

City of  
**Carlsbad**  
California

Comprehensive Annual  
Financial Report  
Fiscal Year Ended June 30, 2015







# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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FISCAL YEAR ENDED  
JUNE 30, 2015



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1635 Faraday Avenue, Carlsbad, CA 92008

Website: [www.carlsbadca.gov](http://www.carlsbadca.gov)

*Prepared by the Finance Department*





CITY OF CARLSBAD  
 Comprehensive Annual Financial Report  
 Year Ended June 30, 2015

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November 30, 2015

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

**LETTER OF TRANSMITTAL  
2014-15 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Citizens:

I am pleased to present the Fiscal Year 2014-15 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, 2015.

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 Davis Farr LLP has issued an unqualified ("clean") opinion on the City of Carlsbad's financial statements for the year ended June 30, 2015. 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, 2015 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.

**Finance Department**

1635 Faraday Avenue Carlsbad, CA 92008-7314 | 760-602-2430 | 760-602-8553 f | [www.carlsbadca.gov](http://www.carlsbadca.gov)  
Business License 760-602-2495, Utility Billing 760-602-2420, Purchasing 760-602-2467 - Fax 760-602-8556

The city covers approximately 39 square miles and has a population of 110,653, with an expected built out population of 120,000 residents. Commercial activities in the city include a major regional shopping center; a specialty outlet center; a commercial center with upscale retail shops; 38 hotels offering 4,400 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 545 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



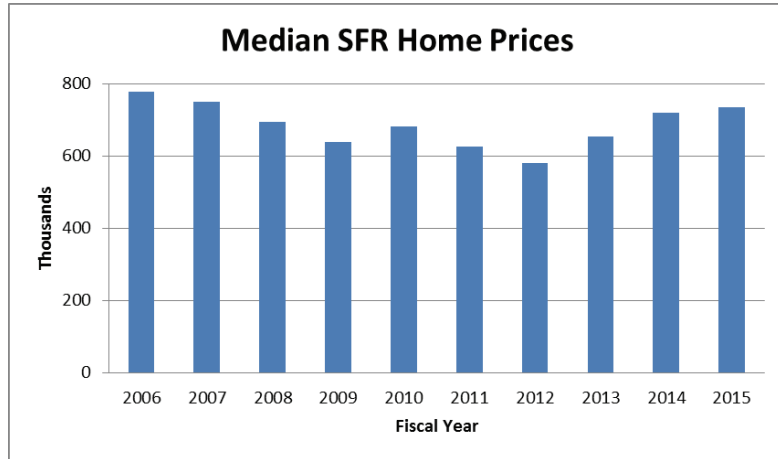
The University of San Diego (USD) monitors the health of the San Diego economy through its Index of Leading Economic Indicators. The chart below reflects historical movement in the USD's Leading Economic Indicators. The index, which measures local stock prices, help wanted advertising, and other pertinent metrics, began to level off at the end of June 2015, but continued to be positive.

**Carlsbad's economy** is tied closely to that of the San Diego region. For Fiscal Year 2014-15, property taxes increased by 8

percent compared to the prior year, as assessed values rose and temporary reductions in property tax bills expired. Transient Occupancy Tax (TOT), a gauge of local tourism activity, increased by approximately 13 percent, as occupancy and average daily rates (ADR) continue to improve, and the city added three new hotels. Sales tax revenues finished Fiscal Year 2014-15 with an increase of over 5 percent, as the city sees continued strength in auto sales and benefits from the addition of retail business. Overall, General Fund revenues ended the current fiscal year at \$138.7 million, an increase of over 10 percent compared to the prior year. In Fiscal Year 2015-16, we forecast continued strength, as General Fund revenues are expected to increase by almost 3 percent.

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 169,000 square feet per year over the next five fiscal years. Large industrial and commercial developments in the next five years include Dos Colinas Retirement Community, the Floral Trade Center, and the expansion of the Viasat campus. 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 17 percent in the first quarter of 2014. Industrial vacancy remains at 10 percent and retail vacancy for the first quarter of 2015 was 3 percent, according to data from CoStar.

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 \$734,000 in the first quarter of 2015, an increase of less than 2 percent compared to the same quarter in 2014. According to Movoto, inventory of units for sale have increased by 14 percent in Carlsbad, from 324 units in April 2014 to 370 units for sale,



this past April. Total assessed property values in the city are \$24.9 billion, an increase of 8.5 percent compared to the prior fiscal year (Fiscal Year 2013-14). According to recent growth projections prepared for the city, Carlsbad will add over 1,700 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 tax to help pay for city services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the Forum at Carlsbad – a commercial center with upscale retail shops, restaurants and other commercial uses. A new Lowe’s opened in the fall of 2013, and La Costa Town Square – a commercial center, opened in Fiscal Year 2014-15.

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 a Holiday Inn, a Fairfield Inn & Suites, and a StayBridge Suites.

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 2015-16, General Fund revenue is projected to increase by 2.8 percent from the previous year’s estimates. Most major sources of tax revenue are expected to increase slightly in Fiscal Year 2015-16, including property tax (4 percent increase). Sales tax is expected to increase by 5.3 percent (due in part to one-time revenues to be received from the wind down of the state’s Triple Flip) and TOT revenues are projected to increase by 6 percent as occupancy and average daily rates increase and new hotels, such as the LEGOLAND Hotel, continue to draw visitors. Home values are showing stable appreciation, which is expected to improve assessed values in the coming years. Development related revenue items are forecast to decrease significantly in Fiscal Year 2015-16, due primarily to a slowdown 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, is providing a respite from ongoing fiscal pressure in California, but the greatest hope for future state budgets is an improving economy.

The budget for Fiscal Year 2015-16 is a tenuous balancing act, using projected revenues of \$113.4 billion to cover \$113.3 billion in expenditures. In November, voters approved Proposition 2, which sets aside additional revenues, primarily from capital gains, to address future economic downturns, instead of increasing ongoing expenditures. At the end of the year, this “rainy day” fund is projected to have a balance of \$2.8 billion. Still, the Governor’s budget message acknowledges the ongoing fiscal stress in the state, driven by rising costs from health care, wildfires, and mandates imposed on our prison system. Changes in



federal immigration policy could increase future expenditures by hundreds of millions of dollars. The Fiscal Year 2015-16 California budget projects that, indeed, the state will begin to spend more than it receives in revenues in 2018-19. Another sobering fiscal matter is the amount of liabilities attributable to employee pension and health care benefits. Total state debt and liabilities are \$227 billion, of which \$222.2 billion is for health and pension liabilities. Finally, the temporary quarter-cent sales tax expires in 2016, followed by the sunset of the temporary income tax increase in 2018.

California, as mentioned previously, continues to face sizable pension liabilities. Reforms enacted in 2012 increase cost sharing for employees, increase retirement ages for new employees, and reduced pension benefit formulas. Additionally, the governor signed a funding plan in 2014 that will address the \$74 billion shortfall in teacher pension liabilities over thirty years, similar to the plan enacted by CalPERS. General Fund expenditures in the proposed budget increased by 1.4 percent, down significantly from the 8.5 percent increase a year ago. The budget also addresses issues such as climate change and water management.

### **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, and plan 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.

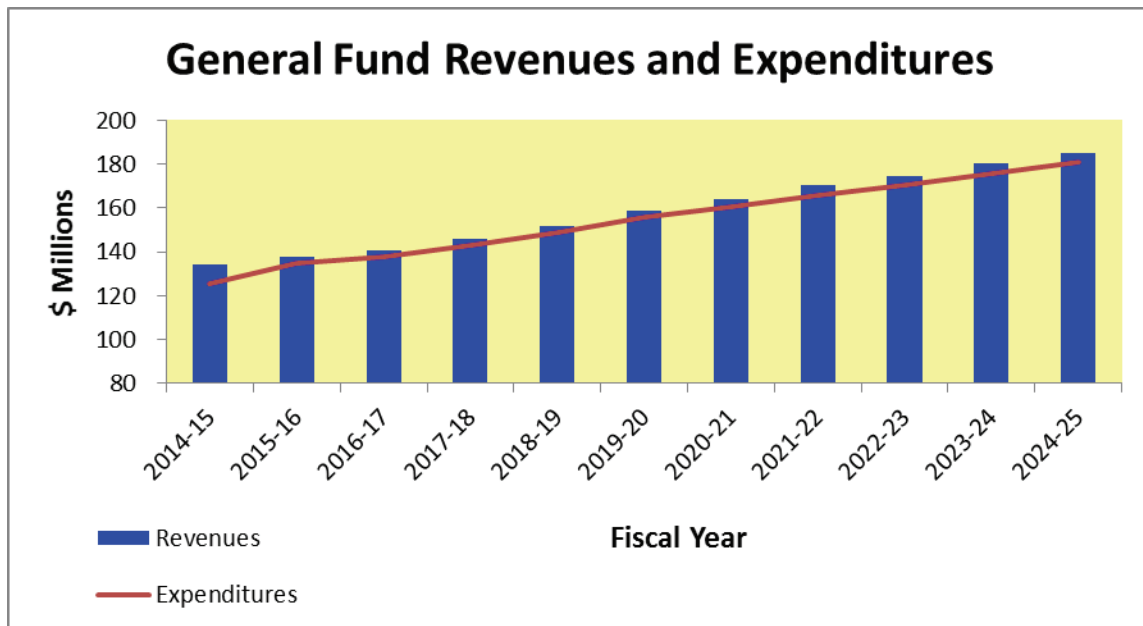
While the City of Carlsbad has a long-term history of maintaining sufficient reserves, the City Council took formal action during Fiscal Year 2007-08 to adopt a reserve policy, which was revised in Fiscal Year 2010-11. The General Fund Reserve Policy sets a minimum reserve of 30 percent of the General 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 we maintain a structurally balanced budget in the long term, the city 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 we find ourselves 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 we 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 priority projects, reducing and/or eliminating cost of living salary increases, requiring 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 General Fund forecast to effectively manage fiscal resources and map a sustainable and responsible path for attaining the goals of the community. The tumultuous economic environment experienced in the past few years makes this long-term perspective even more important.

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 Park, are also captured in the forecast. Economic conditions at the national, state, and local level are expected to continue to improve 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 continues to be positive and revenues are expected to exceed ongoing operating costs over the period of the forecast.



The forecast assumes that General Fund revenues will increase by approximately three percent in Fiscal Year 2015-16, as economic conditions continue to improve, bolstering revenues from the property taxes, sales taxes and TOT. To project the expenditures, all known changes in personnel and maintenance and operations costs are accounted for. However, the effects of future negotiations with employee bargaining units are not contemplated in the current ten-year forecast. The forecast also captures increases in operating costs associated with planned capital improvements, such as parks as civic facilities.

The forecast assumes that the city’s cost for employee health care will increase by five percent, annually, over the life of the forecast. Pension plan costs 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 35 percent from Fiscal Year 2015-16 to Fiscal Year 2019-20, after which costs stabilize and may even decrease. The forecast further assumes that no new positions are authorized after Fiscal Year 2015-16, 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).

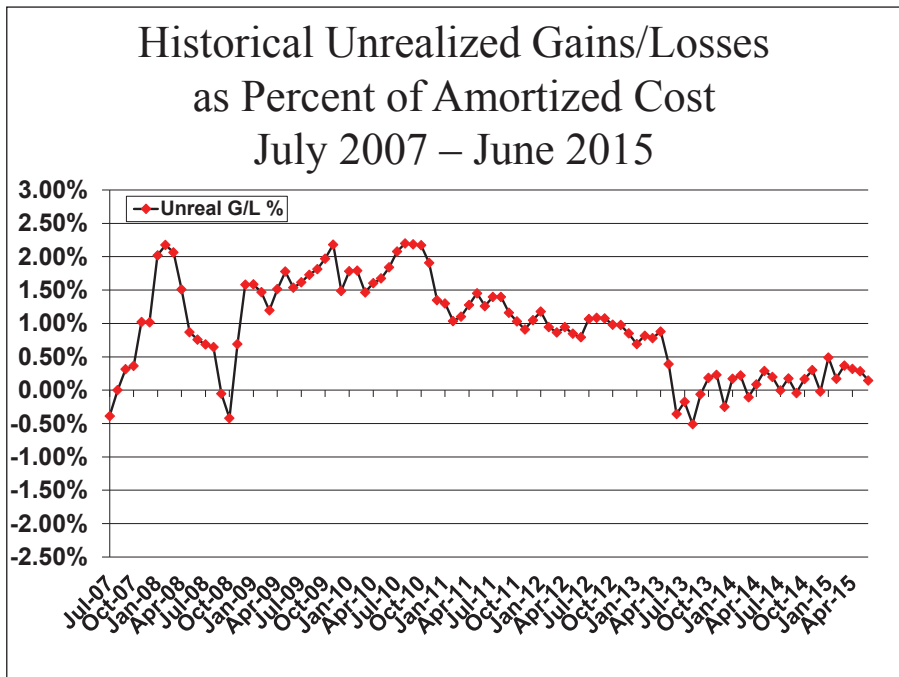
As indicated in the graph on the previous page, the General Fund is balanced for Fiscal Year 2015-16 and revenues exceed expenses over the life of the forecast. Although the revenue forecast is optimistic, Carlsbad faces the same challenges that plague the national and state economies, including the unknown impact and duration of the current drought and rising health costs. 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, 2015 was 1.937. The average return realized on the pooled investments increased from 1.045 percent in Fiscal Year 2013-14 to 1.086 percent for Fiscal Year 2014-15, and it is expected to further increase 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 0.145 percent for Fiscal Year 2014-15. 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 2015-16 Capital Budget, several significant projects are in design or under construction over the next five years. Some of the notable capital projects include the following:

PARK PROJECTS

The city is in the process of updating existing city park master plans based on the outcomes of a recent needs assessment that re-evaluated current and future park needs.

Multi-Use/Multi-Generational Community Center – As a result of the needs assessment, funds are included to study the feasibility of a multi-use, multi-generation indoor community center, located at Poinsettia Park, which will serve a larger cross section of the community.

Leo Carrillo Phase III – Located in the southeast quadrant of the city, a recent update re-evaluated the remainder of the Carrillo Ranch Master Plan and prioritized projects based on community input to make sure that the proposed project amenities are serving the greatest need of the community. Expenditures include restoration of the horse stables. The total estimated cost is \$980,000.



Pine Avenue Park Community Facility and Garden Areas – The remaining elements of the park include a multi-purpose community center and gymnasium, a community garden with rentable plots, and a botanical/ornamental garden. This final phase of the park is estimated at \$10.4 million.

Aviara Community Park Amphitheater and Picnic Areas – The additional park amenities include a large passive outdoor community social space with a small amphitheater, group picnic areas, a perimeter walking path and a warming kitchen complete with appliances to support outside catering and food and beverage services and small events. The total cost is \$3.1 million.

Poinsettia Community Park – Park improvements include a fenced dog park for both large and small dogs, updated tot lots and a multi-sports arena with a picnic area and artificial turf field, at a total cost of \$3.9 million.

Outdoor Adventure Park Feasibility Study – The proposed Capital Plan includes funding to study the feasibility and possible location of an outdoor adventure park for recreational activities not typically done in community centers or gymnasiums, such as a bike skills course, rope skills, zip lines, and rock climbing.

## CIVIC FACILITIES

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

Library Renovation Projects – Funding was previously budgeted for significant renovation projects 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 communications services for the public. Renovation at Cole Library is expected to begin in the fall of 2015 and be complete around the end of the year. Dove Library improvements will begin after the Cole Library is re-opened and is planned for completion by June 2016.

Safety Center Improvements – Improvements include new and renovated office space, a new lobby wall, an expanded women’s locker room and dispatch area, as well as lighting and HVAC improvements. The total estimated cost is \$3.2 million.

Maintenance & Operations Center – This city facility will bring together offices, the maintenance yard, a warehouse, and parking to accommodate the various work groups at one location, currently planned near the existing Safety Center and Fleet yard. The total estimated construction cost is \$25.9 million.





Facilities Maintenance – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. New projects have currently been identified at a total cost of about \$8.9 million. Projects are planned at the following locations:

- Aviara Community Park – Synthetic turf replacement
- City Hall Complex refurbishment
- EOC Relocation
- Faraday Facility rehabilitation
- Fire Station No. 1
- Fleet Maintenance
- Harding Center

Trails – Additional funding is included for the Lake Calavera Trails system for restrooms and a drinking fountain.

### STREET AND CIRCULATION PROJECTS

People of all ages and abilities want to go places safely and conveniently in Carlsbad. Whether they drive, walk, bike, or ride a bus or train. The livable streets concept, also called "complete streets," acknowledges that streets are an important part of the livability of today's communities and ought to be for everyone. Carlsbad has made livable streets a priority when planning and constructing improvements to city roadways. In addition to constructing improvements, the city continues to invest in the maintenance and operation of the transportation infrastructure by providing timely repairs and rehabilitation of the public assets associated with the roadways and public rights of way throughout the city.

ADA Improvements – ADA projects throughout the city are scheduled for \$1.2 million in funding over the next five years. The project includes various accessibility improvements, including sidewalk curb ramps and pedestrian signals.

Public Beach Access Improvements – This project will make improvements to beach access locations along Ocean Street, including removal and replacement of stairs, installation of shade structures, improved signage, trash receptacles and landscaping. The total cost is \$2.6 million.

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

Street Road Diet and Traffic Calming Projects along Chestnut Avenue, Valley Street, Kelly Drive, and La Costa Avenue – Three new projects are planned in the next five years to provide complete street solutions so that the varied user of these roads, including pedestrians and bicyclists, are provided for in a balanced and equitable manner. The total cost is estimated at \$8.2 million.

Intersection Improvements – Two intersection projects along El Camino Real - at Cannon Road and at College Boulevard are scheduled to receive an additional \$775,000 in the next five years.

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, \$4.9 million in additional funding is included for these projects, which are expected to cost over \$20 million by completion.

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 as they are identified. The FY 2015-16 CIP has \$18.5 million budgeted in the next five years for this program.



Parking Lot Maintenance Program – Parking lot maintenance is a relatively new program and is scheduled to receive funding of \$845,000 in the next five years.

Concrete Repair and Maintenance – The proposed spending plan included \$1 million in the next five years for repairs to sidewalks, curb and gutter, pedestrian ramps, driveway approaches and cross gutters.

Traffic Signals – In the next five years, four traffic signal installations are planned at the following locations, at a total cost of \$780,000:

- El Fuerte Street and Rancho Pancho
- Faraday Avenue and Camino Hills Drive
- Faraday Avenue and Palmer Way
- La Costa Avenue and Levante Street

### WATER/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 will become 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 \$32.4 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 \$64.3 million, of which the remaining \$20 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 wastewater facilities scheduled for construction or replacement within the next five years include:

- Buena Interceptor Sewer Improvements
- Chinguapin
- Crest Drive
- Faraday/El Camino Real Sewer Replacement
- Las Palmas Trunk Sewer
- Marron Road
- North Batiquitos
- Poinsettia Lane Lift Station Emergency Overflow Basin
- Quarry Creek Sewer Extension
- Terramar Sewer Replacement

In addition to the new construction and replacement projects and ongoing condition assessments, repairs and upgrades to the city's wastewater facilities are expected to cost \$2.1 million in the next five years.

### Water Lines

Major water facilities scheduled for construction or replacement within the next five years are estimated at \$35.9 million, and include the following locations:

- Aviara Parkway and Plum Tree
- Carlsbad Boulevard – South of Avenida Encinas
- Crestview Drive
- El Fuerte and Corintia

- 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
- Poinsettia Lane – Casia Road to Skimmer Court
- 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 \$30 million. These facilities are expected to meet the 76 percent increase in future recycled water demand. The expansion is expected to increase the recycled water supply from 4 to up to 8 mgd (million gallons per day). With diminishing potable water resources available, alternative supplies such as recycled and desalinated water become increasingly important in supplementing the total water supply.



### 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 additional \$1.3 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, 2014. This was the seventeenth 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 Davis Farr LLP 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, Interim 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 2015-16  
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**

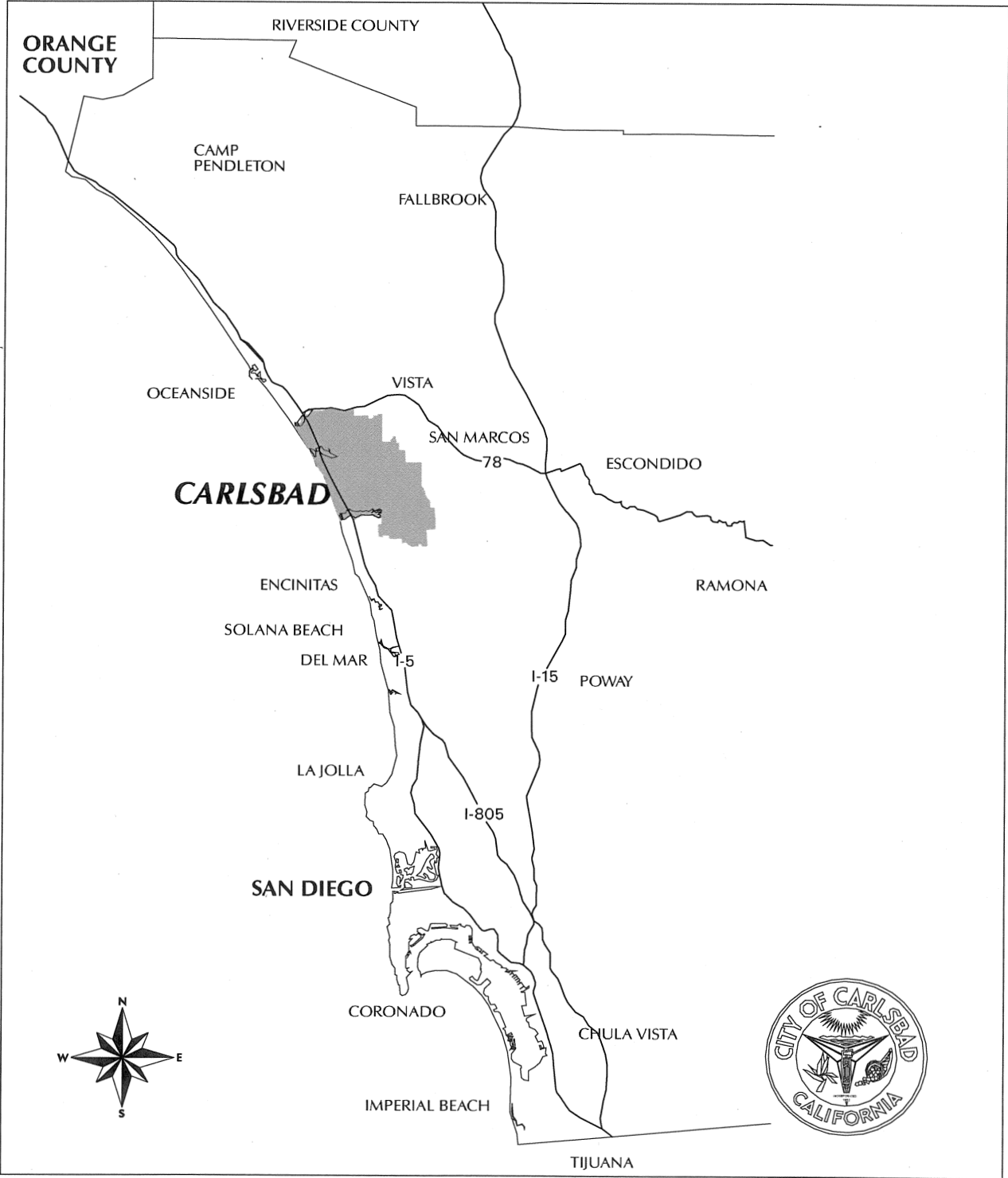
Presented to

**City of Carlsbad  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

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

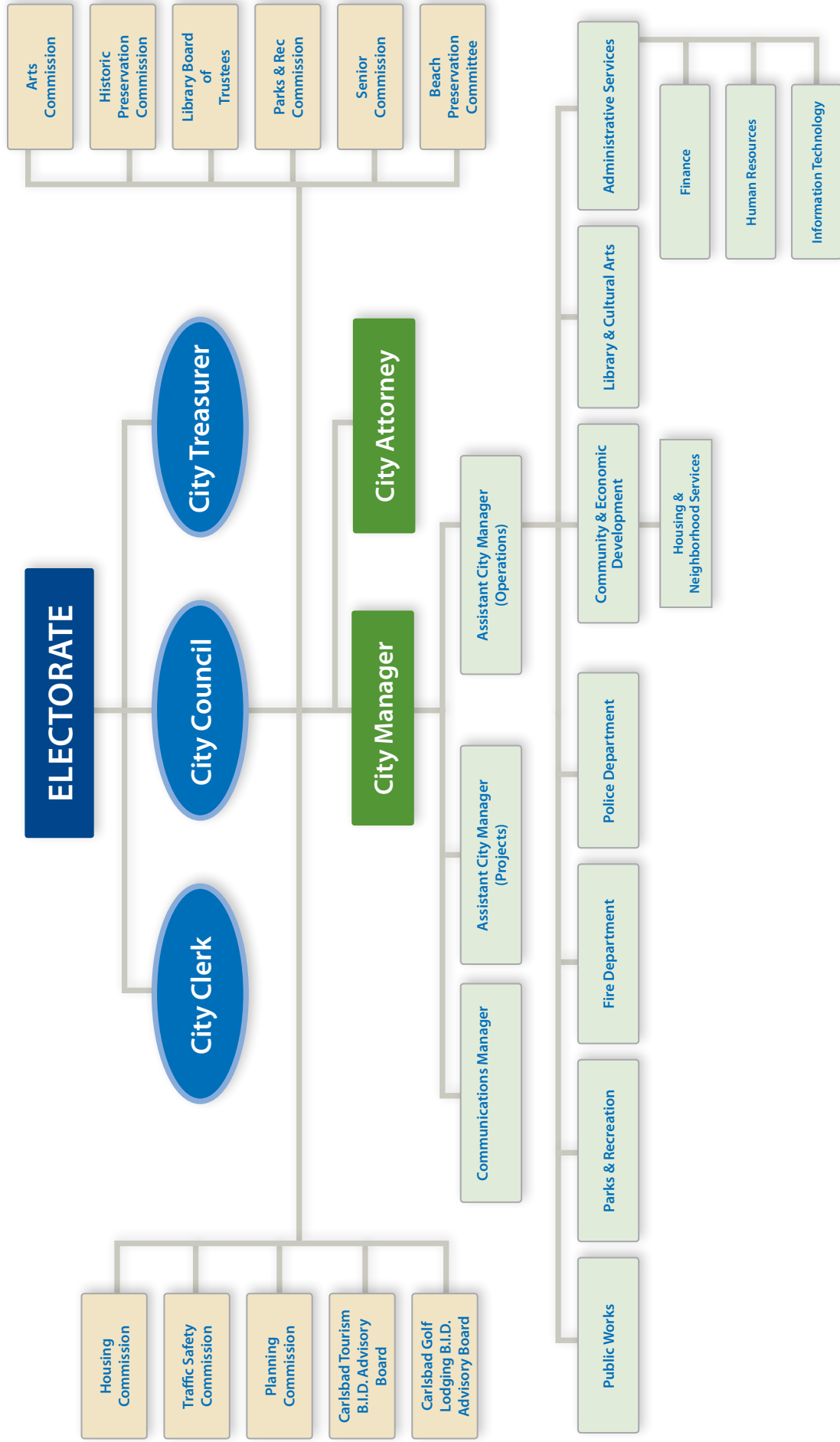
### ***LEADERSHIP TEAM***

Kathy Dodson, Interim City Manager  
Celia Brewer, City Attorney  
Gary Barberio, Assistant City Manager  
Vacant, Assistant City Manager  
Michael Davis, Fire Chief  
Chris Hazeltine, Parks & Recreation Director  
Pat Thomas, Public Works Director  
Chuck McBride, Administrative Services Director  
Neil Gallucci, Interim 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 & Recreation Commission
Kerry Siekmann	Planning Commission
David Tweedy	Senior Commission
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

# Organization Chart



**KEY**

- Elected
- Council Appointed
- Council Appointed



**Financial Section**



**Financial Section**

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, 2015, 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 as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows and the statement of revenues, expenditures and changes in fund balance - budget to actual of the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As described further in Note 22 to the financial statements, during the year ended June 30, 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68. As a result of the implementation the City had a prior period adjustment as described further in Note 23 to the financial statements. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *budgetary comparison information for the General Fund* and *each major special revenue fund* and *Schedule of Funding Progress - CalPERS Pension Plan* and *Schedule of Funding Progress - Other Post-Employment Benefits Plan* 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***

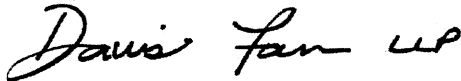
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules 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 nonmajor fund financial statement and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and the statistical section have 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 25, 2015 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.



Irvine, California  
November 25, 2015

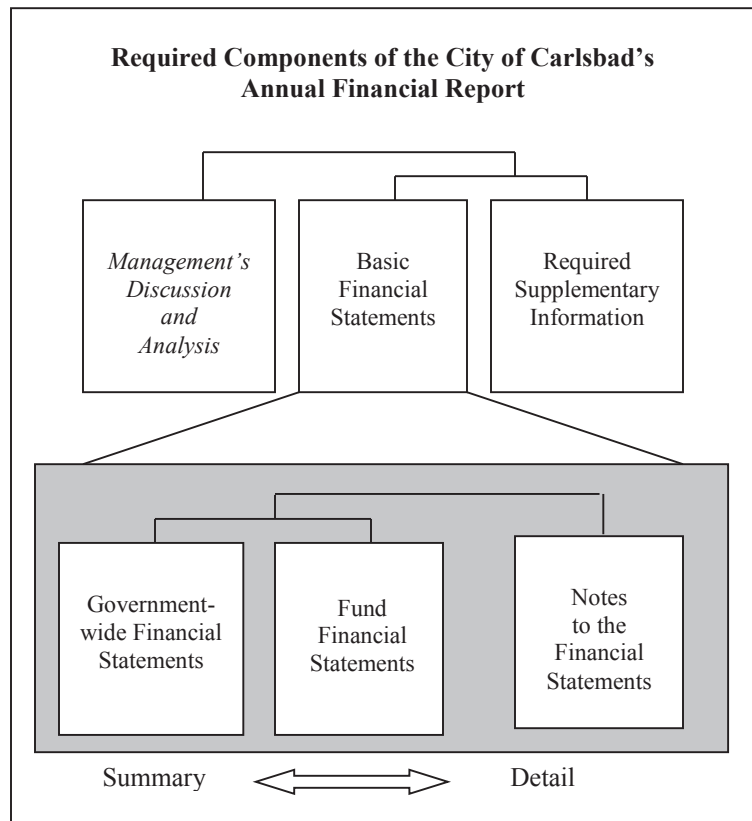
## Management's Discussion and Analysis

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, 2015. 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, 2015, as shown below, was \$1.659 billion. The city’s net position decreased by \$97.2 million as compared to the prior fiscal year. This was the combination of three prior period adjustments, totaling \$138.1 million, partially offset by revenues exceeding expenses for the year totaling \$40.9 million. The largest prior period adjustment was due to the implementation of Government Accounting Standards Board (GASB) 68. This GASB required the city to put their net pension liability on the books, which reduced the city’s net position. The decrease in the city’s net position would have been worse had it not been for a couple of key factors. First, although the city had to include its net pension liability in this year’s financial statements, the liability actually decreased during the year (from the initial date of recording the liability on July 1, 2014) due to strong earnings on the assets in the plan during Fiscal Year 2014-15, resulting in a net pension liability of \$123.6 million for the city. Secondly, continued strength in the economy and increased development in the city led to revenues exceeding expenditures by \$40.9 million for the year. The decrease in capital assets was the result of current year depreciation expenses exceeding the addition of new capital assets. In addition to the decrease in net position, the implementation of GASB 68 increased long-term debt, deferred outflows and deferred inflows. Other liabilities increased due to large year-end accruals from vendor invoices, salaries and benefits, and an error made by the State Board of Equalization creating an over payment of sales tax (this has been set aside in a liability to be repaid to the agency).

<b>CITY OF CARLSBAD’S NET POSITION</b>							
<b>(in millions of dollars)</b>							
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total</b>
	<b>Activities</b>		<b>Activities</b>		<b>Total</b>		<b>Percentage</b>
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014-15</b>
Current and other assets	\$575.5	\$604.5	\$126.6	\$139.5	\$702.1	\$744.0	6.0%
Capital assets	784.2	783.3	341.0	340.7	1,125.2	1,124.0	-0.1%
<b>Total assets</b>	<b>1,359.7</b>	<b>1,387.8</b>	<b>467.6</b>	<b>480.2</b>	<b>1,827.3</b>	<b>1,868.0</b>	<b>2.2%</b>
<b>Deferred outflows</b>	<b>0.0</b>	<b>13.8</b>	<b>0.0</b>	<b>1.1</b>	<b>0.0</b>	<b>14.9</b>	<b>100.0%</b>
Other liabilities	21.9	25.8	11.6	10.6	33.5	36.4	8.7%
Net pension liability	0.0	114.3	37.6	9.3	37.6	123.6	228.7%
Long-term debt outstanding	0.0	0.0	0.0	34.9	0.0	34.9	100.0%
<b>Total liabilities</b>	<b>21.9</b>	<b>140.1</b>	<b>49.2</b>	<b>54.8</b>	<b>71.1</b>	<b>194.9</b>	<b>174.1%</b>
<b>Deferred inflows</b>	<b>0.0</b>	<b>26.9</b>	<b>0.0</b>	<b>2.1</b>	<b>0.0</b>	<b>29.0</b>	<b>100.0%</b>
Net position							
Net investment in							
capital assets	784.2	783.3	305.7	307.1	1,089.9	1,090.4	0.0%
Restricted	225.0	227.8	46.6	47.3	271.6	275.1	1.3%
Unrestricted	328.6	223.5	66.1	70.0	394.7	293.5	-25.6%
<b>Total net position</b>	<b>\$1,337.8</b>	<b>\$1,234.6</b>	<b>\$418.4</b>	<b>\$424.4</b>	<b>\$1,756.2</b>	<b>\$1,659.0</b>	<b>-5.5%</b>

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 \$1.659 billion at the close of the most recent fiscal year.

A large portion of the city’s net position (65.7 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 (16.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$293.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

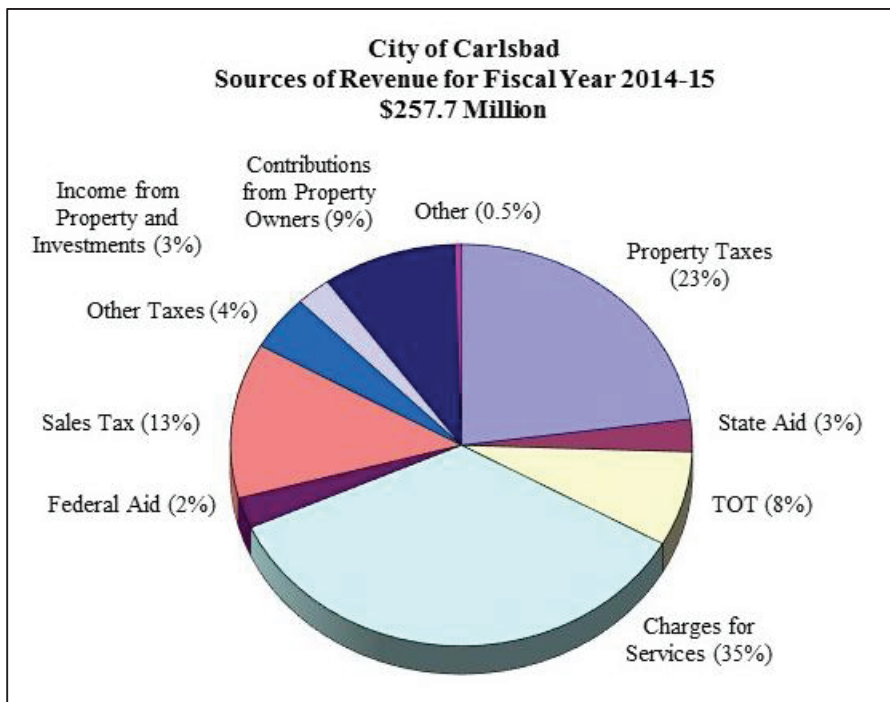
Just over 30 percent of the \$223.5 million in unrestricted governmental activities net position is attributable to the General Fund. This is a large decrease from the previous fiscal year, due entirely to the implementation of GASB 68 and the inclusion of the city's net pension liability in the financial statements. The net investment in capital assets for the city increased slightly during Fiscal Year 2014-15 due primarily to an increase in capital assets in the city's business-type activities. These assets primarily include water and sewer lines. A portion of business-type net position represents the city's municipal golf course. At the end of Fiscal Year 2014-15, 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

<b>CITY OF CARLSBAD'S CHANGES IN NET POSITION</b>							
(in millions of dollars)							
	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2014	2015	2014	2015	2014	2015	2014-15
<b>Revenues</b>							
Program revenues							
Charges for services	\$16.7	\$20.2	\$69.6	\$70.3	\$86.3	\$90.5	4.9%
Operating grants and contributions	11.9	12.2	0.1	-	12.0	12.2	1.7%
Capital grants and contributions	16.2	19.1	3.2	5.9	19.4	25.0	28.9%
General revenues							
Property taxes	52.6	56.0	2.9	3.1	55.5	59.1	6.5%
Sales and use taxes	30.5	32.1	-	-	30.5	32.1	5.2%
Other taxes	27.6	31.1	-	-	27.6	31.1	12.7%
Income from property and investments	6.9	4.6	2.5	1.9	9.4	6.5	-30.9%
Other	0.5	0.6	-	0.6	0.5	1.2	140.0%
<b>Total revenues</b>	<b>162.9</b>	<b>175.9</b>	<b>78.3</b>	<b>81.8</b>	<b>241.2</b>	<b>257.7</b>	<b>6.8%</b>
<b>Expenses</b>							
General government	20.2	16.1	-	-	20.2	16.1	-20.3%
Public safety	48.9	48.8	-	-	48.9	48.8	-0.2%
Community development	16.3	17.2	-	-	16.3	17.2	5.5%
Community services	29.1	31.4	-	-	29.1	31.4	7.9%
Public works	30.3	36.3	-	-	30.3	36.3	19.8%
Carlsbad Municipal Water District	-	-	43.5	40.9	43.5	40.9	-6.0%
Golf course	-	-	11.0	10.5	11.0	10.5	-4.5%
Wastewater	-	-	12.5	12.6	12.5	12.6	0.8%
Solid waste	-	-	2.9	3.0	2.9	3.0	3.4%
<b>Total expenses</b>	<b>144.8</b>	<b>149.8</b>	<b>69.9</b>	<b>67.0</b>	<b>214.7</b>	<b>216.8</b>	<b>1.0%</b>
Excess (deficiency) before transfers	18.1	26.1	8.4	14.8	26.5	40.9	54.3%
Extraordinary loss	(10.3)	-	-	-	(10.3)	-	100.0%
Transfers	(1.2)	(1.3)	1.2	1.3	-	-	0.0%
<b>Increase (decrease) in net position</b>	<b>6.6</b>	<b>24.8</b>	<b>9.6</b>	<b>16.1</b>	<b>16.2</b>	<b>40.9</b>	<b>152.5%</b>
Beginning position, as restated	1,331.2	1,209.8	408.8	408.3	1,740.0	1,618.1	-7.0%
<b>Ending net position</b>	<b>\$1,337.8</b>	<b>\$1,234.6</b>	<b>\$418.4</b>	<b>\$424.4</b>	<b>\$1,756.2</b>	<b>\$1,659.0</b>	<b>-5.5%</b>

The condensed summary of activities shows that net position increased by \$43.4 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: \$22.6 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 economy showing that it has fully recovered from the recession; the build-up of cash reserves in the city’s capital project and enterprise funds for future capital project construction and acquisition; revenues received in the city’s special revenue funds for future services and programs; and the donation of infrastructure assets from developers.

Approximately 68 percent of the revenues of the city’s governmental funds are generated through taxes collected (property, sales, transient occupancy, etc.), and just under 86 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 city has now fully recovered from the great recession. In recent years, the city had seen its sales and transient occupancy taxes (TOT) rebound from the recession, and in the most recent fiscal year, the last of the “big three” taxes, property taxes, showed significant growth. An increase in assessed values for residential and commercial properties led to an increase in property tax revenues for the first time since the recession (a lagging indicator of the financial health

of the city). The addition of three new hotels: a 133-room Holiday Inn; a 100-room Fairfield Inn & Suites; and a 106-room StayBridge Suites all opened during the year, contributing to higher TOT for the year. The opening of the new Alga Norte Community Park and Aquatics Center, as well as continued strength in citywide development, impacted the increase in charges for services. This rise in citywide development during the year also led to higher developer impact fees being collected by the city (contributions from property owners), another sign that the city is in the midst of a full, economic recovery. 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. Another factor in the lower 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). Some additional one-time revenues were received during the year, including the receipt of insurance, Federal Emergency Management Agency (FEMA) and Office of Emergency Services (OES) reimbursements from the 2014 Poinsettia fire; the reversal of a large, prior period refund that was no longer required; and developer contributions received to cover the costs associated with environmental impact report (EIR) studies on the new Westin Hotel and timeshares, the Uptown Bressi Ranch project, and the Agua Hedionda South Shore Specific Plan.

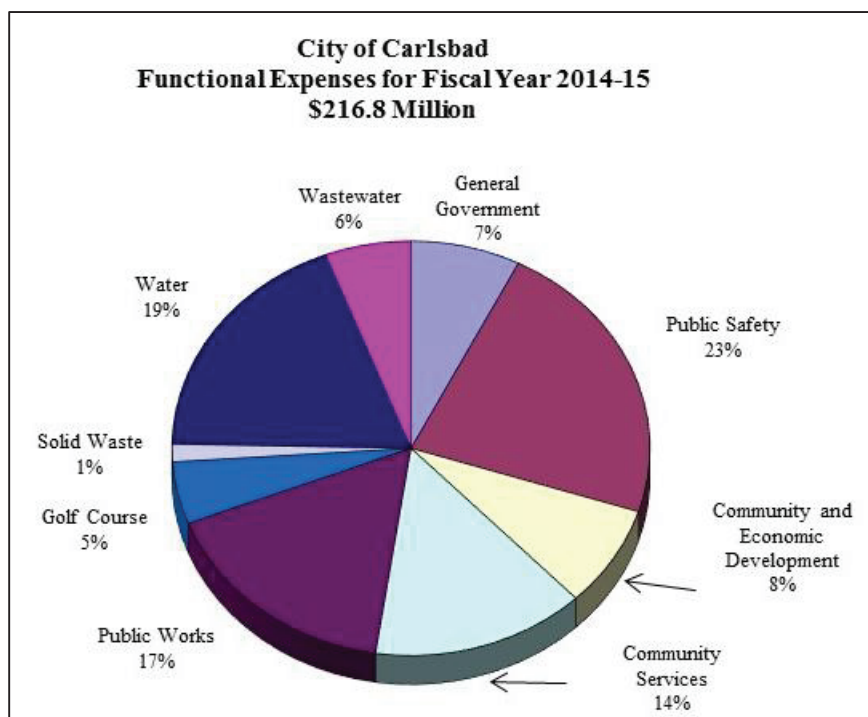
The total cost of all programs and services was just under \$214.4 million in Fiscal Year 2014-15. This was slightly less than Fiscal Year 2013-14 figure of \$214.7 million. The large decrease in general government expenses and the large increase in public works expenses was primarily due to the reclassification of property and environmental management division expenses. In previous years, these expenses were recorded as general government expenses, but beginning in Fiscal Year 2014-15, a change was made to more closely assign these expenses with the appropriate program (public works versus general government), thereby creating these two variances. However, the large decrease in general government expense was partially offset by an increase in technology related expenses, as the city has been investing in several new system implementations and information technology infrastructure upgrades. Development picked up during the fiscal year, creating higher community development charges for the period. These expenses



were related to plan checks, building inspections and developer funded studies. The opening of the new Alga Norte Community Park and Aquatics Center was a major driver in the increase in community service charges. Lower purchased water costs due to drought conservation efforts in the Water Fund created the decrease for the year in business-type activities.

- General Government (7 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 Community Outreach and Engagement 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 non-departmental 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 mission is to protect and serve the community with integrity, professionalism, and valor. 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 and employment 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.

- Community Services (14 percent)

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

- Public Works (17 percent)

Public Works is responsible for building and maintaining all of the infrastructure assets of the city. This service area includes Transportation, Storm Drains, Asset Management, the Buena Vista Channel, Street Lighting, Traffic Sign and Signal Maintenance programs, Property & Fleet Management, and 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. Also included in this section is the Storm Water Protection Program, whose goal is to provide leadership and stewardship of the city's resources protecting the city's beaches, creeks and lagoons.

- Water Operations (19 percent)

The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable and recycled water service to approximately 85 percent of the city (approximately 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)

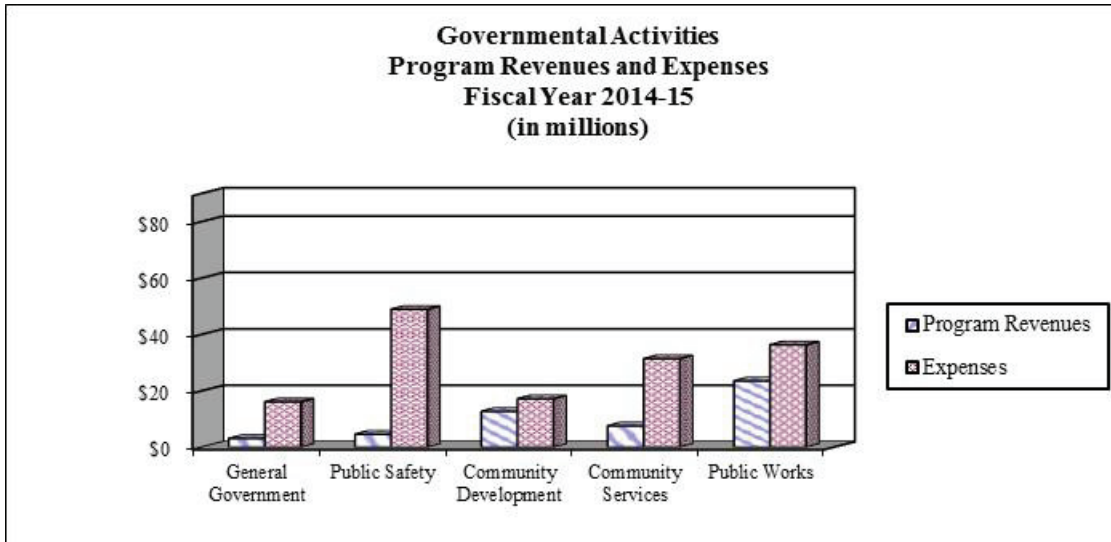
The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad, Vista and Encinitas; the Leucadia 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 \$24.8 million. This increase was generated by total revenues of *governmental* activities of \$175.9 million (\$51.5 million in program revenues and \$124.4 million in general revenues) offset by \$149.8 million in total costs of *governmental* activities, and \$1.3 million in transfers to the Golf Course and Solid Waste funds.

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).

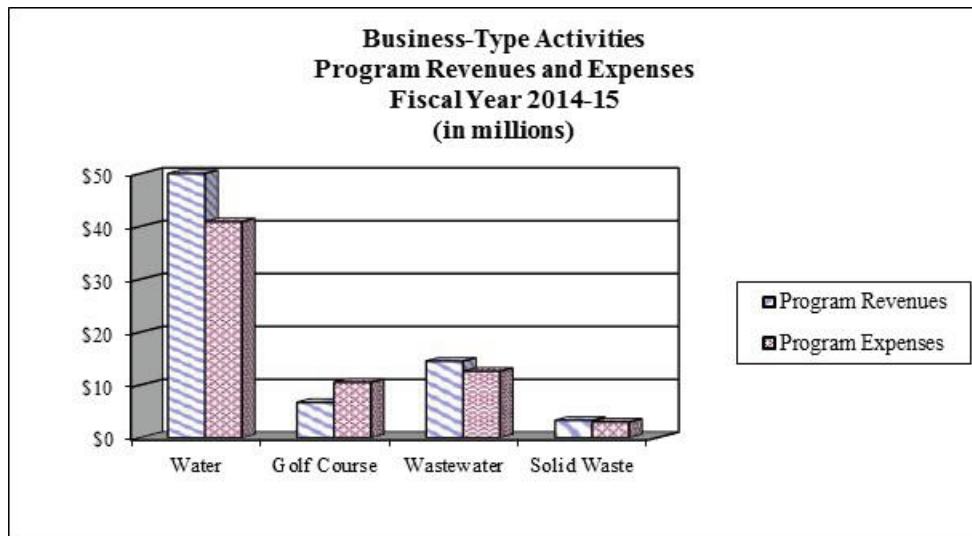


Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$20.2 million), grants and contributions from other governments and organizations which subsidize certain programs (\$31.3 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 \$124.4 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 was extremely strong during Fiscal Year 2014-15, thereby offsetting a large portion 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 funds have 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 \$76.2 million for the year, while program expenses equaled \$67 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 \$4.2 million. Water sales were lower than the previous fiscal year due to the net effect of an average 5 percent increase in water rates charged to our customers (water and delivery charges) that went into effect in January 2014 and January 2015, completely offset by drought conservation efforts. 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 eighth full year of operation. Golf course revenues were sufficient to fund normal golf course operating expenses excluding financing and depreciation expenses, resulting in a net loss of \$3.1 million.

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

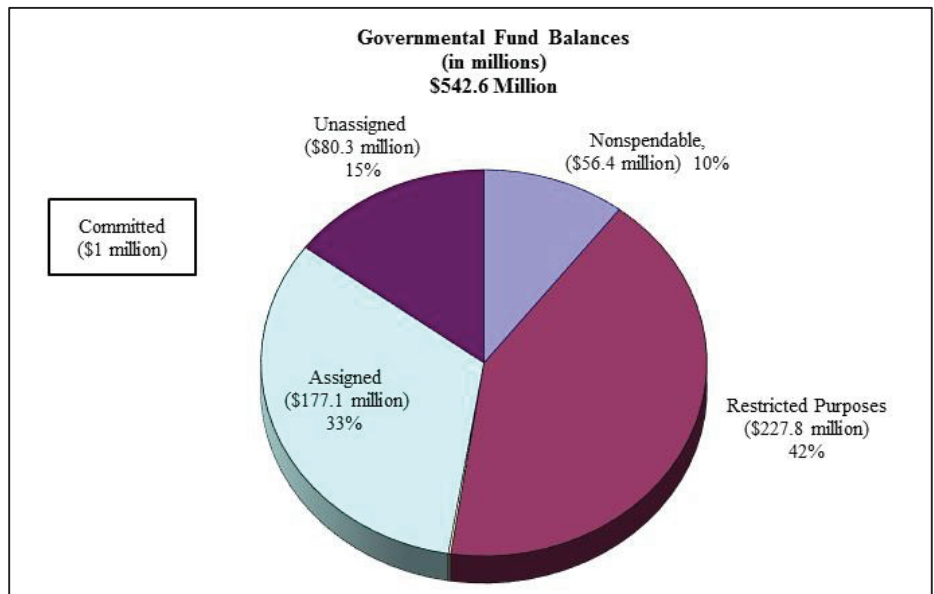
### **Financial Analysis of the City's Funds**

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 are: non-spendable, 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
	2014	2015		
<b>Revenues</b>				
Taxes	\$109.6	\$118.6	\$9.0	8.2%
Intergovernmental	1.1	1.7	0.6	54.5%
Licenses and permits	2.2	2.4	0.2	9.1%
Charges for services	7.6	9.4	1.8	23.7%
Fines and forfeitures	0.7	0.7	0.0	0.0%
Income from property and investments	3.6	3.6	0.0	0.0%
Miscellaneous	1.0	2.2	1.2	120.0%
<b>Total revenues</b>	<b>125.8</b>	<b>138.6</b>	<b>12.8</b>	<b>10.2%</b>
<b>Expenditures</b>				
General government	13.5	16.3	2.8	20.7%
Interdepartmental charges	(3.5)	(3.8)	(0.3)	8.6%
Public safety	46.9	48.6	1.7	3.6%
Community development	8.1	9.0	0.9	11.1%
Community services	23.9	25.4	1.5	6.3%
Public works	14.1	14.9	0.8	5.7%
<b>Total expenses</b>	<b>103.0</b>	<b>110.4</b>	<b>7.4</b>	<b>7.2%</b>
Excess (deficiency) before transfers	22.8	28.2		
Transfers in	0.0	0.0		
Transfers out	(16.1)	(10.9)		
<b>Increase (decrease) in fund balance</b>	<b>6.7</b>	<b>17.3</b>		
Beginning fund balance (as restated)	154.5	161.2		
<b>Ending fund balance</b>	<b>\$161.2</b>	<b>\$178.5</b>		

As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$542.6 million, up \$24.8 million from the year before. Approximately 10 percent of this (\$56.4 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 42 percent (\$227.8 million). Assigned fund balances are intended to be used by the city for specific purposes but do not meet the criteria to be classified as restricted or committed. These make up 33 percent (\$177.1 million) of the city's fund balance. Approximately 15 percent (\$80.3 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 \$178.5 million, an increase of \$17.3 million. The unassigned fund balance portion of the General Fund was \$80.3 million. The increase in revenues was primarily due to the increases in tax revenues; property tax, sales tax and transient occupancy taxes. As the economy continues to grow since the Great Recession, these revenues rose, which resulted in the majority of the increases in the General Fund. A retroactive payment received for pre-2004 state mandated costs drove the higher intergovernmental revenues. Development related revenues reflected significant growth for the year (licenses and permits, and charges for services) due to an increase in residential and commercial development. The increase in miscellaneous revenues was the result of additional developer funded studies, reimbursements for the 2014 Poinsettia fire (insurance, FEMA and OES) and a reduction in prior year refunds.

In the city's Fiscal Year 2014-15 budget, expenditures were expected to increase 4.1 percent over the Fiscal Year 2013-14 budget to \$124.6 million. The total personnel budget for Fiscal Year 2014-15 was \$78.3 million, which was 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 was \$36.1 million, which was 14.2 percent higher than the previous year's budget of \$31.6 million. The increase in personnel budgets was based on previously negotiated salary and benefit increases and the net addition of two new staff members. Higher M&O budgets reflected 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 were budgeted at \$10.1 million, a \$3.7 million decrease from the prior fiscal year. This decrease was 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 was carried over to Fiscal Year 2014-15, as well as \$7.1 million in open encumbrances as of June 30, 2014.

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 Infrastructure Replacement Fund for the funding of the Cole and Dove Library remodel projects that are currently being completed.

The fund balance in the Infrastructure Replacement Fund (IRF) 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. During the year, several projects were funded within the IRF, including the Las Palmas HVAC/roof replacement, the replacement of synthetic turf at Poinsettia Community Park, park athletic field lighting retrofitting, and the city's traffic signal program.

Due to the installation of solar at the new Alga Norte Community Park and the relocation of Fire Station #3, the Public Facilities Construction Fund (PFF) saw its fund balance decrease by just under \$1.1 million.

The reduction in the fund balance of the PFF 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 \$7 million for the year. Operating revenues were just under \$47.5 million and operating expenses were slightly under \$40.5 million. One of the larger factors in the operating gain was the result of the final reimbursement on the Marbella lawsuit. Water sales were actually down for the year due to a reduction in water sales; a direct correlation with drought conservation

measures. The State of California is in the fourth year of an unprecedented drought. Governor Brown has ordered mandatory water reduction measures in order to mitigate this epic crisis. CMWD did approve increases in water rates (about 5 percent in January 2014 and 5 percent in January 2015), however, residents continued to conserve water during the year, creating the reduction in water sales. 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. Lower purchased water costs due to the drought (a complete offset of the increase in purchased water rates) and the completion of the Automated Meter Reading (AMR) program in the prior fiscal year, led to the \$2.7 million decrease 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 \$10.9 million.

In the eighth year of operation, the Golf Course Fund had an operating loss of \$3.1 million (identical to last fiscal year), 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). A miscellaneous reimbursement was received by the city from the operator of the golf course of \$595,000 from a previous discrepancy discovered by the golf course operator.

The Wastewater Funds had an annual operating gain of \$241,000 for the fiscal year. Total revenues from operations were essentially equal to the previous year. This was the net effect of a small rate increase offset by a reduction in wastewater revenues associated with commercial and industrial accounts. Commercial and industrial wastewater billing is based on water usage, and with the drought conservation efforts currently in place, this reduced these revenues for the year. In addition, operating expenses increased by \$119,000 from the previous fiscal year. Higher electric costs combined with normal increases in personnel, Encina operating, and maintenance and operations costs were the primary drivers for this increase. The decrease in depreciation expense was due to adjustments made to the investment in the Encina plant. Non-operating revenues of \$479,000 added to the operating income, resulting in a net gain of \$720,000 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 \$328,000 for the year. Revenues were down modestly due to two factors. First, the City of Carlsbad was the lead agency for a regional water quality improvement plan in the prior fiscal year, and received reimbursements from the other co-permit participants during the prior year. In addition, the city received fewer beverage container grant revenues for the year. Expenses for the year reflected a slight increase. Normal increases in personnel, and maintenance and operations expenses, combined with increased internal service chargebacks, accounted for this variance.

The unrestricted net position for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to \$69.8 million, or approximately 16.5 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 \$47.3 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 2015**

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the city. General Fund revenue estimates were modified moderately during the year as compared to the originally budgeted estimates. Some of the factors that led to the \$5.2 million increase in revenue estimates included:

- Several new federal and state grants were applied for and received during the year.
- Increased property tax revenues due to revised revenue estimates received by the County of San Diego after the budget had been adopted by the City Council.



- Increased transient occupancy tax (TOT) revenue received as a result of the opening of three new hotels and an increase in tourism and occupancy.
- Higher sales tax revenues derived from a strong economy, with new car sales leading the way.
- Higher business license revenues from the addition of 364 new businesses, as well an increase in renewal license revenues from an increase in some companies' business volumes.
- Increased interest resulting from higher cash balances maintained in the General Fund and General Capital Construction Fund.

The increase from the total original expenditure budget to the final budget amounted to \$2.9 million, due primarily to:

- The appropriation of the grant money received.
- Sales tax audit expenses.
- Developer funded studies.
- Appropriations for the 2014 Poinsettia Fire damages.
- Additional transfers out of the General Fund for:
  - ❖ Fleet replacement costs.
  - ❖ Fiber optic installation costs in several road projects.
  - ❖ Carlsbad Village double tracking project study
- Additional unfunded litigation costs associated with the General Plan update and power plant project

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$22.8 million can be generally summarized as follows:

- Interdepartmental charges were \$240,000 below estimates, which are offset against expenditures for reporting purposes in the financial statements.
- \$22.6 million in "savings" by the various major service areas within the city. Current year savings were generated from:
  - Unfilled staff vacancies.
  - Overall awareness of fiscal responsibility throughout the city.
  - Deferral of projects.
  - Accumulated savings set aside for future technology and innovation enhancements.
  - The \$22.6 million in "savings" are planned to be used for:
    - ⇒ Preparation for anticipated El Nino storm related impacts in the city.
    - ⇒ Feasibility study of existing housing stock.
    - ⇒ Fire user fee study.
    - ⇒ Fire brush engine outfitting costs.
    - ⇒ Additional police vehicle replacement costs.
    - ⇒ Matching funds for the sea level rise analysis grant.
    - ⇒ Update for the Local Coastal Program Land Use Plan.
    - ⇒ Development of a communal knowledge café in Community & Economic Development.
    - ⇒ Training opportunities for city staff at all levels.
    - ⇒ Security and safety assessment of select city facilities.
    - ⇒ Municipal monitoring of NPDES.
    - ⇒ Replacement of library furniture and equipment.
    - ⇒ Lobby improvements at Stagecoach and Calavera Community Centers.
    - ⇒ Fence and backstop replacement expenses at Chase Field.
    - ⇒ HVAC and roof replacements throughout city facilities.
    - ⇒ Real estate marketing expenses related to potential property sales.
    - ⇒ Minor building renovations.
    - ⇒ 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) including a new Enterprise Resource Planning (ERP) system and business intelligence architecture.
    - ⇒ 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**

<b>CITY OF CARLSBAD'S CAPITAL ASSETS</b>								
<b>(in millions of dollars)</b>								
	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Change</b>	<b>Total Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>Total</b>		<b>2014-15</b>	<b>2014-15</b>
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014-15</b>	<b>2014-15</b>
Land	\$151.8	\$152.2	\$9.3	\$9.4	\$161.1	\$161.6	\$0.5	0.3%
Construction in progress	18.3	14.5	9.8	10.5	28.1	25.0	(3.1)	-11.0%
Buildings and other structures	115.6	115.6	40.6	40.7	156.2	156.3	0.1	0.1%
Improvements other than buildings	70.9	72.3	50.9	51.1	121.8	123.4	1.6	1.3%
Machinery and equipment	33.3	34.1	3.3	3.3	36.6	37.4	0.8	2.2%
Infrastructure	663.9	682.5	318.1	327.8	982.0	1,010.3	28.3	2.9%
Wastewater treatment facility	-	-	54.5	55.4	54.5	55.4	0.9	1.7%
Intangibles	3.2	3.2	-	-	3.2	3.2	-	0.0%
	<u>1,057.0</u>	<u>1,074.4</u>	<u>486.5</u>	<u>498.2</u>	<u>1,543.5</u>	<u>1,572.6</u>	<u>29.1</u>	<u>1.9%</u>
Accumulated depreciation	(270.4)	(291.1)	(145.5)	(157.5)	(415.9)	(448.6)	(32.7)	7.9%
<b>Total</b>	<b><u>\$786.6</u></b>	<b><u>\$783.3</u></b>	<b><u>\$341.0</u></b>	<b><u>\$340.7</u></b>	<b><u>\$1,127.6</u></b>	<b><u>\$1,124.0</u></b>	<b><u>(\$3.6)</u></b>	<b><u>-0.3%</u></b>

At the end of Fiscal Year 2014-15, 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 Agua Hedionda channel improvements.
- The traffic management center and traffic signal upgrades.
- The coastal rail trail roundabout.
- The northwest quadrant storm drain program.
- The Carlsbad Blvd. at Encinas Creek Bridge.
- A solar structure at Alga Norte Community Park.
- Replacement of artificial turf at Poinsettia Community Park.
- The Maerke Hydroelectric Facility.
- The Home Plant lift station and sewer line.
- \$1.4 million in new vehicles.
- Several waterline projects.
- Several storm drain projects.

In addition to carrying forward appropriations of \$204 million for previously budgeted projects, the city's Fiscal Year 2015-16 capital budget appropriates an additional \$73.5 million for capital projects. These additional appropriations are principally for the new maintenance and operations center; Safety Center improvements; City Hall refurbishments; Emergency Operations Center (EOC) relocation expenses; other city facility refurbishments; the pavement management program; the acquisition of open space (Prop C projects); community facility and garden areas at Pine Avenue Park; Aviara Community Park amphitheater, picnic areas and warming kitchen; phase 3 improvements at Poinsettia Community Park; phase 3 improvements at Leo Carrillo Ranch Park; Maerke Reservoir floating cover replacement; 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 Administrative Services Department.

### Long-Term Debt

<b>CITY OF CARLSBAD'S OUTSTANDING DEBT</b>							<b>Total Percentage Change</b>
<b>(in millions of dollars)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>		
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	
Bonds	\$0.0	\$0.0	\$16.7	\$16.3	\$16.7	\$16.3	-2.4%
Loans	-	-	19.8	18.4	19.8	18.4	-7.1%
Installment purchase agreement	-	-	0.9	-	0.9	-	-100.0%
Adjusted by: premiums/discounts	-	-	0.2	0.2	0.2	0.2	0.0%
<b>Total</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$37.6</b>	<b>\$34.9</b>	<b>\$37.6</b>	<b>\$34.9</b>	<b>-7.2%</b>

At year-end, the city had \$34.9 million in bonds and loans, a decrease of \$2.7 million from last year, as shown in the table above. 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. During the year, the city paid off the Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement bonds. 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 2016

- The State of California adopted its Fiscal Year 2015-16 Annual Budget with the following provisions affecting the city:
  - Governor Brown submitted a balanced state budget in January 2015 for Fiscal Year 2015-16 using projected revenues of \$113.4 billion to cover \$113.3 billion in expenditures.
  - In November 2014, California voters approved Proposition 2, which sets aside additional revenues, primarily from capital gains, to address future economic downturns, instead of increasing ongoing expenditures.
  - At the end of Fiscal Year 2014-15, it is projected that the "rainy day" fund will have a balance of \$2.8 billion.
  - 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 be unwinding in Fiscal Year 2015-16. As part of the unwinding of the "Triple Flip", the city will receive a small increase in net sales tax revenues during Fiscal Year 2015-16 since the "Triple Flip" payments have been effectively behind (one quarter) since the beginning of the "Triple Flip".
  - 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 over \$27.3 billion, a 5.36 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 with a 5.3 percent forecasted increase in the Fiscal Year 2015-16 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 (Lowes)

shopping center. In addition, due to the unwinding of the Triple Flip (see previous page), this will boost sales tax revenues for the year.

- 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 2015 as well with projected average daily rates (ADR) increases of approximately 6 percent. Several new hotels have recently opened including a new 133-room property (Holiday Inn), a 100-room property (Fairfield Inn & Suites) and a 106-room property (StayBridge Suites). Transient occupancy taxes (TOT) are therefore expected to grow by 6 percent.
- PERS rates for the miscellaneous plan have increased for Fiscal Year 2015-16 from 25.1 percent to 27.2 percent, and rates have also increased from 35.3 percent to 36.9 percent for the safety plan.
- Median home prices in Carlsbad have increased by 2 percent from the first quarter of 2014 (\$720,000) to the first quarter of 2015 (\$734,000).
- City departments were given maximum increases of 2.3 percent for maintenance and operational funding to cover changes in the Consumer Price Index (CPI), funding for new capital outlay, and additional personnel funding for existing contractual obligations.
- The city added 16.25 full-time positions, 3.75 limited-term positions and eliminated 11.75 positions to better align staff with the services the city provides.
- Through Memorandums of Understanding (MOU's):
  - The Carlsbad City Employees' Association (CCEA) will receive an allocated share of a 4 percent raise/stipend pool on December 31, 2015.
  - Fire and General Management employees will receive an allocated share of a 4 percent raise/stipend pool on December 31, 2015.
  - Police Management employees will receive an allocated share of a 3.5 percent raise/stipend pool on December 31, 2015.
  - The Carlsbad Firefighters Association (CFA) will receive a 3 percent salary increase on January 1, 2016.
  - The Carlsbad Police Officers Association (CPOA) are currently in negotiations.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2015-16. Budgeted expenditures are expected to increase 8.5 percent to \$135.3 million. The total personnel budget for Fiscal Year 2015-16 is \$82.2 million, which is 5 percent more than the previous year's personnel budget of \$78.3 million. The total maintenance and operations (M&O) budget for Fiscal Year 2015-16 is \$39.2 million, which is 8.7 percent higher than the previous year's budget of \$36.1 million. The increase in personnel budgets is based on previously negotiated salary and benefit increases and the net addition of 9.99 full-time, limited-term and part-time staff. Smaller increases in retirement costs (CalPERS rates), health insurance rates, and worker's compensation rates also contributed to the increase in budgeted personnel costs. Higher M&O budgets reflect the replacement of the Regional Communications System (RCS) radios, library materials and way finding signage for the newly renovated city libraries, succession planning costs, improvements to the Faraday Administrative Center reception and front counter areas, 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 \$12.1 million, a \$1.9 million increase from the prior fiscal year. This increase is due primarily to a \$650,000 increase in the annual transfer to the Infrastructure Replacement Fund for major maintenance and replacement of city infrastructure and a \$1 million transfer to the city's Workers' Compensation Fund to cover increased claim settlements and claims liability. Adding to the adopted budget of \$135.3 million for the General Fund, approximately \$22.6 million in unspent Fiscal Year 2014-15 budgeted expenditures will be carried over to Fiscal Year 2015-16, as well as \$8.3 million in open encumbrances as of June 30, 2015.

During the current fiscal year, the unassigned fund balance in the General Fund increased by \$4.7 million to \$80.3 million due to fiscal discipline; a significant increase in assessed values (higher property taxes); a strong tourism season combined with three new hotels (increased TOT revenues); a rebounding economy (higher sales taxes); higher income from investments due to higher cash balances maintained in the General and General Capital Construction Funds; higher than anticipated development within the city (increased development related services revenue); reimbursements received from the city's insurance companies, FEMA and OES for the 2014 Poinsettia Fire; and strong recreation revenues due to a full year of operating the Alga Norte Community Park and Aquatics Center. Based on Fiscal Year 2015-16 projections, the unassigned General Fund balance is expected to grow approximately \$2.5 million.

The city took an additional step in Fiscal Year 2014-15 to provide a tool that will allow the city to weather economic downturns. A General Fund assignment of \$10 million was made by the City Council as an Economic Uncertainty Reserve, which can be used to shore up revenue shortfalls during normal recessions.

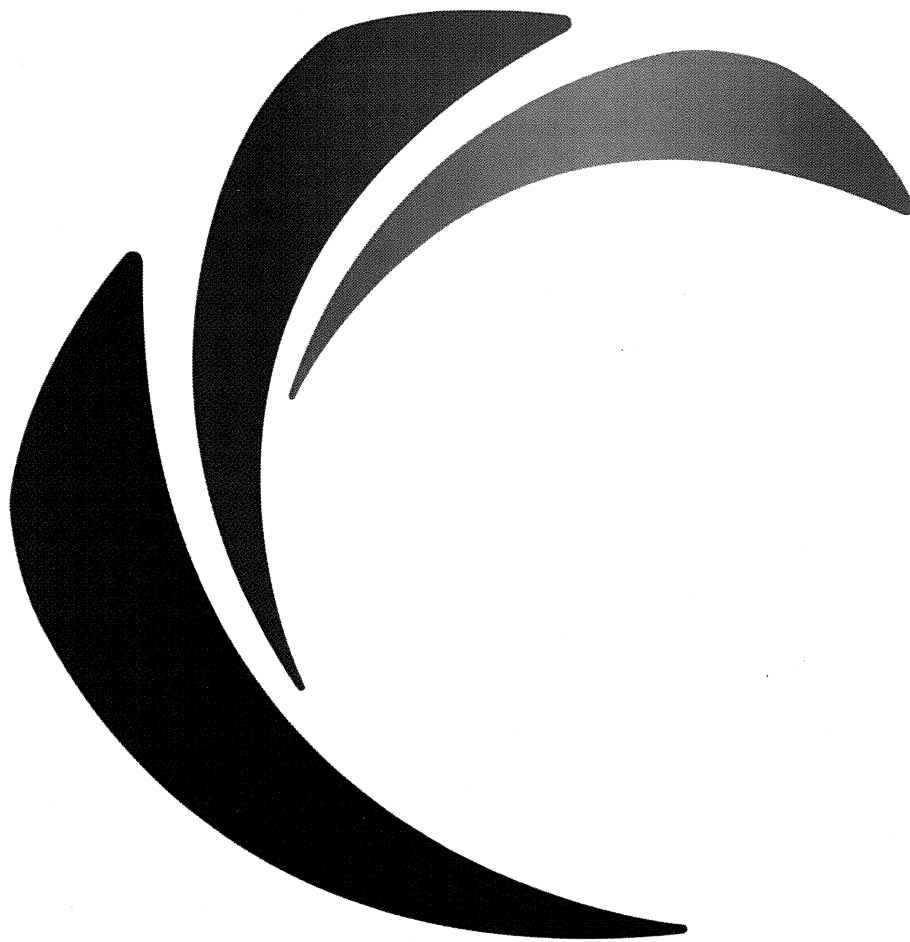
There appears to be sufficient revenues projected to build the projects listed in the Fiscal Year 2015-16 Capital Improvement Program (CIP).

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 5.4 percent and 4 percent, respectively, in Fiscal Year 2015-16. In December 2015, a public meeting will be held to determine how much water rates will increase effective January 1, 2016. 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 will be discussed during the public meeting to be held in December 2015. If approved, these rates would be effective January 1, 2016. The 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 2015-16 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](http://www.carlsbadca.gov).



**CITY OF CARLSBAD**

**Statement of Net Position**

**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 505,416,837	\$ 180,798,044	\$ 686,214,881
Receivables:			
Taxes	7,981,402	16,870	7,998,272
Other	926,054	1,456,010	2,382,064
Accounts, net of allowances	112,720	7,485,756	7,598,476
Due from other governments	1,237,010	4,732,453	5,969,463
Inventories	336,087	911,594	1,247,681
Prepaid items	2,942	327,108	330,050
Loan and reimbursement receivables, net of allowances	24,254,612	-	24,254,612
Due from Successor Agency	8,022,876	-	8,022,876
Deposits	25,000	-	25,000
Internal balances	56,196,653	(56,196,653)	-
Subtotal	604,512,193	139,531,182	744,043,375
Capital assets:			
Land	152,207,069	9,375,975	161,583,044
Construction in progress	14,461,680	10,490,240	24,951,920
Buildings and other structures	115,608,739	40,665,993	156,274,732
Improvements other than buildings	72,264,176	51,121,786	123,385,962
Machinery and equipment	34,158,944	3,357,830	37,516,774
Infrastructure	682,536,323	327,786,935	1,010,323,258
Wastewater treatment facility	-	55,394,354	55,394,354
Intangible assets	3,186,520	-	3,186,520
Less accumulated depreciation	(291,125,540)	(157,504,867)	(448,630,407)
Total capital assets	783,297,911	340,688,246	1,123,986,157
<b>Total assets</b>	<b>1,387,810,104</b>	<b>480,219,428</b>	<b>1,868,029,532</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension contributions	13,820,794	1,105,550	14,926,344

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



CITY OF CARLSBAD

Statement of Net Position (Continued)

June 30, 2015

LIABILITIES	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Accrued liabilities	\$ 14,453,715	\$ 2,847,146	\$ 17,300,861
Accrued interest payable	-	328,681	328,681
Due to other governments	835	6,144,995	6,145,830
Estimated claims payable	9,100,345	-	9,100,345
Deposits payable	239,740	1,306,765	1,546,505
Unearned revenue	2,044,228	39,998	2,084,226
Noncurrent liabilities:			
Net pension liability	114,298,252	9,270,372	123,568,624
Due within one year, net of unamortized premiums (\$9,895)	-	1,856,196	1,856,196
Due in more than one year, net of unamortized premiums (\$202,582)	-	33,044,926	33,044,926
<b>Total liabilities</b>	<b>140,137,115</b>	<b>54,839,079</b>	<b>194,976,194</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - actuarial	26,871,289	2,127,044	28,998,333
<b>NET POSITION</b>			
Net investment in capital assets	783,297,911	307,121,742	1,090,419,653
Restricted for:			
Capital assets	178,228,185	47,315,369	225,543,554
Lighting and landscaping districts	5,262,866	-	5,262,866
Affordable housing	39,543,659	-	39,543,659
Habitat and agricultural mitigation management	1,708,403	-	1,708,403
Other purposes	3,058,835	-	3,058,835
Unrestricted	223,522,635	69,921,744	293,444,379
<b>Total net position</b>	<b>\$ 1,234,622,494</b>	<b>\$ 424,358,855</b>	<b>\$ 1,658,981,349</b>

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, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 16,107,635	\$ 1,381,847	\$ 1,360,390	\$ 318,437
Public safety	48,855,914	4,220,398	346,014	-
Community development	17,200,889	5,159,346	6,568,891	965,402
Community services	31,429,585	5,373,960	748,129	1,515,249
Public works	36,272,636	4,013,412	3,218,558	16,305,880
Interest and fiscal charges on long-term debt	-	-	-	-
<b>Total governmental activities</b>	<b>149,866,659</b>	<b>20,148,963</b>	<b>12,241,982</b>	<b>19,104,968</b>
Business-type activities:				
Carlsbad Municipal Water District	40,896,658	47,460,946	-	4,198,160
Golf course	10,537,704	6,709,487	-	-
Wastewater	12,629,353	12,874,645	-	1,680,445
Solid waste	2,973,156	3,245,411	59,067	-
<b>Total business-type activities</b>	<b>67,036,871</b>	<b>70,290,489</b>	<b>59,067</b>	<b>5,878,605</b>
<b>Total primary government</b>	<b>\$ 216,903,530</b>	<b>\$ 90,439,452</b>	<b>\$ 12,301,049</b>	<b>\$ 24,983,573</b>

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

Transfers

- Total general revenues and transfers
- Change in net position

Net position at beginning of year, as restated

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
\$ (13,046,961)	\$ -	\$ (13,046,961)
(44,289,502)	-	(44,289,502)
(4,507,250)	-	(4,507,250)
(23,792,247)	-	(23,792,247)
(12,734,786)	-	(12,734,786)
-	-	-
(98,370,746)	-	(98,370,746)
-	10,762,448	10,762,448
-	(3,828,217)	(3,828,217)
-	1,925,737	1,925,737
-	331,322	331,322
-	9,191,290	9,191,290
(98,370,746)	9,191,290	(89,179,456)
55,992,195	3,132,823	59,125,018
32,145,769	-	32,145,769
19,712,666	-	19,712,666
5,427,123	-	5,427,123
4,547,978	-	4,547,978
1,406,314	-	1,406,314
4,563,754	1,870,269	6,434,023
609,293	623,265	1,232,558
(1,263,574)	1,263,574	-
123,141,518	6,889,931	130,031,449
24,770,772	16,081,221	40,851,993
1,209,851,722	408,277,634	1,618,129,356
<u>\$ 1,234,622,494</u>	<u>\$ 424,358,855</u>	<u>\$1,658,981,349</u>

**CITY OF CARLSBAD**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
<b>ASSETS</b>				
Cash and investments	\$ 121,173,447	\$ 73,429,631	\$ 51,091,925	\$ 85,416,706
Receivables:				
Taxes	7,978,430	2,972	-	-
Other	730,639	2,450	-	-
Accounts, net of allowances	102,703	-	-	-
Due from other governments	37,749	-	-	-
Inventories	24,370	-	-	-
Prepaid items	-	-	-	-
Loans receivable, net of allowances	90,969	-	-	-
Deposits	25,000	-	-	-
Due from Successor Agency	8,022,876	-	-	-
Advances to other funds	57,130,622	2,310,162	-	-
<b>Total assets</b>	<b>\$ 195,316,805</b>	<b>\$ 75,745,215</b>	<b>\$ 51,091,925</b>	<b>\$ 85,416,706</b>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 6,097,052	\$ 34,504	\$ 112,122	\$ 159,216
Deposits payable	80,059	-	-	-
Due to other governments	835	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	1,406,845	-	-	-
<b>Total liabilities</b>	<b>7,584,791</b>	<b>34,504</b>	<b>112,122</b>	<b>159,216</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - sales tax	324,504	-	-	-
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - interest on advances	8,888,001	-	-	-
<b>Total deferred inflows of resources</b>	<b>9,212,505</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>				
Nonspendable	56,380,836	-	-	-
Restricted	-	75,710,711	-	-
Committed	1,000,000	-	-	-
Assigned	40,864,854	-	50,979,803	85,257,490
Unassigned	80,273,819	-	-	-
<b>Total fund balances (deficit)</b>	<b>178,519,509</b>	<b>75,710,711</b>	<b>50,979,803</b>	<b>85,257,490</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 195,316,805</b>	<b>\$ 75,745,215</b>	<b>\$ 51,091,925</b>	<b>\$ 85,416,706</b>

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

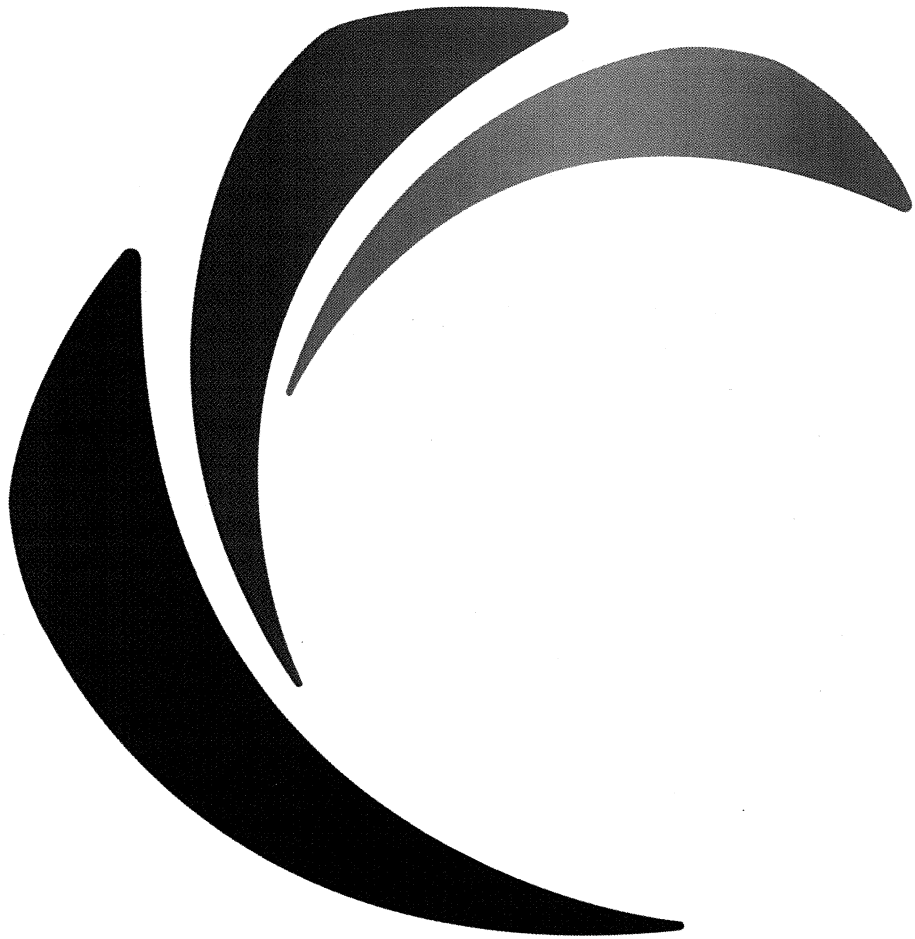
Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 30,445,294	\$ 103,947,759	\$ 465,504,768
-	-	7,981,402
-	188,208	921,297
-	7,517	110,220
-	1,199,261	1,237,010
-	-	24,370
-	2,942	2,942
-	24,163,643	24,254,612
-	-	25,000
-	-	8,022,876
4,550,000	-	63,990,784
<u>\$ 34,995,294</u>	<u>\$ 129,509,330</u>	<u>\$ 572,075,281</u>
\$ 695,668	\$ 2,825,566	\$ 9,924,128
-	158,681	238,740
-	-	835
-	7,631,684	7,631,684
-	637,383	2,044,228
<u>695,668</u>	<u>11,253,314</u>	<u>19,839,615</u>
-	-	324,504
-	464,405	464,405
-	-	8,888,001
<u>-</u>	<u>464,405</u>	<u>9,676,910</u>
-	2,942	56,383,778
34,299,626	117,788,669	227,799,006
-	-	1,000,000
-	-	177,102,147
-	-	80,273,819
<u>34,299,626</u>	<u>117,791,611</u>	<u>542,558,750</u>
<u>\$ 34,995,294</u>	<u>\$ 129,509,330</u>	<u>\$ 572,075,275</u>

**CITY OF CARLSBAD**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2015**

Total fund balances - governmental funds.	\$ 542,558,750
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental funds	775,318,907
Internal service funds	7,979,004
Total capital assets	<u>783,297,911</u>
Deferred outflows are not an available resource and, therefore, are not reported in the funds.	
Governmental funds	13,059,819
Internal service funds	760,975
Total deferred outflows	<u>13,820,794</u>
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	27,495,003
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(162,447)
Internal service fund net assets included as part of total capital assets	(7,979,004)
Internal service fund net assets included as part of deferred outflows	(760,975)
Internal service fund net assets included as part of long-term liabilities	6,381,001
Internal service fund net assets included as part of deferred inflows	1,464,092
Net internal service fund net position	<u>26,437,670</u>
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.	8,888,001
A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	324,504
A portion of the unearned revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	464,405
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	
Governmental funds	(107,917,251)
Internal service funds	(6,381,001)
Total long-term liabilities	<u>(114,298,252)</u>
Deferred inflows represent an acquisition of net position that applies to a future period so it will not be recognized until that time.	
Governmental funds	(25,407,197)
Internal service funds	(1,464,092)
Total deferred inflows	<u>(26,871,289)</u>
Net position of governmental activities.	<u>\$1,234,622,494</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 Balances  
Governmental Funds  
For the Year Ended June 30, 2015**

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
<b>Revenues:</b>				
Taxes	\$ 118,636,198	\$ 1,651,865	\$ -	\$ -
Intergovernmental	1,737,413	-	-	-
Licenses and permits	2,368,941	-	-	-
Charges for services	9,429,129	-	-	-
Fines and forfeitures	761,640	-	-	-
Income from property and investments	3,568,441	698,278	-	798,768
Contributions from property owners	-	781,144	367,007	-
Donations	-	-	25,000	-
Miscellaneous	2,176,991	-	-	-
<b>Total revenues</b>	<b>138,678,753</b>	<b>3,131,287</b>	<b>392,007</b>	<b>798,768</b>
<b>Expenditures:</b>				
Current:				
General government	16,340,336	115,420	-	-
Less: interdepartmental charges	(3,807,041)	-	-	-
Public safety	48,591,946	-	-	-
Community development	8,983,698	-	-	-
Community services	25,428,410	-	-	-
Public works	14,857,819	-	-	-
Capital outlay	-	-	2,715,108	2,582,052
Debt service:				
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>110,395,168</b>	<b>115,420</b>	<b>2,715,108</b>	<b>2,582,052</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>28,283,585</b>	<b>3,015,867</b>	<b>(2,323,101)</b>	<b>(1,783,284)</b>
<b>Other financing sources (uses):</b>				
Transfers in	10,000	-	5,865,234	8,302,000
Transfers out	(10,934,324)	-	(65,290)	(5,385,484)
<b>Total other financing sources (uses)</b>	<b>(10,924,324)</b>	<b>-</b>	<b>5,799,944</b>	<b>2,916,516</b>
<b>Net change in fund balances</b>	<b>17,359,261</b>	<b>3,015,867</b>	<b>3,476,843</b>	<b>1,133,232</b>
Fund balances at beginning of year	161,160,248	72,694,844	47,502,960	84,124,258
Fund balances at end of year	<u>\$ 178,519,509</u>	<u>\$ 75,710,711</u>	<u>\$ 50,979,803</u>	<u>\$ 85,257,490</u>

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,123,107	\$ 123,411,170
-	8,621,640	10,359,053
-	-	2,368,941
-	3,752,385	13,181,514
-	75,751	837,391
342,250	1,033,959	6,441,696
2,642,866	6,896,962	10,687,979
-	414,599	439,599
-	372,570	2,549,561
<u>2,985,116</u>	<u>24,290,973</u>	<u>170,276,904</u>
28,113	1,419,611	17,903,480
-	-	(3,807,041)
-	322,599	48,914,545
-	8,379,316	17,363,014
-	1,709,638	27,138,048
-	1,491,907	16,349,726
4,024,111	10,728,205	20,049,476
-	5,437	5,437
<u>4,052,224</u>	<u>24,056,713</u>	<u>143,916,685</u>
(1,067,108)	234,260	26,360,219
-	679,290	14,856,524
-	(35,000)	(16,420,098)
-	644,290	(1,563,574)
(1,067,108)	878,550	24,796,645
35,366,734	116,913,061	517,762,105
<u>\$ 34,299,626</u>	<u>\$ 117,791,611</u>	<u>\$ 542,558,750</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, 2015**

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Net change in fund balances - total governmental funds.	\$ 24,796,645
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	10,871,242
Depreciation expense	(20,724,870)
Governmental funds do not reflect the donation of capital assets as revenues.	5,898,882
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.	
	(1,270)
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	29,518
A portion of the sales tax receivable and grant revenues are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	302,408
The net revenue of activities of internal service funds is reported with governmental activities.	836,036
Adjustments made to the net pension liability do not use current financial resources and, therefore, are not recognized in the funds.	2,790,791
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(28,610)</u>
Change in net position of governmental activities.	<u><u>\$ 24,770,772</u></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, 2015**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 111,298,000	\$ 115,985,000	\$ 118,636,198	\$ 2,651,198
Intergovernmental	975,000	1,017,000	1,737,413	720,413
Licenses and permits	1,745,000	1,745,000	2,368,941	623,941
Charges for services	7,137,000	7,221,000	9,429,129	2,208,129
Fines and forfeitures	680,000	680,000	761,640	81,640
Income from property and investments	2,556,000	2,968,000	3,598,809	630,809
Miscellaneous	865,000	855,000	2,176,991	1,321,991
<b>Total revenues</b>	<b>125,256,000</b>	<b>130,471,000</b>	<b>138,709,121</b>	<b>8,238,121</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	33,559,500	34,503,487	19,478,706	(15,024,781)
Less: interdepartmental charges	(3,718,000)	(3,567,000)	(3,807,041)	(240,041)
Public safety	49,394,114	49,948,929	48,751,577	(1,197,352)
Community development	10,485,838	11,298,674	10,338,419	(960,255)
Community services	29,214,533	29,476,236	26,825,963	(2,650,273)
Public works	19,672,925	19,834,112	17,080,221	(2,753,891)
<b>Total expenditures</b>	<b>138,608,910</b>	<b>141,494,438</b>	<b>118,667,845</b>	<b>(22,826,593)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(13,352,910)</b>	<b>(11,023,438)</b>	<b>20,041,276</b>	<b>31,064,714</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	10,000	10,000	-
Transfers out	(10,124,202)	(10,953,952)	(10,953,952)	-
<b>Total other financing sources (uses)</b>	<b>(10,124,202)</b>	<b>(10,943,952)</b>	<b>(10,943,952)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(23,477,112)</b>	<b>(21,967,390)</b>	<b>9,097,324</b>	<b>\$ 31,064,714</b>
Fund balance at beginning of year	161,160,248	161,160,248	161,160,248	
Fund balance at end of year	<u>\$ 137,683,136</u>	<u>\$ 139,192,858</u>	<u>\$ 170,257,572</u>	

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

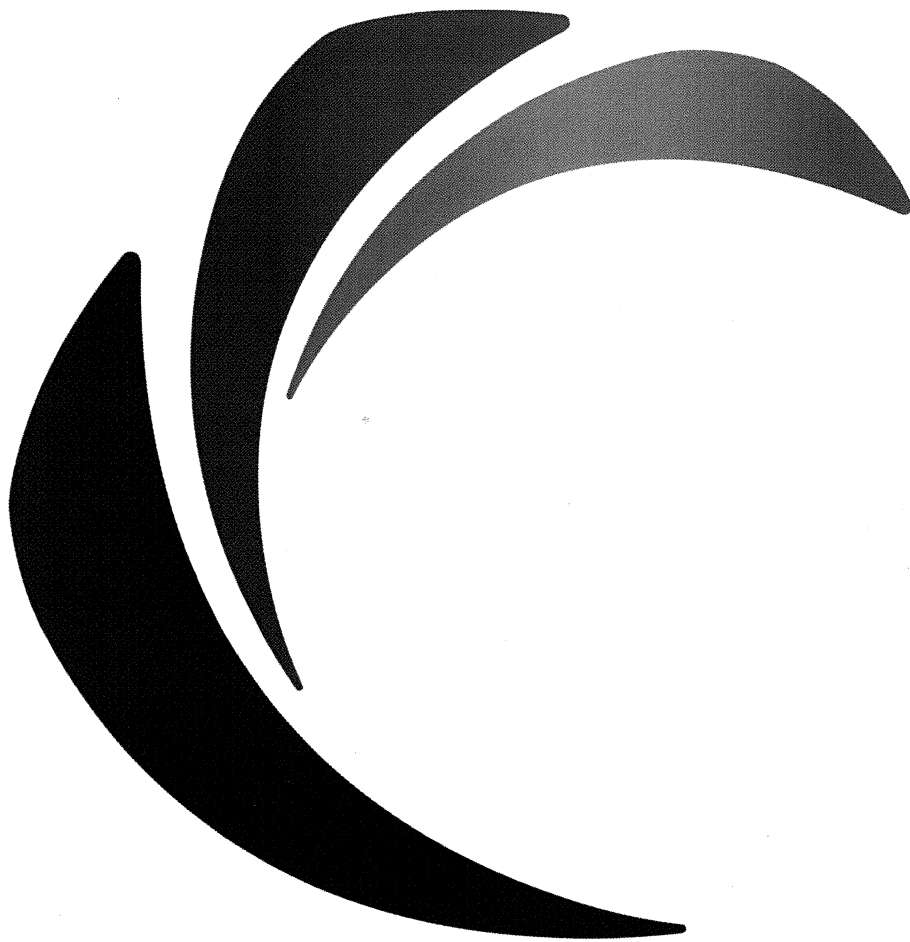
**CITY OF CARLSBAD**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Fund (Continued)  
For the Year Ended June 30, 2015**

**BUDGET-TO-GAAP RECONCILIATION**

	Actual Amounts (Budgetary Basis)
<b>Revenues</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 138,709,121
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>(30,368)</u>
	<u>\$ 138,678,753</u>
<b>Expenditures</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 118,667,845
Differences - budget to GAAP: Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(8,272,677)</u>
	<u>\$ 110,395,168</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, 2015

ASSETS	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	\$ 114,904,978	\$ 1,225,977	\$ 51,514,718
Receivables:			
Taxes	16,870	-	-
Other	-	916,354	-
Accounts, net of allowances	5,251,225	-	1,863,505
Due from other governments	359,120	-	4,373,333
Inventories	717,751	177,911	15,932
Prepaid items	17,249	-	-
<b>Total current assets</b>	<b>121,267,193</b>	<b>2,320,242</b>	<b>57,767,488</b>
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,334,618	-
Accrued interest - restricted for debt service	-	22,108	-
Subtotal	-	1,356,726	-
Capital assets:			
Land	1,905,206	4,841,667	2,629,102
Construction in progress	3,654,017	-	6,836,223
Buildings and other structures	20,597,012	20,068,981	-
Improvements other than buildings	2,322,549	42,670,657	6,128,580
Machinery and equipment	818,735	2,259,983	279,112
Infrastructure	216,991,613	-	110,795,322
Wastewater treatment facility	-	-	55,394,354
Less accumulated depreciation	(63,962,669)	(24,376,010)	(69,166,188)
Total capital assets (net of accumulated depreciation)	182,326,463	45,465,278	112,896,505
<b>Total noncurrent assets</b>	<b>182,326,463</b>	<b>46,822,004</b>	<b>112,896,505</b>
<b>Total assets</b>	<b>303,593,656</b>	<b>49,142,246</b>	<b>170,663,993</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension contributions	611,618	-	321,128

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

Enterprise Funds		Governmental
Solid	Totals	Activities -
Waste		Internal
		Service
		Funds
\$ 11,817,753	\$ 179,463,426	\$ 39,912,075
-	16,870	-
517,548	1,433,902	4,757
371,026	7,485,756	2,500
-	4,732,453	-
-	911,594	311,717
309,859	327,108	-
<u>13,016,186</u>	<u>194,371,109</u>	<u>40,231,049</u>
-	1,334,618	-
-	22,108	-
<u>-</u>	<u>1,356,726</u>	<u>-</u>
-	9,375,975	-
-	10,490,240	787,313
-	40,665,993	-
-	51,121,786	-
-	3,357,830	23,010,574
-	327,786,935	-
-	55,394,354	-
-	(157,504,867)	(15,818,883)
<u>-</u>	<u>340,688,246</u>	<u>7,979,004</u>
<u>-</u>	<u>342,044,972</u>	<u>7,979,004</u>
<u>13,016,186</u>	<u>536,416,081</u>	<u>48,210,053</u>
<u>172,804</u>	<u>1,105,550</u>	<u>760,975</u>

(Continued)

CITY OF CARLSBAD

Statement of Net Position  
 Proprietary Funds (Continued)  
 June 30, 2015

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	1,390,081	405,424	575,470
Accrued interest payable	85,206	243,475	-
Due to other governments	4,328,146	42,454	1,774,395
Estimated claims payable	-	-	-
Current portion of long-term debt, net of unamortized premiums of \$9,895	1,441,301	414,895	-
<b>Total current liabilities</b>	<b>7,244,734</b>	<b>1,106,248</b>	<b>2,349,865</b>
Noncurrent liabilities:			
Deposits payable	132,829	621,754	552,182
Advance from other funds	-	56,359,100	-
Unearned revenue	-	-	10,000
Net pension liability	5,128,600	-	2,692,755
Loans payable	16,987,344	-	-
Revenue bonds payable, net of unamortized premiums of \$202,582	-	16,057,582	-
<b>Total noncurrent liabilities</b>	<b>22,248,773</b>	<b>73,038,436</b>	<b>3,254,937</b>
<b>Total liabilities</b>	<b>29,493,507</b>	<b>74,144,684</b>	<b>5,604,802</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - actuarial	1,176,734	-	617,840
<b>NET POSITION</b>			
Net investment in capital assets	163,897,818	30,327,419	112,896,505
Restricted for:			
Capital assets	27,908,224	-	19,407,145
Unrestricted	81,728,991	(55,329,857)	32,458,829
<b>Total net position (deficit)</b>	<b>\$ 273,535,033</b>	<b>\$ (25,002,438)</b>	<b>\$ 164,762,479</b>

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.

<u>Enterprise Funds</u>		Governmental Activities - Internal Service Funds
<u>Solid Waste</u>	<u>Totals</u>	
476,171	2,847,146	4,529,587
-	328,681	-
-	6,144,995	-
-	-	9,100,345
-	1,856,196	-
<u>476,171</u>	<u>11,177,018</u>	<u>13,629,932</u>
-	1,306,765	1,000
-	56,359,100	-
29,998	39,998	-
1,449,017	9,270,372	6,381,001
-	16,987,344	-
-	16,057,582	-
<u>1,479,015</u>	<u>100,021,161</u>	<u>6,382,001</u>
<u>1,955,186</u>	<u>111,198,179</u>	<u>20,011,933</u>
<u>332,470</u>	<u>2,127,044</u>	<u>1,464,092</u>
-	307,121,742	7,979,004
-	47,315,369	-
<u>10,901,334</u>	<u>69,759,297</u>	<u>19,515,999</u>
<u>\$ 10,901,334</u>	<u>424,196,408</u>	<u>\$ 27,495,003</u>
	<u>162,447</u>	
	<u>\$ 424,358,855</u>	

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2015

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 43,329,952	\$ -	\$ -
Wastewater service charges pledged as security for revenue bonds	-	-	12,793,868
Golf course operations	-	6,709,487	-
Other charges for services	678,355	-	-
Miscellaneous	3,452,639	-	80,777
<b>Total operating revenues</b>	<b>47,460,946</b>	<b>6,709,487</b>	<b>12,874,645</b>
Operating expenses:			
Encina plant operations	768,912	-	3,215,840
Purchased water	19,919,836	-	-
Golf course operations	-	6,302,019	-
Depreciation	4,601,154	3,492,000	3,918,358
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	15,165,258	-	5,499,402
<b>Total operating expenses</b>	<b>40,455,160</b>	<b>9,794,019</b>	<b>12,633,600</b>
<b>Operating income (loss)</b>	<b>7,005,786</b>	<b>(3,084,532)</b>	<b>241,045</b>
Nonoperating revenues (expenses):			
Income from property and investments	1,188,069	92,648	478,806
Miscellaneous	-	595,000	-
Interest expense and fees	(462,262)	(743,685)	-
Gain (loss) on sale of property	28,164	-	-
Property taxes	3,132,823	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>3,886,794</b>	<b>(56,037)</b>	<b>478,806</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>10,892,580</b>	<b>(3,140,569)</b>	<b>719,851</b>
Transfers in	-	1,031,240	-
Capital contributions:			
Capital restricted fees	1,273,231	-	457,084
Developer constructed assets	2,924,929	-	1,223,361
Other	-	-	-
<b>Change in net position</b>	<b>15,090,740</b>	<b>(2,109,329)</b>	<b>2,400,296</b>
Total net position (deficit) at beginning of year, as restated	258,444,293	(22,893,109)	162,362,183
Total net position (deficit) at end of year	<u>\$ 273,535,033</u>	<u>\$ (25,002,438)</u>	<u>\$ 164,762,479</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	
\$ -	\$ 43,329,952	\$ -
-	12,793,868	-
-	6,709,487	-
3,150,237	3,828,592	17,544,872
154,241	3,687,657	186,045
<u>3,304,478</u>	<u>70,349,556</u>	<u>17,730,917</u>
-	3,984,752	-
-	19,919,836	-
-	6,302,019	-
-	12,011,512	1,752,157
-	-	1,441,058
-	-	5,685,226
-	-	411,440
2,976,754	23,641,414	9,113,440
<u>2,976,754</u>	<u>65,859,533</u>	<u>18,403,321</u>
327,724	4,490,023	(672,404)
110,846	1,870,369	304,953
-	595,000	-
-	(1,205,947)	-
-	28,164	43,757
-	3,132,823	-
<u>110,846</u>	<u>4,420,409</u>	<u>348,710</u>
438,570	8,910,432	(323,694)
232,334	1,263,574	300,000
-	1,730,315	-
-	4,148,290	-
-	-	859,730
670,904	16,052,611	836,036
<u>10,230,430</u>		<u>26,658,967</u>
<u>\$ 10,901,334</u>		<u>\$ 27,495,003</u>
	<u>28,610</u>	
	<u>\$ 16,081,221</u>	



**CITY OF CARLSBAD**

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 45,500,190	\$ 6,648,434	\$ 12,612,359
Payments to suppliers	(30,508,779)	(6,436,086)	(7,512,506)
Payments to employees	(4,008,229)	-	(1,807,196)
Internal activity - payments to other funds	(2,437,271)	-	(1,181,871)
Claims and premiums paid	-	-	-
Other receipts (payments)	3,452,639	12,583	80,777
Increase (decrease) in deposits payable	(20,611)	(92,070)	(50,480)
<b>Net cash provided (used) by operating activities</b>	<b>11,977,939</b>	<b>132,861</b>	<b>2,141,083</b>
<b>Cash flows from noncapital financing activities:</b>			
Operating subsidies and transfers from (to) other funds	-	1,031,240	-
Advances from (to) other funds	-	(229,108)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>-</b>	<b>802,132</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>			
Capital restricted fees	1,273,231	-	457,084
Purchase of capital assets	(3,441,154)	-	(4,202,456)
Gross proceeds from the sale of capital assets	36,029	-	-
Liquidation of investment contract	-	-	975,006
Principal paid on capital debt	(1,407,932)	(385,000)	(905,000)
Interest and other fees paid	(468,550)	(751,671)	(30,949)
Property taxes received	3,132,683	-	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(875,693)</b>	<b>(1,136,671)</b>	<b>(3,706,315)</b>
<b>Cash flows from investing activities:</b>			
Interest on investments	1,188,069	92,648	478,806
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,290,315</b>	<b>(109,030)</b>	<b>(1,086,426)</b>
Cash and cash equivalents at beginning of year	102,614,663	2,669,625	52,601,144
<b>Cash and cash equivalents at end of year</b>	<b>\$ 114,904,978</b>	<b>\$ 2,560,595</b>	<b>\$ 51,514,718</b>

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

<u>Enterprise Funds</u>		Governmental Activities - Internal Service Funds
<u>Solid Waste</u>	<u>Totals</u>	
\$ 2,701,882	\$ 67,462,865	\$ 17,539,550
(1,737,262)	(46,194,633)	(5,302,387)
(1,056,704)	(6,872,129)	(4,658,047)
(574,362)	(4,193,504)	(1,155,357)
-	-	(4,264,848)
184,239	3,730,238	324,623
-	(163,161)	-
<u>(482,207)</u>	<u>13,769,676</u>	<u>2,483,534</u>
232,334	1,263,574	300,000
-	(229,108)	-
<u>232,334</u>	<u>1,034,466</u>	<u>300,000</u>
-	1,730,315	-
-	(7,643,610)	(1,560,604)
-	36,029	59,558
-	975,006	-
-	(2,697,932)	-
-	(1,251,170)	-
-	3,132,683	-
<u>-</u>	<u>(5,718,679)</u>	<u>(1,501,046)</u>
<u>110,846</u>	<u>1,870,369</u>	<u>304,953</u>
(139,027)	10,955,832	1,587,441
<u>11,956,780</u>	<u>169,842,212</u>	<u>38,324,634</u>
<u>\$ 11,817,753</u>	<u>\$ 180,798,044</u>	<u>\$ 39,912,075</u>

(Continued)

CITY OF CARLSBAD

Statement of Cash Flows  
 Proprietary Funds (Continued)  
 For the Year Ended June 30, 2015

	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)	\$ 7,005,786	\$ (3,084,532)	\$ 241,045
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,601,154	3,492,000	3,918,358
Change in assets and liabilities:			
(Increase) decrease in receivables	1,491,883	(61,053)	(181,509)
(Increase) decrease in due from other governments	122,401	-	(2,199,721)
(Increase) decrease in inventories	(153,180)	(3,169)	(4,300)
(Increase) decrease in prepaid items	2,983	-	-
(Increase) decrease in deferred outflows - contributions	(31,057)	-	(16,307)
(Decrease) increase in accrued liabilities	199,315	(130,898)	247,577
(Decrease) increase in due to other governments	(1,121,416)	12,583	249,069
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	(20,611)	(92,070)	(50,480)
(Decrease) increase in unearned revenue	-	-	-
(Decrease) increase in net pension liability	(1,296,053)	-	(680,489)
(Decrease) increase in deferred inflows - actuarial	1,176,734	-	617,840
Net cash provided by operating activities	<u>\$ 11,977,939</u>	<u>\$ 132,861</u>	<u>\$ 2,141,083</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 2,924,929</u>	<u>\$ -</u>	<u>\$ 1,223,361</u>
Unrealized gains (losses)	<u>\$ (9,012)</u>	<u>\$ 19</u>	<u>\$ (22,523)</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 114,904,978	\$ 1,225,977	\$ 51,514,718
Restricted assets:			
Cash and investments	-	1,334,618	-
Cash and cash equivalents at end of year	<u>\$ 114,904,978</u>	<u>\$ 2,560,595</u>	<u>\$ 51,514,718</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
\$ 327,724	\$ 4,490,023	\$ (672,404)
-	12,011,512	1,752,157
(448,355)	800,966	(5,323)
-	(2,077,320)	-
-	(160,649)	(25,935)
(309,859)	(306,876)	-
(8,774)	(56,138)	(38,641)
(39,228)	276,766	179,529
-	(859,764)	-
-	-	1,442,607
-	(163,161)	-
29,998	29,998	-
(366,183)	(2,342,725)	(1,612,548)
332,470	2,127,044	1,464,092
<u>\$ (482,207)</u>	<u>\$ 13,769,676</u>	<u>\$ 2,483,534</u>
<u>\$ -</u>	<u>\$ 4,148,290</u>	<u>\$ 859,730</u>
<u>\$ (4,199)</u>	<u>\$ (35,715)</u>	<u>\$ (7,829)</u>
\$ 11,817,753	\$ 179,463,426	\$ 39,912,075
-	1,334,618	-
<u>\$ 11,817,753</u>	<u>\$ 180,798,044</u>	<u>\$ 39,912,075</u>

**CITY OF CARLSBAD**

**Statement of Net Position  
Fiduciary Funds  
June 30, 2015**

<b>ASSETS</b>	Agency Funds	Private Purpose Trust Funds
Current assets:		
Cash and investments	\$ 20,966,153	\$ 1,159,210
Receivables:		
Taxes	6,517	-
Other	56,557	-
Prepaid items	5,553	-
<b>Total current assets</b>	<u>21,034,780</u>	<u>1,159,210</u>
Noncurrent assets:		
Loans receivable	-	3,750,000
Restricted assets:		
Cash and investments	5,751,817	-
<b>Total noncurrent assets</b>	<u>5,751,817</u>	<u>3,750,000</u>
<b>Total assets</b>	<u>\$ 26,786,597</u>	<u>\$ 4,909,210</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued liabilities	\$ 1,579,607	\$ 6,316
Accrued interest payable	-	130,030
Deposits held for others	25,206,990	-
Current portion of long-term debt	-	665,000
<b>Total current liabilities</b>	<u>26,786,597</u>	<u>801,346</u>
Noncurrent liabilities:		
Due to the City of Carlsbad	-	8,022,876
Tax allocation bonds payable	-	6,730,000
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>14,752,876</u>
<b>Total liabilities</b>	<u>26,786,597</u>	<u>15,554,222</u>
<b>NET POSITION</b>		
Held in trust for redevelopment obligation retirement purposes	<u>\$ -</u>	<u>\$ (10,645,012)</u>

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

**CITY OF CARLSBAD**

**Statement of Changes in Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2015**

	Private Pupose Trust Funds
<b>ADDITIONS</b>	
<hr/>	
Contributions:	
Tax increment	\$ 1,434,925
Income from property and investments	139,114
<b>Total additions</b>	<u>1,574,039</u>
<b>DEDUCTIONS</b>	
<hr/>	
General and administrative	214,962
Interest expense and fees	424,058
Loss on disposal of assets	2,245
<b>Total deductions</b>	<u>641,265</u>
<b>Change in net position</b>	932,774
<b>Total net position (deficit) at beginning of year</b>	<u>(11,577,786)</u>
<b>Total net position (deficit) at end of year</b>	<u>\$ (10,645,012)</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, 2015

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#### 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.

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### 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**

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**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 twelve 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, 2015, 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.

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### 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 outflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City of Carlsbad only has one item that qualifies for reporting in this category. It is to reclassify current fiscal year contributions made to CalPERS since they were made subsequent to the measurement date used for the calculation of the net pension liability.

##### Deferred inflows

In addition to liabilities, the statement of financial position reports 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 two types of items that qualify for reporting in this category.

The first 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.

The second item, *deferred inflows of resources*, is reported in the proprietary funds balance sheet and the Statement of Net Position. This amount is the net difference between the projected and actual earnings on the city's pension plans investments as determined by CalPERS in accordance with the application of GASB 68.

##### 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 percent of outstanding billings at June 30, 2015, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2015, 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, 2015, and any receivables due from other public agencies.

##### 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.

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

**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.

**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.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of Carlsbad's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2013
Measurement Date (MD)	June 30, 2014
Measurement Period (MP)	June 30, 2013 to June 30, 2014

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### **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, and increases in General Liability and Workers' Compensation Fund claims expenses. The City Manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Monthly reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed. Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and 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, 2015, the LAIF performance report shows a fair value factor of 1.000375979. 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, 2015 the city had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
<b>Treasurer's Pool investments</b>			
U.S. agencies:			
Federal National Mortgage Association	\$ 91,762,802	13.1%	2.663
Federal Home Loan Bank	120,687,321	17.3%	2.631
Federal Farm Credit Bank	65,783,562	9.4%	2.686
Federal Home Loan Mortgage Corporation	68,426,728	9.8%	2.888
Federal Agricultural Corporation	14,996,300	2.1%	1.682
Tennessee Valley Authority	546,490	0.1%	1.915
United States Treasury Bills & Notes Financing Corporation	30,595,183	4.4%	2.779
Subtotal U.S. agencies	<u>398,487,844</u>	<u>57.0%</u>	<u>2.684</u>
Corporate notes:			
Medium-term corporate notes	156,924,047	22.5%	1.559
Subtotal corporate notes	<u>156,924,047</u>	<u>22.5%</u>	<u>1.559</u>
Certificates of deposit	14,293,431	2.0%	2.753
LAIF	125,097,016	17.9%	-
Cash accounts	4,162,770	0.6%	-
Total Treasurer's Pool	<u>698,965,108</u>	<u>100.0%</u>	<u>1.937</u>
<b>Investments held outside the Treasurer's Pool</b>			
Money market funds	8,397,550		
Guaranteed investment contracts	2,288,224		
Subtotal debt service funds/bond proceeds	<u>10,685,774</u>		
Other deposits	4,434,354		
Petty cash funds	6,825		
Total cash and investments	<u>\$ 714,092,061</u>		
<b>Statement of Net Position, Primary Government</b>			
Cash and investments	\$ 686,214,881		
<b>Statement of Net Position, Fiduciary Funds</b>			
Cash and investments	22,125,363		
Restricted cash and investments	5,751,817		
Total cash and investments	<u>\$ 714,092,061</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, 2015, approximately 23 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, 2015, 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 Poor’s 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, 2015, approximately 7.8 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, 2015, the portfolio had a 0.30 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, 2015, the modified duration of the portfolio was 1.937. 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, 2015, maturities within one year exceeded the required minimum of \$151,429,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2014-15 Operating Budget adopted by the City Council).
3. As of June 30, 2015, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 226 days. As of June 30, 2015, LAIF had a 0.038 percent gain in market value.
4. As of June 30, 2015, the city’s investment portfolio included \$33,050,000 of callable step-up notes.

**Note 4. Due To and From Other Funds**

The city had no amounts that were due from funds within the city to other funds within the city at June 30, 2015.

**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, 2015:

Total position	Advances To	Amount
General Fund	Other Governmental Funds - Habitat and Agricultural Management	\$ 771,522 (1)
General Fund	Golf Course Enterprise Fund	56,359,100 (2)
Other Governmental Funds:	Other Governmental Funds:	
Community Facilities District No. 1	Traffic Impact Projects	2,310,162 (3)
Public Facilities Construction	Park Development	4,550,000 (4)
		<u>\$ 63,990,784</u>
General Fund	Fiduciary Funds: Redevelopment Obligation Retirement Trust Funds	<u>\$ 8,022,876 (5)</u>

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

- (1) The advance between the General Fund and the 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.
- (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, 2015:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 151,750,084	\$ 456,985	\$ -	\$ 152,207,069
Construction in progress	18,348,085	13,578,269	(17,464,674)	14,461,680
Total capital assets, not being depreciated	<u>170,098,169</u>	<u>14,035,254</u>	<u>(17,464,674)</u>	<u>166,668,749</u>
Capital assets, being depreciated:				
Buildings	115,575,059	33,680	-	115,608,739
Improvements, other than buildings	70,872,224	2,125,572	(733,620)	72,264,176
Machinery and equipment	33,329,531	1,805,207	(975,794)	34,158,944
Infrastructure	663,880,906	18,655,417	-	682,536,323
Intangible assets	3,186,520	-	-	3,186,520
Total capital assets, being depreciated	<u>886,844,240</u>	<u>22,619,876</u>	<u>(1,709,414)</u>	<u>907,754,702</u>
Less accumulated depreciation for:				
Buildings	(29,540,984)	(2,553,211)	-	(32,094,195)
Improvements, other than buildings	(18,706,823)	(3,034,112)	733,620	(21,007,315)
Machinery and equipment	(22,547,910)	(2,478,329)	958,724	(24,067,515)
Infrastructure	(198,634,706)	(13,956,158)	-	(212,590,864)
Intangible assets	(910,434)	(455,217)	-	(1,365,651)
Total accumulated depreciation	<u>(270,340,857)</u>	<u>(22,477,027)</u>	<u>1,692,344</u>	<u>(291,125,540)</u>
Total capital assets being depreciated, net	<u>616,503,383</u>	<u>142,849</u>	<u>(17,070)</u>	<u>616,629,162</u>
Governmental activities capital assets, net	<u>\$ 786,601,552</u>	<u>\$ 14,178,103</u>	<u>\$ (17,481,744)</u>	<u>\$ 783,297,911</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (continued)

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,318,388	\$ 57,587	\$ -	\$ 9,375,975
Construction in progress	9,804,736	8,539,538	(7,854,034)	10,490,240
Total capital assets, not being depreciated	<u>19,123,124</u>	<u>8,597,125</u>	<u>(7,854,034)</u>	<u>19,866,215</u>
Capital assets, being depreciated:				
Buildings	40,620,929	45,064	-	40,665,993
Improvements, other than buildings	50,856,805	264,981	-	51,121,786
Machinery and equipment	3,321,245	56,250	(19,665)	3,357,830
Infrastructure	318,124,767	9,662,168	-	327,786,935
Wastewater treatment facility	54,467,480	926,874	-	55,394,354
Total capital assets, being depreciated	<u>467,391,226</u>	<u>10,955,337</u>	<u>(19,665)</u>	<u>478,326,898</u>
Less accumulated depreciation for:				
Buildings	(7,091,949)	(699,543)	-	(7,791,492)
Improvements, other than buildings	(21,651,362)	(3,196,020)	-	(24,847,382)
Machinery and equipment	(2,351,186)	(303,033)	11,799	(2,642,420)
Infrastructure	(82,702,704)	(6,527,858)	-	(89,230,562)
Wastewater treatment facility	(31,707,953)	(1,285,058)	-	(32,993,011)
Total accumulated depreciation	<u>(145,505,154)</u>	<u>(12,011,512)</u>	<u>11,799</u>	<u>(157,504,867)</u>
Total capital assets being depreciated, net	<u>321,886,072</u>	<u>(1,056,175)</u>	<u>(7,866)</u>	<u>320,822,031</u>
Business-type activities capital assets, net	<u>\$ 341,009,196</u>	<u>\$ 7,540,950</u>	<u>\$ (7,861,900)</u>	<u>\$ 340,688,246</u>

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

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**Note 6. Capital Assets (continued)**

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

Governmental activities:	
General government	\$ 1,141,878
Community development	334,429
Public safety	1,246,718
Community services	3,625,879
Public works	14,375,966
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,752,157</u>
Total depreciation expense - governmental activities	<u>\$ 22,477,027</u>
Business-type activities:	
Carlsbad Municipal Water District	\$ 4,601,154
Wastewater	3,918,358
Golf course	<u>3,492,000</u>
Total depreciation expense - business-type activities	<u>\$ 12,011,512</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2015:

	Vendors and Miscellaneous	Salaries and Benefits	Infrastructure Financing District (IFD) Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 4,326,542	\$ 1,496,295	\$ 274,215	\$ -	\$ 6,097,052
Community Facilities					
District No. 1	34,504	-	-	-	34,504
General Capital Construction	112,122	-	-	-	112,122
Infrastructure Replacement	159,216	-	-	-	159,216
Public Facilities					
Construction	695,668	-	-	-	695,668
Other Governmental Funds	2,797,050	28,516	-	-	2,825,566
Subtotals	8,125,102	1,524,811	274,215	-	9,924,128
Internal Service Funds*	442,355	4,087,232	-	-	4,529,587
Total governmental activities	<u>\$ 8,567,457</u>	<u>\$ 5,612,043</u>	<u>\$ 274,215</u>	<u>\$ -</u>	<u>\$ 14,453,715</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water					
District	\$ 1,019,325	\$ 370,756	\$ -	\$ -	\$ 1,390,081
Golf Course	405,424	-	-	-	405,424
Wastewater	435,078	140,392	-	-	575,470
Solid Waste	104,615	61,185	-	310,371	476,171
Total business-type activities	<u>\$ 1,964,442</u>	<u>\$ 572,333</u>	<u>\$ -</u>	<u>\$ 310,371</u>	<u>\$ 2,847,146</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**

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**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, 2015:

	Principal Balance at July 1, 2014	Increases	Decreases	Principal Balance at June 30, 2015	Due Within One Year
Business-type activities:					
Bonds	\$ 16,645,000	\$ -	\$ 385,000	\$ 16,260,000	\$ 405,000
Installment purchase agreement	905,000	-	905,000	-	-
Loans payable	19,836,577	-	1,407,932	18,428,645	1,441,301
	<u>37,386,577</u>	-	<u>2,697,932</u>	<u>34,688,645</u>	<u>1,846,301</u>
Less discounts	(30,909)	-	(30,909)	-	-
Plus premiums	222,372	-	9,895	212,477	9,895
Total business type activities	<u>\$ 37,578,040</u>	<u>\$ -</u>	<u>\$ 2,676,918</u>	<u>\$ 34,901,122</u>	<u>\$ 1,856,196</u>



**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 8. Long-term Debt (continued)**

Long-term debt at June 30, 2015 is comprised of the following issues:

	Balance at June 30, 2015
<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 \$405,000 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 5.0% per annum. The required reserve amount is \$1,211,663. Payable from golf course operating revenues and lease payments by the City.	\$ 16,260,000
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 \$505,325 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.	5,661,354
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 \$935,976 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>12,767,291</u>
Subtotal business-type long-term debt	34,688,645
Plus unamortized premiums	212,477
Less current portion	<u>(1,856,196)</u>
Total long-term portion of business-type debt	<u><u>\$ 33,044,926</u></u>

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

Year ended June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,846,301	\$ 1,156,494
2017	1,900,461	1,103,660
2018	1,960,433	1,047,875
2019	2,026,234	988,823
2020	2,092,886	927,422
2021-2025	11,465,399	3,700,499
2026-2030	6,191,931	2,149,504
2031-2035	4,890,000	1,092,375
2036-2037	2,315,000	105,412
	<u>\$ 34,688,645</u>	<u>\$ 12,272,064</u>

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

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**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, 2015.

**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 below. These percentages also approximate 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 (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Water revenues	\$ 5,383,559	\$ 1,876,482	35%
Wastewater revenues	6,474,037	928,191	14%
Golf Course revenues	2,272,795	1,124,088	49%

## **CITY OF CARLSBAD**

### **Notes to the Financial Statements**

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#### **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, 2015, the city has three series of assessment district bonds outstanding in the amount of \$44,030,000. 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, 2015, the city has two series of community facilities district (CFD) bonds outstanding in the amount of \$23,025,000. 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, 2015 is \$21,633,664. 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, 2015:

Fund Balances	Governmental Funds			
	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
<b>Nonspendable:</b>				
Inventory	\$ 24,370	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-
Loans receivable	90,969	-	-	-
Due from Successor Agency*	7,582,416	-	-	-
Advances to other funds*	48,683,081	-	-	-
Totals	<u>56,380,836</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Restricted for:</b>				
Affordable housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	75,710,711	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Totals	<u>-</u>	<u>75,710,711</u>	<u>-</u>	<u>-</u>
<b>Committed to:</b>				
Community activity grants	1,000,000	-	-	-
Totals	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Assigned to:</b>				
Economic uncertainty	10,000,000	-	-	-
General government	19,577,869	-	-	-
Public safety	1,458,686	-	-	-
Community development	2,206,412	-	-	-
Community services	3,861,561	-	-	-
Public works	3,760,326	-	-	-
Capital projects	-	-	50,979,803	85,257,490
Totals	<u>40,864,854</u>	<u>-</u>	<u>50,979,803</u>	<u>85,257,490</u>
<b>Unassigned:</b>				
	80,273,819	-	-	-
<b>Total fund balances</b>	<u>\$ 178,519,509</u>	<u>\$ 75,710,711</u>	<u>\$ 50,979,803</u>	<u>\$ 85,257,490</u>

\* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of \$8,888,001 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

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Governmental Funds		
Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ 24,370
-	2,942	2,942
-	-	90,969
-	-	7,582,416
-	-	48,683,081
-	2,942	56,383,778
-	39,540,717	39,540,717
-	5,262,866	5,262,866
-	1,716,747	1,716,747
34,299,626	68,217,848	178,228,185
-	744,010	744,010
-	583,076	583,076
-	280,796	280,796
-	1,442,609	1,442,609
34,299,626	117,788,669	227,799,006
-	-	1,000,000
-	-	1,000,000
-	-	10,000,000
-	-	19,577,869
-	-	1,458,686
-	-	2,206,412
-	-	3,861,561
-	-	3,760,326
-	-	136,237,293
-	-	177,102,147
-	-	80,273,819
<u>\$ 34,299,626</u>	<u>\$ 117,791,611</u>	<u>\$ 542,558,750</u>

## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### 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:

- Economic uncertainty – to mitigate revenue losses during periods of economic downturn.
- General government – Information Technology Department innovation projects (including software and hardware).
- Public safety – fire user fee study, fire brush engine outfitting costs and additional police vehicle replacement costs.
- Community development – development of a commercial knowledge café in the Community and Economic Development Department and an update of the Local Coastal Program Land Use Plan.
- Community services – replacement of library furniture and equipment, lobby improvements at Stagecoach and Calavera Community Centers, and fence and backstop replacement costs at Chase Field
- Public works – preparation for anticipated El Nino storm related impacts in the city, minor building renovations, HVAC and roof replacements throughout city facilities, and real estate marketing costs related to potential property sales
- Capital projects – citywide infrastructure replacement projects, major library renovations, additional phases at Alga Norte Park, relocation of Fire Station #3, 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. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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, 2015:

	Deficit Balance
Enterprise Funds:	
Golf Course	\$ (25,002,438)

**Note 14. Interfund Transfers**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	\$ 10,000
General Capital Construction	General Fund	479,750
	Infrastructure Replacement	5,385,484
Infrastructure Replacement	General Fund	8,302,000
Enterprise Funds:		
Golf Course	General Fund	1,031,240
Storm Water Protection	General Fund	232,334
Internal Service Funds:		
Fleet Management	General Fund	300,000
Workers' Compensation	Self Insured Benefits	2,000,000
Special Revenue Funds:		
Community Development Block Grant	General Capital Construction	65,290
Financing Districts	General Fund	589,000
Section 8 Rental Assistance	Affordable Housing	25,000
		<u>\$ 18,420,098</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) move resources for jointly funded projects to the primary funding source, and (4) 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, 2015, the unrestricted fund equity for the Risk Management Self-Insurance Fund was approximately \$1,201,000. 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, 2015, the unrestricted fund equity for the Workers’ Compensation Self-Insurance Fund was approximately \$418,000. 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, 2015 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 2014 and 2015 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
<b>Self-Insured Benefits Fund:</b>				
2013-14	\$ 80,454	775,293	\$ 767,935	\$ 87,812
2014-15	87,812	847,923	838,535	97,200
<b>Risk Management Fund:</b>				
2013-14	1,022,016	521,650	937,457	606,209
2014-15	606,209	2,557,032	1,144,065	2,019,176
<b>Workers’ Compensation Fund:</b>				
2013-14	6,775,537	3,248,758	3,060,578	6,963,717
2014-15	6,963,717	2,280,271	2,260,019	6,983,969



## CITY OF CARLSBAD

### Notes to the Financial Statements

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#### 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, 2014, the undivided interest of each member agency in the various components of the Encina Water Pollution Control Facilities aggregated as follows:

City of Carlsbad	24%
City of Vista	25%
Leucadia Wastewater District	17%
Vallecitos Water District	23%
Buena Sanitation District	7%
City of Encinitas	4%

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 \$53,913 in Fiscal Year 2014. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at [www.encinajpa.com](http://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. In 2014, Carlsbad paid off their obligation in full.

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. Pension Plan

##### Plan description

All qualified permanent and probationary employees are eligible to participate in the City of Carlsbad's Safety (sworn police and fire) and Miscellaneous (all other) Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State of California statute and City of Carlsbad resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 17. Pension Plan (continued)**

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous		
	On or after		
	Prior to November 28, 2011	November 28, 2011 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 60	2% @ 60	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 60	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 3.0%	1.092% to 2.418%	1.0% to 2.5%
Required employee contribution rates	8%	7%	6.75%
Required employer contribution rates	25.089%	25.089%	25.089%
	Safety		
	On or after		
	Prior to October 4, 2010	October 4, 2010 to December 31, 2012	On or after January 1, 2013
Hire date			
Benefit formula	3% @ 50	2% @ 50	2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	3%	2.0% to 2.7%	2.0% to 2.7%
Required employee contribution rates	9%	9%	12%
Required employer contribution rates	35.335%	35.335%	35.335%

**Employees Covered**

As of June 30, 2013, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	423	187
Inactive employees or beneficiaries currently not yet receiving benefits	370	78
Active employees	466	188
Total	1,259	453

**Contribution Description**

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute

Notes to the Financial Statements

**Note 17. Pension Plan (continued)**

the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2014 (the measurement date), the average active employee contribution rate is 7.937 percent of annual pay for miscellaneous employees and 9.0 percent of annual pay for safety employees, and the average employer’s contribution rate is 24.028 percent of annual payroll for miscellaneous employees and 33.915 percent of annual payroll for safety employees. Employer contribution rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

**Actuarial Methods and Assumptions Used to Determine Total Pension Liability**

For the measurement period ending June 30, 2014 (the measurement date), the total pension liability was determined using the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Asset valuation method	Market value of assets
Actuarial assumptions	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5% net of pension plan invest and administrative expenses; includes inflation
Mortality rate table	Derived using CalPERS' membership data for all funds
Post retirement benefit increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on purchasing power applies; 2.75% thereafter

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the PERF. The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained at the CalPERS website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

Notes to the Financial Statements

**Note 17. Pension Plan (continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11 – 60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global equity	47.0%	5.25%	5.71%
Global fixed income	19.0	0.99	2.43
Inflation sensitive	6.0	0.45	3.36
Private equity	12.0	6.83	6.95
Real estate	11.0	4.50	5.13
Infrastructure and forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

<sup>1</sup> An expected inflation of 2.5% used for this period.

<sup>2</sup> An expected inflation of 3.0% used for this period.

**Pension Plan Fiduciary Net Position**

The plan fiduciary net position (assets) disclosed in the city's GASB report may differ from the plan assets reported in the city's actuarial valuation report due to several reasons. First, CalPERS must keep Reserves for Deficiencies and Fiduciary

Self Insurance. These amounts are excluded for rate setting purposes in the city's actuarial valuation report while required to be included for GASB reporting purposes. In addition, differences may result from early CAFR closing and final reconciled reserves.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Pension Plan (continued)

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

Miscellaneous Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2013 (VD)<sup>1</sup></b>	<b>\$ 292,931,044</b>	<b>\$ 204,354,694</b>	<b>\$ 88,576,350</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service cost	6,908,307		6,908,307
• Interest on the Total Pension Liability	21,793,340		21,793,340
• Changes of benefit terms	-		-
• Differences between expected and actual experience	-		-
• Changes of assumptions	-		-
• Contributions from the employer		8,004,157	(8,004,157)
• Contributions from employees		3,039,951	(3,039,951)
• Net investment income <sup>2</sup>		35,526,156	(35,526,156)
• Benefit payments, including refunds of employee contributions	(11,614,664)	(11,614,664)	-
<b>Net Changes during 2013-14</b>	<b>\$ 17,086,983</b>	<b>\$ 34,955,600</b>	<b>\$ (17,868,617)</b>
<b>Balance at 6/30/2014 (MD)<sup>1</sup></b>	<b>\$ 310,018,027</b>	<b>\$ 239,310,294</b>	<b>\$ 70,707,733</b>

<sup>1</sup> The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

<sup>2</sup> Net of administrative expenses.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Pension Plan (continued)

Safety Plan

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2013 (VD)<sup>1</sup></b>	<b>\$ 227,568,288</b>	<b>\$ 161,108,415</b>	<b>\$ 66,459,873</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service cost	5,425,425		5,425,425
• Interest on the Total Pension Liability	16,876,220		16,876,220
• Changes of benefit terms	-		-
• Differences between expected and actual experience	-		-
• Changes of assumptions	-		-
• Contributions from the employer		6,141,746	(6,141,746)
• Contributions from employees		1,853,365	(1,853,365)
• Net investment income <sup>2</sup>		27,905,516	(27,905,516)
• Benefit payments, including refunds of employee contributions	(10,529,479)	(10,529,479)	-
<b>Net Changes during 2013-14</b>	<b>\$ 11,772,166</b>	<b>\$ 25,371,148</b>	<b>\$ (13,598,982)</b>
<b>Balance at 6/30/2014 (MD)<sup>1</sup></b>	<b>\$ 239,340,454</b>	<b>\$ 186,479,563</b>	<b>\$ 52,860,891</b>

<sup>1</sup> The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

<sup>2</sup> Net of administrative expenses.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.50 percent) or 1 percentage-point higher (8.50 percent) than the current rate:

	Discount Rate - 1% (6.5%)	Current Discount Rate (7.5%)	Discount Rate + 1% (8.5%)
Plan's Net Pension Liability - Miscellaneous	\$ 112,125,954	\$ 70,707,733	\$ 36,343,717
Plan's Net Pension Liability - Safety	\$ 85,877,625	\$ 52,860,891	\$ 25,763,174

**Subsequent Events**

There were no subsequent events that would materially affect the results present in this disclosure.

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 17. Pension Plan (continued)**

**Recognition of Gains and Losses**

Under GASB 68, deferred inflows and deferred outflows of resources related to pensions are recognized in pension expense systematically over time.

The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred inflows and deferred outflows to be recognized in future pension expense.

The amortization period differs depending on the source of the gain or loss:

Difference between projected and actual earnings	5 year straight-line amortization
All other amounts	Straight-line amortization over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired as of the beginning of the measurement period).

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired).

The EARSL for the Miscellaneous Plan for the 2013-14 measurement period is 3.3 years, which was obtained by dividing the total service years of 4,106 (the sum of remaining service lifetimes of the active employees) by 1,259 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

The EARSL for the Safety Plan for the 2013-14 measurement period is 4.9 years, which was obtained by dividing the total service years of 2,215 (the sum of remaining service lifetimes of the active employees) by 453 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to 0. Also note that total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

**Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

As of the start of the measurement period (June 30, 2013), the NPL is \$155,036,223.

For the measurement period ending June 30, 2014 (the measurement date), the City of Carlsbad recognized a pension expense of \$11,676,637 for the Plans.

As of June 30, 2014, the City of Carlsbad reports other amounts for the Plans as deferred outflow and deferred inflow of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 14,926,344	\$ -
Difference between expected and actual experience	-	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	(28,998,333)
<b>Total</b>	<b>\$ 14,926,344</b>	<b>\$ (28,998,333)</b>

The amounts above are net inflows and outflows recognized in the 2013-14 measurement period expense.

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 17. Pension Plan (continued)**

\$14,926,344 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Measurement Period Ended June 30:</b>	<b>Deferred Outflows/(Inflows) of Resources</b>
2015	\$ (7,249,583)
2016	(7,249,583)
2017	(7,249,583)
2018	(7,249,583)
2019	-
Thereafter	-

**Note 18. Postretirement Healthcare**

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



**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 18. Postretirement Healthcare (continued)**

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.

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>
2014-15 Annual Required Contribution (ARC)	\$ 196,864	\$ 257,995
2014-15 Contributions Made	<u>(196,864)</u>	<u>(257,995)</u>
Increase (Decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation - beginning of year	<u>-</u>	<u>-</u>
Net OPEB Obligation - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The city's and CMWD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 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>
6/30/13	\$ 176,552	100.0%	\$ -
6/30/14	196,864	100.0%	-
6/30/15	196,864	100.0%	-

**CITY OF CARLSBAD**

**Notes to the Financial Statements**

**Note 18. Postretirement Healthcare (continued)**

**Three-year trend information for OPEB (city)**

Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/13	\$ 295,613	100.0%	\$ -
6/30/14	257,995	100.0%	-
6/30/15	257,995	100.0%	-

**Funded status and funding progress**

The funded status of the plans as of the actuarial report dated June 30, 2013 was as follows:

	<u>CMWD</u>	<u>City</u>
Actuarial Accrued Liability (a)	\$ 4,530,503	\$ 6,718,554
Actuarial Value of Plan Assets (b)	<u>2,634,756</u>	<u>7,573,752</u>
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>

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 25 years remaining as of June 30, 2015.

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 percent investment rate of return (net of administrative expenses) and a medical inflation rate of between 8.25 percent per annum and 8 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 4.5 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 railroad 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 railroad 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 the Leucadia Wastewater District share equally all rebates or other incentive payments from the Metropolitan Water District, San Diego 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, 2015 is \$1,262,927.

As of June 30, 2015, 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:

	Outstanding Encumbrances
General Fund	\$ 8,263,192
Community Facilities District No. 1	30,496
General Capital Construction	1,255,081
Infrastructure Replacement	893,883
Public Facilities Construction	5,499,565
Nonmajor Governmental Funds in the Aggregate	11,480,000
Total	\$ 27,422,217

**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)**

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, 2015:

	Balance at July 1, 2014	Increases	Decreases	Balance at June 30, 2015
Machinery and equipment	\$ 26,946	\$ -	\$ (26,946)	\$ -
Less accumulated depreciation	(24,701)	-	24,701	-
Total capital assets	<u>\$ 2,245</u>	<u>\$ -</u>	<u>\$ (2,245)</u>	<u>\$ -</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, 2015:

	Principal Balance at July 1, 2014	Increases	Decreases	Principal Balance at June 30, 2015	Due Within One Year
Bonds	\$ 8,025,000	\$ -	\$ 630,000	\$ 7,395,000	\$ 665,000
Due to the City of Carlsbad	8,199,957	26,241	203,322	8,022,876	-
	<u>\$ 16,224,957</u>	<u>\$ 26,241</u>	<u>\$ 833,322</u>	<u>\$ 15,417,876</u>	<u>\$ 665,000</u>

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$665,000 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
2016	\$ 665,000	\$ 372,634
2017	700,000	336,802
2018	735,000	299,134
2019	775,000	259,496
2020	815,000	217,759
2021-2024	3,705,000	405,582
	<u>\$ 7,395,000</u>	<u>\$ 1,891,407</u>

**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 above. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description above. 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 on the following page. This percentage also approximates 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 20. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)**

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)	\$ 1,574,039	\$ 1,036,628	66%

**Note 21. Subsequent Events**

**Risk Management**

Beginning July 1, 2015, the city joined the California State Association of Counties Excess Insurance Authority (CSAC-EIA) for excess general liability coverage. This coverage was purchased through the city's broker, Alliant Insurance Services. Under this program the city's coverage is a maximum of \$25,000,000 per occurrence with a self-insured retention (SIR) of \$1,000,000.

**Note 22. Implementation of New GASB**

The accompanying financial statements reflect the implementation of GASB No. 68. The principal objective of this Statement is to improve the usefulness of information for decisions made by users of city's financial statements whose employees – both active and inactive employees – are provided with pensions. This information will assist users in assessing the relationship between the city's inflows of resources and its total cost (including pension expense) of providing government services each period. Another aspect of that objective is to provide users with information about the city's pension obligations and the resources available to satisfy those obligations.

**Note 23. Prior Period Adjustments**

During Fiscal Year 2013-14, the city should have accrued for the fourth quarter of Fiscal Year 2013-14 trash surcharge revenues from their franchisee. The effect of reflecting this revenue in the appropriate fiscal year on the beginning net position in the Solid Waste Fund is reflected below.

During Fiscal Year 2010-11, the city should have capitalized the purchase of land and a building versus expensing these assets. The effect of recording these assets in the appropriate fiscal year on the beginning net position of the governmental funds is reflected below.

The City of Carlsbad recorded the net pension liability as of June 30, 2013 for both its miscellaneous and safety pension plans in accordance with the implementation of GASB 68. The effect of the implementation of GASB 68 on the beginning net position balances is as follows:

	Statement of Revenues, Expenses and Changes in Net Position			Governmental Activities - Internal Service Funds
	Proprietary Funds			
	Carlsbad Municipal Water District	Wastewater	Solid Waste	
Net position at July 1, 2014	\$ 264,288,386	\$ 165,430,605	\$ 11,436,601	\$ 33,930,184
Recognize trash surcharge revenues in the appropriate fiscal year	-	-	444,999	-
Recognize beginning net pension liability balance	(5,844,093)	(3,068,422)	(1,651,170)	(7,271,217)
Net position at July 1, 2014, as restated	<u>\$ 258,444,293</u>	<u>\$ 162,362,183</u>	<u>\$ 10,230,430</u>	<u>\$ 26,658,967</u>

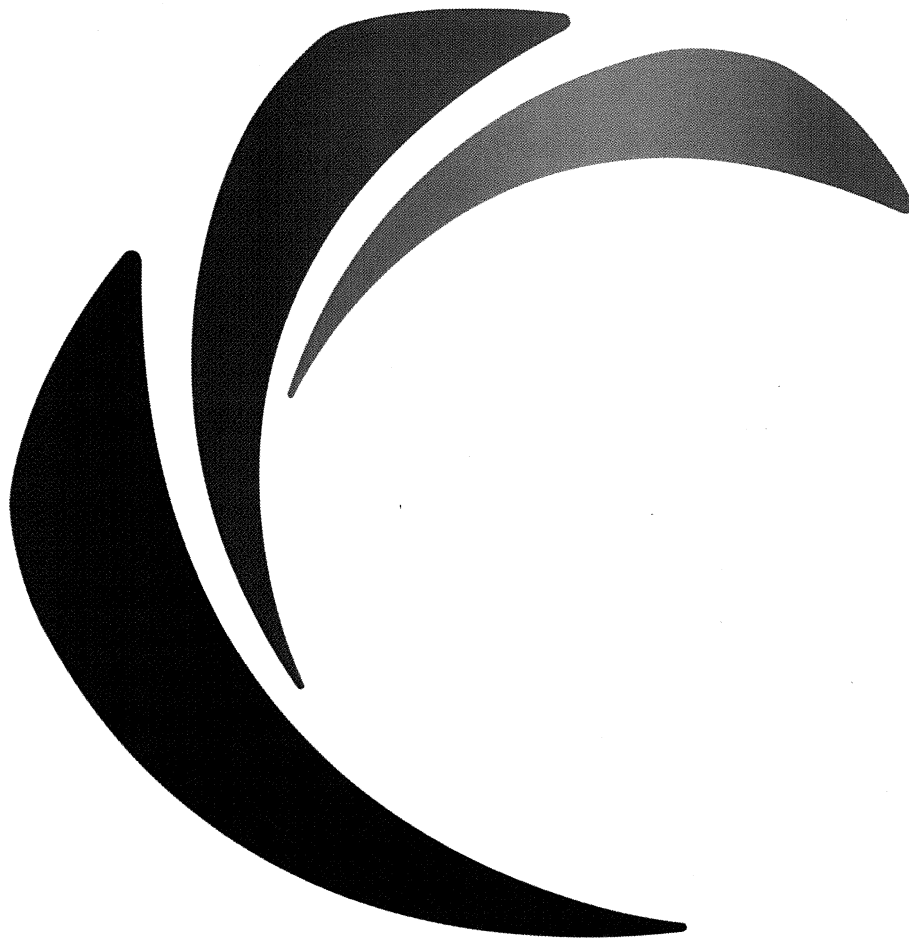
CITY OF CARLSBAD

Notes to the Financial Statements

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Note 23. Prior Period Adjustments (continued)

	Statement of Net Position	
	Governmental Activities	Business-Type Activities
Net position at July 1, 2014	\$ 1,337,786,481	\$ 418,396,320
Recognize trash surcharge revenues in the appropriate fiscal year	-	444,999
Recognize purchase of land, building, and accumulated depreciation in the appropriate fiscal year	2,391,877	-
Recognize beginning net pension liability balance	(130,326,636)	(10,563,685)
Net position at July 1, 2014, as restated	<u>\$ 1,209,851,722</u>	<u>\$ 408,277,634</u>





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**REQUIRED SUPPLEMENTARY  
INFORMATION (RSI)**

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CITY OF CARLSBAD

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios During Measurement Period

**Total Pension Liability**

**Miscellaneous Plan**

Measurement Period	Total Pension Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms
2013-14 <sup>1</sup>	\$ 292,931,044	\$ 6,908,307	\$ 21,793,340	\$ -

**Safety Plan**

2013-14 <sup>1</sup>	\$ 227,568,288	\$ 5,425,425	\$ 16,876,220	\$ -
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**Plan Fiduciary Net Position**

**Miscellaneous Plan**

Measurement Period	Plan Fiduciary Net Position Beginning	Contributions Employer	Contributions Employee	Net Investment Income <sup>2</sup>
2013-14 <sup>1</sup>	\$ 204,354,694	\$ 8,004,157	\$ 3,039,951	\$ 35,526,156

**Safety Plan**

2013-14 <sup>1</sup>	\$ 161,108,415	\$ 6,141,746	\$ 1,853,365	\$ 27,905,516
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	Measurement Period	Plan Fiduciary Net Position as a Percentage of the Total Liability	Covered - Employee Payroll	Plan Net Pension Liability/(Asset) as a Percentage of Covered - Employee Payroll
<b>Miscellaneous Plan</b>	2013-14 <sup>1</sup>	77.19%	\$ 32,856,020	215.20%
<b>Safety Plan</b>	2013-14 <sup>1</sup>	77.91%	\$ 18,629,989	283.74%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Net of administrative expenses.

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which have occurred after June 30, 2013. This applies for voluntary benefit changes as well as any offers of two years additional service credit (a.k.a. Golden Handshakes).

**Changes of Assumptions:** There were no changes in assumptions.

CITY OF CARLSBAD

Required Supplementary Information

Difference Between Expected and Actual Experience	Changes of Assumptions	Benefit Payments, Including Refunds of Employee Contributions	Net Change in Total Pension Liability	Total Pension Liability - Ending (a)
\$ -	\$ -	\$ (11,614,664)	\$ 17,086,983	\$ 310,018,027
\$ -	\$ -	\$ (10,529,479)	\$ 11,772,166	\$ 239,340,454

Benefit Payments, Including Refunds of Employee Contributions	Other Changes In Fiduciary Net Position	Net Change in Fiduciary Net Position	Plan Fiduciary Net Position Ending (b)	Plan Net Pension Liability/(Asset) Ending (a) - (b)
\$ (11,614,664)	\$ -	\$ 34,955,600	\$ 239,310,294	\$ 70,707,733
\$ (10,529,479)	\$ -	\$ 25,371,148	\$ 186,479,563	\$ 52,860,891

CITY OF CARLSBAD

Required Supplementary Information (continued)

Schedule of Plan Contributions<sup>1</sup>

Miscellaneous Plan

Fiscal Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
06/30/14	\$ 8,004,157	\$ (8,004,157)	\$ -	\$ 32,856,020 <sup>2</sup>	24.36%
06/30/15	8,432,339	(8,432,339)	-	33,609,704	25.09%

Safety Plan

06/30/14	\$ 6,141,746	\$ (6,141,746)	\$ -	\$ 18,629,989 <sup>3</sup>	32.97%
06/30/15	6,494,005	(6,494,005)	-	18,378,393	35.33%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>2</sup> Payroll from prior year \$31,989,049 was assumed to increase by the 3.00 percent payroll growth assumption.

<sup>3</sup> Payroll from prior year \$18,087,368 was assumed to increase by the 3.00 percent payroll growth assumption.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2014-15 were from the June 30, 2012 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2012 Funding Valuation Report
Inflation	2.75 percent
Payroll Growth	3.00 percent
Investment Rate of Return	7.5 percent net of pension plan investment expenses, including inflation
Retirement Age	The probabilities of retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

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CITY OF CARLSBAD

Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
<b>ASSETS</b>				
Cash and investments	\$ 14,811,855	\$ 52,214	\$ 2,398,710	\$ 5,344,645
Receivables:				
Other	-	-	-	5,729
Accounts, net of allowances	-	-	-	7,517
Due from other governments	-	10,598	-	-
Prepaid items	-	-	-	-
Loan receivables, net of allowances	23,939,239	224,404	-	-
<b>Total assets</b>	<b>\$ 38,751,094</b>	<b>\$ 287,216</b>	<b>\$ 2,398,710</b>	<b>\$ 5,357,891</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accrued liabilities	\$ 10,049	\$ 6,420	\$ 12,757	\$ 95,025
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>10,049</b>	<b>6,420</b>	<b>12,757</b>	<b>95,025</b>
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable housing	38,741,045	-	-	-
Lighting and landscaping districts	-	-	-	5,262,866
Habitat and agricultural mitigation/preservation	-	-	943,344	-
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	280,796	-	-
Community services	-	-	1,442,609	-
<b>Total fund balances</b>	<b>38,741,045</b>	<b>280,796</b>	<b>2,385,953</b>	<b>5,262,866</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 38,751,094</b>	<b>\$ 287,216</b>	<b>\$ 2,398,710</b>	<b>\$ 5,357,891</b>

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
\$ 18,020,686	\$ 1,544,925	\$ 944,796	\$ 570,187	\$ 491,399	\$ 360,166	\$ 44,539,583
-	-	94,223	-	-	58	100,010
-	-	-	-	-	-	7,517
-	-	-	122,531	20,615	-	153,744
-	-	-	-	-	2,942	2,942
-	-	-	-	-	-	24,163,643
<u>\$ 18,020,686</u>	<u>\$ 1,544,925</u>	<u>\$ 1,039,019</u>	<u>\$ 692,718</u>	<u>\$ 512,014</u>	<u>\$ 363,166</u>	<u>\$ 68,967,439</u>
\$ 941,659	\$ -	\$ 295,009	\$ 17,829	\$ 7,667	\$ 30,591	\$ 1,417,006
-	-	-	-	8,134	26,174	34,308
-	771,522	-	-	-	-	771,522
350,000	-	-	-	-	-	350,000
<u>1,291,659</u>	<u>771,522</u>	<u>295,009</u>	<u>17,829</u>	<u>15,801</u>	<u>56,765</u>	<u>2,572,836</u>
-	-	-	91,813	-	-	91,813
-	-	-	-	-	2,942	2,942
-	-	-	-	496,213	303,459	39,540,717
-	-	-	-	-	-	5,262,866
-	773,403	-	-	-	-	1,716,747
16,729,027	-	-	-	-	-	16,729,027
-	-	744,010	-	-	-	744,010
-	-	-	583,076	-	-	583,076
-	-	-	-	-	-	280,796
-	-	-	-	-	-	1,442,609
<u>16,729,027</u>	<u>773,403</u>	<u>744,010</u>	<u>583,076</u>	<u>496,213</u>	<u>306,401</u>	<u>66,302,790</u>
<u>\$ 18,020,686</u>	<u>\$ 1,544,925</u>	<u>\$ 1,039,019</u>	<u>\$ 692,718</u>	<u>\$ 512,014</u>	<u>\$ 363,166</u>	<u>\$ 68,967,439</u>

(Continued)

**CITY OF CARLSBAD**

**Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
June 30, 2015**

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
<b>ASSETS</b>				
Cash and investments	\$ 5,538,407	\$ 11,416,364	\$ 72,730	\$ 8,974,898
Receivables:				
Other	-	-	-	-
Accounts, net of allowances	-	-	-	-
Due from other governments	-	-	407,803	-
Prepaid items	-	-	-	-
Loan receivables	-	-	-	-
<b>Total assets</b>	<b>\$ 5,538,407</b>	<b>\$ 11,416,364</b>	<b>\$ 480,533</b>	<b>\$ 8,974,898</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accrued liabilities	\$ 393,790	\$ -	\$ 10,533	\$ -
Deposits payable	124,373	-	-	-
Advances from other funds	-	-	-	4,550,000
Unearned revenue	-	-	-	-
<b>Total liabilities</b>	<b>518,163</b>	<b>-</b>	<b>10,533</b>	<b>4,550,000</b>
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	372,592	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	5,020,244	11,416,364	97,408	4,424,898
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
<b>Total fund balances</b>	<b>5,020,244</b>	<b>11,416,364</b>	<b>97,408</b>	<b>4,424,898</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 5,538,407</b>	<b>\$ 11,416,364</b>	<b>\$ 480,533</b>	<b>\$ 8,974,898</b>



Capital Project Funds

Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 6,324,654	\$ 720,575	\$ 4,557,549	\$ 21,802,999	\$ 59,408,176	\$ 103,947,759
-	-	88,198	-	88,198	188,208
-	-	-	-	-	7,517
-	-	637,714	-	1,045,517	1,199,261
-	-	-	-	-	2,942
-	-	-	-	-	24,163,643
<u>\$ 6,324,654</u>	<u>\$ 720,575</u>	<u>\$ 5,283,461</u>	<u>\$ 21,802,999</u>	<u>\$ 60,541,891</u>	<u>\$ 129,509,330</u>
\$ 210	\$ 2,636	\$ 725,673	\$ 275,718	\$ 1,408,560	\$ 2,825,566
-	-	-	-	124,373	158,681
-	-	-	2,310,162	6,860,162	7,631,684
-	-	-	287,383	287,383	637,383
210	2,636	725,673	2,873,263	8,680,478	11,253,314
-	-	-	-	372,592	464,405
-	-	-	-	-	2,942
-	-	-	-	-	39,540,717
-	-	-	-	-	5,262,866
-	-	-	-	-	1,716,747
6,324,444	717,939	4,557,788	18,929,736	51,488,821	68,217,848
-	-	-	-	-	744,010
-	-	-	-	-	583,076
-	-	-	-	-	280,796
-	-	-	-	-	1,442,609
<u>6,324,444</u>	<u>717,939</u>	<u>4,557,788</u>	<u>18,929,736</u>	<u>51,488,821</u>	<u>117,791,611</u>
<u>\$ 6,324,654</u>	<u>\$ 720,575</u>	<u>\$ 5,283,461</u>	<u>\$ 21,802,999</u>	<u>\$ 60,541,891</u>	<u>\$ 129,509,330</u>

**CITY OF CARLSBAD**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015**

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	552,885	-	-
Charges for services	47,634	-	-	2,278,783
Fines and forfeitures	-	-	-	-
Income from property and investments	140,366	113,363	20,823	45,337
Contributions from property owners	887,682	-	-	10,800
Donations	-	-	414,599	-
Miscellaneous	50,830	-	17,001	21,018
<b>Total revenues</b>	<u>1,126,512</u>	<u>666,248</u>	<u>452,423</u>	<u>2,355,938</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	447,428	604,317	-	-
Community services	-	-	216,835	1,492,803
Public works	-	-	-	891,907
Capital outlay	-	60,573	-	-
<b>Debt service:</b>				
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<u>447,428</u>	<u>664,890</u>	<u>216,835</u>	<u>2,384,710</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>679,084</u>	<u>1,358</u>	<u>235,588</u>	<u>(28,772)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	65,290	-	589,000
Transfers out	(25,000)	-	-	-
<b>Total other financing sources (uses)</b>	<u>(25,000)</u>	<u>65,290</u>	<u>-</u>	<u>589,000</u>
<b>Net change in fund balances</b>	654,084	66,648	235,588	560,228
Fund balances at beginning of year	<u>38,086,961</u>	<u>214,148</u>	<u>2,150,365</u>	<u>4,702,638</u>
Fund balances at end of year	<u>\$38,741,045</u>	<u>\$ 280,796</u>	<u>\$ 2,385,953</u>	<u>\$5,262,866</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
\$ 3,123,107	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,123,107
-	-	-	345,010	5,379,377	-	6,277,272
-	-	-	-	-	451,351	2,777,768
-	-	-	75,751	-	-	75,751
171,017	13,779	7,964	4,447	171	5	517,272
111,028	77,484	371,274	-	-	-	1,458,268
-	-	-	-	-	-	414,599
-	-	-	-	283,721	-	372,570
<u>3,405,152</u>	<u>91,263</u>	<u>379,238</u>	<u>425,208</u>	<u>5,663,269</u>	<u>451,356</u>	<u>15,016,607</u>
-	-	192,947	-	-	-	192,947
-	-	-	322,599	-	-	322,599
-	808,332	-	-	6,249,902	269,337	8,379,316
-	-	-	-	-	-	1,709,638
600,000	-	-	-	-	-	1,491,907
3,821,481	217,075	287,168	84,175	-	48,049	4,518,521
-	5,437	-	-	-	-	5,437
<u>4,421,481</u>	<u>1,030,844</u>	<u>480,115</u>	<u>406,774</u>	<u>6,249,902</u>	<u>317,386</u>	<u>16,620,365</u>
<u>(1,016,329)</u>	<u>(939,581)</u>	<u>(100,877)</u>	<u>18,434</u>	<u>(586,633)</u>	<u>133,970</u>	<u>(1,603,758)</u>
-	-	-	-	25,000	-	679,290
(10,000)	-	-	-	-	-	(35,000)
(10,000)	-	-	-	25,000	-	644,290
(1,026,329)	(939,581)	(100,877)	18,434	(561,633)	133,970	(959,468)
<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>\$ 16,729,027</u>	<u>\$ 773,403</u>	<u>\$ 744,010</u>	<u>\$ 583,076</u>	<u>\$ 496,213</u>	<u>\$ 306,401</u>	<u>\$ 66,302,790</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, 2015**

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	161,318	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	23,851	103,095	3,778	78,545
Contributions from property owners	45,000	399,338	73,440	1,493,460
Donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>68,851</b>	<b>502,433</b>	<b>238,536</b>	<b>1,572,005</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	60,908	-	45,613	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	468,215	-
<b>Debt service:</b>				
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>60,908</b>	<b>-</b>	<b>513,828</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>7,943</b>	<b>502,433</b>	<b>(275,292)</b>	<b>1,572,005</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>7,943</b>	<b>502,433</b>	<b>(275,292)</b>	<b>1,572,005</b>
Fund balances at beginning of year	5,012,301	10,913,931	372,700	2,852,893
Fund balances at end of year	<u>\$ 5,020,244</u>	<u>\$ 11,416,364</u>	<u>\$ 97,408</u>	<u>\$ 4,424,898</u>

Capital Project Funds

Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,123,107
-	-	2,183,050	-	2,344,368	8,621,640
-	-	974,617	-	974,617	3,752,385
-	-	-	-	-	75,751
55,693	7,912	42,051	201,762	516,687	1,033,959
369,390	-	-	3,058,066	5,438,694	6,896,962
-	-	-	-	-	414,599
-	-	-	-	-	372,570
<u>425,083</u>	<u>7,912</u>	<u>3,199,718</u>	<u>3,259,828</u>	<u>9,274,366</u>	<u>24,290,973</u>
-	1,108,443	11,700	-	1,226,664	1,419,611
-	-	-	-	-	322,599
-	-	-	-	-	8,379,316
-	-	-	-	-	1,709,638
-	-	-	-	-	1,491,907
59,143	34,628	3,189,266	2,458,432	6,209,684	10,728,205
-	-	-	-	-	5,437
<u>59,143</u>	<u>1,143,071</u>	<u>3,200,966</u>	<u>2,458,432</u>	<u>7,436,348</u>	<u>24,056,713</u>
<u>365,940</u>	<u>(1,135,159)</u>	<u>(1,248)</u>	<u>801,396</u>	<u>1,838,018</u>	<u>234,260</u>
-	-	-	-	-	679,290
-	-	-	-	-	(35,000)
-	-	-	-	-	644,290
365,940	(1,135,159)	(1,248)	801,396	1,838,018	878,550
<u>5,958,504</u>	<u>1,853,098</u>	<u>4,559,036</u>	<u>18,128,340</u>	<u>49,650,803</u>	<u>116,913,061</u>
<u>\$ 6,324,444</u>	<u>\$ 717,939</u>	<u>\$ 4,557,788</u>	<u>\$ 18,929,736</u>	<u>\$ 51,488,821</u>	<u>\$ 117,791,611</u>

**CITY OF CARLSBAD**

**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Special Revenue Funds  
Year Ended June 30, 2015**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<b>Affordable Housing</b>			
Total revenues	\$ 905,000	\$ 1,134,959	\$ 229,959
Total expenditures	567,461	454,921	(112,540)
Net change in fund balance	<u>337,539</u>	<u>680,038</u>	<u>342,499</u>
<b>Community Development Block Grant</b>			
Total revenues	584,000	666,248	82,248
Total expenditures	788,505	674,560	(113,945)
Net change in fund balance	<u>(204,505)</u>	<u>(8,312)</u>	<u>196,193</u>
<b>Donations</b>			
Total revenues	276,000	452,995	176,995
Total expenditures	447,389	221,030	(226,359)
Net change in fund balance	<u>(171,389)</u>	<u>231,965</u>	<u>403,354</u>
<b>Financing Districts</b>			
Total revenues	2,944,222	2,357,230	(586,992)
Total expenditures	3,194,862	2,956,286	(238,576)
Net change in fund balance	<u>(250,640)</u>	<u>(599,056)</u>	<u>(348,416)</u>
<b>Gas Tax</b>			
Total revenues	3,357,247	3,412,660	55,413
Total expenditures	17,742,129	6,100,602	(11,641,527)
Net change in fund balance	<u>(14,384,882)</u>	<u>(2,687,942)</u>	<u>11,696,940</u>
<b>Habitat and Agricultural Management</b>			
Total revenues	-	93,236	93,236
Total expenditures	1,788,200	1,030,844	(757,356)
Net change in fund balance	<u>(1,788,200)</u>	<u>(937,608)</u>	<u>850,592</u>
<b>Other Special Revenue Funds</b>			
Total revenues	366,000	379,364	13,364
Total expenditures	930,059	815,349	(114,710)
Net change in fund balance	<u>(564,059)</u>	<u>(435,985)</u>	<u>128,074</u>

(Continued)

**CITY OF CARLSBAD**

**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Special Revenue Funds (Continued)  
Year Ended June 30, 2015**

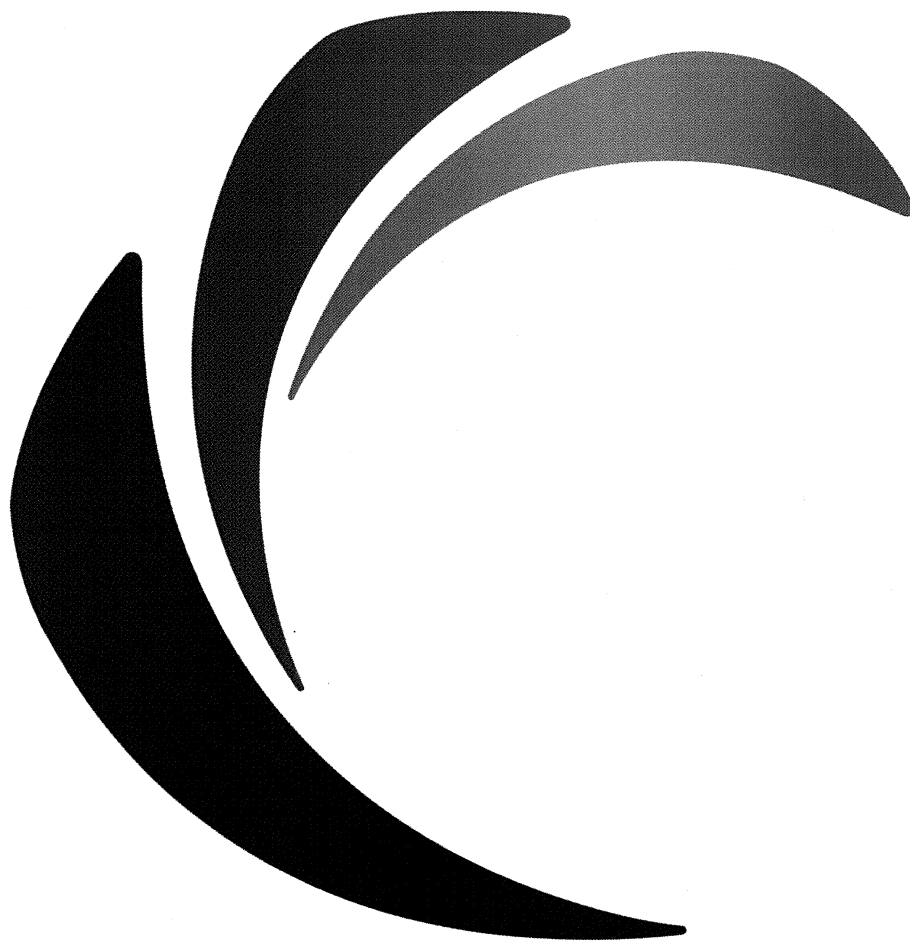
	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<b>Police Grants and Asset Forfeiture</b>			
Total revenues	\$ 527,723	\$ 425,337	\$ (102,386)
Total expenditures	795,755	463,474	(332,281)
Net change in fund balance	<u>(268,032)</u>	<u>(38,137)</u>	<u>229,895</u>
<b>Section 8 Rental Assistance</b>			
Total revenues	6,068,000	5,664,254	(403,746)
Total expenditures	6,503,854	6,249,902	(253,952)
Net change in fund balance	<u>(435,854)</u>	<u>(585,648)</u>	<u>(149,794)</u>
<b>Totals</b>			
Total revenues	15,028,192	14,586,283	(441,909)
Total expenditures	32,758,214	18,966,968	(13,791,246)
Net change in fund balance	<u>\$ (17,730,022)</u>	<u>\$ (4,380,685)</u>	<u>\$ 13,349,337</u>

**CITY OF CARLSBAD**

**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Capital Project Funds  
Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Over (Under)</u>
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	\$ 9,000	\$ 77,347	\$ 68,347
Total expenditures	44,000	42,902	(1,098)
Net change in fund balance	<u>\$ (35,000)</u>	<u>\$ 34,445</u>	<u>\$ 69,445</u>





**CITY OF CARLSBAD**

**Combining Statement of Net Position  
Internal Service Funds  
June 30, 2015**

<b>ASSETS</b>	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 16,827,550	\$ 5,718,736	\$ 6,176,420
Receivables:			
Other	4,757	-	-
Accounts, net of allowances	2,500	-	-
Inventories	311,717	-	-
<b>Total current assets</b>	<b>17,146,524</b>	<b>5,718,736</b>	<b>6,176,420</b>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	19,390,121	-	3,620,453
Construction in progress	19,885	-	767,428
Less accumulated depreciation	(12,913,028)	-	(2,905,855)
Total capital assets (net of accumulated depreciation)	6,496,978	-	1,482,026
Total noncurrent assets	6,496,978	-	1,482,026
<b>Total assets</b>	<b>23,643,502</b>	<b>5,718,736</b>	<b>7,658,446</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension contributions	118,062	-	586,062
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	270,544	3,853,151	369,311
Estimated claims payable	-	97,200	-
<b>Total current liabilities</b>	<b>270,544</b>	<b>3,950,351</b>	<b>369,311</b>
Noncurrent liabilities:			
Deposits payable	-	-	-
Net pension liability	989,985	-	4,914,310
<b>Total noncurrent liabilities</b>	<b>989,985</b>	<b>-</b>	<b>4,914,310</b>
<b>Total liabilities</b>	<b>1,260,529</b>	<b>3,950,351</b>	<b>5,283,621</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - actuarial	227,148	-	1,127,566
<b>NET POSITION</b>			
Investment in capital assets	6,496,978	-	1,482,026
Unrestricted	15,776,909	1,768,385	351,295
<b>Total net position (deficit)</b>	<b>\$ 22,273,887</b>	<b>\$ 1,768,385</b>	<b>\$ 1,833,321</b>

	Risk Management	Workers' Compensation	Total
\$	3,575,161	\$ 7,614,208	\$ 39,912,075
	-	-	4,757
	-	-	2,500
	-	-	311,717
	<u>3,575,161</u>	<u>7,614,208</u>	<u>40,231,049</u>
	-	-	23,010,574
	-	-	787,313
	-	-	(15,818,883)
	<u>-</u>	<u>-</u>	<u>7,979,004</u>
	<u>-</u>	<u>-</u>	<u>7,979,004</u>
	<u>3,575,161</u>	<u>7,614,208</u>	<u>48,210,053</u>
	<u>34,579</u>	<u>22,272</u>	<u>760,975</u>
	31,749	4,832	4,529,587
	2,019,176	6,983,969	9,100,345
	<u>2,050,925</u>	<u>6,988,801</u>	<u>13,629,932</u>
	1,000	-	1,000
	289,952	186,754	6,381,001
	290,952	186,754	6,382,001
	<u>2,341,877</u>	<u>7,175,555</u>	<u>20,011,933</u>
	<u>66,528</u>	<u>42,850</u>	<u>1,464,092</u>
	-	-	7,979,004
	1,201,335	418,075	19,515,999
\$	<u>1,201,335</u>	<u>\$ 418,075</u>	<u>\$ 27,495,003</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Position  
 Internal Service Funds  
 For the Year Ended June 30, 2015

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 4,882,766	\$ 883,037	\$ 8,176,350
Miscellaneous	44,987	-	102,148
<b>Total operating revenues</b>	<b>4,927,753</b>	<b>883,037</b>	<b>8,278,498</b>
Operating expenses:			
Depreciation	1,485,864	-	266,293
Fuel and supplies	1,441,058	-	-
Claims and premiums expense	-	847,923	-
Small equipment purchases	4,456	-	406,984
General and administrative	1,630,860	36,695	6,990,371
<b>Total operating expenses</b>	<b>4,562,238</b>	<b>884,618</b>	<b>7,663,648</b>
<b>Operating income (loss)</b>	<b>365,515</b>	<b>(1,581)</b>	<b>614,850</b>
Nonoperating revenues (expenses):			
Income from property and investments	148,329	-	54,313
Gain (loss) on sale of property	43,757	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>192,086</b>	<b>-</b>	<b>54,313</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>557,601</b>	<b>(1,581)</b>	<b>669,163</b>
Transfers in	300,000	-	-
Transfers out	-	(2,000,000)	-
Capital contributions	41,832	-	817,898
<b>Change in net position</b>	<b>899,433</b>	<b>(2,001,581)</b>	<b>1,487,061</b>
Total net position (deficit) at beginning of year, as restated	21,374,454	3,769,966	346,260
Total net position (deficit) at end of year	<u>\$ 22,273,887</u>	<u>\$ 1,768,385</u>	<u>\$ 1,833,321</u>

	Risk Management	Workers' Compensation	Totals
	\$ 1,951,489	\$ 1,651,230	\$ 17,544,872
	31,437	7,473	186,045
	<u>1,982,926</u>	<u>1,658,703</u>	<u>17,730,917</u>
	-	-	1,752,157
	-	-	1,441,058
	2,557,032	2,280,271	5,685,226
	-	-	411,440
	<u>328,952</u>	<u>126,562</u>	<u>9,113,440</u>
	<u>2,885,984</u>	<u>2,406,833</u>	<u>18,403,321</u>
	<u>(903,058)</u>	<u>(748,130)</u>	<u>(672,404)</u>
	27,576	74,735	304,953
	-	-	43,757
	<u>27,576</u>	<u>74,735</u>	<u>348,710</u>
	(875,482)	(673,395)	(323,694)
	-	2,000,000	2,300,000
	-	-	(2,000,000)
	<u>-</u>	<u>-</u>	<u>859,730</u>
	(875,482)	1,326,605	836,036
	<u>2,076,817</u>	<u>(908,530)</u>	<u>26,658,967</u>
	<u>\$ 1,201,335</u>	<u>\$ 418,075</u>	<u>\$ 27,495,003</u>

**CITY OF CARLSBAD**

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2015**

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,877,444	\$ 883,037	\$ 8,176,350
Payments to suppliers	(1,946,975)	-	(3,294,721)
Payments to employees	(769,291)	-	(3,569,965)
Internal activity - payments to other funds	(409,109)	-	(657,141)
Claims and premiums paid	-	(838,534)	-
Other receipts (payments)	110,126	73,439	102,148
	<u>1,862,195</u>	<u>117,942</u>	<u>756,671</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers (to) from other funds	300,000	(2,000,000)	-
	<u>300,000</u>	<u>(2,000,000)</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,427,378)	-	(133,226)
Gross proceeds from the sale of capital assets	59,558	-	-
	<u>(1,367,820)</u>	<u>-</u>	<u>(133,226)</u>
Cash flows from investing activities:			
Interest on investments	148,329	-	54,313
	<u>148,329</u>	<u>-</u>	<u>54,313</u>
Net increase (decrease) in cash and cash equivalents	942,704	(1,882,058)	677,758
Cash and cash equivalents at beginning of year	15,884,846	7,600,794	5,498,662
Cash and cash equivalents at end of year	<u>\$ 16,827,550</u>	<u>\$ 5,718,736</u>	<u>\$ 6,176,420</u>

	Risk Management	Workers' Compensation	Total
\$	1,951,489	\$ 1,651,230	\$17,539,550
	(60,691)	-	(5,302,387)
	(193,504)	(125,287)	(4,658,047)
	(79,539)	(9,568)	(1,155,357)
	(1,144,065)	(2,282,249)	(4,264,848)
	31,437	7,473	324,623
	<u>505,127</u>	<u>(758,401)</u>	<u>2,483,534</u>
	-	2,000,000	300,000
	-	-	(1,560,604)
	-	-	59,558
	-	-	(1,501,046)
	<u>27,576</u>	<u>74,735</u>	<u>304,953</u>
	532,703	1,316,334	1,587,441
	3,042,458	6,297,874	38,324,634
\$	<u>3,575,161</u>	<u>\$ 7,614,208</u>	<u>\$39,912,075</u>

(Continued)

**CITY OF CARLSBAD**

**Combining Statement of Cash Flows  
Internal Service Funds (Continued)  
For the Year Ended June 30, 2015**

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 365,515	\$ (1,581)	\$ 614,850
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,485,864	-	266,293
Change in assets and liabilities:			
(Increase) decrease in receivables	(5,323)	-	-
(Increase) in inventories	(25,935)	-	-
(Increase) in deferred outflows - contributions	(5,995)	-	(29,759)
Increase (decrease) in accrued liabilities	71,101	110,135	19,620
Increase (decrease) in estimated claims payable	-	9,388	-
Increase (decrease) in net pension liability	(250,180)	-	(1,241,899)
Increase (decrease) in deferred inflows - actuarial	227,148	-	1,127,566
Net cash provided by (used in) operating activities	<u>\$ 1,862,195</u>	<u>\$ 117,942</u>	<u>\$ 756,671</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 41,832</u>	<u>\$ -</u>	<u>\$ 817,898</u>
Unrealized gains (losses)	<u>\$ (5,212)</u>	<u>\$ -</u>	<u>\$ (1,151)</u>



<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ (903,058)	\$ (748,130)	\$ (672,404)
-	-	1,752,157
-	-	(5,323)
-	-	(25,935)
(1,756)	(1,131)	(38,641)
3,720	(25,047)	179,529
1,412,967	20,252	1,442,607
(73,274)	(47,195)	(1,612,548)
66,528	42,850	1,464,092
<u>\$ 505,127</u>	<u>\$ (758,401)</u>	<u>\$ 2,483,534</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 859,730</u>
<u>\$ (560)</u>	<u>\$ (906)</u>	<u>\$ (7,829)</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 For the Year Ended June 30, 2015

Contractors' and Miscellaneous Deposits

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 13,148,218	\$ 47,600,266	\$ 45,601,582	\$ 15,146,902
Receivables:				
Other	18,050	9,123	18,864	8,309
Prepaid items	5,297	5,553	5,297	5,553
<b>Total current assets</b>	<u>\$ 13,171,565</u>	<u>\$ 47,614,942</u>	<u>\$ 45,625,743</u>	<u>\$ 15,160,764</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 1,362,479	\$ 46,910,744	\$ 46,732,284	\$ 1,540,939
Deposits held for others	11,809,086	4,868,807	3,058,068	13,619,825
<b>Total liabilities</b>	<u>\$ 13,171,565</u>	<u>\$ 51,779,551</u>	<u>\$ 49,790,352</u>	<u>\$ 15,160,764</u>

Assessment Districts

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 6,754,760	\$ 6,338,141	\$ 7,273,650	\$ 5,819,251
Receivables:				
Taxes	-	6,517	-	6,517
Other	61,517	48,248	61,517	48,248
<b>Total current assets</b>	<u>6,816,277</u>	<u>6,392,906</u>	<u>7,335,167</u>	<u>5,874,016</u>
Restricted assets:				
Cash and investments	5,847,907	-	96,090	5,751,817
<b>Total restricted assets</b>	<u>5,847,907</u>	<u>-</u>	<u>96,090</u>	<u>5,751,817</u>
<b>Total assets</b>	<u>\$ 12,664,184</u>	<u>\$ 6,392,906</u>	<u>\$ 7,431,257</u>	<u>\$ 11,625,833</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 21,865	\$ 62,092	\$ 45,289	\$ 38,668
Deposits held for others	12,642,319	6,424,173	7,479,327	11,587,165
<b>Total liabilities</b>	<u>\$ 12,664,184</u>	<u>\$ 6,486,265</u>	<u>\$ 7,524,616</u>	<u>\$ 11,625,833</u>

(continued)

**CITY OF CARLSBAD**

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds (continued)  
For the Year Ended June 30, 2015**

**Total Agency Funds**

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 19,902,978	\$ 53,938,407	\$ 52,875,232	\$ 20,966,153
Receivables:				
Taxes	-	6,517	-	6,517
Other	79,567	57,371	80,381	56,557
Prepaid items	5,297	5,553	5,297	5,553
<b>Total current assets</b>	<u>19,987,842</u>	<u>54,007,848</u>	<u>52,960,910</u>	<u>21,034,780</u>
Restricted assets:				
Cash and investments	5,847,907	-	96,090	5,751,817
<b>Total current assets</b>	<u>5,847,907</u>	<u>-</u>	<u>96,090</u>	<u>5,751,817</u>
<b>Total assets</b>	<u>\$ 25,835,749</u>	<u>\$ 54,007,848</u>	<u>\$ 53,057,000</u>	<u>\$ 26,786,597</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 1,384,344	\$ 46,972,836	\$ 46,777,573	\$ 1,579,607
Deposits held for others	24,451,405	11,292,980	10,537,395	25,206,990
<b>Total liabilities</b>	<u>\$ 25,835,749</u>	<u>\$ 58,265,816</u>	<u>\$ 57,314,968</u>	<u>\$ 26,786,597</u>

**CITY OF CARLSBAD**

**Combining Statement of Fiduciary Net Position by Project Area  
Private Purpose Trust Funds  
June 30, 2015**

	Redevelopment Obligation Retirement Trust Fund Village Project Area	Redevelopment Obligation Retirement Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 1,159,210	\$ -	\$ 1,159,210
Noncurrent assets:			
Loans receivable	3,750,000	-	3,750,000
<b>Total assets</b>	<u>4,909,210</u>	<u>-</u>	<u>4,909,210</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	\$ 6,316	\$ -	\$ 6,316
Accrued interest payable	130,030	-	130,030
Current portion of long-term debt	665,000	-	665,000
<b>Total current liabilities</b>	<u>801,346</u>	<u>-</u>	<u>801,346</u>
Noncurrent liabilities:			
Due to the City of Carlsbad	5,647,976	2,374,900	8,022,876
Tax allocation bonds payable	6,730,000	-	6,730,000
<b>Total noncurrent liabilities</b>	<u>12,377,976</u>	<u>2,374,900</u>	<u>14,752,876</u>
<b>Total liabilities</b>	<u>13,179,322</u>	<u>2,374,900</u>	<u>15,554,222</u>
<b>NET POSITION</b>			
Held in trust for redevelopment obligation retirement purposes	<u>\$ (8,270,112)</u>	<u>\$ (2,374,900)</u>	<u>\$ (10,645,012)</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, 2015**

	Redevelopment Retirement Obligation Trust Fund Village Project Area	Redevelopment Retirement Obligation Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Redevelopment Property Tax Trust Fund (RPTTF) revenues	\$ 1,434,925	\$ -	\$ 1,434,925
Income from property and investments	139,114	-	139,114
<b>Total additions</b>	<u>1,574,039</u>	<u>-</u>	<u>1,574,039</u>
<b>DEDUCTIONS</b>			
General and administrative	214,962	-	214,962
Interest expense and fees	416,482	7,576	424,058
Loss on disposal of assets	2,245	-	2,245
<b>Total deductions</b>	<u>633,689</u>	<u>7,576</u>	<u>641,265</u>
<b>Change in net position</b>	940,350	(7,576)	932,774
<b>Total net position (deficit) at beginning of year</b>	(9,210,462)	(2,367,324)	(11,577,786)
<b>Total net position (deficit) at end of year</b>	<u>\$ (8,270,112)</u>	<u>\$ (2,374,900)</u>	<u>\$ (10,645,012)</u>

**CITY OF CARLSBAD**

**Schedule of Annual Debt Service Requirements**

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

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
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>\$ 1,043,226</u>	<u>\$ 848,181</u>	<u>\$ 1,891,407</u>	<u>\$ 7,395,000</u>	<u>\$ 9,286,407</u>

**\$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
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>\$ 4,920,917</u>	<u>\$ 4,555,720</u>	<u>\$ 9,476,637</u>	<u>\$ 16,260,000</u>	<u>\$ 25,736,637</u>

**CITY OF CARLSBAD**

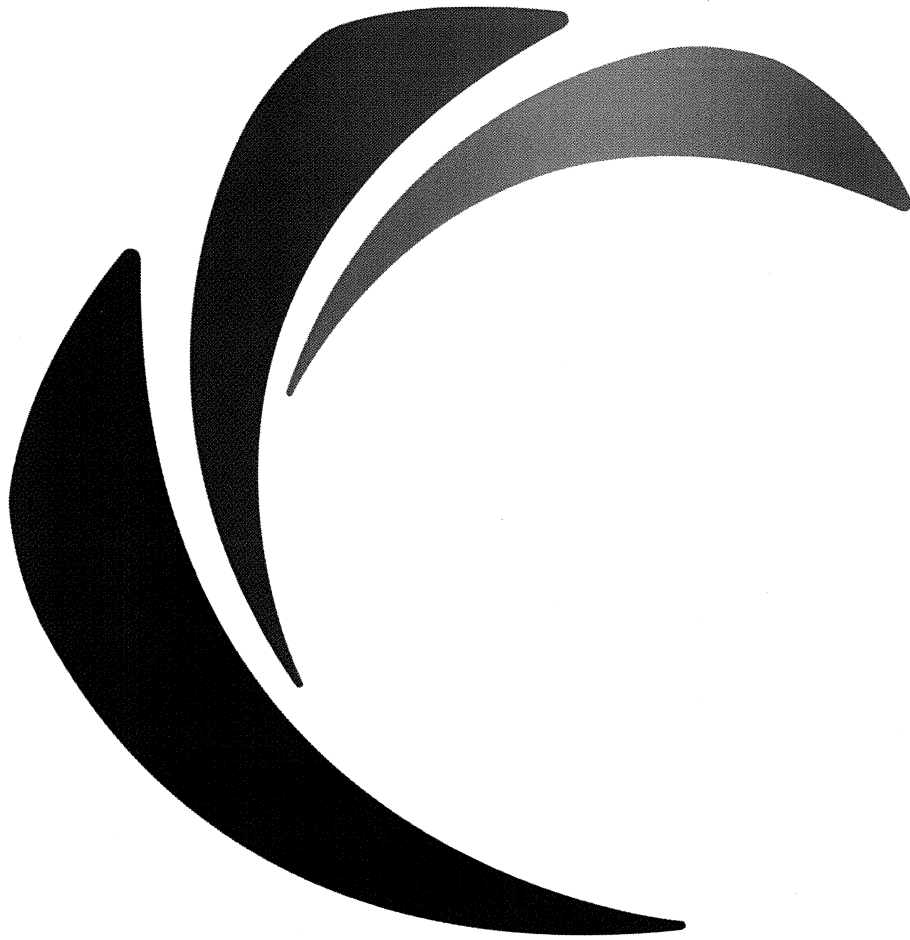
**Schedule of Annual Debt Service Requirements (continued)**

**\$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
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
<b>Totals</b>	<b>\$ 807,240</b>	<b>\$ 5,661,354</b>	<b>\$ 6,468,594</b>

**\$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
2015-16	\$ 293,648	\$ 935,976	\$ 1,229,624
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
<b>Totals</b>	<b>\$ 1,988,187</b>	<b>\$ 12,767,291</b>	<b>\$ 14,755,478</b>







Statistical Section



Statistical Section

**CITY OF CARLSBAD**  
**Statistical Section**

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

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	<b>136</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the city’s most significant local revenue source, property taxes.	<b>147</b>
<b>Debt Capacity</b> 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.	<b>152</b>
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	<b>162</b>
<b>Operating Information</b> 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.	<b>166</b>

**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)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 604,117	\$ 645,995	\$ 713,026	\$ 742,500
Restricted for:				
Capital assets	172,474	178,559	189,694	186,597
Lighting and landscaping districts	1,995	2,073	2,152	2,196
Affordable housing	27,453	30,356	33,888	35,330
Habitat and agricultural mitigation management	7,042	7,670	6,949	7,115
Other purposes	3,136	2,776	3,145	2,412
Unrestricted	<u>197,672</u>	<u>232,701</u>	<u>250,835</u>	<u>268,779</u>
Total governmental activities net position	<u>\$ 1,013,889</u>	<u>\$ 1,100,130</u>	<u>\$ 1,199,689</u> (3)	<u>\$ 1,244,929</u> (3)
<b>Business-type activities</b>				
Net investment in capital assets	\$ 234,560	\$ 253,645	\$ 292,684	\$ 308,440
Restricted for:				
Capital assets	107,841	47,164 (2)	44,738	43,167
Unrestricted	<u>(22,240) (1)</u>	<u>36,044 (2)</u>	<u>32,600</u>	<u>28,469</u>
Total business-type activities net position	<u>\$ 320,161</u>	<u>\$ 336,853</u>	<u>\$ 370,022</u> (3)	<u>\$ 380,076</u> (3)
<b>Total government</b>				
Net investment in capital assets	\$ 838,677	\$ 899,640	\$ 1,005,710	\$ 1,050,940
Restricted for:				
Capital assets	280,315	225,723	234,432	229,764
Lighting and landscaping districts	1,995	2,073	2,152	2,196
Affordable housing	27,453	30,356	33,888	35,330
Habitat and agricultural mitigation management	7,042	7,670	6,949	7,115
Other purposes	3,136	2,776	3,145	2,412
Unrestricted	<u>175,432</u>	<u>268,745</u>	<u>283,435</u>	<u>297,248</u>
<b>Total net position</b>	<u>\$ 1,334,050</u>	<u>\$ 1,436,983</u>	<u>\$ 1,569,711</u>	<u>\$ 1,625,005</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports.

- (1) The large decrease in Fiscal Year 2005-06 reflects an additional \$30.3 million advance to the Golf Course Fund from the General Fund.
- (2) 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.
- (3) Net position for prior years were restated in Fiscal Year 2007-08, to reflect the application of GASB 45.
- (4) 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.
- (5) Net position for the prior year was restated in Fiscal Year 2014-15, to reflect the application of GASB 68.

2010	2011	2012	2013	2014	2015
\$ 767,719	\$ 774,269	\$ 780,727	\$ 782,500	\$ 784,210	\$ 783,298
178,669	184,419	192,713	182,685	175,468	178,228
2,827	2,133	2,246	2,958	4,703	5,263
36,187	40,005	38,434	37,390	39,317	39,544
6,600	5,377	4,799	2,665	1,713	1,708
2,710	5,298	4,022	3,685	3,774	3,059
279,737	284,825	308,470 (4)	319,317	328,602	223,522
<u>\$ 1,274,449</u>	<u>\$ 1,296,326</u>	<u>\$ 1,331,411</u>	<u>\$ 1,331,200</u>	<u>\$ 1,337,787 (5)</u>	<u>\$ 1,234,622 (5)</u>
\$ 317,238	\$ 314,691	\$ 311,392	\$ 307,000	\$ 305,681	\$ 307,122
44,241	44,954	45,522	45,990	46,632	47,315
34,556	38,278	47,530	55,758	66,083	69,922
<u>\$ 396,035</u>	<u>\$ 397,923</u>	<u>\$ 404,444</u>	<u>\$ 408,748</u>	<u>\$ 418,396 (5)</u>	<u>\$ 424,359 (5)</u>
\$ 1,084,957	\$ 1,088,960	\$ 1,092,119	\$ 1,089,500	\$ 1,089,891	\$ 1,090,420
222,910	229,373	238,235	228,675	222,100	225,543
2,827	2,133	2,246	2,958	4,703	5,263
36,187	40,005	38,434	37,390	39,317	39,544
6,600	5,377	4,799	2,665	1,713	1,708
2,710	5,298	4,022	3,685	3,774	3,059
314,293	323,103	356,000	375,075	394,685	293,444
<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>	<u>\$ 1,658,981</u>

**CITY OF CARLSBAD**

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Expenses</b>					
Governmental activities					
General government	\$ 15,382 (1)	\$ 12,273	\$ 14,537	\$ 12,859	\$ 23,038 (7)
Public safety	35,822	38,327	42,796	44,632	44,371
Community development	14,332	13,860	15,697	16,168	18,920
Community services	16,790	17,913	18,938	20,270	18,755
Public works	35,937	37,278	35,971	35,190	35,383
Interest and fiscal charges on long-term debt	1,036	688	666	588	547
Total governmental activities	<u>119,299</u>	<u>120,339</u>	<u>128,605</u>	<u>129,707</u>	<u>141,014</u>
Business-type activities					
Carlsbad Municipal Water District	24,124	40,383 (2)	28,796	30,134	33,923
Golf course	2,471	200	7,347	13,040 (6)	11,927
Wastewater	8,265	9,590	10,400	11,836	10,434
Solid waste	1,699	1,901	2,588	2,580	2,535
Total business-type activities	<u>36,559</u>	<u>52,074</u>	<u>49,131</u>	<u>57,590</u>	<u>58,819</u>
Total government	<u>\$ 155,858</u>	<u>\$ 172,413</u>	<u>\$ 177,736</u>	<u>\$ 187,297</u>	<u>\$ 199,833</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for services:					
General government	\$ 945	\$ 1,194	\$ 2,698	\$ 847	\$ 341
Public safety	3,611	4,170	4,578	4,591	4,358
Community development	4,677	4,158	3,191	2,177	3,110
Community services	2,437	2,639	2,803	3,000	3,089
Public works	6,451	5,083	8,522	3,573	4,196
Operating grants and contributions	12,116	17,597 (3)	11,349	12,120	11,445
Capital grants and contributions	39,286	49,254 (4)	73,708	27,722 (5)	32,459
Total governmental activities	<u>69,523</u>	<u>84,095</u>	<u>106,849</u>	<u>54,030</u>	<u>58,998</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	19,462	22,186	22,894	24,574	29,865
Golf course	-	-	5,704	5,801	5,625
Wastewater	6,801	7,507	8,151	8,531	9,580
Solid waste	1,893	1,966	2,195	3,032	2,988
Operating grants and contributions	718	2,296	1,300	1,824	1,734
Capital grants and contributions	11,213	25,053 (4)	30,223	14,612	17,882
Total business-type activities	<u>40,087</u>	<u>59,008</u>	<u>70,467</u>	<u>58,374</u>	<u>67,674</u>
Total government	<u>\$ 109,610</u>	<u>\$ 143,103</u>	<u>\$ 177,316</u>	<u>\$ 112,404</u>	<u>\$ 126,672</u>
<b>Net (Expense)/Revenue:</b>					
Governmental activities	\$ (49,776)	\$ (36,244)	\$ (21,756)	\$ (75,677)	\$ (82,016)
Business-type activities	3,528	6,934	21,336	784	8,855
Total government net expense	<u>\$ (46,248)</u>	<u>\$ (29,310)</u>	<u>\$ (420)</u>	<u>\$ (74,893)</u>	<u>\$ (73,161)</u>

2011	2012	2013	2014	2015
\$ 16,907	\$ 16,675	\$ 23,574 (11)	\$ 20,187	\$ 16,108
45,011	45,576	48,468	48,942	48,856
17,043	17,689	23,061 (12)	16,286	17,201
25,136	25,398	24,839	29,055	31,429
25,759	28,441	36,806	30,314	36,273
453	298	4	1	-
<u>130,309</u>	<u>134,077</u>	<u>156,752</u>	<u>144,785</u>	<u>149,867</u>
34,978	35,985	41,626	43,547	40,897
11,538	11,190	10,668	11,032	10,538
11,751	11,330	13,556	12,488	12,629
2,565	2,922	2,918	2,856	2,973
<u>60,832</u>	<u>61,427</u>	<u>68,768</u>	<u>69,923</u>	<u>67,037</u>
<u>\$ 191,141</u>	<u>\$ 195,504</u>	<u>\$ 225,520</u>	<u>\$ 214,708</u>	<u>\$ 216,904</u>
\$ 1,793	\$ 315	\$ 1,469	\$ 289	\$ 1,382
4,502	4,379	4,025	3,950	4,220
4,332	3,567	4,174	4,378	5,160
2,934	2,747	2,813	4,354	5,374
3,567	3,717	5,073	3,720	4,014
12,033	11,813	13,199	11,919	12,242
13,557	15,429	17,741	16,129	19,105
<u>42,718</u>	<u>41,967</u>	<u>48,494</u>	<u>44,739</u>	<u>51,497</u>
30,715	35,776	44,240 (10)	46,750	47,461
5,850	6,127	6,278	6,635	6,709
10,053	10,989	12,402	12,896	12,875
3,015	2,961	3,060	3,320	3,245
1,263	1,201	38	90	59
5,640	4,560	2,855	3,198	5,879
<u>56,536</u>	<u>61,614</u>	<u>68,873</u>	<u>72,889</u>	<u>76,228</u>
<u>\$ 99,254</u>	<u>\$ 103,581</u>	<u>\$ 117,367</u>	<u>\$ 117,628</u>	<u>\$ 127,725</u>
\$ (87,591)	\$ (92,110)	\$ (108,258)	\$ (100,046)	\$ (98,370)
(4,296)	187	105	2,966	9,191
<u>\$ (91,887)</u>	<u>\$ (91,923)</u>	<u>\$ (108,153)</u>	<u>\$ (97,080)</u>	<u>\$ (89,179)</u>

(Continued)

**CITY OF CARLSBAD**

**Changes in Net Position (Continued)**

**Last Ten Fiscal Years**

(dollars in thousands)

	2006	2007	2008	2009	2010
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities					
Taxes:					
Property taxes	\$ 43,936	\$ 49,284	\$ 52,705	\$ 55,338	\$ 55,113
Sales and use taxes	25,429	27,445	27,031	23,098	23,031
Transient occupancy taxes	11,513	12,929	14,277	12,752	11,490
Franchise taxes	5,429	5,346	4,634	5,274	4,906
Business license taxes	3,040	3,056	3,328	3,422	3,458
Real property transfer taxes	1,906	1,262	951	621	758
Vehicle license fees	587	608	450	353	309
Income from property and investments	11,682	21,455	24,955	19,828	12,523
Other general revenues	650	700	513	359	391
Extraordinary gain/(loss)	-	-	-	-	-
Transfers	(315)	400	(2,634)	(127)	(443)
<b>Total governmental activities</b>	<b>103,857</b>	<b>122,485</b>	<b>126,210</b>	<b>120,918</b>	<b>111,536</b>
Business type activities					
Property taxes	2,257	2,504	2,711	2,861	2,822
Income from property and investments	3,538	7,621	8,030	5,908	3,686
Other general revenues	56	34	954	209	153
Transfers	315	(400)	2,634	127	443
<b>Total business-type activities</b>	<b>6,166</b>	<b>9,759</b>	<b>14,329</b>	<b>9,105</b>	<b>7,104</b>
<b>Total government</b>	<b>\$ 110,023</b>	<b>\$ 132,244</b>	<b>\$ 140,539</b>	<b>\$ 130,023</b>	<b>\$ 118,640</b>
<b>Change in Net Position</b>					
Governmental activities	\$ 54,081	\$ 86,241	\$ 104,454	\$ 45,241	\$ 29,520
Business-type activities	9,694	16,693	35,665	9,889	15,959
<b>Total government</b>	<b>\$ 63,775</b>	<b>\$ 102,934</b>	<b>\$ 140,119</b>	<b>\$ 55,130</b>	<b>\$ 45,479</b>

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) 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.
- (6) In Fiscal Year 2008-09, the city's municipal golf course began making debt service payments and depreciating its assets.
- (7) 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.
- (8) The extraordinary gain in Fiscal Year 2011-12 resulted from the transfers of the assets and liabilities of the former Redevelopment Agency to Successor Agency trust funds.
- (9) The State of California ceased sending the city vehicle license fee revenues in Fiscal Year 2011-12.
- (10) The increase in Fiscal Year 2012-13 was the result of a combination of a five percent increase in the number of water units sold coupled with and average eight percent increase in water rates charged to customers and a reimbursement for a lawsuit involving a landslide at the Marbella Condominiums.
- (11) 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.
- (12) 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.
- (13) 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 California state mandate.



<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 54,049	\$ 51,538	\$ 52,861	\$ 52,608	\$ 55,992
25,660	28,094	28,403	30,520	32,146
11,569	12,872	14,702	17,472	19,713
4,650	4,852	5,118	4,907	5,427
3,581	2,695	3,834	4,177	4,548
911	925	1,058	1,080	1,406
483	53	55	-	-
8,372	6,088 (9)	1,792	6,917	4,564
328	419	426	429	609
-	20,477 (8)	-	(10,289) (13)	-
<u>(135)</u>	<u>(1,810)</u>	<u>(656)</u>	<u>(1,188)</u>	<u>(1,264)</u>
<u>109,468</u>	<u>126,203</u>	<u>107,593</u>	<u>106,633</u>	<u>123,141</u>
2,779	2,721	2,904	2,897	3,133
2,109	2,054	555	2,498	1,870
3,599	106	85	99	623
<u>135</u>	<u>1,810</u>	<u>655</u>	<u>1,188</u>	<u>1,264</u>
<u>8,622</u>	<u>6,691</u>	<u>4,199</u>	<u>6,682</u>	<u>6,890</u>
<u>\$ 118,090</u>	<u>\$ 132,894</u>	<u>\$ 111,792</u>	<u>\$ 113,315</u>	<u>\$ 130,031</u>
\$ 21,877	\$ 34,093	\$ (665)	\$ 6,587	\$ 24,771
<u>4,326</u>	<u>6,878</u>	<u>4,304</u>	<u>9,648</u>	<u>16,081</u>
<u>\$ 26,203</u>	<u>\$ 40,971</u>	<u>\$ 3,639</u>	<u>\$ 16,235</u>	<u>\$ 40,852</u>

CITY OF CARLSBAD

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>General Fund</b>					
Reserved	\$ 45,131 (1)	\$ 56,505 (2)	\$ 56,479	\$ 59,303	\$ 59,586
Unreserved	61,494	66,084	64,494	66,302	68,935
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total General Fund</b>	<u>\$ 106,625</u>	<u>\$ 122,589</u>	<u>\$ 120,973</u>	<u>\$ 125,605</u>	<u>\$ 128,521</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 38,000	\$ 44,352	\$ 38,963	\$ 34,573	\$ 50,617
Unreserved, reported in:					
Special revenue funds	30,024	32,485	36,277	40,207	41,449
Debt service funds	(11,681)	(12,423)	(12,095)	(11,150)	(17,824)
Capital project funds	221,393	231,071	268,915 (3)	276,183	262,612 (4)
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	-	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 277,736</u>	<u>\$ 295,485</u>	<u>\$ 332,060</u>	<u>\$ 339,813</u>	<u>\$ 336,854</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.

<u>2011 (5)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
53,943	54,228	57,719	56,707	56,381
-	-	-	-	-
1,000	1,000	1,000	1,000	1,000
23,584	22,955	26,200	27,838	40,865
57,533	61,384	69,578	75,615	80,274
<u>\$ 136,060</u>	<u>\$ 139,567</u>	<u>\$ 154,497</u>	<u>\$ 161,160</u>	<u>\$ 178,520</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
433	440	435	430	3
-	-	-	-	-
250	-	-	-	-
65,585	64,401	61,938	66,833	66,300
-	-	-	-	-
171,214	177,372	167,009 (7)	157,712 (7)	161,499
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
123,473	123,465	121,861	131,627	136,237
-	-	-	-	-
(18,658)	- (6)	-	-	-
-	-	-	-	-
<u>\$ 342,297</u>	<u>\$ 365,678</u>	<u>\$ 351,243</u>	<u>\$ 356,602</u>	<u>\$ 364,039</u>

CITY OF CARLSBAD

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

	2006	2007	2008	2009	2010
<b>Revenues:</b>					
Taxes	\$ 94,862	\$ 101,196	\$ 105,724	\$ 103,874	\$ 100,249
Intergovernmental	13,027	25,097	19,565	10,029	12,108
Licenses and permits	2,504	2,094	1,991	1,022	1,484
Charges for services	11,038	10,937	11,089	9,616	10,215
Fines and forfeitures	1,178	1,387	1,500	1,402	1,199
Income from property and investments	10,387	22,270	24,163	19,132	12,719
Contributions from property owners	25,365	10,311	23,850	3,117	4,580
Donations	130	173	281	174	203
Miscellaneous	2,077	950	932	926	1,263
Total revenues	<u>160,568</u>	<u>174,415</u>	<u>189,095</u>	<u>149,292</u>	<u>144,020</u>
<b>Expenditures:</b>					
Current:					
General government	16,311	18,013	14,433	12,896	22,778
Less: Interdepartmental charges	(2,639)	(2,151)	(2,287)	(3,676)	(3,991)
Public safety	36,365	39,832	43,719	45,003	44,686
Community development	14,300	13,998	15,726	16,294	18,272
Community services	15,637	16,667	17,136	17,517	16,493
Public works	20,327	22,481	24,355	23,851	23,851
Capital outlay	47,032	30,765	39,010	22,097	19,727
Debt service:					
Principal retirement	1,037	1,091	1,140	1,200	490
Interest and fiscal charges	1,599	1,333	1,347	1,188	1,016
Total expenditures	<u>149,969</u>	<u>142,029</u>	<u>154,579</u>	<u>136,370</u>	<u>143,322</u>
Excess (deficiency) of revenues over (under) expenditures	10,599	32,386	34,516	12,922	698
<b>Other financing sources (uses):</b>					
Proceeds from the sale of property	-	1,364	-	-	-
Issuance of debt	-	-	-	-	-
Transfers in	11,685	9,723	20,390	9,101	21,837
Transfers out	(12,334)	(9,760)	(19,948)	(9,637)	(22,578)
Extraordinary gain (loss)	-	-	-	-	-
Total other financing sources (uses)	<u>(649)</u>	<u>1,327</u>	<u>442</u>	<u>(536)</u>	<u>(741)</u>
Net change in fund balances	<u>\$ 9,950</u>	<u>\$ 33,713</u>	<u>\$ 34,958</u>	<u>\$ 12,386</u>	<u>\$ (43)</u>
Debt service as percentage of noncapital expenditures (1)	2.41%	2.01%	2.08%	2.01%	1.18%

Source: City of Carlsbad Comprehensive Annual Financial Report.

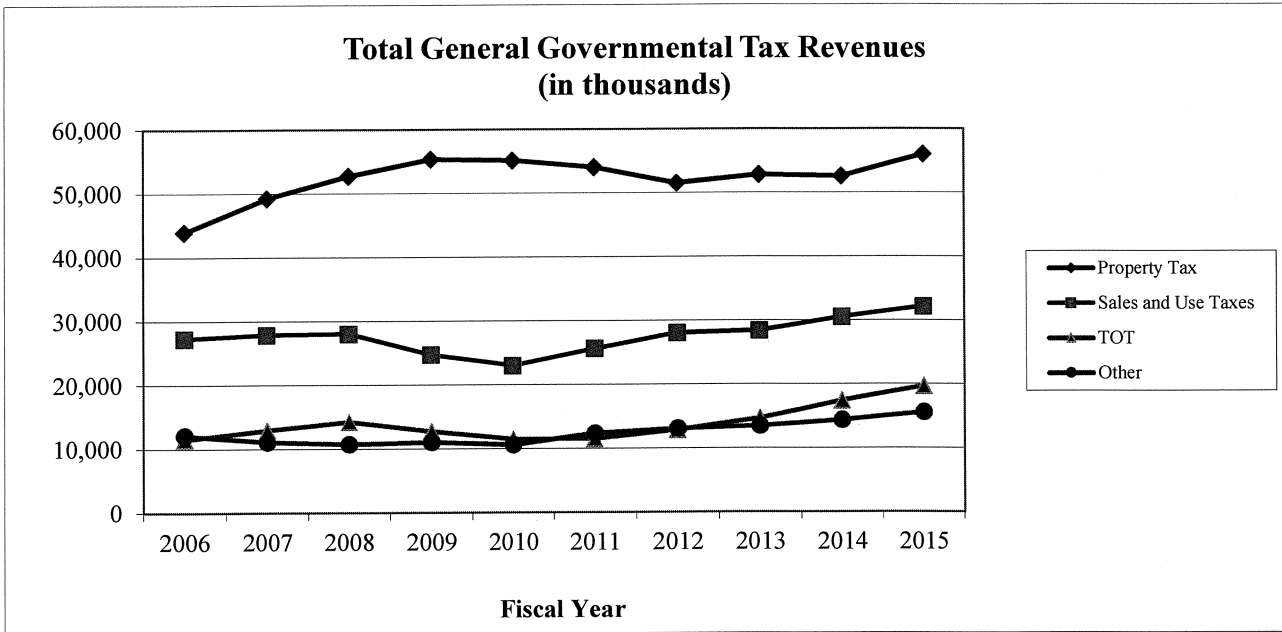
- (1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Position) and expenditures for capitalized assets included within the functional expenditure categories.
- (2) Steep drop in development throughout the city due to the economic recession starting in Fiscal Year 2008-09.
- (3) AB1x26 and AB 1484 were implemented in Fiscal Year 2011-12. The net assets of the former RDA were incorporated into trust funds.
- (4) Increase in taxes in Fiscal Year 2014-15 due to growth in property and TOT taxes.

	2011	2012	2013	2014	2015	
\$	103,660	\$ 105,595	\$ 109,447	\$ 114,996	\$ 123,411	(4)
	12,847	9,603	11,513	10,602	10,359	
	1,590	1,852	2,016	2,184	2,369	
	9,938	10,092	10,261	11,278	13,181	
	1,051	892	861	876	837	
	9,278	6,253	2,362	7,604	6,442	
	5,473	9,927	12,029	9,042	10,688	
	310	206	411	210	440	
	2,521	697	1,969	1,219	2,550	
	<u>146,668</u>	<u>145,117</u>	<u>150,869</u>	<u>158,011</u>	<u>170,277</u>	
	16,937	16,992	23,072	21,471	17,903	
	(3,015)	(3,750)	(3,858)	(3,566)	(3,807)	
	44,157	44,915	46,162	47,333	48,915	
	16,980	17,587	18,805	15,689	17,363	
	22,560	22,815	22,094	25,816	27,138	
	13,078	11,773	11,299	15,442	16,350	
	20,985	17,367	28,602	18,702	20,050	
	515	851	316	159	-	
	935	308	6	5	5	
	<u>133,132</u>	<u>128,858</u>	<u>146,498</u>	<u>141,051</u>	<u>143,917</u>	
	13,536	16,259	4,371	16,960	26,360	
	-	-	-	-	-	
	581	-	-	-	-	
	9,802	19,887	8,087	11,477	14,857	
	(10,937)	(23,097)	(14,792)	(16,415)	(16,420)	
	-	12,847	-	-	-	
	<u>(554)</u>	<u>9,637</u>	<u>(6,705)</u>	<u>(4,938)</u>	<u>(1,563)</u>	
\$	<u>12,982</u>	<u>\$ 25,896</u>	<u>\$ (2,334)</u>	<u>\$ 12,022</u>	<u>\$ 24,797</u>	
	1.26%	0.99%	0.24%	0.13%	0.00%	

**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
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 (1)	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 (2)	12,752 (2)	5,274	3,422	621	1,702	103,874
2010	55,113 (2)	23,031 (2)	11,490 (2)	4,906 (2)	3,458	758	1,493	100,249
2011	54,049	25,660	11,569	4,650	3,581	911	3,240 (6)	103,660
2012	51,538 (3)	28,094 (4)	12,872 (4)	4,852	2,695 (5)	925	4,619 (6)	105,595
2013	52,861	28,403	14,702 (7)	5,118	3,834	1,058	3,471	109,447
2014	52,608	30,520 (4)	17,472 (8)	4,907	4,177	1,080	4,232	114,996
2015	55,992 (9)	32,146 (4)	19,713 (10)	5,427	4,548	1,406	4,209	123,441
Change 2006-2015	27%	18%	71%	0%	50%	-26%	141%	30%



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) Reflects the beginning of the downturn in the housing market.
- (2) Reflects the impact of the economic recession.
- (3) 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.
- (4) Reflects improvement in the economy.
- (5) Three large refunds of overpaid business license taxes over a period of three years created this large decrease.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) Reflects improvement in the housing market and new construction.
- (10) The increase in transient occupancy taxes in Fiscal Year 2014-15 is due to the re-opening of one renovated hotel, the openings of several new hotels, 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>
2006	\$9.25	\$1.60	\$13.50
2007	9.75	1.68	14.65
2008	12.12	1.76	16.20
2009	14.54	2.12	17.65
2010	16.78	2.29	20.93
2011	18.00	2.70	23.03
2012	19.80	2.97	24.53
2013	21.38	3.20	25.02
2014	20.07	3.19	25.52
2015	21.08	3.35	26.03

Source: City of Carlsbad.

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

(1) One unit of water equals 748 gallons.

(2) Tiered rates were implemented starting in Fiscal Year 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.

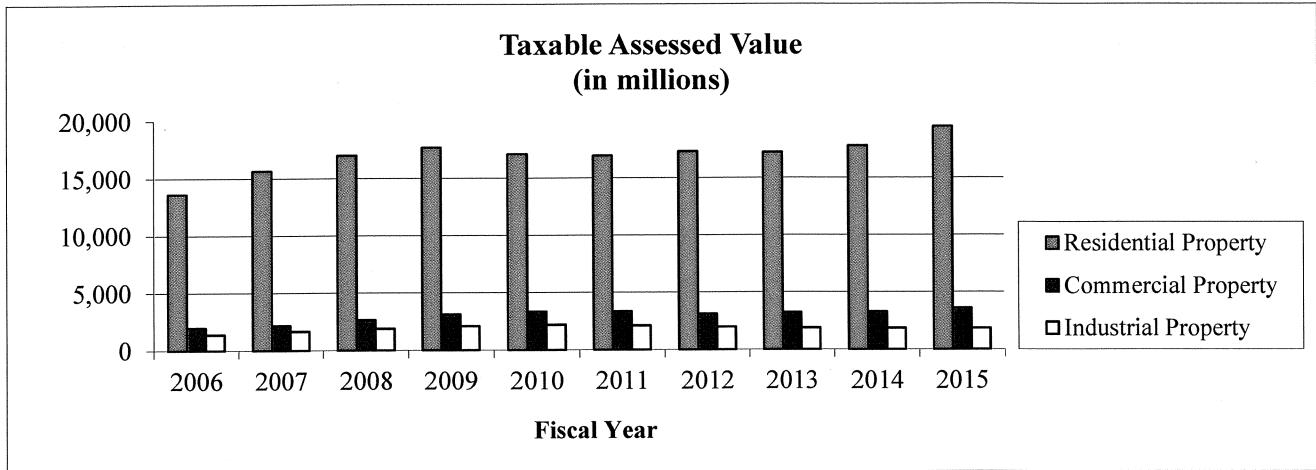
**CITY OF CARLSBAD**

**Assessed Value of Taxable Property**

**Last Ten Fiscal Years**

(dollars in millions)

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Exemptions and Other Taxable Property (1)</b>	<b>Net Assessed Valuation</b>	<b>Change From Prior Year</b>	<b>Estimated Property Tax Revenue (2)</b>	<b>Total Direct Tax Rate (3)</b>
2006	\$ 13,619	\$ 1,962	\$ 1,398	\$ 729	\$ 17,708	12.50%	\$ 34	0.1927%
2007	15,650	2,181	1,660	569	20,060	13.28%	39	0.1927%
2008	16,988	2,635	1,883	534	22,040	9.87%	42	0.1927%
2009	17,683	3,132	2,102	600	23,517	6.70%	45	0.1927%
2010	17,086	3,340	2,192	617	23,235	-1.20%	45 (4)	0.1927%
2011	16,946	3,355	2,111	601	23,013	-0.96%	44	0.1927%
2012	17,306	3,133	1,983	560	22,982	-0.13%	44	0.1927%
2013	17,222	3,237	1,884	614	22,957	-0.11%	44	0.1927%
2014	17,774	3,298	1,871	580	23,523	2.47%	45	0.1927%
2015	19,450	3,603	1,847	589	25,489	8.36%	49 (5)	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) The decrease in estimated property tax revenue is a result of the economic recession.
- (5) The increase in estimated property tax revenue is due to improvements in the housing market and new construction.



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 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	Total Prop 13 Rate (2)	Voter Approved Debt (3)	
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
2015	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0710	1.0710

Tax Rates for all Tax Rate Areas  
 Fiscal Year 2014-15

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	
1.0433	1	-	-	-	-	0.0433%	-	-	-	0.0433%
1.0468	47	-	-	-	-	0.0433	-	-	0.0035	0.0468
1.0597	3	-	-	-	-	0.0433	0.0129	-	0.0035	0.0597
1.0619	1	-	0.0584	-	-	-	-	-	0.0035	0.0619
1.0675	3	0.0675	-	-	-	-	-	-	-	0.0675
1.0710	57	0.0675	-	-	-	-	-	-	0.0035	0.0710
1.0774	2	-	-	0.0739	-	-	-	-	0.0035	0.0774
1.0790	5	-	-	-	0.0626	-	0.0129	-	0.0035	0.0790
1.0839	3	0.0675	-	-	-	-	0.0129	-	0.0035	0.0839
1.0903	29	-	-	0.0739	-	-	0.0129	-	0.0035	0.0903
1.0945	1	0.0675	-	-	-	-	-	0.0235	0.0035	0.0945
1.1009	1	-	-	0.0739	-	-	-	0.0235	0.0035	1.1009
1.1138	11	-	-	0.0739	-	-	0.0129	0.0235	0.0035	0.1138

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 164 tax rate areas in the City of Carlsbad. The table above shows the number of tax rate areas affected by each of the rates. The number of tax rate areas increased from 146 in prior years to 164 due to the annexation of territory.

CITY OF CARLSBAD

Principal Property Taxpayers  
Current Year and Nine Years Ago

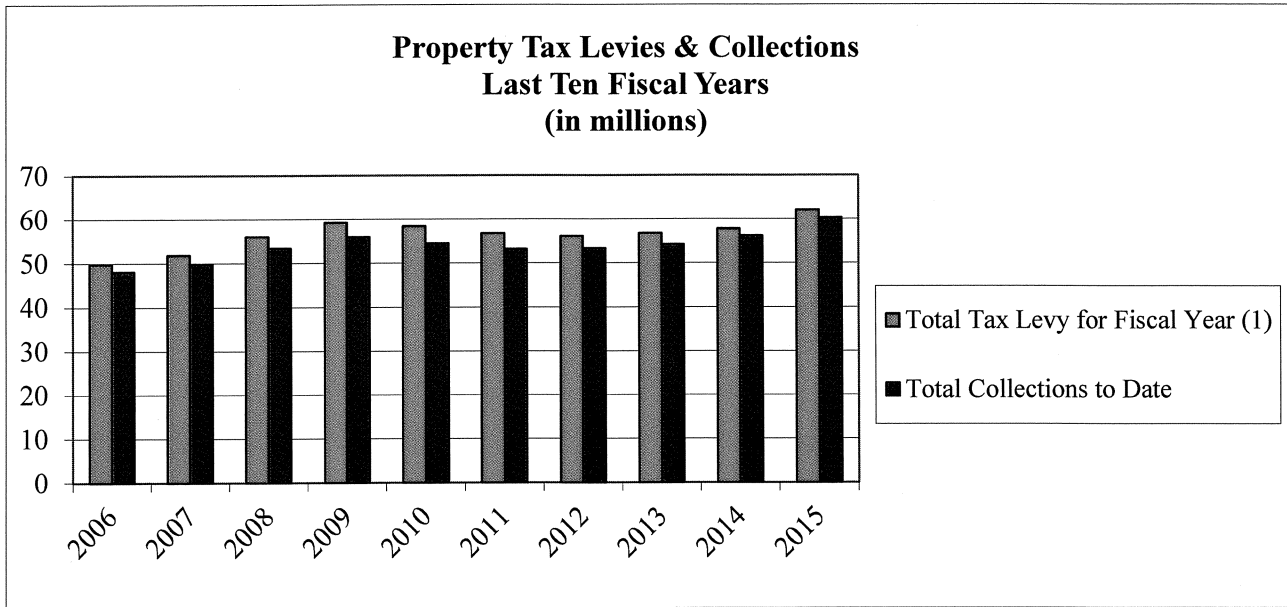
Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
La Costa Resort & Spa	\$ 252,289,800	1	0.99%	\$ 124,657,356	3	0.70%
La Costa Glen Retirement Community	238,709,403	2	0.94%	93,828,207	5	0.53%
The Forum Shopping Center	184,226,154	3	0.72%	-	-	-
Legoland California, LLC	165,231,945	4	0.65%	71,000,000	8	0.40%
Archstone Pacific View Apartments	159,762,387	5	0.63%	-	-	-
Park Hyatt Aviara Resort	143,850,000	6	0.56%	125,256,000	2	0.71%
Carlsbad Premium Outlets	119,788,973	7	0.47%	105,346,743	4	0.59%
Westfield Plaza Camino Real	106,613,847	8	0.42%	-	-	-
H.G. Fenton Company	82,618,417	9	0.32%	68,998,021	9	0.39%
Eaves by Avalon Apartment Homes	81,406,809	10	0.32%	-	-	-
Greystone Homes Inc.	-	-	-	144,779,270	1	0.82%
Prentiss Properties Acquisition	-	-	-	76,456,459	6	0.43%
Borders, Inc.	-	-	-	75,213,933	7	0.42%
Pulte Home Corp	-	-	-	68,322,346	10	0.39%
Total	<u>\$ 1,534,497,735</u>		<u>6.02%</u>	<u>\$ 953,858,335</u>		<u>5.38%</u>
Net assessed valuation	<u>\$ 25,489,468,151</u>			<u>\$ 17,707,928,440</u>		

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

**CITY OF CARLSBAD**

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

<u>Fiscal Year</u>	<u>Total Tax Levy for Fiscal Year (1)</u>	<u>Collections within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount (2)</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2006	49,806,112	47,058,777	94.48%	\$1,027,689	\$48,086,466	96.55%
2007	51,854,596	48,343,045	93.23%	1,500,501	49,843,546	96.12%
2008	56,098,718	51,425,928	91.67%	2,011,715	53,437,643	95.26%
2009	59,297,940	53,993,989	91.06%	1,981,984	55,975,973	94.40%
2010	58,433,851	53,131,129	90.93%	1,395,120	54,526,249	93.31%
2011	56,792,002	52,341,088	92.16%	874,417	53,215,505	93.70%
2012	56,172,471	52,660,971	93.75%	704,339	53,365,310	95.00%
2013	56,791,847	53,772,113	94.68%	475,344	54,247,457	95.52%
2014	57,818,927	55,856,302	96.61%	362,451	56,218,753	97.23%
2015	62,028,993	60,312,514	97.23%	N/A	60,312,514	97.23%



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.

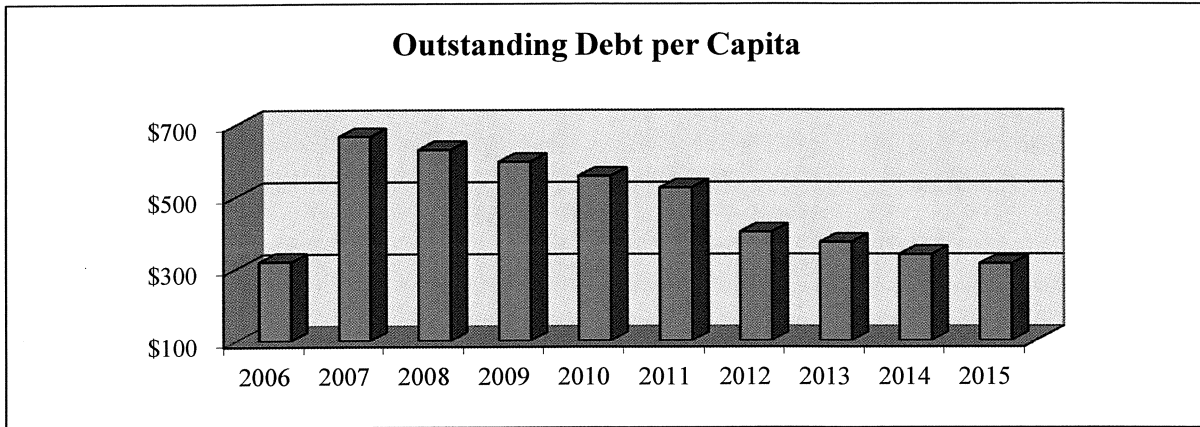
**CITY OF CARLSBAD**

**Ratios of Outstanding Debt by Type**

**Last Ten Fiscal Years**

(dollars in thousands except per capita)

<b>Governmental Activities</b>				
<u>Fiscal Year</u>	<u>Bonds / Special Debt (4)</u>	<u>Certificates of Participation</u>	<u>Capital Leases</u>	<u>Loans Payable</u>
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	-	-	-	-
2015	-	-	-	-



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**

<b>Bonds / Special Debt (1)</b>	<b>Installment Purchase Agreements</b>	<b>Loan Payable (2)</b>	<b>Capital Leases</b>	<b>Total</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita</b>
\$ -	\$ 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
16,260	-	18,429	-	34,689	0.71%	313.49

**CITY OF CARLSBAD**

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

Fiscal Year 2014-15 Assessed Valuation:	\$ 25,877,143,403
Redevelopment Incremental Valuation:	387,675,252
Adjusted Assessed Valuation:	<u>\$ 25,489,468,151</u>

	Total Debt 06/30/15	Percent Applicable (1)	City's Share of Debt 6/30/15
<b><u>Overlapping Tax and Assessment Debt:</u></b>			
Metropolitan Water District	\$ 110,420,000	1.124%	\$ 1,241,121
Palomar Community College District	515,523,901	2.781%	14,336,720
Carlsbad Unified School District	184,028,004	97.973%	180,297,756
Oceanside Unified School District	224,012,194	0.005%	11,201
Vista Unified School District	110,409,882	0.578%	638,169
Encinitas Union School District	31,328,506	31.298%	9,805,196
San Marcos Unified School District	280,348,736	18.979%	53,207,387
San Marcos Unified School District School Facility Improvement District	4,333,019	20.651%	894,812
San Marcos Unified School District CFD No. 4	19,720,000	32.779%	6,464,019
San Marcos Unified School District CFD No. 5	17,600,000	100.000%	17,600,000
San Dieguito Union High School District	266,795,000	9.234%	24,635,850
San Dieguito Union HS District CFD No. 94-1	85,024	100.000%	85,024
San Dieguito Union HS District CFD No. 94-2	24,108,310	98.160%	23,664,717
San Dieguito Union HS District CFD No. 95-2	3,949,774	13.293%	525,043
Palomar Pomerado Hospital District	471,441,406	1.664%	7,844,785
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	13,270,000	5.986%	794,342
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	23,025,000	100.000%	23,025,000
City of Carlsbad 1915 Act Bonds	44,030,000	100.000%	44,030,000
<b>Total Overlapping Tax and Assessment Debt</b>	<b>\$ 2,344,428,756</b>		<b>\$ 409,101,142</b>
<b><u>Overlapping General Fund Obligation Debt:</u></b>			
San Diego County General Fund Obligations	\$ 351,670,000	6.214%	\$ 21,852,774
San Diego County Pension Obligations	682,615,180	6.214%	42,417,707
San Diego City Superintendent of Schools General Fund Obligations	14,732,500	6.214%	915,478
Mira Costa Community College District Certificates of Participation	1,705,000	27.248%	464,578
Palomar Community College District General Fund Obligations	4,350,000	2.781%	120,974
Carlsbad Unified School District General Fund Obligations	48,040,000	97.973%	47,066,229
San Marcos Unified School District General Fund Obligations	54,688,327	18.979%	10,379,298
Vista Unified School District Certificates of Participation	3,810,000	0.578%	22,022
San Dieguito Union High School District General Fund Obligations	13,015,000	9.234%	1,201,805
<b>Total Overlapping General Fund Obligation Debt</b>	<b>\$ 1,174,626,007</b>		<b>\$ 124,440,865</b>
<b><u>Overlapping Tax Increment Debt (Successor Agency):</u></b>	<b>7,395,000</b>	<b>100.000%</b>	<b>7,395,000 (3)</b>
<b>Total Overlapping Debt:</b>	<b>\$ 3,526,449,763</b>		<b>\$ 540,937,007</b>
<b><u>City of Carlsbad Direct Debt:</u></b>			
City of Carlsbad Governmental Activities Obligations	\$ -	100.000%	\$ -
<b>Total City of Carlsbad Direct Debt</b>	<b>\$ -</b>		<b>\$ -</b>
<b>Combined Total Debt</b>	<b>\$ 3,526,449,763</b>		<b>\$ 540,937,007 (2)</b>

(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 2014-15 Assessed Valuation:

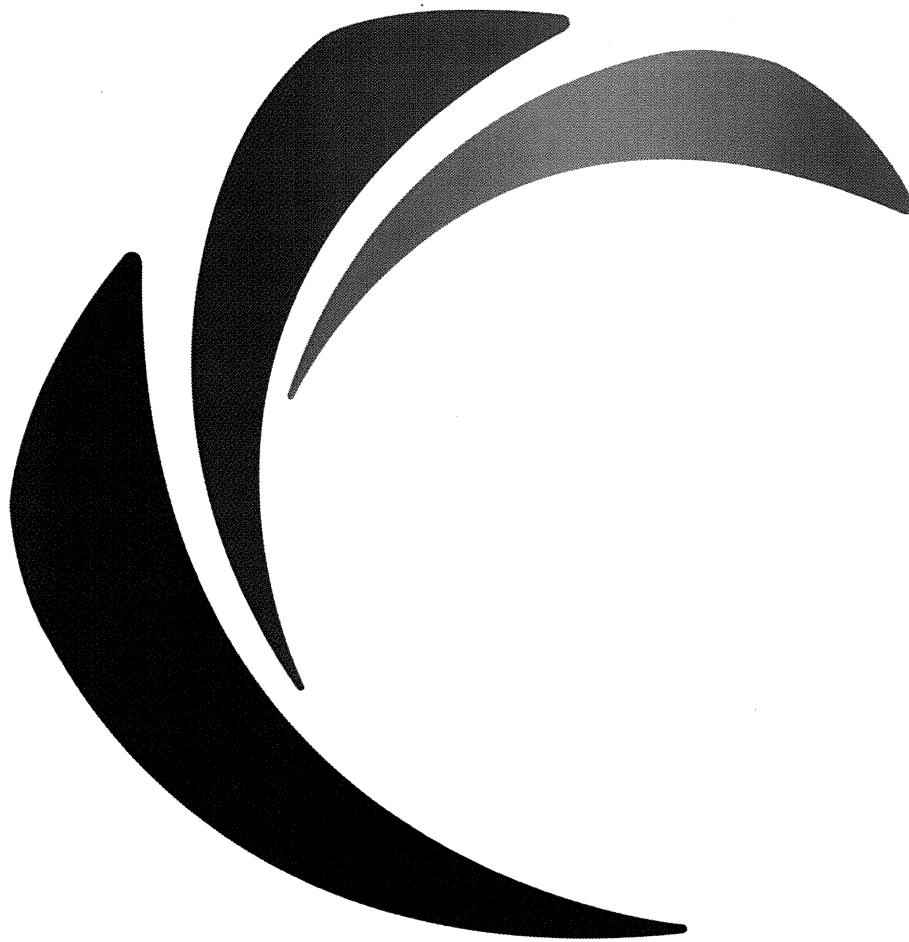
Total Overlapping Tax and Assessment Debt 1.58%

Ratios to Adjusted Assessed Valuation:

**Governmental Activities Direct Debt 0.00%**  
Combined Total Debt 2.12%

(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>2006</u>	<u>2007</u>	<u>2008</u>
<b><u>Overlapping Tax and Assessment Debt:</u></b>			
Metropolitan Water District	\$ 0.269	\$ 0.224	\$ 0.187
Palomar Community College District	-	0.239	0.224
Carlsbad Unified School District	1.102	0.897	2.521
Carlsbad Unified School District CFD No. 1	0.477	0.386	0.318
Oceanside Unified School District	-	-	-
Vista Unified School District	0.007	0.011	0.029
Encinitas Union School District	0.389	0.322	0.270
San Marcos Unified School District	-	-	-
San Marcos Unified School District School Fac. Improv. Dist.	0.383	0.327	0.282
Palomar Pomerado Hospital District	0.100	0.080	0.303
Leucadia County Water District and I.D. No. 1	-	-	-
San Marcos Unified School District CFD No. 4	0.187	0.302	0.270
San Marcos Unified School District CFD No. 5	1.457	1.255	1.114
San Dieguito Union High School District	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.016	0.014	0.012
San Dieguito Union HS District CFD No. 94-2	1.128	0.975	0.867
San Dieguito Union HS District CFD No. 95-2	0.006	0.005	0.004
San Dieguito Union HS District combined CFD	0.832	0.734	0.668
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.242	0.203	0.177
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	0.649	0.573	1.338
City of Carlsbad 1915 Act Bonds	4.143	3.553	3.091
Total Overlapping Tax and Assessment Debt	\$ 11.387	\$ 10.100	\$ 11.675
<b><u>Overlapping General Fund Obligation Debt:</u></b>			
San Diego County General Fund Obligations	\$ 1.385	\$ 1.125	\$ 1.051
San Diego County Pension Obligations	4.376	4.306	3.094
San Diego City Superintendent of Schools General Fund Obligations	0.044	0.058	0.051
Mira Costa Community College District Certificates of Participation	0.072	0.061	0.052
Palomar Community College District General Fund Obligations	0.013	0.012	0.011
Carlsbad Unified School District General Fund Obligations	3.106	2.694	2.404
San Marcos Unified School District General Fund Obligations	0.106	0.093	0.082
Vista Unified School District Certificates of Participation	-	-	-
Encinitas Union School District Certificates of Participation	0.024	0.018	0.013
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.001	0.001	0.001
Total Overlapping General Fund Obligation Debt	\$ 9.127	\$ 8.368	\$ 6.759
<b><u>Overlapping Tax Increment Debt (Successor Agency):</u></b>			
	\$ -	\$ -	\$ -
<b>Total Overlapping Debt:</b>	20.514	18.468	18.434
<b><u>City of Carlsbad Direct Debt:</u></b>			
City of Carlsbad Governmental Activities Obligations	0.119	0.072	0.033
Total City of Carlsbad Direct Debt	\$ 0.119	\$ 0.072	\$ 0.033
<b>Combined Total Debt</b>	\$ 20.633	\$ 18.540	\$ 18.467

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

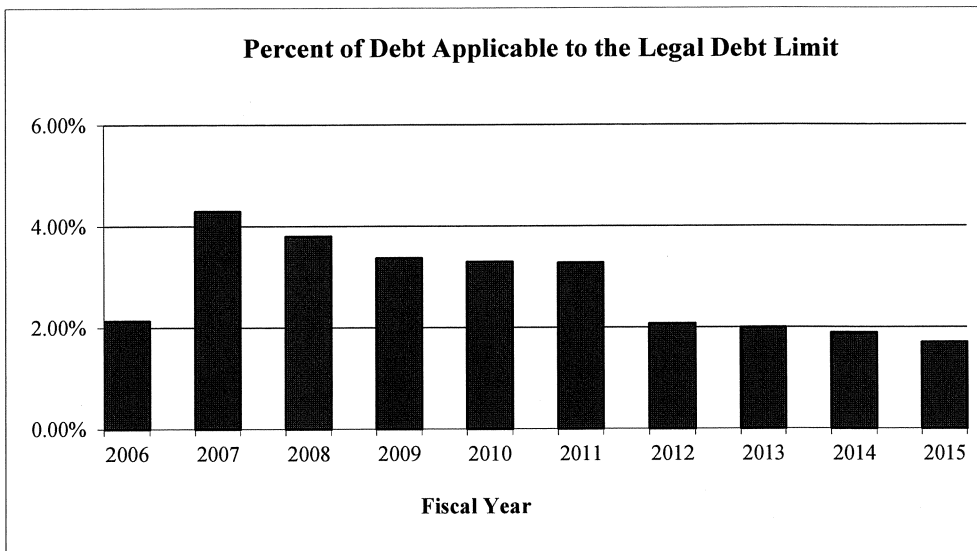


	2009	2010	2011	2012	2013	2014	2015
\$	0.160	\$ 0.147	\$ 0.129	\$ 0.110	\$ 0.080	\$ 0.062	\$ 0.049
	0.208	0.207	0.447	0.448	0.375	0.361	0.562
	5.513	5.401	8.660	8.527	8.312	7.921	7.073
	0.263	0.230	0.192	0.149	0.103	0.052	-
	-	0.001	0.001	0.001	0.001	-	-
	0.033	0.043	0.039	0.038	0.031	0.028	0.025
	0.228	0.205	0.357	0.338	0.454	0.426	0.385
	-	-	-	3.103	1.711	2.248	2.087
	0.250	0.227	0.202	0.176	0.076	0.057	0.035
	0.389	0.383	0.444	0.434	0.353	0.336	0.308
	-	-	-	-	-	-	-
	0.248	0.245	0.241	0.236	0.230	0.292	0.254
	1.016	1.000	0.979	0.950	0.918	0.864	0.690
	-	-	-	-	0.621	0.607	0.967
	0.011	0.004	0.004	0.004	0.004	0.004	0.003
	0.793	1.105	1.093	1.106	1.082	1.032	0.928
	0.004	0.022	0.022	0.022	0.022	0.023	0.021
	0.626	0.218	0.215	-	-	-	-
	0.157	0.151	0.147	0.142	0.138	0.139	0.031
	1.246	1.244	1.080	1.063	1.045	1.000	0.903
	2.806	2.685	2.640	2.569	2.107	2.018	1.727
\$	13.951	\$ 13.518	\$ 16.892	\$ 19.416	\$ 17.663	\$ 17.470	\$ 16.048
\$	1.304	\$ 1.201	\$ 1.133	\$ 1.155	\$ 1.070	\$ 0.983	\$ 0.857
	2.782	2.470	2.410	2.300	2.017	1.865	1.664
	0.046	0.061	0.059	0.055	0.047	0.042	0.036
	0.046	0.043	0.036	0.032	0.028	0.023	0.018
	0.010	0.010	0.009	0.008	0.006	0.006	0.005
	2.206	2.132	2.089	2.028	1.967	2.086	1.846
	0.076	0.834	0.831	0.837	0.458	0.441	0.407
	-	-	-	-	0.001	0.001	0.001
	0.008	0.004	-	-	-	-	-
	-	0.048	0.049	0.059	0.051	0.049	0.047
	0.002	0.002	0.002	0.002	-	-	-
\$	6.480	\$ 6.805	\$ 6.618	\$ 6.476	\$ 5.645	\$ 5.496	\$ 4.881
\$	-	\$ -	\$ -	\$ -	\$ 0.376	\$ 0.341	\$ 0.290
	20.431	20.323	23.510	25.892	23.684	23.307	21.219
	-	-	0.025	0.021	0.007	-	-
\$	-	\$ -	\$ 0.025	\$ 0.021	\$ 0.007	\$ -	\$ -
\$	20.431	\$ 20.323	\$ 23.535	\$ 25.913	\$ 23.691	\$ 23.307	\$ 21.219

**CITY OF CARLSBAD**

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net assessed valuation	\$ 17,707,928	\$ 20,059,893	\$ 22,040,018	\$ 23,517,153	\$ 23,234,948
Debt limit (25% x 15%)	664,047	752,246	826,501	881,893	871,311
Less amount of debt applicable to limit:					
Bonded debt	12,065	30,185 (1)	29,745	29,005	28,225
Certificates of participation	2,105	1,435	735	-	-
Loan payable	-	-	-	-	-
Obligations under capital leases	<u>1</u>	<u>699</u>	<u>958</u>	<u>736</u>	<u>502</u>
Total net debt applicable to limit	14,171	32,319	31,438	29,741	28,727
Legal debt margin	<u>\$ 649,876</u>	<u>\$ 719,927</u>	<u>\$ 795,063</u>	<u>\$ 852,152</u>	<u>\$ 842,584</u>
Total net debt applicable to the limit as a percentage of debt limit	2.13%	4.30%	3.80%	3.37%	3.30%



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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 23,012,997	\$ 22,982,172	\$ 22,956,650	\$ 23,522,746	\$ 25,489,468
862,987	861,831	860,874	882,103	955,855
27,405	17,345 (2)	17,005	16,645	16,260
-	-	-	-	-
581	475	159	-	-
256	14	-	-	-
<u>28,242</u>	<u>17,834</u>	<u>17,164</u>	<u>16,645</u>	<u>16,260</u>
<u>\$ 834,745</u>	<u>\$ 843,997</u>	<u>\$ 843,710</u>	<u>\$ 865,458</u>	<u>\$ 939,595</u>
3.27%	2.07%	1.99%	1.89%	1.70%

CITY OF CARLSBAD

Pledged-Revenue Coverage  
Last Ten Fiscal Years

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

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$ 11,564,398	\$ 12,391,225	\$ 12,599,601	\$ 13,699,286	\$ 13,723,835
6,060,142	6,645,436	7,094,310	6,989,194	7,249,798
<u>\$ 5,504,256</u>	<u>\$ 5,745,789</u>	<u>\$ 5,505,291</u>	<u>\$ 6,710,092</u>	<u>\$ 6,474,037</u>
\$ 740,000	\$ 780,000	\$ 820,000	\$ 860,000	\$ 905,000
191,419	152,468	111,469	68,419	23,191
<u>\$ 931,419</u>	<u>\$ 932,468</u>	<u>\$ 931,469</u>	<u>\$ 928,419</u>	<u>\$ 928,191</u>
5.91	6.16	5.91	7.23	6.97
\$ 5,942,531	\$ 7,002,009	\$ 8,160,109	\$ 9,392,061	\$ 9,210,258
3,629,787	4,133,530	4,019,176	3,640,786	3,826,699
<u>\$ 2,312,744</u>	<u>\$ 2,868,479</u>	<u>\$ 4,140,933</u>	<u>\$ 5,751,275</u>	<u>\$ 5,383,559</u>
\$ 1,282,018	\$ 1,312,398	\$ 1,343,498	\$ 1,375,337	\$ 1,407,932
594,463	564,084	532,983	501,144	468,550
<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>
1.23	1.53	2.21	3.06	2.87
\$ 7,582,458	\$ 7,863,951	\$ 6,777,292	\$ 7,747,116	\$ 8,428,375
6,356,592	6,177,438	5,954,896	6,125,159	6,302,019
<u>\$ 1,225,866</u>	<u>\$ 1,686,513</u>	<u>\$ 822,396</u>	<u>\$ 1,621,957</u>	<u>\$ 2,126,356</u>
\$ 305,000	\$ 325,000	\$ 340,000	\$ 360,000	\$ 385,000
798,350	785,750	771,600	755,850	739,088
<u>\$ 1,103,350</u>	<u>\$ 1,110,750</u>	<u>\$ 1,111,600</u>	<u>\$ 1,115,850</u>	<u>\$ 1,124,088</u>
1.11	1.52	0.74	1.45	1.89

**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>
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
2015	110,653	3.43%	0.44%	41.1	2.30

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>
95.4%	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%
96.0%	51.9%	\$ 4,907	\$ 44,345	4.30%

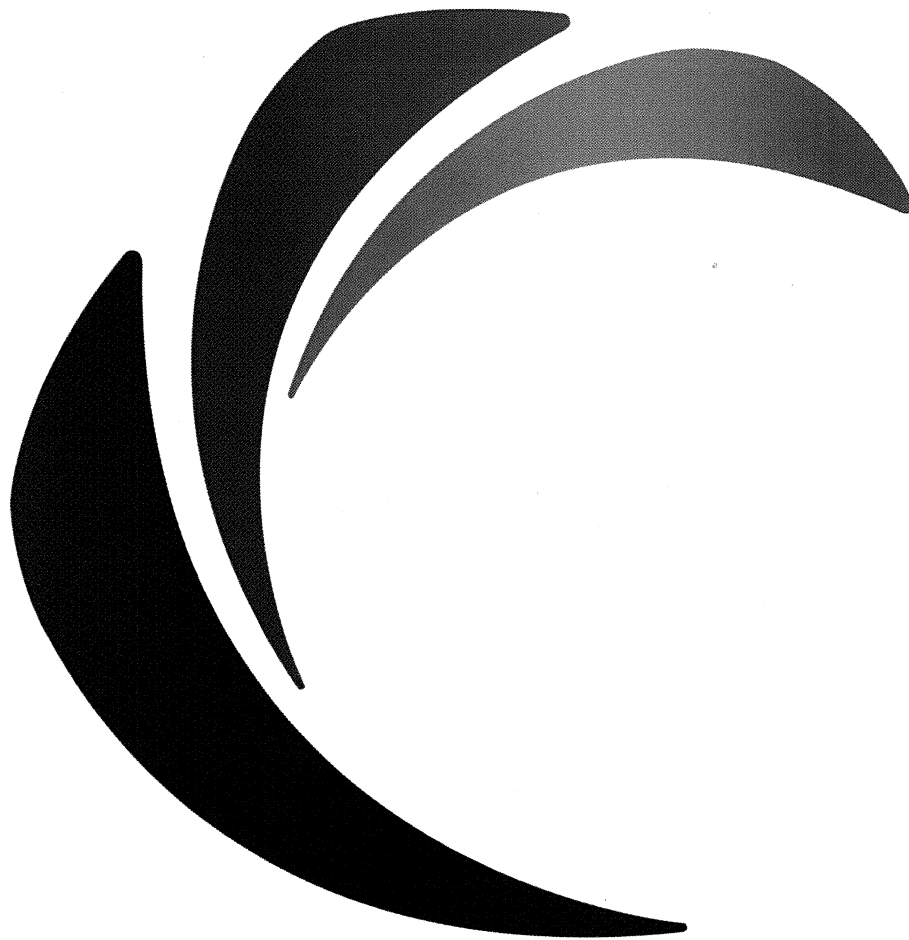
CITY OF CARLSBAD

Principal Employers  
Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
<b>Manufacturing</b>						
Thermo Fisher Scientific, Inc.	1,454	1	1.93%	982	2	1.77%
Taylor Made Golf Company, Inc.	750	2	1.00%	650	3	1.17%
Genoptix, Inc.	613	3	0.81%	-	-	-
Zimmer Dental Inc.	472	4	0.63%	321	6	0.58%
Alphatec Spine, Inc.	460	5	0.61%	-	-	-
Callaway Golf Company	431	6	0.57%	1,637	1	2.95%
Nordson Asymtek	430	7	0.57%	278	7	0.50%
Titleist and Foot-Joy Worldwide	320	8	0.42%	-	-	-
The Upper Deck Company	293	9	0.39%	333	5	0.60%
Beckman Coulter	279	10	0.37%	263	9	0.47%
Acushnet Golf	-	-	-	530	4	0.95%
Dot Hill Systems	-	-	-	275	8	0.50%
Melles Griot	-	-	-	256	10	0.46%
<b>Non-Manufacturing</b>						
ViaSat, Inc.	1,800	1	2.39%	726	5	1.31%
Legoland California, LLC	1,600	2	2.12%	801	3	1.44%
Carlsbad Unified School District	931	3	1.24%	950	2	1.71%
Omni La Costa Resort & Spa	919	4	1.22%	1,068	1	1.92%
Gemological Institute of America, Inc.	893	5	1.18%	421	8	0.76%
City of Carlsbad	670	6	0.89%	660	6	1.19%
OptumRX, Inc.	668	7	0.89%	420	9	0.76%
Park Hyatt Aviara Resort	580	8	0.77%	781	4	1.41%
Eastridge	524	9	0.70%	415	10	0.75%
NTN Buzztime, Inc.	386	10	0.51%	-	-	-
Grand Pacific Resorts	-	-	-	465	7	0.84%
<b>Subtotal Employees</b>	<b>14,473</b>		<b>19.21%</b>	<b>12,232</b>		<b>22.04%</b>
<b>Total Employees (estimate)</b>	<b>75,374</b>			<b>55,538</b>		

Source: Carlsbad Business License Data (2015) and Carlsbad Chamber of Commerce (2006).





CITY OF CARLSBAD

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

<u>Program Area</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Policy and Leadership Group</b>					
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	7.00	7.00	8.00	8.00
Communications	2.75	3.75	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
City Clerk	-	-	-	-	-
<b>Internal Services</b>					
Finance and Risk Management	31.00	32.00	32.00	32.00	31.00
Human Resources and Worker's Comp	10.00	10.00	10.00	10.00	10.00
Information Technology	16.00	19.00	19.00	19.50	19.00
Property and Environmental Management	-	-	-	-	-
<b>Public Safety</b>					
Police	151.00	157.00	162.00	162.00	162.00
Fire	79.75	87.75	88.75	88.75	88.75
<b>Community Development</b>					
Community and Economic Development	44.00	49.00	50.00	50.00	50.00
Housing and Neighborhood Services	10.00	10.00	10.00	10.00	10.00
<b>Community Services</b>					
Library and Arts	53.00	53.00	53.00	53.00	53.00
Parks and Recreation	32.50	30.50	30.50	30.50	72.10 (1)
<b>Public Works</b>					
General Services, Engineering, Environmental	157.75	166.00	173.05	174.80	133.00 (1)
Transportation	-	-	-	-	-
Utilities	49.50	48.50	55.45	55.20	55.40
<b>Full and 3/4 Time Authorized Employees</b>					
	660.00	690.25	711.25	714.25	712.75
Increase/(decrease) over prior year	14.00	30.25	21.00	3.00	(1.50)

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.
- (3) During Fiscal Year 2014-15, the Policy and Leadership and Community Services groups were realigned/reorganized to better reflect the future needs of the city.

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1.00	1.00	1.00	1.00	1.00
0.75	0.75	0.75	0.75	0.75
8.00	7.00	7.00	7.00	7.00
2.75	2.75	2.75	2.75	4.75 (3)
7.00	7.00	7.00	7.00	7.00
8.00	6.25	6.00	5.00	2.00 (3)
-	-	-	-	3.00 (3)
30.50	30.50	30.50	31.50	31.50
9.00	9.00	9.00	9.00	11.00
22.50 (2)	22.50	22.50	22.50	22.50
41.60 (2)	39.60	40.55	40.60	39.90
162.00	162.00	161.00	161.00	162.00
88.75	87.75	87.75	88.00	89.00
54.00 (2)	50.00	47.00	44.00	44.00
11.00 (2)	13.00	10.00	10.00	12.00
52.25	51.25	51.25	51.25	50.25 (3)
71.95	70.95	68.40	67.60	61.60 (3)
- (2)	-	-	-	
58.40 (2)	54.40	54.40	53.40	55.90
69.55 (2)	68.55	67.65	65.40	64.60
699.00	684.25	674.50	667.75	669.75
(13.75)	(14.75)	(9.75)	(6.75)	2.00

CITY OF CARLSBAD

Operating Indicators by Function/Program  
Last Ten Fiscal Years

	2006	2007	2008	2009	2010
<b>General Government</b>					
Number of recruitments processed	64	74	54	39	44
Number of new hires and promotions	124	105	118	75	61
Business licenses processed	8,955	8,926	9,405	9,029	9,173
Number of payments processed	40,283	41,337	41,991	41,381	40,310
<b>Public Safety</b>					
<b>Police</b>					
Calls for service	74,546	87,213	94,126	94,492	94,678
Average priority one response (minutes)	6.8	6.3	6.0	5.9	6.0
Cases	10,059	11,178	11,259	10,309	8,826
<b>Fire</b>					
Emergency responses	5,908	6,705	6,705	7,853	9,503
Response time: arrivals on scene within goal standard	88%	89%	89%	85%	74%
<b>Community Development</b>					
Affordable housing units completed	110	66	168	90	6
Financial assistance to affordable housing projects	\$1,440,000	\$3,009,000	\$1,932,000	\$1,014,000	\$3,750,000
Residential building permits issued	948	481	340	114	343
Building inspections conducted	51,100	33,523	26,801	18,232	19,860
Final inspections (dwelling units)	1,440	765	787	269	285
Code enforcement actions	5,600	6,800	5,500	4,484	3,400
Response time: inspections performed by next working day	97%	96%	98%	99%	98%
<b>Community Services</b>					
Library - total material circulation	1,237,311	1,283,662	1,291,611	1,334,875	1,365,127
Library - patron visits	898,511	665,277	662,794	670,932	749,514
Arts - number of events	62	58	62	58	54
Arts - attendance of events	65,000	64,000	76,000	80,000	80,000
Recreation - youth sports participants	1,150	1,150	1,200	1,200	1,200
Recreation - adult sports participants	5,150	5,300	5,400	5,400	5,400
Recreation - enrichment class enrollees	16,700	16,700	15,000	13,539	13,075
Recreation - special events participants	3,500	5,200	6,400	10,700	12,000
Recreation - aquatics classes conducted	273	262	271	350	368
Trees trimmed	1,800	1,811	1,808	1,820	1,816
<b>Public Works</b>					
<b>Streets</b>					
Road miles - overlay or slurry seal	32.30	23.80	11.90	4.70	15.25
<b>Carlsbad Municipal Water District</b>					
Average consumption (millions of gallons per day)	19.1	18.6	18.1	17.7	15.3
Annual water deliveries (acre feet)	19,885	19,500	20,271	19,867	17,142
Water connections	23,099	25,791	27,770	27,890	27,910
<b>Wastewater</b>					
Sewage pumped (millions of gallons per day)	6.62	6.81	7.96	7.11	7.10
Annual flow (millions of gallons)	2,416	2,486	2,906	2,595	2,590
Wastewater connections	18,754	20,858	22,200	22,331	22,335

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.
- (6) Increases in numbers of enrichment class and special events participants are the results of overall higher attendance and including recategorized classes previously not classified or included as enrichment classes or special events in prior years.

2011	2012	2013	2014	2015
31	35	93	117	102
39	22	43	82	59
9,539	9,303	9,422	10,327	10,735
41,344	39,075	38,441	39,310	40,663
97,414	93,248	90,122	87,976	91,314
5.5	5.9	5.8	5.8	6.5
8,188	7,963	8,314	8,296	8,349
9,084	9,106	10,755	9,925	9,830
71% (1)	72%	71%	63%	63%
5	-	59	-	-
\$ 525,000	\$ 780,000	\$7,408,000	-	\$ 2,646,000
262	425	290	173	286
20,017	19,973	23,444	18,446	22,478
306	267	525	200	163
4,320	3,827	4,943	4,794	5,389
95%	95%	95%	98%	98%
1,362,700	1,358,839	1,348,333	1,369,369	1,293,282
858,788	858,422	821,045	791,533	804,003
44	50	50	62	80
80,000	75,000	80,000	75,000	87,000
1,200	1,200	1,200	2,292 (5)	1,000
5,400	5,450	5,200	5,600	6,150
13,300	12,650	12,200	10,350	19,030 (6)
9,000	10,000	13,000	13,600	17,841 (6)
470	557	575	1,018 (5)	1,224
2,221	1,863	1,936	1,920	2,018
3.77	25.20	24.30 (4)	14.80	18.1
14.1 (2)	14.4 (3)	15.4	15.9	14.6
15,786 (2)	16,104 (3)	17,248	17,801	16,368
27,978	28,379	28,947	29,045	29,190
7.57	6.92	6.65	5.89	6.17
2,762	2,524	2,426	2,151	2,252
22,342	22,631	22,955	23,282	23,431

**CITY OF CARLSBAD**

**Capital Asset Statistics  
Last Ten Fiscal Years**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Community Services</b>					
Number of parks and community fields	30	31	31	31	31
Acres of developed parks	142	183	183	183	183
Acres of open space and community fields	778	737	790	790	790
Miles of trails	27	31	35	38	47
Number of pools	1	1	1	1	1
Number of community centers	4	4	4	4	4
Number of libraries	2	2	2	3	3
Number of records in library catalog	356,385	371,885	373,592	367,161	365,371
<b>Public Safety</b>					
<b>Fire Protection</b>					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	11
Number of ambulances	4	4	5	5	5
Number of other fire vehicles	11	13	14	14	14
<b>Police Protection</b>					
Number of patrol and other vehicles	82	90	93	91	91
Number of motorcycles	13	12	17	18	15
<b>Public Works</b>					
<b>Carlsbad Municipal Water District</b>					
Miles of lines and mains	434	442	442	447	447
<b>Wastewater</b>					
Miles of sewers	254	265	265	269	282
<b>Streets</b>					
Miles of streets	308	332	338	340	340
Number of street lights	6,810	6,858	7,066	7,100	7,113
Number of traffic signals	152	155	164	168	172

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
31	31	31	33	33
183	183	183	281	319
790	790	755	728	728
47	47	47	47	47
1	1	1	3	3
4	4	4	4	4
3	3	3	3	3
370,228	370,034	373,010	361,507	357,862
6	6	6	6	6
11	12	12	13	12
5	5	6	8	7
14	15	15	16	15
90	90	88	114	114
11	11	13	13	14
518 (1)	527	534	534	534
284	288	288	288	288
340	340	343	346	347
7,126	7,142	7,179	7,236	7,864
172	172	174	174	177

