312	-
-	6,635,242	-
3,110,267	3,769,296	15,414,584
300,140	2,009,441	448,339
<u>3,410,407</u>	<u>69,691,433</u>	<u>15,862,923</u>
-	3,823,566	-
-	20,674,937	-
-	6,227,985	-
-	12,322,967	1,627,762
-	-	1,469,746
-	-	4,545,701
-	-	621,670
2,861,380	25,140,829	8,035,343
<u>2,861,380</u>	<u>68,190,284</u>	<u>16,300,222</u>
549,027	1,501,149	(437,299)
149,255	2,500,258	404,807
-	(1,836,272)	-
-	96,375	(1,307)
-	2,896,749	-
<u>149,255</u>	<u>3,657,110</u>	<u>403,500</u>
698,282	5,158,259	(33,799)
189,616	1,188,165	3,750,000
-	1,006,590	-
-	2,191,167	-
-	-	117,740
887,898	9,544,181	3,833,941
<u>10,548,703</u>		<u>30,096,243</u>
<u>\$ 11,436,601</u>		<u>\$ 33,930,184</u>
	<u>103,880</u>	
	<u>\$ 9,648,061</u>	

CITY OF CARLSBAD

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2014**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 44,552,815	\$ 6,416,271	\$ 12,334,001
Payments to suppliers	(31,594,360)	(5,922,921)	(5,562,811)
Payments to employees	(3,611,004)	-	(1,749,723)
Internal activity - payments to other funds	(2,213,394)	-	(1,111,935)
Claims and premiums paid	-	-	-
Other receipts (payments)	1,394,722	9,874	475,563
Increase (decrease) in deposits payable	(6,948)	314,833	162,864
Net cash provided (used) by operating activities	<u>8,521,831</u>	<u>818,057</u>	<u>4,547,959</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from (to) other funds	-	998,549	-
Advances from (to) other funds	-	503,801	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>1,502,350</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Capital restricted fees	742,099	-	264,491
Purchase of capital assets	(1,410,660)	(527,982)	(3,998,520)
Gross proceeds from the sale of capital assets	96,375	-	-
Principal paid on capital debt	(1,498,560)	(360,000)	(860,000)
Interest and other fees paid	(503,827)	(765,723)	(72,606)
Property taxes received	2,896,070	-	-
Net cash (used in) capital and related financing activities	<u>321,497</u>	<u>(1,653,705)</u>	<u>(4,666,635)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,482,783</u>	<u>113,325</u>	<u>754,895</u>
Net increase (decrease) in cash and cash equivalents	10,326,111	780,027	636,219
Cash and cash equivalents at beginning of year	<u>92,288,552</u>	<u>1,889,598</u>	<u>51,964,925</u>
Cash and cash equivalents at end of year	<u>\$ 102,614,663</u>	<u>\$ 2,669,625</u>	<u>\$ 52,601,144</u>

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
\$ 3,092,461	\$ 66,395,548	\$ 15,413,267
(1,257,832)	(44,337,924)	(5,228,955)
(1,016,882)	(6,377,609)	(3,970,679)
(559,412)	(3,884,741)	(1,152,227)
-	-	(3,803,097)
300,140	2,180,299	448,339
-	470,749	-
<u>558,475</u>	<u>14,446,322</u>	<u>1,706,648</u>
189,616	1,188,165	3,750,000
-	503,801	-
<u>189,616</u>	<u>1,691,966</u>	<u>3,750,000</u>
-	1,006,590	-
-	(5,937,162)	(2,634,669)
-	96,375	695
-	(2,718,560)	-
-	(1,342,156)	-
-	2,896,070	-
-	(5,998,843)	(2,633,974)
<u>149,255</u>	<u>2,500,258</u>	<u>404,807</u>
897,346	12,639,703	3,227,481
<u>10,614,435</u>	<u>156,757,510</u>	<u>35,097,153</u>
<u>\$ 11,511,781</u>	<u>\$ 169,397,213</u>	<u>\$ 38,324,634</u>

(Continued)

CITY OF CARLSBAD

**Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2014**

	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)	\$ 3,632,736	\$ (3,062,217)	\$ 381,603
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,734,025	3,469,474	4,119,468
Change in assets and liabilities:			
(Increase) decrease in receivables	(802,356)	(218,971)	(86,327)
(Increase) decrease in due from other governments	(1,389)	-	(11,756)
(Increase) decrease in inventories	478,005	52,222	(4,311)
(Increase) decrease in prepaid items	(1,628)	-	-
(Decrease) increase in accrued liabilities	151,115	252,842	(6,169)
(Decrease) increase in due to other governments	338,271	9,874	(7,413)
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	(6,948)	314,833	162,864
Net cash provided by operating activities	<u>\$ 8,521,831</u>	<u>\$ 818,057</u>	<u>\$ 4,547,959</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 1,848,729</u>	<u>\$ -</u>	<u>\$ 342,438</u>
Unrealized gains (losses)	<u>\$ 412,845</u>	<u>\$ 85</u>	<u>\$ 224,342</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 102,614,663	\$ 1,399,382	\$ 52,575,300
Restricted assets:			
Cash and investments	-	1,270,243	979,550
Less investments not meeting the definition of cash equivalents:			
Investment contracts	-	-	(953,706)
Cash and cash equivalents at end of year	<u>\$ 102,614,663</u>	<u>\$ 2,669,625</u>	<u>\$ 52,601,144</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
\$ 549,027	\$ 1,501,149	\$ (437,299)
-	12,322,967	1,627,762
(17,806)	(1,125,460)	(1,316)
-	(13,145)	-
-	525,916	(54,725)
-	(1,628)	445,496
27,254	425,042	(148,336)
-	340,732	-
-	-	275,066
-	470,749	-
<u>\$ 558,475</u>	<u>\$ 14,446,322</u>	<u>\$ 1,706,648</u>
<u>\$ -</u>	<u>\$ 2,191,167</u>	<u>\$ 117,740</u>
<u>\$ 46,222</u>	<u>\$ 683,494</u>	<u>\$ 128,824</u>
\$ 11,511,781	\$ 168,101,126	\$ 38,324,634
-	2,249,793	-
-	(953,706)	-
<u>\$ 11,511,781</u>	<u>\$ 169,397,213</u>	<u>\$ 38,324,634</u>

CITY OF CARLSBAD

**Statement of Net Position
Fiduciary Funds
June 30, 2014**

ASSETS	Agency Funds	Private Purpose Trust Funds
Current assets:		
Cash and investments	\$ 19,902,978	\$ 1,053,948
Receivables:		
Other	79,567	-
Prepaid items	5,297	-
Total current assets	19,987,842	1,053,948
Noncurrent assets:		
Loans receivable	-	3,750,000
Restricted assets:		
Cash and investments	5,847,907	-
Capital assets:		
Machinery and equipment	-	26,946
Less accumulated depreciation	-	(24,701)
Total capital assets (net of accumulated depreciation)	-	2,245
Total noncurrent assets	5,847,907	3,752,245
Total assets	\$ 25,835,749	\$ 4,806,193
LIABILITIES		
Current liabilities:		
Accrued liabilities	\$ 1,384,344	\$ 17,967
Accrued interest payable	-	141,055
Deposits held for others	24,451,405	-
Current portion of long-term debt	-	630,000
Total current liabilities	25,835,749	789,022
Noncurrent liabilities:		
Due to the City of Carlsbad	-	8,199,957
Tax allocation bonds payable	-	7,395,000
Total noncurrent liabilities	-	15,594,957
Total liabilities	25,835,749	16,383,979
NET POSITION		
Held in trust for redevelopment obligation retirement purposes	\$ -	\$ (11,577,786)

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

CITY OF CARLSBAD

Statement of Changes in Net Position
 Fiduciary Funds
 June 30, 2014

	Private Purpose Trust Funds
ADDITIONS	
<hr/>	
Contributions:	
Tax increment	\$ 1,646,709
Income from property and investments	6,650
Miscellaneous	70
Extraordinary gain (loss)	10,288,957
Total additions	<u>11,942,386</u>
DEDUCTIONS	
<hr/>	
General and administrative	262,271
Interest expense and fees	457,795
Total deductions	<u>720,066</u>
Change in net position	<u>11,222,320</u>
Total net position (deficit) at beginning of year	<u>(22,800,106)</u>
Total net position (deficit) at end of year	<u>\$ (11,577,786)</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, 2014

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 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.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position 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 Private Purpose Trust 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.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes, franchise taxes, 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 **Community Facilities District No. 1** capital project fund is used to account for the receipt of taxes and fees charged to developers 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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

The **Trust funds** account for the activities of the Redevelopment Obligation Retirement Funds, which accumulates resources for obligations previously incurred by the former City of Carlsbad Redevelopment Agency.

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.

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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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, banked overtime (comp time) and vested sick benefits for certain former district employees. Vacation pay and comp time are payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation and comp time 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 and comp time employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2014, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation and comp time 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 intangible assets such as computer 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.

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	10 – 50
Machinery and equipment	3 – 20
Infrastructure	10 – 100
Wastewater treatment facility (including equipment)	5 – 75
Intangible assets	5 – 10

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.

Note 1. Summary of Significant Accounting Policies (continued)

Unearned 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 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.

Deferred inflows

The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The city has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: interest on advances, sales tax and grants. This amount is deferred and recognized as an inflow of resources in the period that the amount 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), "advances to/from other funds" (long-term interfund loans) or "due from Successor Agency" (long-term trust fund loan). 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 a 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, 2014, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2014, 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 exceptions to these rules are receivables that were subsequently paid or were known to be collectible at year-end, which were not reserved for at June 30, 2014.

Loan and reimbursement receivable

The accompanying financial statements reflect the recording of certain loans receivable that represent loans made to various organizations and individuals. In certain cases, the amount of collection is dependent upon future residual receipts to be generated by the property or contingent upon the ability of the owner to sell the property at an amount sufficient to pay all liens against the property, including the obligation to the city. All loan and reimbursement receivables are shown net of an allowance for uncollectibles.

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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Net position

Net position represents the differences between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets, 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 investment in capital assets, excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the city's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 Position. Bond premiums and discounts 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.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts 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. In the Fund Financial Statements, 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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 2. Budgetary Data (continued)

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 a portion of the Parking-in-Lieu capital project fund (Grants and Other Capital Project Funds). Accordingly, the revenues and expenditures for the Tyler Court Apartments Fund have been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds except for the Parking-in-Lieu Fund; 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 Statement (IPS), which is reviewed by the Investment Review Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the city's IPS 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, 2014, the LAIF performance report shows a fair value factor of 1.00029875. 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, 2014 the city had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
Federal National Mortgage Association	\$ 90,465,703	13.7%	2.631
Federal Home Loan Bank	130,012,148	19.6%	3.095
Federal Farm Credit Bank	58,759,561	8.9%	2.794
Federal Home Loan Mortgage Corporation	60,694,570	9.2%	3.361
Federal Agricultural Corporation	15,038,774	2.3%	2.651
United States Treasury Bills & Notes	5,003,132	0.8%	2.835
Financing Corporation	-	0.0%	0.000
Subtotal U.S. agencies	<u>359,973,888</u>	<u>54.5%</u>	<u>2.952</u>
Corporate notes:			
Medium-term corporate notes	161,994,913	24.4%	1.814
Subtotal corporate notes	<u>161,994,913</u>	<u>24.4%</u>	<u>1.814</u>
Certificates of deposit	14,599,584	2.2%	1.596
LAIF	122,538,968	18.5%	-
Cash accounts	3,502,144	0.5%	-
Total Treasurer's Pool	<u>662,609,497</u>	<u>100.0%</u>	<u>2.080</u>
Investments held outside the Treasurer's Pool			
Money market funds	7,147,911		
Guaranteed investment contracts	4,482,572		
Subtotal debt service funds/bond proceeds	<u>11,630,483</u>		
Other deposits	1,584,982		
Petty cash funds	6,000		
Total cash and investments	<u>\$ 675,830,962</u>		
Statement of Net Position, Primary Government			
Cash and investments	\$ 649,026,129		
Statement of Net Position, Fiduciary Funds			
Cash and investments	20,956,926		
Restricted cash and investments	5,847,907		
Total cash and investments	<u>\$ 675,830,962</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, 2014, approximately 24 percent of the city’s total portfolio investments, based on cost, were in medium-term corporate notes.

For concentration of investments, the city’s IPS 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 IPS for U.S. agencies. As of June 30, 2014, 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. 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, 2014, approximately 15.3 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 IPS 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, 2014, the portfolio had a 0.412 percent loss in market value.

The city’s IPS 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, 2014, the modified duration of the portfolio was 2.080. 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, 2014, maturities within one year exceeded the required minimum of \$143,200,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2013-14 Operating Budget adopted by the City Council).
3. As of June 30, 2014, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 232 days. As of June 30, 2014, LAIF had a 0.030 percent gain in market value.
4. As of June 30, 2014, the city's investment portfolio included \$67,075,000 of callable step-up notes.

Note 4. Due To and From Other Funds

The following table shows amounts due from funds within the city to other funds within the city at June 30, 2014.

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 138,482
Other Governmental Funds:		
Community Development Block Grant	18,840	-
Grants and Other Capital Project Funds	119,642	-
	<u>138,482</u>	<u>138,482</u>
Totals	<u>\$ 138,482</u>	<u>\$ 138,482</u>

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, 2014:

Total position	Advances To	Amount
General Fund	Other Governmental Funds - Habitat and Agricultural Management	\$ 653,085 (1)
General Fund	Golf Course Enterprise Fund	56,580,524 (2)
Other Governmental Funds:	Other Governmental Funds:	
Community Facilities District No. 1	Traffic Impact Projects	2,389,636 (3)
Public Facilities Construction	Park Development	4,550,000 (4)
		<u>\$ 64,173,245</u>
General Fund	Fiduciary Funds: Redevelopment Obligation Retirement Trust Funds	<u>\$ 8,199,957 (5)</u>

CITY OF CARLSBAD

Notes to the Financial Statements

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

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 Habitat Mitigation Fee Fund is estimated to be repaid from future Habitat Mitigation Fees. 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 Golf Course Fund is estimated to be repaid over a 35-40 year period through residual operating income from golf course operations. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
- (3) The advance between the 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.
- (4) The advance between the Public Facilities Construction Fund and the Park Development Funds is estimated to be repaid at build-out.
- (5) The obligation of the Redevelopment Obligation Retirement Trust Funds represents the obligations of the custodian of the assets and liabilities of the former redevelopment agency (the Successor Agency) and is presented in the accompanying financial statements as Due from Successor Agency. Interest on the obligation will compound annually at 0.32 percent which was the rate that the Local Agency Investment Fund (LAIF) was earning at the time that the obligation was approved by the Oversight Board of the Successor Agency.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 150,588,126	\$ 217,075	\$ (323,665)	\$ 150,481,536
Construction in progress	47,333,665	14,542,489	(43,528,069)	18,348,085
Total capital assets, not being depreciated	<u>197,921,791</u>	<u>14,759,564</u>	<u>(43,851,734)</u>	<u>168,829,621</u>
Capital assets, being depreciated:				
Buildings	101,312,100	13,103,731	(59,574)	114,356,257
Improvements, other than buildings	45,458,749	25,413,475	-	70,872,224
Machinery and equipment	28,298,901	5,051,022	(20,392)	33,329,531
Infrastructure	655,780,796	8,100,110	-	663,880,906
Intangible assets	3,186,520	-	-	3,186,520
Total capital assets, being depreciated	<u>834,037,066</u>	<u>51,668,338</u>	<u>(79,966)</u>	<u>885,625,438</u>
Less accumulated depreciation for:				
Buildings	(27,196,225)	(2,266,761)	17,475	(29,445,511)
Improvements, other than buildings	(16,356,118)	(2,350,705)	-	(18,706,823)
Machinery and equipment	(20,501,879)	(2,064,421)	18,390	(22,547,910)
Infrastructure	(184,790,369)	(13,844,337)	-	(198,634,706)
Intangible assets	(455,217)	(455,217)	-	(910,434)
Total accumulated depreciation	<u>(249,299,808)</u>	<u>(20,981,441)</u>	<u>35,865</u>	<u>(270,245,384)</u>
Total capital assets being depreciated, net	<u>584,737,258</u>	<u>30,686,897</u>	<u>(44,101)</u>	<u>615,380,054</u>
Governmental activities capital assets, net	<u>\$ 782,659,049</u>	<u>\$ 45,446,461</u>	<u>\$ (43,895,835)</u>	<u>\$ 784,209,675</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (continued)

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,318,388	\$ -	\$ -	\$ 9,318,388
Construction in progress	7,560,463	6,232,336	(3,988,063)	9,804,736
Total capital assets, not being depreciated	<u>16,878,851</u>	<u>6,232,336</u>	<u>(3,988,063)</u>	<u>19,123,124</u>
Capital assets, being depreciated:				
Buildings	40,596,836	24,093	-	40,620,929
Improvements, other than buildings	50,856,805	-	-	50,856,805
Machinery and equipment	2,793,263	527,982	-	3,321,245
Infrastructure	314,518,463	3,606,304	-	318,124,767
Wastewater treatment facility	52,584,214	1,883,266	-	54,467,480
Total capital assets, being depreciated	<u>461,349,581</u>	<u>6,041,645</u>	<u>-</u>	<u>467,391,226</u>
Less accumulated depreciation for:				
Buildings	(6,226,061)	(865,888)	-	(7,091,949)
Improvements, other than buildings	(18,454,161)	(3,197,201)	-	(21,651,362)
Machinery and equipment	(2,084,058)	(267,128)	-	(2,351,186)
Infrastructure	(76,226,454)	(6,476,250)	-	(82,702,704)
Wastewater treatment facility	(30,191,453)	(1,516,500)	-	(31,707,953)
Total accumulated depreciation	<u>(133,182,187)</u>	<u>(12,322,967)</u>	<u>-</u>	<u>(145,505,154)</u>
Total capital assets being depreciated, net	<u>328,167,394</u>	<u>(6,281,322)</u>	<u>-</u>	<u>321,886,072</u>
Business-type activities capital assets, net	<u>\$ 345,046,245</u>	<u>\$ (48,986)</u>	<u>\$ (3,988,063)</u>	<u>\$ 341,009,196</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 1,149,208
Community development	615,042
Public safety	938,285
Community services	2,559,099
Public works	14,092,045
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,627,762</u>
Total depreciation expense - governmental activities	<u>\$ 20,981,441</u>
Business-type activities:	
Carlsbad Municipal Water District	\$ 4,734,025
Wastewater	4,119,468
Golf course	<u>3,469,474</u>
Total depreciation expense - business-type activities	<u>\$ 12,322,967</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2014:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 2,885,200	\$ 1,223,679	\$ 214,310	\$ -	\$ 4,323,189
Community Facilities					
District No. 1	35,705	-	-	-	35,705
General Capital Construction	1,048,696	-	-	-	1,048,696
Infrastructure Replacement	83,465	-	-	-	83,465
Public Facilities					
Construction	999,571	-	-	-	999,571
Other Governmental Funds	633,104	23,360	-	-	656,464
Subtotals	5,685,741	1,247,039	214,310	-	7,147,090
Internal Service Funds*	320,218	4,029,839	-	-	4,350,057
Total governmental activities	<u>\$ 6,005,959</u>	<u>\$ 5,276,878</u>	<u>\$ 214,310</u>	<u>\$ -</u>	<u>\$ 11,497,147</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water					
District	\$ 879,463	\$ 311,305	\$ -	\$ -	\$ 1,190,768
Golf Course	536,322	-	-	-	536,322
Wastewater	317,695	140,269	-	-	457,964
Solid Waste	152,242	58,393	-	304,763	515,398
Total business-type activities	<u>\$ 1,885,722</u>	<u>\$ 509,967</u>	<u>\$ -</u>	<u>\$ 304,763</u>	<u>\$ 2,700,452</u>

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

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, 2014:

	Principal Balance at July 1, 2013	Increases	Decreases	Principal Balance at June 30, 2014	Due Within One Year
Governmental activities:					
Loans payable	\$ 159,052	\$ -	\$ 159,052	\$ -	\$ -
Total governmental activities	<u>\$ 159,052</u>	<u>\$ -</u>	<u>\$ 159,052</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:					
Bonds	\$ 17,005,000	\$ -	\$ 360,000	\$ 16,645,000	\$ 385,000
Installment purchase agreement	1,765,000	-	860,000	905,000	905,000
Loans payable	21,335,136	-	1,498,560	19,836,576	1,407,932
Obligations under capital leases	-	-	-	-	-
	<u>40,105,136</u>	<u>-</u>	<u>2,718,560</u>	<u>37,386,576</u>	<u>2,697,932</u>
Less discounts	(67,543)	-	(36,634)	(30,909)	(30,909)
Plus premiums	<u>232,267</u>	<u>-</u>	<u>9,895</u>	<u>222,372</u>	<u>9,895</u>
Total business type activities	<u>\$ 40,269,860</u>	<u>\$ -</u>	<u>\$ 2,691,821</u>	<u>\$ 37,578,039</u>	<u>\$ 2,676,918</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (continued)

Long-term debt at June 30, 2014 is comprised of the following issues:

	Balance at June 30, 2014
<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 \$385,000 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 4.0% to 5.00% per annum. The required reserve amount is \$1,211,663. Payable from golf course operating revenues and lease payments by the City.	\$16,645,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement bonds were issued totaling \$11,080,000. Principal is due in varying amounts payable on February 1 and August 1 each year through 2014, at 5.125% per annum. The required reserve amount is \$928,191. Payable from sewer user fees.	905,000
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 \$493,001 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.	6,154,355
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 \$914,932 to \$1,201,978 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.	<u>13,682,221</u>
Subtotal business-type long-term debt	37,386,576
Plus unamortized premiums and discounts	191,463
Less current portion	<u>(2,676,918)</u>
Total long-term portion of business-type debt	<u><u>\$34,901,121</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:	Business-type Activities	
	Principal	Interest
2015	\$ 2,697,932	\$ 1,230,828
2016	1,846,300	1,156,494
2017	1,900,461	1,103,660
2018	1,960,433	1,047,875
2019	2,026,234	988,823
2020-2024	11,123,666	4,020,421
2025-2029	7,786,550	2,413,879
2030-2034	4,655,000	1,307,137
2035-2037	3,390,000	233,775
	<u>\$ 37,386,576</u>	<u>\$ 13,502,892</u>

Note 9. Rate Covenants and Pledged Revenue

Rate covenants

The 1997 Encina Financing Joint Powers Authority Installment Purchase Agreement requires that the Wastewater Fund set its charges for services each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the Fund, 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 (authority) 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 of the revenues of the Wastewater Fund, Water District, and the Golf Course Fund are pledged to meet these rate covenants and to secure the related debt.

All rate covenants requirements were met for the fiscal year ended June 30, 2014.

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
Water revenues	\$ 5,751,275	\$ 1,876,481	33%
Wastewater revenues	6,710,092	928,419	14%
Golf Course revenues	1,621,957	1,115,850	69%

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, 2014, the city has three series of assessment district bonds outstanding in the amount of \$47,475,000. 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, 2014, the city has two series of community facilities district (CFD) bonds outstanding in the amount of \$23,515,000. 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, 2014 is \$38,004,900. 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.



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, 2014:

Fund Balances	Governmental Funds			
	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Nonspendable:				
Inventory	\$ 30,404	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-
Loans receivable	101,755	-	-	-
Due from Successor Agency*	7,785,738	-	-	-
Advances to other funds*	48,789,345	-	-	-
Totals	<u>56,707,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted for:				
Affordable housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	72,694,844	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Totals	<u>-</u>	<u>72,694,844</u>	<u>-</u>	<u>-</u>
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Assigned to:				
General government	17,677,143	-	-	-
Public safety	1,382,581	-	-	-
Community development	1,590,790	-	-	-
Community services	3,171,374	-	-	-
Public works	4,015,936	-	-	-
Capital projects	-	-	47,502,960	84,124,258
Totals	<u>27,837,824</u>	<u>-</u>	<u>47,502,960</u>	<u>84,124,258</u>
Unassigned:				
	<u>75,615,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>\$ 161,160,248</u>	<u>\$ 72,694,844</u>	<u>\$ 47,502,960</u>	<u>\$ 84,124,258</u>

* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of \$8,858,483 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

CITY OF CARLSBAD

Notes to the Financial Statements

Governmental Funds		
Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ 30,404
-	429,671	429,671
-	-	101,755
-	-	7,785,738
-	-	48,789,345
-	429,671	57,136,913
-	38,887,567	38,887,567
-	4,702,638	4,702,638
-	2,665,786	2,665,786
35,366,734	67,406,158	175,467,736
-	844,887	844,887
-	564,642	564,642
-	214,148	214,148
-	1,197,563	1,197,563
-	-	-
35,366,734	116,483,389	224,544,967
-	-	1,000,000
-	-	1,000,000
-	-	17,677,143
-	-	1,382,581
-	-	1,590,790
-	-	3,171,374
-	-	4,015,936
-	-	131,627,218
-	-	159,465,042
-	-	75,615,182
<u>\$ 35,366,734</u>	<u>\$ 116,913,060</u>	<u>\$ 517,762,104</u>

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 to constitute the formal action of the City Council that is necessary to commit 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 has not delegated to any other persons or bodies the authority to assign fund balance to specific purposes. The Council has authorized, through a resolution, that all outstanding encumbrances at the end of the fiscal year as well as certain unspent budgeted amounts, to be carried forward into the next fiscal year. These amounts are shown as assigned fund balance at the end of the fiscal year:

- General government – Information Technology Department innovation projects (including software and hardware).
- Public safety – police radios, the Community Paramedicine pilot program in the Fire Department, and other safety related equipment.
- Community development – an enhanced customer service initiative for the Community and Economic Development Department.
- Community services – a library radio frequency identification system, an automated library materials handling upgrade, the replacement of library furniture and equipment, the Parks Master Plan update, and the Monroe Street Pool renovations.
- Public works – minor building renovations and LED lighting retrofitting in the Property and Environmental Management Division and traffic signal upgrades/modifications.
- Capital projects – citywide infrastructure replacement projects, major library renovations, additional phases at Alga Norte Park, the second phase of the Joint First Responders facility, and open space acquisition.

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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 13. Accumulated Fund Deficits/Negative Net Position

The following funds reported deficits in fund balances or net position as of June 30, 2014:

	Deficit Balance
Enterprise Funds:	
Golf Course	\$ (22,893,109)
Internal Service Funds:	
Workers' Compensation	(695,722)

Note 14. Interfund Transfers

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	\$ 10,000
	Rancho Santa Fe Road Project	5,500
Infrastructure Replacement	General Fund	7,800,000
Enterprise Funds:		
Golf Course	General Fund	998,549
Storm Water Protection	General Fund	189,616
Internal Service Funds:		
Risk Management	General Fund	750,000
Self Insured Benefits	General Fund	2,000,000
Worker's Compensation	General Fund	1,000,000
Special Revenue Funds:		
Financing Districts	General Fund	1,949,251
Section 8 Rental Assistance	Affordable Housing	30,000
Capital Project Funds:		
General Capital Construction	General Fund	1,447,800
General Capital Construction	Habitat and Agricultural Management	234,830
		<u>\$ 16,415,546</u>

Transfers are used to (1) move revenues and expenditures to the appropriate funds, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (3) reclassify loans previously made by the General Fund as their collectibility has diminished, (4) reimburse the General Fund for administrative costs incurred on behalf of other funds, and (5) move excess cash collected for future capital replacement in accordance with Council authorization.

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

CITY OF CARLSBAD

Notes to the Financial Statements

Note 15. Risk Management (continued)

of loss. All other funds of the city make payments to these funds based on annual 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 Alliant Insurance Services, Inc.'s group purchase program for general liability coverage, known as the California Municipal Excess Liability Program (CAMEL), now known as the Alliant National Municipal Liability Program (ANML). Under this program the city's coverage is a maximum of \$20,000,000 per occurrence with a self-insured retention (SIR) of \$1,000,000 and a "corridor retention" deductible of \$500,000. The "corridor retention" deductible means the city will be responsible for a claim or claims up to \$1,000,000 for each occurrence, and a total of \$500,000 whether it's spent on one or more of those claims. After the \$500,000 "corridor retention" deductible is spent the city's SIR is simply \$1,000,000 per each following occurrence, with no additional deductible. At June 30, 2014, the unrestricted fund equity for the Risk Management Self-Insurance fund was approximately \$2,407,000. Funds used by the Risk Management Fund to liquidate the claims liability predominantly come from the General Fund (90.14%), the Water funds (2.82%) and the Wastewater funds (1.56 percent).

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 per claim for police and fire employees, and \$750,000 for all other employees. At June 30, 2014, the unrestricted fund equity for the Workers' Compensation Self-Insurance Fund was approximately (\$696,000). The city hired a new claims administrator during the previous fiscal year who audited all of the city's outstanding workers' compensation claims. This audit created a higher claims payable balance and reduced the unrestricted fund equity. The city is addressing the current fund deficit by increasing charges to the various city departments and transferring funds from the General Fund in the upcoming fiscal years. Funds used by the Workers' Compensation Fund to liquidate the claims liability predominantly come from the General Fund (79.82%), the Water funds (9.13%) and the Wastewater funds (4.81%).

The estimated claims payable reported at June 30, 2014 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.

Changes in the estimated claims payable amounts in Fiscal Years 2013 and 2014 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:				
2012-13	\$ 77,944	777,989	\$ 775,479	\$ 80,454
2013-14	80,454	775,293	767,935	87,812
Risk Management Fund:				
2012-13	464,570	1,619,030	1,061,584	1,022,016
2013-14	1,022,016	521,650	937,457	606,209
Workers' Compensation Fund:				
2012-13	5,242,010	3,878,052	2,344,525	6,775,537
2013-14	6,775,537	3,248,758	3,060,578	6,963,717

CITY OF CARLSBAD

Notes to the Financial Statements

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. Each member agency has a specified percentage of ownership in the various components of the Encina Water Pollution Control Facilities that varies from component to component. Accordingly, each member agency reports its undivided interest in the facilities as a part of that member agency's capital assets. As of June 30, 2013, the undivided interest of each member agency in the various components of the Encina Water Pollution Control Facilities aggregated as follows:

City of Carlsbad	25%
City of Vista	22%
Leucadia Wastewater District	20%
Vallecitos Water District	20%
Buena Sanitation District	8%
City of Encinitas	5%

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 \$285,391 in Fiscal Year 2013. 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 specifies the debt service requirement for Carlsbad.

The following is a table of the outstanding balance owed as of June 30, 2014:

	Agreement Balance
City of Carlsbad	\$ 905,000

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Joint Ventures (continued)

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

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

Note 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, 7 or 6.75 percent for non-safety employees (depending on the tier the employee was placed in upon hire date), and 9 or 12 percent for safety employees (depending on the tier the employee was placed in upon hire date), of their annual covered salary. In June 2010, non-management fire employees began paying the entire 9 percent employee contribution. Non-management police employees began paying the entire 9 percent employee contribution in July 2011. Non-safety employees (both general and management) and fire management employees began paying the entire 7, 8 and 9 percent rates in November 2012, and police management employees began paying the entire 9 percent rate in June 2013. All third tier employees have been paying the 6.75 or 12 percent employee rates since their date of hire. The city is required to contribute at an actuarially determined rate. For the year ended June 30, 2014, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 33.915 percent for safety employees and 24.028 percent for miscellaneous employees. The contribution requirements of plan members and the city are established by PERS.

Annual pension cost

For Fiscal Year 2013-14, the city's annual pension cost (employer contribution) of \$6,109,158 for safety and \$7,919,753 for miscellaneous to PERS was equal to the city's required and actual contributions. For Fiscal Year 2013-14, the member contributions paid by the city and its employees were \$1,635,690 for safety and \$2,597,112 for miscellaneous. The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.30 percent to 14.20 percent depending on age, service and type of employment, (c) 2.75 percent inflation factor, (d) payroll growth of 3.00 percent, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75 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 CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 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.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Retirement Plan (continued)

Three-year trend information for PERS (safety)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 5,788,200	100%	\$ -
6/30/13	6,047,509	100%	-
6/30/14	6,109,158	100%	-

Three-year trend information for PERS (miscellaneous)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 7,397,030	100%	\$ -
6/30/13	7,485,187	100%	-
6/30/14	7,919,753	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 showing whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Funded status of plan (safety)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratio*	Annual Covered Payroll	UAAL As a % of Payroll
6/30/11	\$ 197,379,255	\$ 160,165,526	\$ 37,213,729	81.1%	\$ 18,174,511	204.8%
6/30/12	205,493,049	169,554,754	35,938,295	82.5%	17,716,154	202.9%
6/30/13	217,638,091	160,747,123	56,890,968	73.9%	18,087,368	314.5%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratio	Annual Covered Payroll	UAAL As a % of Payroll
6/30/11	\$ 249,719,440	\$ 198,900,481	\$ 50,818,959	79.6%	\$ 33,629,416	151.1%
6/30/12	261,714,911	213,117,721	48,597,190	81.4%	32,939,046	147.5%
6/30/13	278,126,175	203,942,992	74,183,183	73.3%	31,899,049	232.6%

* Beginning with the 6/30/2013 valuation, Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

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 postemployment 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 who 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 four active and seventeen retired plan members as of the actuarial report dated June 30, 2013.

The city pays for 100 percent 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 Employees' 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 668 active and 156 retired plan members as of the actuarial report dated June 30, 2013. 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 2013	\$115.00
Calendar Year 2014	119.00
Calendar Year 2015	122.00

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 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>
2013-14 Annual Required Contribution (ARC)	\$ 196,864	\$ 257,995
2013-14 Contributions Made	(196,864)	(257,995)
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, 2014 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>
6/30/12	\$ 176,552	100.0%	\$ -
6/30/13	176,552	100.0%	-
6/30/14	196,864	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>
6/30/12	\$ 295,613	100.0%	\$ -
6/30/13	295,613	100.0%	-
6/30/14	257,995	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 the actuarial report dated June 30, 2013 was as follows:

	CMWD	City
Actuarial Accrued Liability (a)	\$ 4,530,503	\$ 6,718,554
Actuarial Value of Plan Assets (b)	2,634,756	7,573,752
Unfunded Actuarial Accrued Liability	<u>\$ 1,895,747</u>	<u>\$ (855,198)</u>
Funded Ratio (b)/(a)	<u>58.2%</u>	<u>112.7%</u>
Covered Payroll	<u>\$ 339,692</u>	<u>\$ 50,321,654</u>
UAAL as a percentage of Covered Payroll	<u>558.1%</u>	<u>-1.7%</u>

During Fiscal Year 2007-08, the city and 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. 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 are required to be performed every two years, 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. There are 26 years remaining as of June 30, 2014.

In the June 30, 2013 actuarial valuation, the projected unit credit cost method was used to determine the benefit obligations. The actuarial assumptions for the CMWD and city plan included a 7.00 percent investment rate of return (net of administrative expenses) and a medical inflation rate of between 8.25 percent per annum and 8.00 percent per annum depending on whether the party was pre-65 or post-65 respectively. The medical inflation rate was graded down each year in various increments to an ultimate rate of 4.50 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 Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Annual Covered Payroll	UAAL As a % of Payroll
6/30/10	\$ 3,561,082	\$ 1,958,554	\$ 1,602,528	55.0%	\$ 319,932	500.9%
6/30/11	4,010,189	2,414,763	1,595,426	60.2%	412,676	386.6%
6/30/13	4,530,503	2,634,756	1,895,747	58.2%	339,692	558.1%

Funded status of plan (city)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Annual Covered Payroll	UAAL As a % of Payroll
6/30/10	\$ 6,147,434	\$ 5,098,017	\$ 1,049,417	82.9%	\$ 51,741,620	2.0%
6/30/11	6,304,638	6,587,204	(282,566)	104.5%	50,750,171	-0.6%
6/30/13	6,718,554	7,573,752	(855,198)	112.7%	50,321,654	-1.7%

Note 19. Commitments and Contingencies

Operating leases

The city has two parking lot leases with North County Transit District. On June 15, 1976, the City of Carlsbad entered into a month-to-month lease for the parking lot located to the east of the rail road tracks between Carlsbad Village Drive and Oak Avenue. The current lease amount is approximately \$1,362 per month and payable monthly. On September 1, 1988 the City of Carlsbad entered into a month-to-month lease for the parking lot located on Washington Street to the west of the rail road tracks between Carlsbad Village Drive and Oak Avenue. The current lease amount is approximately \$2,172 per month and payable annually. Both parking lot leases may be increased annually by the Consumer Price Index – Average U.S. Cities.

Water purchase agreements

On March 25, 1991, CMWD entered into a twenty year agreement with the Leucadia Wastewater 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 (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 cost per that agreement was \$1,222.84 per acre foot or a minimum of \$481,800 per fiscal year, regardless of the actual amount used. On September 1, 2013 CMWD and Leucadia Wastewater District revised the original agreement and extended the term of the agreement for a minimum of five years. The agreement will continue year-to-year past the five year term unless either party provides notice of termination. The cost per the revised agreement is shown in the table below and is based on the actual amount used:

Acre Feet (AF)	Price per AF
Up to 200 AF	\$ 950
201 to 250 AF	900
251 to 300 AF	850
351 AF or Greater	800

CITY OF CARLSBAD

Notes to the Financial Statements

Note 19. Commitments and Contingencies (continued)

Additionally, CMWD and Leucadia Wastewater District share equally all rebates or other incentive payments from the Metropolitan Water District, County Water Authority, or other governmental agency during the term of the revised agreement for recycled water produced by Leucadia Wastewater District for CMWD.

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, 2014 is \$1,236,159.

As of June 30, 2014, 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	\$ 7,102,897
Community Facilities District No. 1	35,916
General Capital Construction	743,725
Infrastructure Replacement	649,210
Public Facilities Construction	933,430
Nonmajor Governmental Funds in the Aggregate	2,664,560
Total	<u>\$ 12,129,738</u>

Note 20. Successor Agency Trust for Assets of Former Redevelopment Agency

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 ("the bill") which provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Carlsbad that previously had reported a redevelopment agency within the reporting entity of the city as a blended component unit.

The bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the bill as part of City Council Resolution Number 2012-013 and Housing and Redevelopment Commission Resolution Number 519.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future years, successor agencies will only be allowed revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

On March 7, 2014, the City of Carlsbad received notice from the California Department of Finance that the loans previously made by the City of Carlsbad to the former redevelopment agency are enforceable obligations and that they were made for legitimate redevelopment purposes. This approval allows the city to list repayment of these loans on future Redevelopment Obligation Payment Schedules (ROPS).

CITY OF CARLSBAD

Notes to the Financial Statements

Note 20. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)

Section 34191.4(b)(2) of the California Health and Safety Code states that the interest associated with such loans must be “at the interest rate earned by funds deposited in the Local Agency Investment Fund (LAIF)”. The California Department of Finance has taken the position that this language should be understood to be the quarterly LAIF interest rate that was in effect on the day that the loan was approved by the Oversight Board as an enforceable obligation. During the 2013-14 Fiscal Year, the California Department of Finance directed the City of Carlsbad to reduce the amount of accrued interest reported on the city’s Recognized Obligation Payment Schedule. This reduction has been recognized as an extraordinary item in the accompanying financial statements. The state-wide dissolution of California redevelopment agencies was both unusual and infrequent. Accordingly, management reports the gains, losses, and adjustments associated with this dissolution process as extraordinary items.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entities as of February 1, 2012.

Capital Assets

Capital asset activity was as follows for the year ended June 30, 2014:

	Balance at July 1, 2013	Increases	Decreases	Balance at June 30, 2014
Machinery and equipment	\$ 26,946	\$ -	\$ -	\$ 26,946
Less accumulated depreciation	(22,006)	(2,695)	-	(24,701)
Total capital assets	<u>\$ 4,940</u>	<u>\$ (2,695)</u>	<u>\$ -</u>	<u>\$ 2,245</u>

Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2014:

	Principal Balance at July 1, 2013	Increases	Decreases	Principal Balance at June 30, 2014	Due Within One Year
Bonds	\$ 8,625,000	\$ -	\$ 600,000	\$ 8,025,000	\$ 630,000
Due to the City of Carlsbad	18,817,228	27,292	10,644,563	8,199,957	-
	<u>\$ 27,442,228</u>	<u>\$ 27,292</u>	<u>\$ 11,244,563</u>	<u>\$ 16,224,957</u>	<u>\$ 630,000</u>

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$630,000 to \$1,000,000 on September 1 of each year through 2024. Interest is 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 a cash reserve in the amount of \$1,055,953. Bonds are payable from redevelopment property tax increment revenues. Minimum annual debt service requirements have not been established for the obligation of the Successor Agency to the City of Carlsbad.

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

Year ended June 30:	Principal	Interest
2015	\$ 630,000	\$ 406,628
2016	665,000	372,634
2017	700,000	336,802
2018	735,000	299,134
2019	775,000	259,496
2020-2023	4,520,000	623,341
	<u>\$ 8,025,000</u>	<u>\$ 2,298,035</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 20. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)

Pledged Revenue

The Successor Agency has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented on the previous page. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description on the previous page. For the current year, debt service payments as a percentage of pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table below. This percentage also approximates the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment (Village Area)	\$ 1,653,429	\$ 1,038,915	63%

SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2014

	Special Revenue Funds			
ASSETS	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Cash and investments	\$ 16,402,784	\$ -	\$ 2,160,560	\$4,737,026
Receivables:				
Other	-	-	-	15,626
Accounts, net of allowances	-	-	-	50
Due from other governments	-	19,135	-	-
Prepaid items	-	-	-	-
Loan receivables, net of allowances	21,689,548	224,404	-	-
Total assets	\$ 38,092,332	\$ 243,539	\$ 2,160,560	\$4,752,702
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 5,371	\$ 10,551	\$ 10,195	\$ 50,064
Due to other funds	-	18,840	-	-
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	5,371	29,391	10,195	50,064
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable housing	38,086,961	-	-	-
Lighting and landscaping districts	-	-	-	4,702,638
Habitat and agricultural mitigation/preservation	-	-	952,802	-
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	214,148	-	-
Community services	-	-	1,197,563	-
Total fund balances	38,086,961	214,148	2,150,365	4,702,638
Total liabilities, deferred inflows of resources and fund balances	\$ 38,092,332	\$ 243,539	\$ 2,160,560	\$4,752,702

Special Revenue Funds

Gas Tax	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$18,224,670	\$ 2,366,069	\$ 793,041	\$ 556,127	\$ 608,688	\$ 211,796	\$ 46,060,761
-	-	87,950	-	-	636	104,212
-	-	-	-	52,450	-	52,500
-	-	-	127,025	-	-	146,160
-	-	-	-	429,422	249	429,671
-	-	-	-	-	-	21,913,952
<u>\$18,224,670</u>	<u>\$ 2,366,069</u>	<u>\$ 880,991</u>	<u>\$ 683,152</u>	<u>\$ 1,090,560</u>	<u>\$ 212,681</u>	<u>\$ 68,707,256</u>
\$ 97,683	\$ -	\$ 36,104	\$ 23,414	\$ 24,875	\$ 14,836	\$ 273,093
-	-	-	-	-	-	18,840
-	-	-	-	7,839	25,414	33,253
-	653,085	-	-	-	-	653,085
371,631	-	-	-	-	-	371,631
<u>469,314</u>	<u>653,085</u>	<u>36,104</u>	<u>23,414</u>	<u>32,714</u>	<u>40,250</u>	<u>1,349,902</u>
-	-	-	95,096	-	-	95,096
-	-	-	-	429,422	249	429,671
-	-	-	-	628,424	172,182	38,887,567
-	-	-	-	-	-	4,702,638
-	1,712,984	-	-	-	-	2,665,786
17,755,356	-	-	-	-	-	17,755,356
-	-	844,887	-	-	-	844,887
-	-	-	564,642	-	-	564,642
-	-	-	-	-	-	214,148
-	-	-	-	-	-	1,197,563
<u>17,755,356</u>	<u>1,712,984</u>	<u>844,887</u>	<u>564,642</u>	<u>1,057,846</u>	<u>172,431</u>	<u>67,262,258</u>
<u>\$18,224,670</u>	<u>\$ 2,366,069</u>	<u>\$ 880,991</u>	<u>\$ 683,152</u>	<u>\$ 1,090,560</u>	<u>\$ 212,681</u>	<u>\$ 68,707,256</u>

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2014

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
ASSETS				
Cash and investments	\$ 5,223,341	\$ 10,913,931	\$ -	\$ 7,402,893
Receivables:				
Other	-	-	-	-
Accounts, net of allowances	-	-	-	-
Due from other governments	-	-	562,120	-
Prepaid items	-	-	-	-
Loan receivables	-	-	-	-
Total assets	<u>\$ 5,223,341</u>	<u>\$ 10,913,931</u>	<u>\$ 562,120</u>	<u>\$ 7,402,893</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ -	\$ -	\$ 69,778	\$ -
Due to other funds	-	-	119,642	-
Deposits payable	211,040	-	-	-
Advances from other funds	-	-	-	4,550,000
Unearned revenue	-	-	-	-
Total liabilities	<u>211,040</u>	<u>-</u>	<u>189,420</u>	<u>4,550,000</u>
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	5,012,301	10,913,931	372,700	2,852,893
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Total fund balances	<u>5,012,301</u>	<u>10,913,931</u>	<u>372,700</u>	<u>2,852,893</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,223,341</u>	<u>\$ 10,913,931</u>	<u>\$ 562,120</u>	<u>\$ 7,402,893</u>

Capital Project Funds

Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 5,958,504	\$ 1,912,711	\$ 4,695,817	\$ 20,855,862	\$ 56,963,059	\$ 103,023,820
-	-	81,192	-	81,192	185,404
-	-	-	-	-	52,500
-	-	-	-	562,120	708,280
-	-	-	-	-	429,671
-	-	-	-	-	21,913,952
<u>\$ 5,958,504</u>	<u>\$ 1,912,711</u>	<u>\$ 4,777,009</u>	<u>\$ 20,855,862</u>	<u>\$ 57,606,371</u>	<u>\$ 126,313,627</u>
\$ -	\$ 59,613	\$ 217,974	\$ 36,006	\$ 383,371	\$ 656,464
-	-	-	-	119,642	138,482
-	-	-	-	211,040	244,293
-	-	-	2,389,636	6,939,636	7,592,721
-	-	-	301,880	301,880	673,511
-	59,613	217,974	2,727,522	7,955,569	9,305,471
-	-	-	-	-	95,096
-	-	-	-	-	429,671
-	-	-	-	-	38,887,567
-	-	-	-	-	4,702,638
-	-	-	-	-	2,665,786
5,958,504	1,853,098	4,559,035	18,128,340	49,650,802	67,406,158
-	-	-	-	-	844,887
-	-	-	-	-	564,642
-	-	-	-	-	214,148
-	-	-	-	-	1,197,563
<u>5,958,504</u>	<u>1,853,098</u>	<u>4,559,035</u>	<u>18,128,340</u>	<u>49,650,802</u>	<u>116,913,060</u>
<u>\$ 5,958,504</u>	<u>\$ 1,912,711</u>	<u>\$ 4,777,009</u>	<u>\$ 20,855,862</u>	<u>\$ 57,606,371</u>	<u>\$ 126,313,627</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2014

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	45,194	197,661	-	-
Charges for services	75,238	-	-	2,278,165
Fines and forfeitures	-	-	-	-
Income from property and investments	208,349	-	29,554	59,487
Contributions from property owners	1,768,731	-	-	5,400
Donations	-	-	210,249	-
Miscellaneous	106,172	-	13,720	59,318
Total revenues	2,203,684	197,661	253,523	2,402,370
Expenditures:				
Current:				
General government	-	-	-	11,975
Public safety	-	-	-	-
Community development	446,968	139,028	-	-
Community services	-	-	200,579	1,700,378
Public works	-	-	-	734,888
Capital outlay	-	69,995	-	-
Debt service:				
Principal retirement	-	-	-	159,052
Interest and fiscal charges	-	-	-	797
Total expenditures	446,968	209,023	200,579	2,607,090
Excess (deficiency) of revenues over (under) expenditures	1,756,716	(11,362)	52,944	(204,720)
Other financing sources (uses):				
Transfers in	-	-	-	1,949,251
Transfers out	(30,000)	-	-	-
Total other financing sources (uses)	(30,000)	-	-	1,949,251
Net change in fund balances	1,726,716	(11,362)	52,944	1,744,531
Fund balances at beginning of year	36,360,245	225,510	2,097,421	2,958,107
Fund balances at end of year	<u>\$ 38,086,961</u>	<u>\$ 214,148</u>	<u>\$ 2,150,365</u>	<u>\$ 4,702,638</u>

Special Revenue Funds						
Gas Tax	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 3,287,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,287,629
-	-	-	354,460	6,091,286	-	6,688,601
-	-	-	-	-	459,768	2,813,171
-	-	-	127,754	-	-	127,754
233,533	37,518	10,156	7,119	7,165	8	592,889
192,324	63,735	346,590	-	-	-	2,376,780
-	-	-	-	-	-	210,249
-	-	-	306	39,476	-	218,992
<u>3,713,486</u>	<u>101,253</u>	<u>356,746</u>	<u>489,639</u>	<u>6,137,927</u>	<u>459,776</u>	<u>16,316,065</u>
-	-	237,230	-	-	-	249,205
-	-	-	390,342	-	-	390,342
-	596,990	-	-	6,087,129	340,321	7,610,436
-	-	-	-	-	-	1,900,957
600,000	-	-	-	-	-	1,334,888
1,023,866	217,075	42,069	128,655	-	-	1,481,660
-	-	-	-	-	-	159,052
-	3,779	-	-	-	-	4,576
<u>1,623,866</u>	<u>817,844</u>	<u>279,299</u>	<u>518,997</u>	<u>6,087,129</u>	<u>340,321</u>	<u>13,131,116</u>
<u>2,089,620</u>	<u>(716,591)</u>	<u>77,447</u>	<u>(29,358)</u>	<u>50,798</u>	<u>119,455</u>	<u>3,184,949</u>
-	-	-	-	30,000	-	1,979,251
(10,000)	(234,830)	-	-	-	-	(274,830)
(10,000)	(234,830)	-	-	30,000	-	1,704,421
2,079,620	(951,421)	77,447	(29,358)	80,798	119,455	4,889,370
15,675,736	2,664,405	767,440	594,000	977,048	52,976	62,372,888
<u>\$ 17,755,356</u>	<u>\$ 1,712,984</u>	<u>\$ 844,887</u>	<u>\$ 564,642</u>	<u>\$ 1,057,846</u>	<u>\$ 172,431</u>	<u>\$ 67,262,258</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, 2014

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	699,401	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	33,803	143,334	5,789	98,253
Contributions from property owners	60,000	678,162	103,560	293,864
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	93,803	821,496	808,750	392,117
Expenditures:				
Current:				
General government	25,802	-	42,205	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	748,225	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	25,802	-	790,430	-
Excess (deficiency) of revenues over (under) expenditures	68,001	821,496	18,320	392,117
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	68,001	821,496	18,320	392,117
Fund balances at beginning of year	4,944,300	10,092,435	354,380	2,460,776
Fund balances at end of year	<u>\$ 5,012,301</u>	<u>\$ 10,913,931</u>	<u>\$ 372,700</u>	<u>\$ 2,852,893</u>

Capital Project Funds

Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,287,629
-	-	2,121,785	-	2,821,186	9,509,787
-	-	896,315	-	896,315	3,709,486
-	-	-	-	-	127,754
80,523	92,879	73,080	281,196	808,857	1,401,746
149,369	1,349,578	-	678,629	3,313,162	5,689,942
-	-	-	-	-	210,249
-	-	-	-	-	218,992
<u>229,892</u>	<u>1,442,457</u>	<u>3,091,180</u>	<u>959,825</u>	<u>7,839,520</u>	<u>24,155,585</u>
-	7,382,441	71,045	-	7,521,493	7,770,698
-	-	-	-	-	390,342
-	-	-	-	-	7,610,436
-	-	-	-	-	1,900,957
-	-	-	-	-	1,334,888
99,352	39,890	2,897,024	430,113	4,214,604	5,696,264
-	-	-	-	-	-
-	-	-	-	-	159,052
-	-	-	-	-	4,576
<u>99,352</u>	<u>7,422,331</u>	<u>2,968,069</u>	<u>430,113</u>	<u>11,736,097</u>	<u>24,867,213</u>
<u>130,540</u>	<u>(5,979,874)</u>	<u>123,111</u>	<u>529,712</u>	<u>(3,896,577)</u>	<u>(711,628)</u>
-	-	-	-	-	1,979,251
-	(5,500)	-	-	(5,500)	(280,330)
-	(5,500)	-	-	(5,500)	1,698,921
130,540	(5,985,374)	123,111	529,712	(3,902,077)	987,293
<u>5,827,964</u>	<u>7,838,472</u>	<u>4,435,924</u>	<u>17,598,628</u>	<u>53,552,879</u>	<u>115,925,767</u>
<u>\$ 5,958,504</u>	<u>\$ 1,853,098</u>	<u>\$ 4,559,035</u>	<u>\$ 18,128,340</u>	<u>\$ 49,650,802</u>	<u>\$ 116,913,060</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds
 Year Ended June 30, 2014

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 1,927,500	\$ 2,139,913	\$ 212,413
Total expenditures	530,297	458,271	(72,026)
Net change in fund balance	1,397,203	1,681,642	284,439
Community Development Block Grant			
Total revenues	230,000	197,661	(32,339)
Total expenditures	813,969	296,390	(517,579)
Net change in fund balance	(583,969)	(98,729)	485,240
Donations			
Total revenues	236,000	244,371	8,371
Total expenditures	438,227	204,634	(233,593)
Net change in fund balance	(202,227)	39,737	241,964
Financing Districts			
Total revenues	2,777,600	2,383,444	(394,156)
Total expenditures	2,983,863	2,757,828	(226,035)
Net change in fund balance	(206,263)	(374,384)	(168,121)
Gas Tax			
Total revenues	3,376,253	3,640,302	264,049
Total expenditures	15,445,693	2,126,826	(13,318,867)
Net change in fund balance	(12,069,440)	1,513,476	13,582,916
Habitat and Agricultural Management			
Total revenues	-	89,072	89,072
Total expenditures	2,600,607	817,844	(1,782,763)
Net change in fund balance	(2,600,607)	(728,772)	1,871,835
Other Special Revenue Funds			
Total revenues	356,000	353,575	(2,425)
Total expenditures	687,220	573,390	(113,830)
Net change in fund balance	(331,220)	(219,815)	111,405

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds (Continued)
 Year Ended June 30, 2014

	Budget	Actual Amounts (Budgetary Basis)	Variance Over Under
Police Grants and Asset Forfeiture			
Total revenues	\$ 344,000	\$ 487,423	\$ 143,423
Total expenditures	657,908	531,729	(126,179)
Net change in fund balance	<u>(313,908)</u>	<u>(44,306)</u>	<u>269,602</u>
Section 8 Rental Assistance			
Total revenues	6,155,000	6,135,585	(19,415)
Total expenditures	6,176,644	6,087,129	(89,515)
Net change in fund balance	<u>(21,644)</u>	<u>48,456</u>	<u>70,100</u>
Totals			
Total revenues	15,402,353	15,671,346	268,993
Total expenditures	30,334,428	13,854,041	(16,480,387)
Net change in fund balance	<u>\$ (14,932,075)</u>	<u>\$ 1,817,305</u>	<u>\$ 16,749,380</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Capital Project Funds
 Year Ended June 30, 2014

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<hr/>			
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	\$ 109,000	\$ 107,698	\$ (1,302)
Total expenditures	42,200	42,196	(4)
Net change in fund balance	<u>\$ 66,800</u>	<u>\$ 65,502</u>	<u>\$ (1,298)</u>



CITY OF CARLSBAD

Combining Statement of Net Position
Internal Service Funds
June 30, 2014

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 15,884,846	\$ 7,600,794	\$ 5,498,662
Receivables:			
Accounts, net of allowances	1,934	-	-
Inventories	285,782	-	-
Total current assets	16,172,562	7,600,794	5,498,662
Noncurrent assets:			
Capital assets:			
Machinery and equipment	18,903,891	-	3,395,377
Construction in progress	-	-	41,381
Less accumulated depreciation	(12,374,458)	-	(2,639,562)
Total capital assets (net of accumulated depreciation)	6,529,433	-	797,196
Total noncurrent assets	6,529,433	-	797,196
Total assets	\$ 22,701,995	\$ 7,600,794	\$ 6,295,858
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 199,442	\$ 3,743,016	\$ 349,691
Estimated claims payable	-	87,812	-
Deposits payable	-	-	-
Total current liabilities	199,442	3,830,828	349,691
Total liabilities	199,442	3,830,828	349,691
NET POSITION			
Investment in capital assets	6,529,433	-	797,196
Unrestricted	15,973,120	3,769,966	5,148,971
Total net position (deficit)	\$ 22,502,553	\$ 3,769,966	\$ 5,946,167

Risk Management	Workers' Compensation	Total
\$ 3,042,458	\$ 6,297,874	\$ 38,324,634
-	-	1,934
-	-	285,782
<u>3,042,458</u>	<u>6,297,874</u>	<u>38,612,350</u>
-	-	22,299,268
-	-	41,381
-	-	(15,014,020)
-	-	<u>7,326,629</u>
-	-	<u>7,326,629</u>
<u>\$ 3,042,458</u>	<u>\$ 6,297,874</u>	<u>\$ 45,938,979</u>

\$ 28,029	\$ 29,879	\$ 4,350,057
606,209	6,963,717	7,657,738
1,000	-	1,000
<u>635,238</u>	<u>6,993,596</u>	<u>12,008,795</u>
<u>635,238</u>	<u>6,993,596</u>	<u>12,008,795</u>
-	-	7,326,629
<u>2,407,220</u>	<u>(695,722)</u>	<u>26,603,555</u>
<u>\$ 2,407,220</u>	<u>\$ (695,722)</u>	<u>\$ 33,930,184</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Position
 Internal Service Funds
 For the Year Ended June 30, 2014

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 4,149,322	\$ 829,061	\$ 6,983,593
Miscellaneous	42,289	-	6,614
Total operating revenues	4,191,611	829,061	6,990,207
Operating expenses:			
Depreciation	1,357,845	-	269,917
Fuel and supplies	1,469,746	-	-
Claims and premiums expense	-	775,293	-
Small equipment purchases	6,311	-	615,359
General and administrative	1,629,571	46,074	6,032,492
Total operating expenses	4,463,473	821,367	6,917,768
Operating income (loss)	(271,862)	7,694	72,439
Nonoperating revenues (expenses):			
Income from property and investments	223,413	-	73,747
Gain (loss) on sale of property	695	-	(2,002)
Total nonoperating revenues (expenses)	224,108	-	71,745
Income (loss) before transfers and capital contributions	(47,754)	7,694	144,184
Transfers in	-	2,000,000	-
Capital contributions	13,754	-	103,986
Change in net position	(34,000)	2,007,694	248,170
Total net position (deficit) at beginning of year	22,536,553	1,762,272	5,697,997
Total net position (deficit) at end of year	<u>\$ 22,502,553</u>	<u>\$ 3,769,966</u>	<u>\$ 5,946,167</u>

Risk Management	Workers' Compensation	Totals
\$ 1,951,488	\$ 1,501,120	\$ 15,414,584
111,991	287,445	448,339
2,063,479	1,788,565	15,862,923
-	-	1,627,762
-	-	1,469,746
521,650	3,248,758	4,545,701
-	-	621,670
216,062	111,144	8,035,343
737,712	3,359,902	16,300,222
1,325,767	(1,571,337)	(437,299)
28,281	79,366	404,807
-	-	(1,307)
28,281	79,366	403,500
1,354,048	(1,491,971)	(33,799)
750,000	1,000,000	3,750,000
-	-	117,740
2,104,048	(491,971)	3,833,941
303,172	(203,751)	30,096,243
<u>\$ 2,407,220</u>	<u>\$ (695,722)</u>	<u>\$ 33,930,184</u>

CITY OF CARLSBAD

Combining Statement of Cash Flows
 Internal Service Funds
 For the Year Ended June 30, 2014

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,147,387	\$ 829,679	\$ 6,983,593
Payments to suppliers	(2,239,199)	-	(2,969,472)
Payments to employees	(728,382)	(24,815)	(3,005,989)
Internal activity - payments to other funds	(404,922)	-	(659,313)
Claims and premiums paid	-	(767,877)	-
Other receipts (payments)	42,289	-	6,614
Net cash provided by (used in) operating activities	<u>817,173</u>	<u>36,987</u>	<u>355,433</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers (to) from other funds	<u>-</u>	<u>2,000,000</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(2,152,519)	-	(482,150)
Gross proceeds from the sale of capital assets	<u>695</u>	<u>-</u>	<u>-</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,151,824)</u>	<u>-</u>	<u>(482,150)</u>
Cash flows from investing activities:			
Interest on investments	<u>223,413</u>	<u>-</u>	<u>73,747</u>
Net increase (decrease) in cash and cash equivalents	(1,111,238)	2,036,987	(52,970)
Cash and cash equivalents at beginning of year	<u>16,996,084</u>	<u>5,563,807</u>	<u>5,551,632</u>
Cash and cash equivalents at end of year	<u>\$ 15,884,846</u>	<u>\$ 7,600,794</u>	<u>\$ 5,498,662</u>

	Risk Management	Workers' Compensation	Total
\$	1,951,488	\$ 1,501,120	\$ 15,413,267
	(20,284)	-	(5,228,955)
	(111,669)	(99,824)	(3,970,679)
	(77,364)	(10,628)	(1,152,227)
	(491,961)	(2,543,259)	(3,803,097)
	111,991	287,445	448,339
	<u>1,362,201</u>	<u>(865,146)</u>	<u>1,706,648</u>
	<u>750,000</u>	<u>1,000,000</u>	<u>3,750,000</u>
	-	-	(2,634,669)
	-	-	695
	-	-	<u>(2,633,974)</u>
	<u>28,281</u>	<u>79,366</u>	<u>404,807</u>
	2,140,482	214,220	3,227,481
	901,976	6,083,654	35,097,153
\$	<u><u>3,042,458</u></u>	<u><u>6,297,874</u></u>	<u><u>\$38,324,634</u></u>

(Continued)

CITY OF CARLSBAD

Combining Statement of Cash Flows
 Internal Service Funds (Continued)
 For the Year Ended June 30, 2014

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (271,862)	\$ 7,694	\$ 72,439
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,357,845	-	269,917
Change in assets and liabilities:			
(Increase) decrease in receivables	(1,934)	618	-
(Increase) in inventories	(54,725)	-	-
(Increase) in prepaid items	-	-	-
Increase (decrease) in accrued liabilities	(212,151)	21,317	13,077
Increase (decrease) in estimated claims payable	-	7,358	-
Net cash provided by (used in) operating activities	<u>\$ 817,173</u>	<u>\$ 36,987</u>	<u>\$ 355,433</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 13,754</u>	<u>\$ -</u>	<u>\$ 103,986</u>
Unrealized gains (losses)	<u>\$ 71,197</u>	<u>\$ -</u>	<u>\$ 23,749</u>

<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 1,325,767	\$ (1,571,337)	\$ (437,299)
-	-	1,627,762
-	-	(1,316)
-	-	(54,725)
445,496	-	445,496
6,745	22,676	(148,336)
(415,807)	683,515	275,066
<u>\$ 1,362,201</u>	<u>\$ (865,146)</u>	<u>\$ 1,706,648</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,740</u>
<u>\$ 7,380</u>	<u>\$ 26,498</u>	<u>\$ 128,824</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2014

Contractors' and Miscellaneous Deposits

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Current assets:				
Cash and investments	\$ 12,218,626	\$ 45,220,796	\$ 44,291,204	\$ 13,148,218
Receivables:				
Other	25,838	81,492	89,280	18,050
Prepaid items	516,613	5,297	516,613	5,297
Total current assets	<u>\$ 12,761,077</u>	<u>\$ 45,307,585</u>	<u>\$ 44,897,097</u>	<u>\$ 13,171,565</u>
LIABILITIES				
Accrued liabilities	\$ 1,279,673	\$ 46,185,601	\$ 46,102,795	\$ 1,362,479
Deposits held for others	11,481,404	3,905,671	3,577,989	11,809,086
Total liabilities	<u>\$ 12,761,077</u>	<u>\$ 50,091,272</u>	<u>\$ 49,680,784</u>	<u>\$ 13,171,565</u>

Assessment Districts

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Current assets:				
Cash and investments	\$ 5,212,628	\$ 6,550,545	\$ 5,008,413	\$ 6,754,760
Receivables:				
Other	139,304	61,517	139,304	61,517
Total current assets	<u>5,351,932</u>	<u>6,612,062</u>	<u>5,147,717</u>	<u>6,816,277</u>
Restricted assets:				
Cash and investments	5,877,413	-	29,506	5,847,907
Total restricted assets	<u>5,877,413</u>	<u>-</u>	<u>29,506</u>	<u>5,847,907</u>
Total assets	<u>\$ 11,229,345</u>	<u>\$ 6,612,062</u>	<u>\$ 5,177,223</u>	<u>\$ 12,664,184</u>
LIABILITIES				
Accrued liabilities	\$ 50,787	\$ 71,560	\$ 100,482	\$ 21,865
Deposits held for others	11,178,558	6,473,928	5,010,167	12,642,319
Total liabilities	<u>\$ 11,229,345</u>	<u>\$ 6,545,488</u>	<u>\$ 5,110,649</u>	<u>\$ 12,664,184</u>

(continued)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
 Agency Funds (continued)
 For the Year Ended June 30, 2014

Total Agency Funds

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Current assets:				
Cash and investments	\$ 17,431,254	\$ 51,771,341	\$ 49,299,617	\$ 19,902,978
Receivables:				
Other	165,142	143,009	228,584	79,567
Prepaid items	516,613	5,297	516,613	5,297
Total current assets	<u>18,113,009</u>	<u>51,919,647</u>	<u>50,044,814</u>	<u>19,987,842</u>
Restricted assets:				
Cash and investments	5,877,413	-	29,506	5,847,907
Total current assets	<u>5,877,413</u>	<u>-</u>	<u>29,506</u>	<u>5,847,907</u>
Total assets	<u>\$ 23,990,422</u>	<u>\$ 51,919,647</u>	<u>\$ 50,074,320</u>	<u>\$ 25,835,749</u>
LIABILITIES				
Accrued liabilities	\$ 1,330,460	\$ 46,257,161	\$ 46,203,277	\$ 1,384,344
Deposits held for others	22,659,962	10,379,599	8,588,156	24,451,405
Total liabilities	<u>\$ 23,990,422</u>	<u>\$ 56,636,760</u>	<u>\$ 54,791,433</u>	<u>\$ 25,835,749</u>

CITY OF CARLSBAD

Combining Statement of Fiduciary Net Position by Project Area
 Private Purpose Trust Funds
 June 30, 2014

	Redevelopment Obligation Retirement Trust Fund Village Project Area	Redevelopment Obligation Retirement Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
Current assets:			
Cash and investments	\$ 1,053,948	\$ -	\$ 1,053,948
Noncurrent assets:			
Loans receivable	3,750,000	-	3,750,000
Capital assets:			
Machinery and equipment	26,946	-	26,946
Less accumulated depreciation	(24,701)	-	(24,701)
Total capital assets (net of accumulated depreciation)	<u>2,245</u>	<u>-</u>	<u>2,245</u>
Total noncurrent assets	<u>3,752,245</u>	<u>-</u>	<u>3,752,245</u>
Total assets	<u>\$ 4,806,193</u>	<u>\$ -</u>	<u>\$ 4,806,193</u>
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 17,967	\$ -	\$ 17,967
Accrued interest payable	141,055	-	141,055
Current portion of long-term debt	<u>630,000</u>	<u>-</u>	<u>630,000</u>
Total current liabilities	<u>789,022</u>	<u>-</u>	<u>789,022</u>
Noncurrent liabilities:			
Due to the City of Carlsbad	5,832,633	2,367,324	8,199,957
Tax allocation bonds payable	<u>7,395,000</u>	<u>-</u>	<u>7,395,000</u>
Total noncurrent liabilities	<u>13,227,633</u>	<u>2,367,324</u>	<u>15,594,957</u>
Total liabilities	<u>14,016,655</u>	<u>2,367,324</u>	<u>16,383,979</u>
NET POSITION			
Held in trust for redevelopment obligation retirement purposes	<u>\$ (9,210,462)</u>	<u>\$ (2,367,324)</u>	<u>\$ (11,577,786)</u>

CITY OF CARLSBAD

Combining Statement of Changes in Fiduciary Net Position by Project Area
 Private Purpose Trust Funds
 For the Year Ended June 30, 2014

	Redevelopment Retirement Obligation Trust Fund Village Project Area	Redevelopment Retirement Obligation Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Tax increment	\$ 1,646,709	\$ -	\$ 1,646,709
Income from property and investments	6,650	-	6,650
Miscellaneous	70	-	70
Extraordinary gain (loss)	10,199,607	89,350	10,288,957
Total additions	<u>11,853,036</u>	<u>89,350</u>	<u>11,942,386</u>
DEDUCTIONS			
General and administrative	262,271	-	262,271
Interest expense and fees	450,243	7,552	457,795
Total deductions	<u>712,514</u>	<u>7,552</u>	<u>720,066</u>
Change in net position	11,140,522	81,798	11,222,320
Total net position (deficit) at beginning of year	(20,350,984)	(2,449,122)	(22,800,106)
Total net position (deficit) at end of year	<u>\$ (9,210,462)</u>	<u>\$ (2,367,324)</u>	<u>\$ (11,577,786)</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements

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

<u>Fiscal Year</u>	<u>Interest Due September 1</u>	<u>Interest Due March 1</u>	<u>Total Interest</u>	<u>Principal Due September 1</u>	<u>Total Annual Debt Service</u>
2014-15	\$ 211,583	\$ 195,045	\$ 406,628	\$ 630,000	\$ 1,036,628
2015-16	195,045	177,589	372,634	665,000	1,037,634
2016-17	177,589	159,213	336,802	700,000	1,036,802
2017-18	159,214	139,920	299,134	735,000	1,034,134
2018-19	139,920	119,576	259,496	775,000	1,034,496
2019-20	119,576	98,183	217,759	815,000	1,032,759
2020-21	98,182	75,525	173,707	855,000	1,028,707
2021-22	75,525	51,675	127,200	900,000	1,027,200
2022-23	51,675	26,500	78,175	950,000	1,028,175
2023-24	26,500	-	26,500	1,000,000	1,026,500
Totals	<u>\$ 1,254,809</u>	<u>\$ 1,043,226</u>	<u>\$ 2,298,035</u>	<u>\$ 8,025,000</u>	<u>\$ 10,323,035</u>

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

<u>Fiscal Year</u>	<u>Interest Due August 1</u>	<u>Interest Due February 1</u>	<u>Total Interest</u>	<u>Principal Due August 1</u>	<u>Total Annual Debt Service</u>
2014-15	<u>\$ 23,190</u>	<u>\$ -</u>	<u>\$ 23,190</u>	<u>\$ 905,000</u>	<u>\$ 928,190</u>

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (continued)

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

Fiscal Year	Interest Due June 1	Principal Due June 1	Total Annual Debt Service
2014-15	\$ 153,859	\$ 493,000	\$ 646,859
2015-16	141,534	505,325	646,859
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	<u>\$ 961,099</u>	<u>\$ 6,154,354</u>	<u>\$ 7,115,453</u>

**\$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
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	1,201,978	1,229,624
Totals	<u>\$ 2,302,878</u>	<u>\$ 13,682,222</u>	<u>\$ 15,985,100</u>

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
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>\$ 5,294,792</u>	<u>\$ 4,920,933</u>	<u>\$ 10,215,725</u>	<u>\$ 16,645,000</u>	<u>\$ 26,860,725</u>





CITY OF CARLSBAD
Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	128
Revenue Capacity These schedules contain information to help the reader assess the city’s most significant local revenue source, property taxes.	139
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.	144
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.	154
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.	158

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF CARLSBAD

Net Position by Component
Last Ten Fiscal Years
(dollars in thousands)

	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 342,232	\$ 604,117 (1)	\$ 645,995	\$ 713,026
Restricted for:				
Capital assets	175,663	172,474	178,559	189,694
Lighting and landscaping districts	2,327	1,995	2,073	2,152
Affordable housing	25,144	27,453	30,356	33,888
Habitat and agricultural mitigation management	7,528	7,042	7,670	6,949
Other purposes	32,846 (2)	3,136	2,776	3,145
Unrestricted	<u>152,352</u>	<u>197,672</u>	<u>232,701</u>	<u>250,835</u>
Total governmental activities net position	<u>\$ 738,092</u>	<u>\$ 1,013,889</u>	<u>\$ 1,100,130</u>	<u>\$ 1,199,689 (5)</u>
Business-type activities				
Net investment in capital assets	\$ 213,101	\$ 234,560	\$ 253,645	\$ 292,684
Restricted for:				
Capital assets	100,597	107,841	47,164 (4)	44,738
Unrestricted	<u>11,670</u>	<u>(22,240) (3)</u>	<u>36,044 (4)</u>	<u>32,600</u>
Total business-type activities net position	<u>\$ 325,368</u>	<u>\$ 320,161</u>	<u>\$ 336,853</u>	<u>\$ 370,022 (5)</u>
Total government				
Net investment in capital assets	\$ 555,333	\$ 838,677	\$ 899,640	\$ 1,005,710
Restricted for:				
Capital assets	276,260	280,315	225,723	234,432
Lighting and landscaping districts	2,327	1,995	2,073	2,152
Affordable housing	25,144	27,453	30,356	33,888
Habitat and agricultural mitigation management	7,528	7,042	7,670	6,949
Other purposes	32,846 (2)	3,136	2,776	3,145
Unrestricted	<u>164,022</u>	<u>175,432</u>	<u>268,745</u>	<u>283,435</u>
Total net position	<u>\$ 1,063,460</u>	<u>\$ 1,334,050</u>	<u>\$ 1,436,983</u>	<u>\$ 1,569,711</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports.

- (1) The large increase in Fiscal Year 2005-06 reflects the addition of infrastructure assets per GASB 34 requirements.
- (2) Net Position 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 Fiscal Year 2003-04 and an additional \$15.3 million in Fiscal Year 2004-05).
- (3) The large decrease in Fiscal Year 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 position since these funds are not restricted per the GASB.
- (5) Net position for prior years were restated in Fiscal Year 2007-08, to reflect the application of GASB 45.
- (6) The significant increase in Fiscal Year 2011-12 is due to the dissolution of the city's redevelopment agency which created a large extraordinary gain for the year.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 742,500	\$ 767,719	\$ 774,269	\$ 780,727	\$ 782,500	\$ 784,210
186,597	178,669	184,419	192,713	182,685	175,468
2,196	2,827	2,133	2,246	2,958	4,703
35,330	36,187	40,005	38,434	37,390	39,317
7,115	6,600	5,377	4,799	2,665	1,713
2,412	2,710	5,298	4,022	3,685	3,774
268,779	279,737	284,825	308,470	319,317	328,602
<u>\$ 1,244,929</u>	<u>\$ 1,274,449</u>	<u>\$ 1,296,326</u>	<u>\$ 1,331,411</u>	<u>\$ 1,331,200</u>	<u>\$ 1,337,787</u>
\$ 308,440	\$ 317,238	\$ 314,691	\$ 311,392	\$ 307,000	\$ 305,681
43,167	44,241	44,954	45,522	45,990	46,632
28,469	34,556	38,278	47,530	55,758	66,083
<u>\$ 380,076</u>	<u>\$ 396,035</u>	<u>\$ 397,923</u>	<u>\$ 404,444</u>	<u>\$ 408,748</u>	<u>\$ 418,396</u>
\$ 1,050,940	\$ 1,084,957	\$ 1,088,960	\$ 1,092,119	\$ 1,089,500	\$ 1,089,891
229,764	222,910	229,373	238,235	228,675	222,100
2,196	2,827	2,133	2,246	2,958	4,703
35,330	36,187	40,005	38,434	37,390	39,317
7,115	6,600	5,377	4,799	2,665	1,713
2,412	2,710	5,298	4,022	3,685	3,774
297,248	314,293	323,103	356,000	375,075	394,685
<u>\$ 1,625,005</u>	<u>\$ 1,670,484</u>	<u>\$ 1,694,249</u>	<u>\$ 1,735,855</u>	<u>\$ 1,739,948</u>	<u>\$ 1,756,183</u>

CITY OF CARLSBAD

Changes in Net Position
Last Ten Fiscal Years
(dollars in thousands)

	2005	2006	2007	2008	2009
Expenses					
Governmental activities					
General government	\$ 11,353	\$ 15,382 (1)	\$ 12,273	\$ 14,537	\$ 12,859
Public safety	34,366	35,822	38,327	42,796	44,632
Community development	14,363	14,332	13,860	15,697	16,168
Community services	16,033	16,790	17,913	18,938	20,270
Public works	22,064	35,937	37,278	35,971	35,190
Interest and fiscal charges on long-term debt	1,014	1,036	688	666	588
Total governmental activities	<u>99,193</u>	<u>119,299</u>	<u>120,339</u>	<u>128,605</u>	<u>129,707</u>
Business-type activities					
Carlsbad Municipal Water District	21,422	24,124	40,383 (2)	28,796	30,134
Golf course	25	2,471	200	7,347	13,040
Wastewater	7,235	8,265	9,590	10,400	11,836
Solid waste	1,488	1,699	1,901	2,588	2,580
Total business-type activities	<u>30,170</u>	<u>36,559</u>	<u>52,074</u>	<u>49,131</u>	<u>57,590</u>
Total government	<u>\$ 129,363</u>	<u>\$ 155,858</u>	<u>\$ 172,413</u>	<u>\$ 177,736</u>	<u>\$ 187,297</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 926	\$ 945	\$ 1,194	\$ 2,698	\$ 847
Public safety	3,232	3,611	4,170	4,578	4,591
Community development	5,934	4,677	4,158	3,191	2,177
Community services	2,292	2,437	2,639	2,803	3,000
Public works	4,633	6,451	5,083	8,522	3,573
Operating grants and contributions	12,817	12,116	17,597 (3)	11,349	12,120
Capital grants and contributions	74,414	39,286	49,254 (4)	73,708	27,722 (6)
Total governmental activities	<u>104,248</u>	<u>69,523</u>	<u>84,095</u>	<u>106,849</u>	<u>54,030</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	18,788	19,462	22,186	22,894	24,574
Golf course	-	-	-	5,704	5,801
Wastewater	6,378	6,801	7,507	8,151	8,531
Solid waste	2,348	1,893	1,966	2,195	3,032
Operating grants and contributions	508	718	2,296	1,300	1,824
Capital grants and contributions	17,122	11,213	25,053 (4)	30,223	14,612
Total business-type activities	<u>45,144</u>	<u>40,087</u>	<u>59,008</u>	<u>70,467</u>	<u>58,374</u>
Total government	<u>\$ 149,392</u>	<u>\$ 109,610</u>	<u>\$ 143,103</u>	<u>\$ 177,316</u>	<u>\$ 112,404</u>
Net (Expense)/Revenue:					
Governmental activities	\$ 5,055	\$ (49,776)	\$ (36,244)	\$ (21,756)	\$ (75,677)
Business-type activities	14,974	3,528	6,934	21,336	784
Total government net expense	<u>\$ 20,029</u>	<u>\$ (46,248)</u>	<u>\$ (29,310)</u>	<u>\$ (420)</u>	<u>\$ (74,893)</u>

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 23,038 (8)	\$ 16,907	\$ 16,675	\$ 23,574 (12)	\$ 20,187
44,371	45,011	45,576	48,468	48,942
18,920	17,043	17,689	23,061 (13)	16,286
18,755	25,136	25,398	24,839	29,055
35,383	25,759	28,441	36,806	30,314
547	453	298	4	1
<u>141,014</u>	<u>130,309</u>	<u>134,077</u>	<u>156,752</u>	<u>144,785</u>
33,923	34,978	35,985	41,626	43,547
11,927	11,538	11,190	10,668	11,032
10,434	11,751	11,330	13,556	12,488
2,535	2,565	2,922	2,918	2,856
<u>58,819</u>	<u>60,832</u>	<u>61,427</u>	<u>68,768</u>	<u>69,923</u>
<u>\$ 199,833</u>	<u>\$ 191,141</u>	<u>\$ 195,504</u>	<u>\$ 225,520</u>	<u>\$ 214,708</u>
\$ 341	\$ 1,793	\$ 315	\$ 1,469	\$ 289
4,358	4,502	4,379	4,025	3,950
3,110	4,332	3,567	4,174	4,378
3,089	2,934	2,747	2,813	4,354
4,196	3,567	3,717	5,073	3,720
11,445	12,033	11,813	13,199	11,919
32,459	13,557	15,429	17,741	16,129
<u>58,998</u>	<u>42,718</u>	<u>41,967</u>	<u>48,494</u>	<u>44,739</u>
29,865	30,715	35,776	44,240 (11)	46,750
5,625	5,850	6,127	6,278	6,635
9,580	10,053	10,989	12,402	12,896
2,988	3,015	2,961	3,060	3,320
1,734	1,263	1,201	38	90
17,882	5,640	4,560	2,855	3,198
<u>67,674</u>	<u>56,536</u>	<u>61,614</u>	<u>68,873</u>	<u>72,889</u>
<u>\$ 126,672</u>	<u>\$ 99,254</u>	<u>\$ 103,581</u>	<u>\$ 117,367</u>	<u>\$ 117,628</u>
\$ (82,016)	\$ (87,591)	\$ (92,110)	\$ (108,258)	\$ (100,046)
8,855	(4,296)	187	105	2,966
<u>\$ (73,161)</u>	<u>\$ (91,887)</u>	<u>\$ (91,923)</u>	<u>\$ (108,153)</u>	<u>\$ (97,080)</u>

(Continued)

CITY OF CARLSBAD

Changes in Net Position (Continued)

Last Ten Fiscal Years

(dollars in thousands)

	2005	2006	2007	2008	2009
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	\$ 41,479 (5)	\$ 43,936	\$ 49,284	\$ 52,705	\$ 55,338
Sales and use taxes	24,759	25,429	27,445	27,031	23,098
Transient occupancy taxes	10,072	11,513	12,929	14,277	12,752
Franchise taxes	5,683	5,429	5,346	4,634	5,274
Business license taxes	2,890	3,040	3,056	3,328	3,422
Real property transfer taxes	1,646	1,906	1,262	951	621
Vehicle license fees	2,136 (5)	587	608	450	353
Income from property and investments	9,910	11,682	21,455	24,955	19,828
Other general revenues	441	650	700	513	359
Extraordinary gain/(loss)	-	-	-	-	-
Transfers	(150)	(315)	400	(2,634)	(127)
Total governmental activities	98,866	103,857	122,485	126,210	120,918
Business type activities					
Property taxes	2,025	2,257	2,504	2,711	2,861
Income from property and investments	4,162	3,538	7,621	8,030	5,908
Other general revenues	579	56	34	954	209
Transfers	-	315	(400)	2,634	127
Total business-type activities	6,766	6,166	9,759	14,329	9,105
Total government	\$ 105,632	\$ 110,023	\$ 132,244	\$ 140,539	\$ 130,023
Change in Net Position					
Governmental activities	\$ 103,921	\$ 54,081	\$ 86,241	\$ 104,454	\$ 45,241
Business-type activities	21,740	9,694	16,693	35,665	9,889
Total government	\$ 125,661	\$ 63,775	\$ 102,934	\$ 140,119	\$ 55,130

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (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.
- (9) The gain resulted from the transfers of the assets and liabilities of the former Redevelopment Agency to Successor Agency trust funds.
- (10) The State of California ceased sending the city vehicle license fee revenues in Fiscal Year 2011-12.
- (11) The increase was the result of a combination of a five percent increase in the number of water units sold coupled with an average eight percent increase in water rates charged to customers and a reimbursement for a lawsuit involving a landslide at the Marbella Condominiums.
- (12) The large increase in Fiscal Year 2012-13 includes a repayment to SANDAG of \$1.4 million in excess Transnet Funds on inactive/closed projects and a transfer of \$4.5 million to surplus construction funds from the Poinsettia Lane Assessment District to be used in the refunding of Reassessment District No. 2012-1.
- (13) The large increase in Fiscal Year 2012-13 includes a \$3.8 million transfer of an affordable housing loan receivable to the Successor Housing Agency trust fund as required by the California Department of Finance.
- (14) The extraordinary loss in Fiscal Year 2013-14 resulted from the restatement of accrued interest on prior year advances made by the city to the Successor Housing Agency per state mandate.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 55,113	\$ 54,049	\$ 51,538	\$ 52,861	\$ 52,608
23,031	25,660	28,094	28,403	30,520
11,490	11,569	12,872	14,702	17,472
4,906	4,650	4,852	5,118	4,907
3,458	3,581	2,695	3,834	4,177
758	911	925	1,058	1,080
309	483	53	55	-
12,523	8,372	6,088 (10)	1,792	6,917
391	328	419	426	429
-	-	20,477 (9)	-	(10,289) (14)
<u>(443)</u>	<u>(135)</u>	<u>(1,810)</u>	<u>(656)</u>	<u>(1,188)</u>
<u>111,536</u>	<u>109,468</u>	<u>126,203</u>	<u>107,593</u>	<u>106,633</u>
2,822	2,779	2,721	2,904	2,897
3,686	2,109	2,054	555	2,498
153	3,599	106	85	99
<u>443</u>	<u>135</u>	<u>1,810</u>	<u>655</u>	<u>1,188</u>
<u>7,104</u>	<u>8,622</u>	<u>6,691</u>	<u>4,199</u>	<u>6,682</u>
<u>\$ 118,640</u>	<u>\$ 118,090</u>	<u>\$ 132,894</u>	<u>\$ 111,792</u>	<u>\$ 113,315</u>
\$ 29,520	\$ 21,877	\$ 34,093	\$ (665)	\$ 6,587
<u>15,959</u>	<u>4,326</u>	<u>6,878</u>	<u>4,304</u>	<u>9,648</u>
<u>\$ 45,479</u>	<u>\$ 26,203</u>	<u>\$ 40,971</u>	<u>\$ 3,639</u>	<u>\$ 16,235</u>

CITY OF CARLSBAD

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

	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 44,996	\$ 45,131 (1)	\$ 56,505 (2)	\$ 56,479	\$ 59,303
Unreserved	54,400	61,494	66,084	64,494	66,302
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 99,396</u>	<u>\$ 106,625</u>	<u>\$ 122,589</u>	<u>\$ 120,973</u>	<u>\$ 125,605</u>
All Other Governmental Funds					
Reserved	\$ 49,583	\$ 38,000	\$ 44,352	\$ 38,963	\$ 34,573
Unreserved, reported in:					
Special revenue funds	30,031	30,024	32,485	36,277	40,207
Debt service funds	(11,317)	(11,681)	(12,423)	(12,095)	(11,150)
Capital project funds	206,711	221,393	231,071	268,915 (3)	276,183
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>\$ 275,008</u>	<u>\$ 277,736</u>	<u>\$ 295,485</u>	<u>\$ 332,060</u>	<u>\$ 339,813</u>

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) \$30.3 million was reserved at the end of the Fiscal Year 2005-06 for future advances to the Golf Course Fund.
- (2) A \$9.7 million transfer was made in Fiscal Year 2006-07 from the General Fund to the Golf Course Fund to assist in the construction of the city's new municipal golf course.
- (3) \$18.8 million in transfers were made in Fiscal Year 2007-08 from the General Fund to the Infrastructure Replacement Fund and the General Capital Construction Fund for future capital projects.
- (4) 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.
- (5) GASB 54, which requires changes in the reporting categories for fund balances, was implemented in Fiscal Year 2010-11.
- (6) AB1x26 and AB 1484 were implemented in Fiscal Year 2011-12. The former RDA debt service funds were transferred to trust funds.
- (7) The large decreases in the restricted fund balance in the capital projects fund is a result of increased expenditures during Fiscal Year 2012-13 and 2013-14 for the construction of Alga Norte Community Park.

2010	2011 (5)	2012	2013	2014
\$ 59,586	\$ -	\$ -	\$ -	\$ -
68,935	-	-	-	-
-	53,943	54,228	57,719	56,707
-	-	-	-	-
-	1,000	1,000	1,000	1,000
-	23,584	22,955	26,200	27,838
-	57,533	61,384	69,578	75,615
<u>\$ 128,521</u>	<u>\$ 136,060</u>	<u>\$ 139,567</u>	<u>\$ 154,497</u>	<u>\$ 161,160</u>
\$ 50,617	\$ -	\$ -	\$ -	\$ -
41,449	-	-	-	-
(17,824)	-	-	-	-
262,612 (4)	-	-	-	-
-	433	440	435	430
-	-	-	-	-
-	250	-	-	-
-	65,585	64,401	61,938	66,833
-	-	-	-	-
-	171,214	177,372	167,009 (7)	157,712 (7)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	123,473	123,465	121,861	131,627
-	-	-	-	-
-	(18,658)	- (6)	-	-
-	-	-	-	-
<u>\$ 336,854</u>	<u>\$ 342,297</u>	<u>\$ 365,678</u>	<u>\$ 351,243</u>	<u>\$ 356,602</u>

CITY OF CARLSBAD

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

	2005	2006	2007	2008	2009
Revenues:					
Taxes	\$ 84,065	\$ 94,862	\$ 101,196	\$ 105,724	\$ 103,874
Intergovernmental	24,245	13,027	25,097	19,565	10,029
Licenses and permits	3,393	2,504	2,094	1,991	1,022
Charges for services	10,433	11,038	10,937	11,089	9,616
Fines and forfeitures	1,084	1,178	1,387	1,500	1,402
Income from property and investments	10,741	10,387	22,270	24,163	19,132
Contributions from property owners	49,446	25,365	10,311	23,850	3,117 (2)
Donations	164	130	173	281	174
Miscellaneous	1,107	2,077	950	932	926
Total revenues	<u>184,678</u>	<u>160,568</u>	<u>174,415</u>	<u>189,095</u>	<u>149,292</u>
Expenditures:					
Current:					
General government	12,113	16,311	18,013	14,433	12,896
Less: Interdepartmental charges	(2,700)	(2,639)	(2,151)	(2,287)	(3,676)
Public safety	33,819	36,365	39,832	43,719	45,003
Community development	14,319	14,300	13,998	15,726	16,294
Community services	14,744	15,637	16,667	17,136	17,517
Public works	18,737	20,327	22,481	24,355	23,851
Capital outlay	46,420	47,032	30,765	39,010	22,097
Debt service:					
Principal retirement	1,040	1,037	1,091	1,140	1,200
Interest and fiscal charges	1,501	1,599	1,333	1,347	1,188
Total expenditures	<u>139,993</u>	<u>149,969</u>	<u>142,029</u>	<u>154,579</u>	<u>136,370</u>
Excess (deficiency) of revenues over (under) expenditures	44,685	10,599	32,386	34,516	12,922
Other financing sources (uses):					
Proceeds from the sale of property	-	-	1,364	-	-
Issuance of debt	-	-	-	-	-
Transfers in	10,228	11,685	9,723	20,390	9,101
Transfers out	(10,228)	(12,334)	(9,760)	(19,948)	(9,637)
Extraordinary gain (loss)	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(649)</u>	<u>1,327</u>	<u>442</u>	<u>(536)</u>
Net change in fund balances	<u>\$ 44,685</u>	<u>\$ 9,950</u>	<u>\$ 33,713</u>	<u>\$ 34,958</u>	<u>\$ 12,386</u>
Debt service as percentage of noncapital expenditures (1)	2.71%	2.41%	2.01%	2.08%	2.01%

Source: City of Carlsbad Comprehensive Annual Financial Report.

(1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Govern Statement of Net Position) and expenditures for capitalized assets included within the functional expendit

(2) Steep drop in development throughout the city due to the economic recession starting in I

(3) AB1x26 and AB 1484 were implemented in Fiscal Year 2011-12. The net assets of the former RDA were incorporated into trust funds.

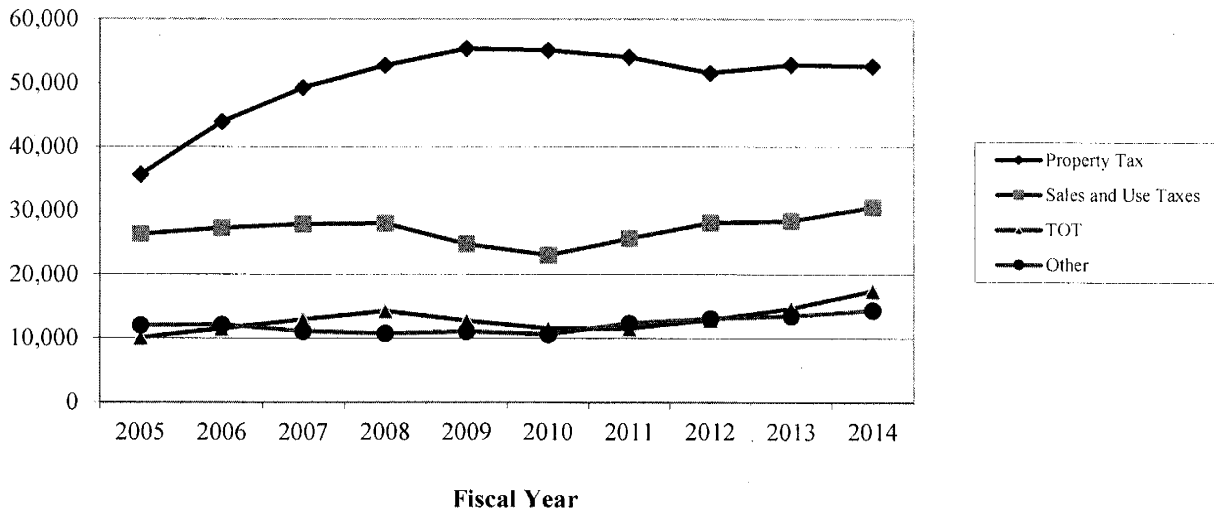
	2010	2011	2012	2013	2014
\$	100,249	\$ 103,660	\$ 105,595	\$ 109,447	\$ 114,996
	12,108	12,847	9,603	11,513	10,602
	1,484	1,590	1,852	2,016	2,184
	10,215	9,938	10,092	10,261	11,278
	1,199	1,051	892	861	876
	12,719	9,278	6,253	2,362	7,604
	4,580	5,473	9,927	12,029	9,042
	203	310	206	411	210
	1,263	2,521	697	1,969	1,219
	<u>144,020</u>	<u>146,668</u>	<u>145,117</u>	<u>150,869</u>	<u>158,011</u>
	22,778	16,937	16,992	23,072	21,471
	(3,991)	(3,015)	(3,750)	(3,858)	(3,566)
	44,686	44,157	44,915	46,162	47,333
	18,272	16,980	17,587	18,805	15,689
	16,493	22,560	22,815	22,094	25,816
	23,851	13,078	11,773	11,299	15,442
	19,727	20,985	17,367	28,602	18,702
	490	515	851	316	159
	1,016	935	308	6	5
	<u>143,322</u>	<u>133,132</u>	<u>128,858</u>	<u>146,498</u>	<u>141,051</u>
	698	13,536	16,259	4,371	16,960
	-	-	-	-	-
	-	581	-	-	-
	21,837	9,802	19,887	8,087	11,477
	(22,578)	(10,937)	(23,097)	(14,792)	(16,415)
	-	-	12,847	-	-
	<u>(741)</u>	<u>(554)</u>	<u>9,637</u>	<u>(6,705)</u>	<u>(4,938)</u>
\$	<u>(43)</u>	<u>\$ 12,982</u>	<u>\$ 25,896</u>	<u>\$ (2,334)</u>	<u>\$ 12,022</u>
	1.18%	1.26%	0.99%	0.24%	0.13%

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
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 (2)	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 (3)	12,752 (3)	5,274	3,422	621	1,702	103,874
2010	55,113 (3)	23,031 (3)	11,490 (3)	4,906 (3)	3,458	758	1,493	100,249
2011	54,049	25,660	11,569	4,650	3,581	911	3,240 (7)	103,660
2012	51,538 (4)	28,094 (5)	12,872 (5)	4,852	2,695 (6)	925	4,619 (7)	105,595
2013	52,861	28,403	14,702 (8)	5,118	3,834	1,058	3,471	109,447
2014	52,608	30,520 (5)	17,472 (9)	4,907	4,177	1,080	4,232	114,996
Change 2005-2014	48%	16%	73%	-14%	45%	-34%	136%	37%

Total General Governmental Tax Revenues
(in thousands)



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 Fiscal Year 2004-05 as the city began receiving additional property tax revenues in lieu of a portion of the VLF.

(2) Reflects the beginning of the downturn in the housing market.

(3) Reflects the impact of the economic recession.

(4) Primarily the result of commercial and industrial property reassessments and lower amounts received from delinquent taxes.

Beginning February 1, 2012, tax increment revenue from the former RDA is recorded in the Successor Agency Trust Fund.

(5) Reflects improvement in the economy.

(6) Three large refunds of overpaid business license taxes over a period of three years created this large decrease.

(7) The large increases are due to state Section 2103 allocations which became effective in Fiscal Year 2010-11 to allocate funds from a motor vehicle fuel excise tax that replaced previous city and county allocations from the Prop 42 sales tax on gasoline.

(8) The increase in transient occupancy taxes in Fiscal Year 2012-13 is due to the opening of two new hotels and higher occupancy and room rates throughout the city.

(9) The increase in transient occupancy taxes in Fiscal Year 2013-14 is due to the opening of one new hotel and higher occupancy and room rates throughout the city.

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>
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 (2)	20.93
2011	18.00	2.70	23.03
2012	19.80	2.97	24.53
2013	21.38	3.20	25.02
2014	20.07	3.19	25.52

Source: City of Carlsbad.

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

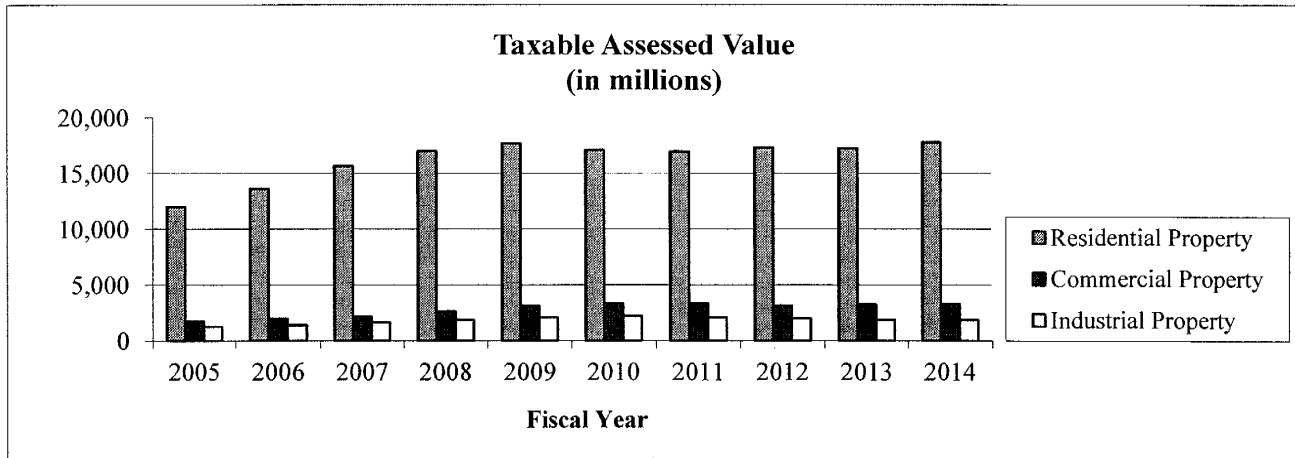
(1) One unit of water equals 748 gallons.

(2) Tiered rates were implemented starting in Fiscal Year 2009-10. 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	Change From Prior Year	Estimated Property Tax Revenue (2)	Total Direct Tax Rate (3)
2005	\$11,984	\$1,749	\$1,266	\$742	\$15,741	10.05%	\$30.33 (4)	0.1927%
2006	13,619	1,962	1,398	729	17,708	12.50%	34.12	0.1927%
2007	15,650	2,181	1,660	569	20,060	13.28%	38.66	0.1927%
2008	16,988	2,635	1,883	534	22,040	9.87%	42.47	0.1927%
2009	17,683	3,132	2,102	600	23,517	6.70%	45.32	0.1927%
2010	17,086	3,340	2,192	617	23,235	-1.20%	44.77 (5)	0.1927%
2011	16,946	3,355	2,111	601	23,013	-0.96%	44.35	0.1927%
2012	17,306	3,133	1,983	560	22,982	-0.13%	44.29	0.1927%
2013	17,222	3,237	1,884	614	22,957	-0.11%	44.24	0.1927%
2014	17,774	3,298	1,871	580	23,523	2.47%	45.33	0.1927%



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) Estimated property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.
- (3) The total direct tax rate is the city's proportionate share of Proposition 13 property taxes collected within the tax rate area.
- (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 estimated property tax revenue is a result of the economic recession.

CITY OF CARLSBAD

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

Allocation of 1% Ad Valorem Property Taxes											
Fiscal Year	City of Carlsbad Total Direct Rate (5)	Overlapping Rates for Tax Rate Area 09000 (1)							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	Tri City Hospital District	All Other Rates				
2005	0.1927%	0.3412%	0.1576%	0.1497%	0.0937%	0.0198%	0.0453%	1.0000%	0.0239%	1.0239%	
2006	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0207	1.0207	
2007	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0185	1.0185	
2008	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0419	1.0419	
2009	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0393	1.0393	
2010	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0408	1.0408	
2011	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0432	1.0432	
2012	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0748	1.0748	
2013	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0768	1.0768	
2014	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0743	1.0743	

Tax Rates for all Tax Rate Areas
 Fiscal Year 2013-14

Total Tax Rates (4)	County Tax Rate Areas (6)	Voter Approved Debt Tax Rates								Total Voter Approved Rates (3)
		Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Palomar Comm. College	Palomar Pomerado Hospital	MWD / SDCWA	
1.0451	1	-	-	-	-	0.0451%	-	-	-	0.0451%
1.0486	41	-	-	-	-	0.0451	-	-	0.0035	0.0486
1.0612	3	-	-	-	-	0.0451	0.0126	-	0.0035	0.0612
1.0617	1	-	-	0.0582	-	-	-	-	0.0035	0.0617
1.0619	1	-	0.0584	-	-	-	-	-	0.0035	0.0619
1.0708	3	0.0708	-	-	-	-	-	-	-	0.0708
1.0743	48	0.0708	-	-	-	-	-	-	0.0035	0.0743
1.0743	29	-	-	0.0582	-	-	0.0126	-	0.0035	0.0743
1.0820	3	-	-	-	0.0659	-	0.0126	-	0.0035	0.0820
1.0852	1	-	-	0.0582	-	-	-	0.0235	0.0035	0.0852
1.0869	3	0.0708	-	-	-	-	0.0126	-	0.0035	0.0869
1.0978	1	0.0708	-	-	-	-	-	0.0235	0.0035	0.0978
1.0978	11	-	-	0.0582	-	-	0.0126	0.0235	0.0035	0.0978

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

- (1) The tax rate history above is for Tax Rate Area 09000, which has the highest total assessed value of the all the 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 is related to various school district bonds.
- (4) The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.
- (5) The city has no general obligation bonds; therefore the Basic Tax Rate is the same as the Total Direct Tax Rate.
- (6) Tax rate areas are determined by the County of San Diego. There are currently thirteen tax rates distributed among the 146 tax rate areas in the City of Carlsbad. The table above shows the number of tax rate areas affected by each of the rates.

CITY OF CARLSBAD

Principal Property Taxpayers
Current Year and Nine Years Ago

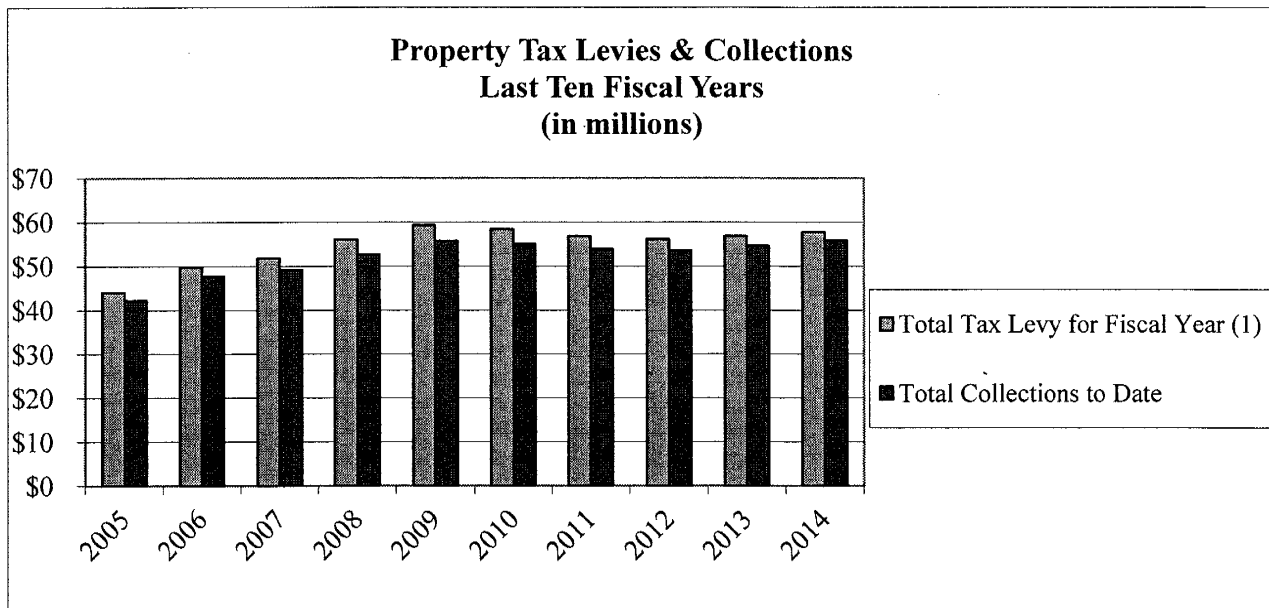
Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
La Costa Glen Retirement Community	\$ 237,951,989	1	1.01%	\$ 125,451,962	3	0.80%
The Forum Shopping Center	183,294,000	2	0.78%	-		-
La Costa Resort & Spa	154,564,293	3	0.66%	132,292,486	2	0.84%
Legoland California, LLC	154,474,945	4	0.66%	105,000,000	4	0.67%
Archstone Pacific View Apartments	121,068,995	5	0.51%	-		-
Carlsbad Premium Outlets	119,247,590	6	0.51%	-		-
Park Hyatt Aviara Resort	109,000,000	7	0.46%	-		-
Westfield Plaza Camino Real	106,242,991	8	0.45%	-		-
H.G. Fenton Company	82,289,360	9	0.35%	63,028,919	8	0.40%
Eaves by Avalon Apartment Homes	81,151,200	10	0.34%	-		-
Callaway Golf Company	-		-	159,353,837	1	1.01%
Bressi Gardenlane LLC	-		-	76,495,927	5	0.49%
Prentiss Properties Acquisition	-		-	71,845,631	6	0.46%
Borders, Inc.	-		-	68,001,543	7	0.43%
Real Estate Collateral Mgmt. Co.	-		-	62,493,519	9	0.40%
Gemological Institute of America	-		-	55,520,616	10	0.35%
Total	<u>\$ 1,349,285,363</u>		<u>5.74%</u>	<u>\$ 919,484,440</u>		<u>5.84%</u>
Net assessed valuation	<u>\$ 23,522,746,301</u>			<u>\$ 15,741,121,590</u>		

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

CITY OF CARLSBAD

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

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collections within the Fiscal Year of the Levy		Total Collections to Date		
		Amount (2)	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2005	\$44,057,622	\$41,529,059	94.26%	\$721,959	\$42,251,018	95.90%
2006	49,806,112	46,655,344	93.67%	1,067,882	47,723,226	95.82%
2007	51,854,596	47,727,153	92.04%	1,492,640	49,219,793	94.92%
2008	56,098,718	50,622,156	90.24%	2,000,463	52,622,619	93.80%
2009	59,297,940	53,806,070	90.74%	1,953,830	55,759,900	94.03%
2010	58,433,851	53,677,577	91.86%	1,353,338	55,030,915	94.18%
2011	56,792,002	53,126,954	93.55%	826,195	53,953,149	95.00%
2012	56,172,471	52,987,381	94.33%	648,004	53,635,385	95.48%
2013	56,791,847	54,253,095	95.53%	392,720	54,645,815	96.22%
2014	57,818,927	55,856,302	96.61%	N/A	55,856,302	96.61%



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

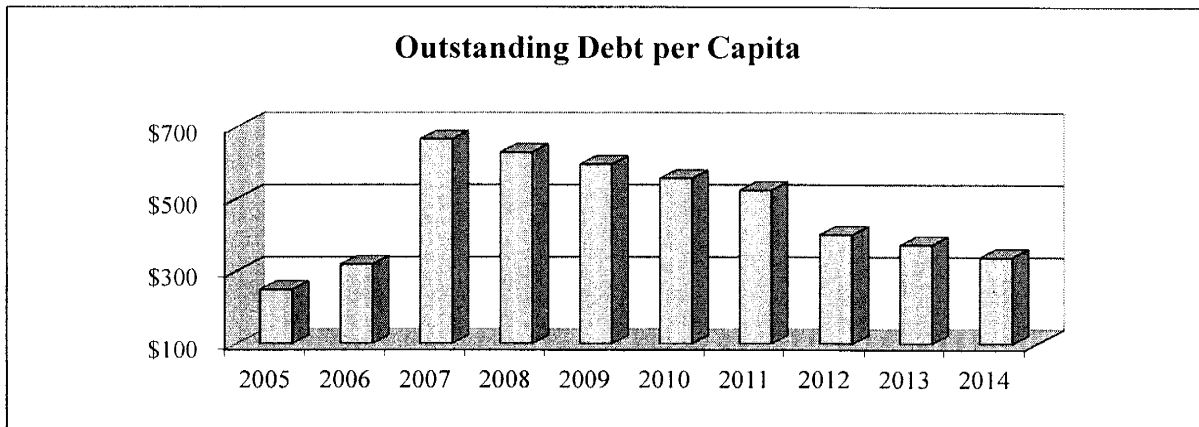
(1) Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.

(2) Total collections include secured, unsecured, HOE and supplementary amounts distributed by the county.

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 (4)	Certificates of Participation	Capital Leases	Loans Payable
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
2012	-	-	-	475
2013 (5)	-	-	-	159
2014	-	-	-	-



- 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.
 - (4) The 1993 Carlsbad Housing & Redevelopment Commission Tax Allocation Bonds were transferred to a trust fund due to the dissolution of the RDA in Fiscal Year 2011-12, per AB1x26 and AB1484.
 - (5) The Bond/Special Debt is net of amortized premiums and the Loan Payable is net of unamortized discounts.
- Sources: MuniServices, LLC, California Department of Finance, US Census Data.

Business-Type Activities

Bonds / Special Debt (1)	Installment Purchase Agreements	Loan Payable (2)	Capital Leases	Total	Percentage of Personal Income (3)	Per Capita
\$ -	\$ 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
17,345	2,585	22,830	14	43,249	1.00%	401.67
17,237	1,697	21,335	-	40,428	0.92%	373.48
16,645	905	19,837	-	37,387	0.77%	339.36

CITY OF CARLSBAD

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

Fiscal Year 2013-14 Assessed Valuation:	\$ 23,878,513,432
Redevelopment Incremental Valuation:	355,767,131
Adjusted Assessed Valuation:	<u>\$ 23,522,746,301</u>

	Total Debt 06/30/14	Percent Applicable (1)	City's Share of Debt 6/30/14
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 132,275,000	1.100%	\$ 1,455,025
Palomar Community College District	312,768,901	2.713%	8,485,420
Carlsbad Unified School District	190,233,489	97.941%	186,316,581
Carlsbad Unified School District CFD No. 1	1,220,000	100.000%	1,220,000
Oceanside Unified School District	228,579,327	0.005%	11,429
Vista Unified School District	114,524,882	0.574%	657,373
Encinitas Union School District	32,683,636	30.652%	10,018,188
San Marcos Unified School District	281,096,744	18.811%	52,877,109
San Marcos Unified School District School Facility Improvement District	6,503,019	20.458%	1,330,388
San Marcos Unified School District CFD No. 4	20,965,000	32.779%	6,872,117
San Marcos Unified School District CFD No. 5	20,315,000	100.000%	20,315,000
San Dieguito Union High School District	160,000,000	8.926%	14,281,600
San Dieguito Union HS District CFD No. 94-1	87,224	100.000%	87,224
San Dieguito Union HS District CFD No. 94-2	24,732,110	98.160%	24,277,039
San Dieguito Union HS District CFD No. 95-2	4,051,974	13.293%	538,629
Palomar Pomerado Hospital District	474,823,578	1.665%	7,905,813
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	14,020,000	23.377%	3,277,455
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	23,515,000	100.000%	23,515,000
City of Carlsbad 1915 Act Bonds	47,475,000	100.000%	47,475,000
Total Overlapping Tax and Assessment Debt	\$ 2,089,869,884		\$ 410,916,390
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 379,835,000	6.087%	\$ 23,120,556
San Diego County Pension Obligations	720,855,256	6.087%	43,878,459
San Diego City Superintendent of Schools General Fund Obligations	16,125,000	6.087%	981,529
Mira Costa Community College District Certificates of Participation	2,060,000	26.719%	550,411
Palomar Community College District General Fund Obligations	4,855,000	2.713%	131,716
Carlsbad Unified School District General Fund Obligations	50,095,000	97.941%	49,063,544
San Marcos Unified School District General Fund Obligations	55,093,327	18.811%	10,363,606
Vista Unified School District Certificates of Participation	4,325,000	0.574%	24,826
San Dieguito Union High School District General Fund Obligations	13,015,000	8.926%	1,161,719
Total Overlapping General Fund Obligation Debt	\$ 1,246,258,583		\$ 129,276,366
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	8,025,000	100.000%	8,025,000 (3)
Total Overlapping Debt:	\$ 3,344,153,467		\$ 548,217,756
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	\$ -	100.000%	\$ -
Total City of Carlsbad Direct Debt	\$ -		\$ -
Combined Total Debt	\$ 3,344,153,467		\$ 548,217,756 (2)

(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 bonded capital

Ratios to Fiscal Year 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.72%

Ratios to Adjusted Assessed Valuation:

Governmental Activities Direct Debt 0.00%

Combined Total Debt 2.33%

(3) Created by the dissolution of the RDA in Fiscal Year 2011-12 per AB1x26 and AB1484.

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>2005</u>	<u>2006</u>	<u>2007</u>
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 0.319	\$ 0.269	\$ 0.224
Palomar Community College District	-	-	0.239
Carlsbad Unified School District	1.342	1.102	0.897
Carlsbad Unified School District CFD No. 1	0.578	0.477	0.386
Oceanside Unified School District	-	-	-
Vista Unified School District	0.005	0.007	0.011
Encinitas Union School District	0.471	0.389	0.322
San Marcos Unified School District	-	-	-
San Marcos Unified School District School Fac. Improv. Dist.	0.448	0.383	0.327
Palomar Pomerado Hospital District	-	0.100	0.080
San Marcos Unified School District CFD No. 4	-	0.187	0.302
San Marcos Unified School District CFD No. 5	1.677	1.457	1.255
San Dieguito Union High School District	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.018	0.016	0.014
San Dieguito Union HS District CFD No. 94-2	1.298	1.128	0.975
San Dieguito Union HS District CFD No. 95-2	0.020	0.006	0.005
San Dieguito Union HS District combined CFD	0.884	0.832	0.734
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.279	0.242	0.203
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	-	0.649	0.573
City of Carlsbad 1915 Act Bonds	4.848	4.143	3.553
Total Overlapping Tax and Assessment Debt	\$ 12.187	\$ 11.387	\$ 10.100
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 1.855	\$ 1.385	\$ 1.125
San Diego County Pension Obligations	5.008	4.376	4.306
San Diego City Superintendent of Schools General Fund Obligations	0.051	0.044	0.058
Mira Costa Community College District Certificates of Participation	0.085	0.072	0.061
Palomar Community College District General Fund Obligations	-	0.013	0.012
Carlsbad Unified School District General Fund Obligations	3.557	3.106	2.694
San Marcos Unified School District General Fund Obligations	0.122	0.106	0.093
Vista Unified School District Certificates of Participation	-	-	-
Encinitas Union School District Certificates of Participation	0.032	0.024	0.018
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.015	0.001	0.001
Total Overlapping General Fund Obligation Debt	\$ 10.725	\$ 9.127	\$ 8.368
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	\$ -	\$ -	\$ -
Total Overlapping Debt:	22.912	20.514	18.468
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	0.174	0.119	0.072
Total City of Carlsbad Direct Debt	\$ 0.174	\$ 0.119	\$ 0.072
Combined Total Debt	\$ 23.086	\$ 20.633	\$ 18.540

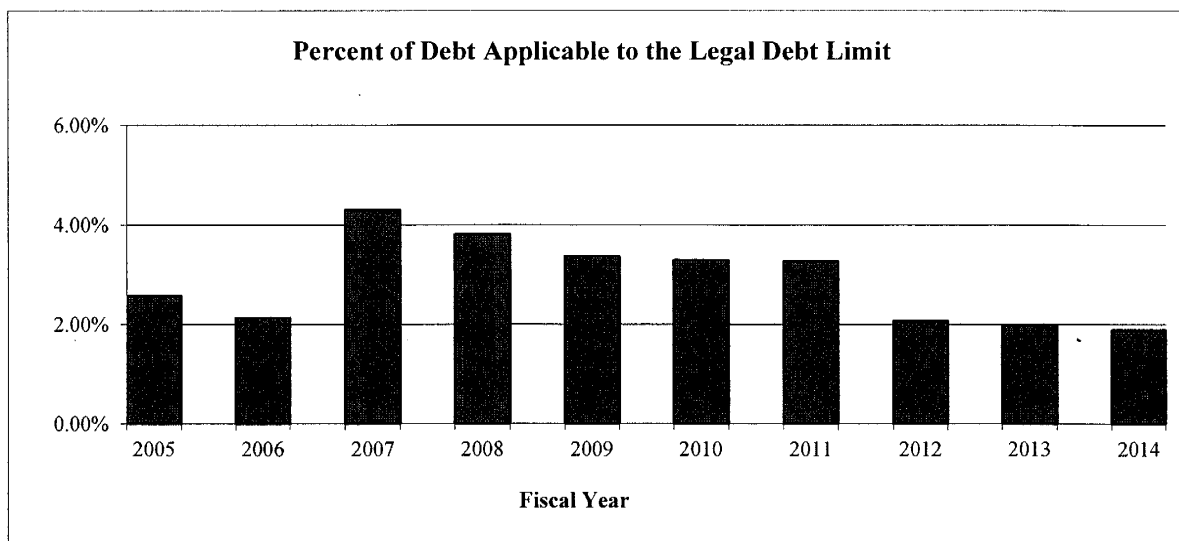
Source: California Municipal Statistics, Inc. & MuniServices, L.L.C

	2008	2009	2010	2011	2012	2013	2014
\$	0.187	\$ 0.160	\$ 0.147	\$ 0.129	\$ 0.110	\$ 0.080	\$ 0.062
	0.224	0.208	0.207	0.447	0.448	0.375	0.361
	2.521	5.513	5.401	8.660	8.527	8.312	7.921
	0.318	0.263	0.230	0.192	0.149	0.103	0.052
	-	-	0.001	0.001	0.001	0.001	-
	0.029	0.033	0.043	0.039	0.038	0.031	0.028
	0.270	0.228	0.205	0.357	0.338	0.454	0.426
	-	-	-	-	3.103	1.711	2.248
	0.282	0.250	0.227	0.202	0.176	0.076	0.057
	0.303	0.389	0.383	0.444	0.434	0.353	0.336
	0.270	0.248	0.245	0.241	0.236	0.230	0.292
	1.114	1.016	1.000	0.979	0.950	0.918	0.864
	-	-	-	-	-	0.621	0.607
	0.012	0.011	0.004	0.004	0.004	0.004	0.004
	0.867	0.793	1.105	1.093	1.106	1.082	1.032
	0.004	0.004	0.022	0.022	0.022	0.022	0.023
	0.668	0.626	0.218	0.215	-	-	-
	0.177	0.157	0.151	0.147	0.142	0.138	0.139
	1.338	1.246	1.244	1.080	1.063	1.045	1.000
	3.091	2.806	2.685	2.640	2.569	2.107	2.018
\$	11.675	\$ 13.951	\$ 13.518	\$ 16.892	\$ 19.416	\$ 17.663	\$ 17.470
\$	1.051	\$ 1.304	\$ 1.201	\$ 1.133	\$ 1.155	\$ 1.070	\$ 0.983
	3.094	2.782	2.470	2.410	2.300	2.017	1.865
	0.051	0.046	0.061	0.059	0.055	0.047	0.042
	0.052	0.046	0.043	0.036	0.032	0.028	0.023
	0.011	0.010	0.010	0.009	0.008	0.006	0.006
	2.404	2.206	2.132	2.089	2.028	1.967	2.086
	0.082	0.076	0.834	0.831	0.837	0.458	0.441
	-	-	-	-	-	0.001	0.001
	0.013	0.008	0.004	-	-	-	-
	-	-	0.048	0.049	0.059	0.051	0.049
	0.001	0.002	0.002	0.002	0.002	-	-
\$	6.759	\$ 6.480	\$ 6.805	\$ 6.618	\$ 6.476	\$ 5.645	\$ 5.496
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 0.376	\$ 0.341
	18.434	20.431	20.323	23.510	25.892	23.684	23.307
	0.033	-	-	0.025	0.021	0.007	-
\$	0.033	\$ -	\$ -	\$ 0.025	\$ 0.021	\$ 0.007	\$ -
\$	18.467	\$ 20.431	\$ 20.323	\$ 23.535	\$ 25.913	\$ 23.691	\$ 23.307

CITY OF CARLSBAD

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net assessed valuation	\$ 15,741,122	\$ 17,707,928	\$ 20,059,893	\$ 22,040,018	\$ 23,517,153
Debt limit (25% x 15%)	590,292	664,047	752,246	826,501	881,893
Less amount of debt applicable to limit:					
Bonded debt	12,460	12,065	30,185 (1)	29,745	29,005
Certificates of participation	2,740	2,105	1,435	735	-
Loan payable	-	-	-	-	-
Obligations under capital leases	7	1	699	958	736
Total net debt applicable to limit	<u>15,207</u>	<u>14,171</u>	<u>32,319</u>	<u>31,438</u>	<u>29,741</u>
Legal debt margin	<u>\$ 575,085</u>	<u>\$ 649,876</u>	<u>\$ 719,927</u>	<u>\$ 795,063</u>	<u>\$ 852,152</u>
Total net debt applicable to the limit as a percentage of debt limit	2.58%	2.13%	4.30%	3.80%	3.37%



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.
- (2) The 1993 Carlsbad Housing & Redevelopment Commission Tax Allocation Bonds were transferred to a trust fund due to the dissolution of the RDA in Fiscal Year 2011-12, per AB1x26 and AB1484.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 23,234,948	\$ 23,012,997	\$ 22,982,172	\$ 22,956,650	\$ 23,522,746
871,311	862,987	861,831	860,874	882,103
28,225	27,405	17,345 (2)	17,005	16,645
-	-	-	-	-
-	581	475	159	-
502	256	14	-	-
<u>28,727</u>	<u>28,242</u>	<u>17,834</u>	<u>17,164</u>	<u>16,645</u>
<u>\$ 842,584</u>	<u>\$ 834,745</u>	<u>\$ 843,997</u>	<u>\$ 843,710</u>	<u>\$ 865,458</u>
3.30%	3.27%	2.07%	1.99%	1.89%

CITY OF CARLSBAD

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Wastewater Revenue Bonds					
Gross revenues (1)	\$ 9,427,318	\$ 8,763,977	\$ 10,540,303	\$ 11,134,290	\$ 10,551,005
Less expenses (2)	<u>4,512,427</u>	<u>5,438,600</u>	<u>6,173,656</u>	<u>6,645,724</u>	<u>7,523,300</u>
Net available revenue	<u>\$ 4,914,891</u>	<u>\$ 3,325,377</u>	<u>\$ 4,366,647</u>	<u>\$ 4,488,566</u>	<u>\$ 3,027,705</u>
Debt service					
Principal	\$ 550,000	\$ 575,000	\$ 605,000	\$ 640,000	\$ 675,000
Interest	<u>389,581</u>	<u>361,394</u>	<u>328,944</u>	<u>295,506</u>	<u>262,169</u>
Total debt service	<u>\$ 939,581</u>	<u>\$ 936,394</u>	<u>\$ 933,944</u>	<u>\$ 935,506</u>	<u>\$ 937,169</u>
Coverage	5.23	3.55	4.68	4.80	3.23
Recycled Water Loans					
Gross revenues (3)	n/a	n/a	\$ 4,187,044	\$ 4,714,098	\$ 5,749,477
Less expenses (4)	<u>n/a</u>	<u>n/a</u>	<u>1,968,609</u>	<u>2,484,843</u>	<u>2,925,479</u>
Net available revenue	<u>n/a</u>	<u>n/a</u>	<u>\$ 2,218,435</u>	<u>\$ 2,229,255</u>	<u>\$ 2,823,998</u>
Debt service					
Principal (5)	n/a	n/a	\$ 409,896	\$ 1,041,202	\$ 1,223,781
Interest	<u>n/a</u>	<u>n/a</u>	<u>236,964</u>	<u>799,759</u>	<u>652,702</u>
Total debt service	<u>n/a</u>	<u>n/a</u>	<u>\$ 646,860</u>	<u>\$ 1,840,961</u>	<u>\$ 1,876,483</u>
Coverage	n/a	n/a	3.43	1.21	1.50
Golf Course Revenue Bonds					
Gross revenues (1)	n/a	n/a	n/a	\$ 6,614,579	\$ 7,680,342
Less expenses (2)	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>6,312,031</u>	<u>6,848,161</u>
Net available revenue	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 302,548</u>	<u>\$ 832,181</u>
Debt service					
Principal (6)	n/a	n/a	n/a	\$ -	\$ 275,000
Interest	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>827,050</u>	<u>821,550</u>
Total debt service	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>\$ 827,050</u>	<u>\$ 1,096,550</u>
Coverage	n/a	n/a	n/a	0.37	0.76

Source: City of Carlsbad

- (1) Includes operating and non-operating revenues and transfers in from the General Fund.
- (2) Includes operating and non-operating expenses, excluding interest expense and depreciation.
- (3) Includes recycled water operating and non-operating revenues and fees.
- (4) Includes 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 10,837,232	\$ 11,564,398	\$ 12,391,225	\$ 12,599,601	\$ 13,699,286
6,197,845	6,060,142	6,645,436	7,094,310	6,989,194
<u>\$ 4,639,387</u>	<u>\$ 5,504,256</u>	<u>\$ 5,745,789</u>	<u>\$ 5,505,291</u>	<u>\$ 6,710,092</u>
\$ 705,000	\$ 740,000	\$ 780,000	\$ 820,000	\$ 860,000
228,006	191,419	152,468	111,469	68,419
<u>\$ 933,006</u>	<u>\$ 931,419</u>	<u>\$ 932,468</u>	<u>\$ 931,469</u>	<u>\$ 928,419</u>
4.97	5.91	6.16	5.91	7.23
\$ 6,635,220	\$ 5,942,531	\$ 7,002,009	\$ 8,160,109	\$ 9,392,061
3,300,263	3,629,787	4,133,530	4,019,176	3,640,786
<u>\$ 3,334,957</u>	<u>\$ 2,312,744</u>	<u>\$ 2,868,479</u>	<u>\$ 4,140,933</u>	<u>\$ 5,751,275</u>
\$ 1,252,343	\$ 1,282,018	\$ 1,312,398	\$ 1,343,498	\$ 1,375,337
624,140	594,463	564,084	532,983	501,144
<u>\$ 1,876,483</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,481</u>
1.78	1.23	1.53	2.21	3.06
\$ 7,080,711	\$ 7,582,458	\$ 7,863,951	\$ 6,777,292	\$ 7,747,116
6,426,412	6,356,592	6,177,438	5,954,896	6,125,159
<u>\$ 654,299</u>	<u>\$ 1,225,866</u>	<u>\$ 1,686,513</u>	<u>\$ 822,396</u>	<u>\$ 1,621,957</u>
\$ 290,000	\$ 305,000	\$ 325,000	\$ 340,000	\$ 360,000
810,250	798,350	785,750	771,600	755,850
<u>\$ 1,100,250</u>	<u>\$ 1,103,350</u>	<u>\$ 1,110,750</u>	<u>\$ 1,111,600</u>	<u>\$ 1,115,850</u>
0.59	1.11	1.52	0.74	1.45

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>Average Household Size</u>
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
2012	107,674	3.43%	1.05%	40.3	2.58
2013	108,246	3.44%	0.53%	39.3	2.63
2014	110,169	3.45%	1.78%	40.3	2.53

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

Population projections are from the California Department of Finance and 2010 Census.

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 starting in Fiscal Year 2010-11; 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>City Unemployment Rate</u>
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%
95.3%	50.6%	\$ 4,304	\$ 39,975	6.30%
88.5%	35.4%	\$ 4,403	\$ 40,672	5.90%
95.6%	51.3%	\$ 4,862	\$ 44,134	6.30%

CITY OF CARLSBAD

Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2014</u>			<u>2005</u>	
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>
Manufacturing					
Callaway Golf Company	1,637	1	1.81%	2,000	1
Thermo Fisher Scientific, Inc.	1,454	2	1.61%	1,000	2
Taylor Made Golf Company, Inc.	868	3	0.96%	645	3
Genoptix, Inc.	633	4	0.70%	-	-
Zimmer Dental Inc.	472	5	0.52%	391	5
Alphatec Spine, Inc.	460	6	0.51%	-	-
Nordson Asymtek	430	7	0.48%	-	-
Astec America, Inc.	299	8	0.33%	-	-
The Upper Deck Company	293	9	0.32%	-	-
Beckman Coulter	279	10	0.31%	260	6
Acushnet Golf	-	-	-	535	4
Melles Griot	-	-	-	256	7
Schumacher	-	-	-	250	8
Respironics, Inc.	-	-	-	200	9
Non-Manufacturing					
ViaSat, Inc.	1,700	1	1.88%	624	6
Legoland California, LLC	1,422	2	1.57%	490	8
Carlsbad Unified School District	975	3	1.08%	950	2
Omni La Costa Resort & Spa	932	4	1.03%	720	3
OptumRX, Inc.	785	5	0.87%	-	-
Gemological Institute of America, Inc.	723	6	0.80%	660	4
City of Carlsbad	670	7	0.74%	635	5
Park Hyatt Aviara Resort	580	8	0.64%	1,030	1
24-Hour Fitness, Inc.	545	9	0.60%	450	9
Legend3D, Inc.	380	10	0.42%	-	-
ISIS Pharmaceuticals	-	-	-	510	7
Modern Postcard/The Iris Group Inc.	-	-	-	270	10
Subtotal Employees	15,537		17.18%	11,876	
Total Employees (estimate)	90,413			n/a (1)	

Source: Carlsbad Business License Data (2014) and Carlsbad Chamber of Commerce (2005).

(1) Total employee count is not available for 2005.



CITY OF CARLSBAD

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

<u>Program Area</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</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	7.00	7.00	8.00
Communications	2.75	2.75	3.75	3.75	3.75
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	32.00	31.00	32.00	32.00	32.00
Human Resources and Worker's Comp	10.00	10.00	10.00	10.00	10.00
Information Technology	16.00	16.00	19.00	19.00	19.50
Property and Environmental Management	-	-	-	-	-
Public Safety					
Police	148.00	151.00	157.00	162.00	162.00
Fire	79.75	79.75	87.75	88.75	88.75
Community Development					
Community and Economic Development	44.00	44.00	49.00	50.00	50.00
Housing and Neighborhood Services	10.00	10.00	10.00	10.00	10.00
Community Services					
Library and Arts	53.00	53.00	53.00	53.00	53.00
Parks and Recreation	32.50	32.50	30.50	30.50	30.50
Public Works					
General Services, Engineering, Environmental	148.15	157.75	166.00	173.05	174.80
Transportation	-	-	-	-	-
Utilities	47.10	49.50	48.50	55.45	55.20
Full and 3/4 Time Authorized Employees					
	646.00	660.00	690.25	711.25	714.25
Increase/(decrease) over prior year	-	14.00	30.25	21.00	3.00

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
1.00	1.00	1.00	1.00	1.00
0.75	0.75	0.75	0.75	0.75
8.00	8.00	7.00	7.00	7.00
3.75	2.75	2.75	2.75	2.75
7.00	7.00	7.00	7.00	7.00
8.00	8.00	6.25	6.00	5.00
31.00	30.50	30.50	30.50	31.50
10.00	9.00	9.00	9.00	9.00
19.00	22.50 (2)	22.50	22.50	22.50
-	41.60 (2)	39.60	40.55	40.60
162.00	162.00	162.00	161.00	161.00
88.75	88.75	87.75	87.75	88.00
50.00	54.00 (2)	50.00	47.00	44.00
10.00	11.00 (2)	13.00	10.00	10.00
53.00	52.25	51.25	51.25	51.25
72.10 (1)	71.95	70.95	68.40	67.60
133.00 (1)	- (2)	-	-	-
-	58.40 (2)	54.40	54.40	53.40
55.40	69.55 (2)	68.55	67.65	65.40
712.75	699.00	684.25	674.50	667.75
(1.50)	(13.75)	(14.75)	(9.75)	(6.75)

CITY OF CARLSBAD

Operating Indicators by Function/Program
Last Ten Fiscal Years

	2005	2006	2007	2008	2009
General Government					
Number of recruitments processed	67	64	74	54	39
Number of new hires and promotions	78	124	105	118	75
Business licenses processed	8,507	8,955	8,926	9,405	9,029
Number of payments processed	41,354	40,283	41,337	41,991	41,381
Public Safety					
Police					
Calls for service	73,667	74,546	87,213	94,126	94,492
Average priority one response (minutes)	6.8	6.8	6.3	6.0	5.9
Cases	9,525	10,059	11,178	11,259	10,309
Fire					
Emergency responses	6,594	5,908	6,705	6,705	7,853
Response time: arrivals on scene within goal standard	87%	88%	89%	89%	85%
Community Development					
Affordable housing units completed	439	110	66	168	90
Financial assistance to affordable housing projects	\$1,600,000	\$1,440,000	\$3,009,000	\$1,932,000	\$1,014,000
Residential building permits issued	1,745	948	481	340	114
Building inspections conducted	53,267	51,100	33,523	26,801	18,232
Final inspections (dwelling units)	1,702	1,440	765	787	269
Code enforcement inspections	5,600	5,600	6,800	5,500	4,484
Response time: inspections performed by next working day	94%	97%	96%	98%	99%
Community Services					
Library - total material circulation	1,282,974	1,237,311	1,283,662	1,291,611	1,334,875
Library - patron visits	731,326	898,511	665,277	662,794	670,932
Arts - number of events	65	62	58	62	58
Arts - attendance of events	50,000	65,000	64,000	76,000	80,000
Recreation - youth sports participants	1,100	1,150	1,150	1,200	1,200
Recreation - adult sports participants	5,100	5,150	5,300	5,400	5,400
Recreation - enrichment class enrollees	16,700	16,700	16,700	15,000	13,539
Recreation - special events participants	2,000	3,500	5,200	6,400	10,700
Recreation - aquatics classes conducted	283	273	262	271	350
Trees trimmed	1,767	1,800	1,811	1,808	1,820
Public Works					
Streets					
Road miles - overlay or slurry seal	28.20	32.30	23.80	11.90	4.70
Carlsbad Municipal Water District					
Average consumption (millions of gallons per day)	18.4	19.1	18.6	18.1	17.7
Annual water deliveries (acre feet)	19,172	19,885	19,500	20,271	19,867
Water connections	20,281	23,099	25,791	27,770	27,890
Wastewater					
Sewage pumped (millions of gallons per day)	7.36	6.62	6.81	7.96	7.11
Annual flow (millions of gallons)	2,688	2,416	2,486	2,906	2,595
Wastewater connections	16,454	18,754	20,858	22,200	22,331

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 2008-09 and 2009-10 as a result of conservation efforts.
- (3) Water conservation efforts continued in Fiscal Year 2010-11, plus the summer season had unusually low temperatures.
- (4) Due to project delays, the figure shown for Fiscal Year 2011-12 includes what normally would have been two years of slurry seal projects.
- (5) Increase in number of youth sports participants and aquatics classes conducted is the result of the opening of the Alga Norte Community Park in Fiscal Year 2013-14.

2010	2011	2012	2013	2014
44	31	35	93	117
61	39	22	43	82
9,173	9,539	9,303	9,422	10,327
40,310	41,344	39,075	38,441	39,310
94,678	97,414	93,248	90,122	87,976
6.0	5.5	5.9	5.8	5.8
8,826	8,188	7,963	8,314	8,296
9,503	9,084	9,106	10,755	9,925
74%	71% (1)	72%	71%	63%
6	5	-	59	-
\$3,750,000	\$ 525,000	\$ 780,000	\$7,408,000	\$ -
343	262	425	290	173
19,860	20,017	19,973	23,444	18,446
285	306	267	525	200
3,400	4,320	3,827	4,943	4,794
98%	95%	95%	95%	98%
1,365,127	1,362,700	1,358,839	1,348,333	1,369,369
749,514	858,788	858,422	821,045	791,533
54	44	50	50	62
80,000	80,000	75,000	80,000	75,000
1,200	1,200	1,200	1,200	2,292 (5)
5,400	5,400	5,450	5,200	5,600
13,075	13,300	12,650	12,200	10,350
12,000	9,000	10,000	13,000	13,600
368	470	557	575	1,018 (5)
1,816	2,221	1,863	1,936	1,920
15.25	3.77	25.20	24.30 (4)	14.80
15.3	14.1 (2)	14.4 (3)	15.4	15.9
17,142	15,786 (2)	16,104 (3)	17,248	17,801
27,910	27,978	28,379	28,947	29,045
7.10	7.57	6.92	6.65	5.89
2,590	2,762	2,524	2,426	2,151
22,335	22,342	22,631	22,955	23,282

CITY OF CARLSBAD

Capital Asset Statistics
Last Ten Fiscal Years

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Community Services					
Number of parks and community fields	30	30	31	31	31
Acres of developed parks	295	142	183	183	183
Acres of open space and community fields	625	778	737	790	790
Miles of trails	13	27	31	35	38
Number of pools	1	1	1	1	1
Number of community centers	2	2	2	2	2
Number of libraries	2	2	2	2	3
Number of records in library catalog	373,998	356,385	371,885	373,592	367,161
Public Safety					
Fire Protection					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	11
Number of ambulances	4	4	4	5	5
Number of other fire vehicles	11	11	13	14	14
Police Protection					
Number of patrol and other vehicles	85	82	90	93	91
Number of motorcycles	13	13	12	17	18
Public Works					
Carlsbad Municipal Water District					
Miles of lines and mains	431	434	442	442	447
Wastewater					
Miles of sewers	232	254	265	265	269
Streets					
Miles of streets	295	308	332	338	340
Number of street lights	6,445	6,810	6,858	7,066	7,100
Number of traffic signals	138	152	155	164	168

Source: City of Carlsbad

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

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
31	31	31	31	38
183	183	183	183	215
790	790	790	755	711
47	47	47	47	47
1	1	1	1	3
2	2	2	2	2
3	3	3	3	3
365,371	370,228	370,034	373,010	361,507
6	6	6	6	6
11	11	12	12	13
5	5	5	6	8
14	14	15	15	16
91	90	90	88	114
15	11	11	13	13
447	518 (1)	527	534	534
282	284	288	288	288
340	340	340	343	346
7,113	7,126	7,142	7,179	7,236
172	172	172	174	174

