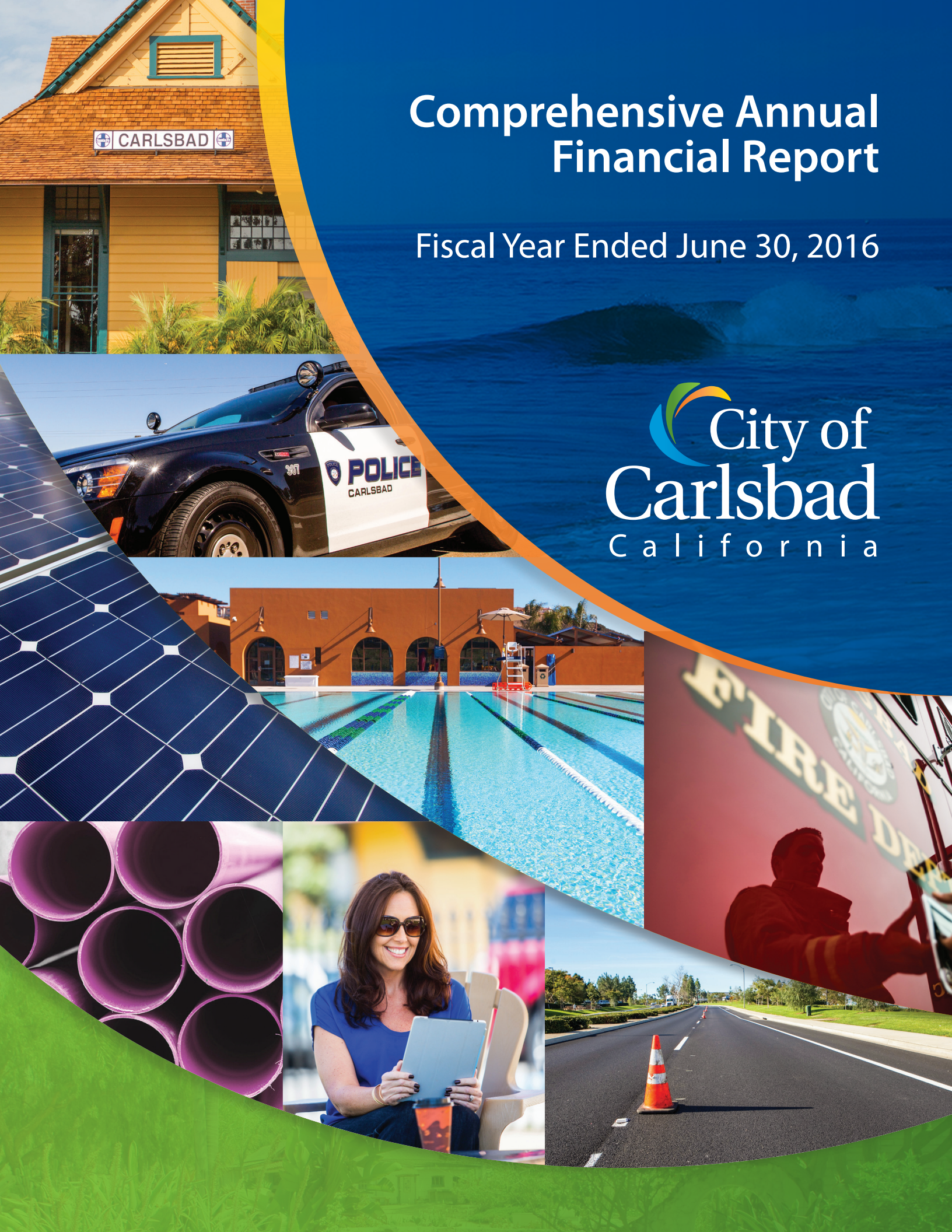


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



City of
Carlsbad
California





**Fiscal Year Ended June 30, 2016
Comprehensive Annual Financial Report**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2016



1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department



CITY OF CARLSBAD
 Comprehensive Annual Financial Report
 Year Ended June 30, 2016
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November 22, 2016

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

**LETTER OF TRANSMITTAL
2015-16 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Citizens:

I am pleased to present the Fiscal Year 2015-16 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, 2016.

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, 2016. 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, 2016 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.

Administrative Services Department

Finance Division

www.carlsbadca.gov

1635 Faraday Avenue | Carlsbad, CA 92008 | 760-602-2430 t

760-602-8553 f

The city covers approximately 39 square miles and has a population of 112,930, 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; 39 hotels offering 4,400 rooms and over 1,000 vacation rentals 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 558 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

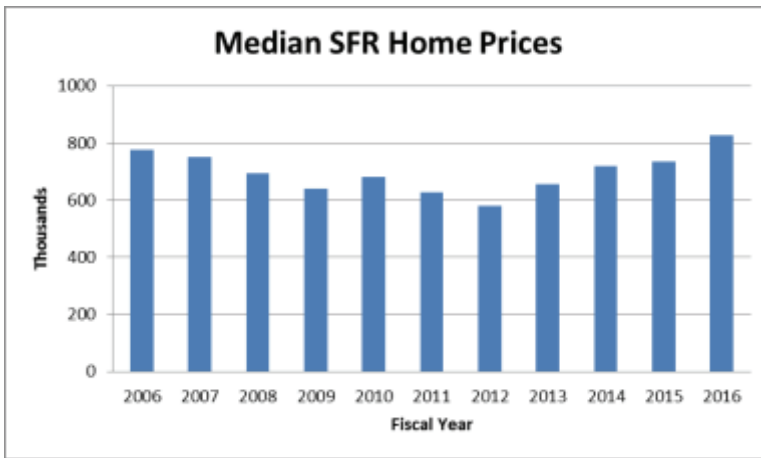
Economic Profile



The University of San Diego (USD) monitors the health of the San Diego economy through its Index of Leading Economic Indicators. The chart to the left reflects historical movement in the USD's Leading Economic Indicators. The index, which measures local stock prices, help wanted advertising, and other pertinent metrics, fell 0.2 percent in June, which was the second straight monthly decline. Economists usually look for three consecutive changes in a leading index to signal a potential turning point in an economy.

Carlsbad's economy is tied closely to that of the San Diego region. For Fiscal Year 2015-16, property taxes increased by 5.4 percent compared to the prior year, as assessed values rose and units were added to the base by new construction. Transient Occupancy Tax (TOT), a gauge of local tourism activity, increased by approximately 6 percent, as occupancy and average daily rates (ADR) continue to improve and the city added some smaller hotels. Sales tax revenues ended Fiscal Year 2015-16 with an increase of over 6 percent, as the city sees continued strength in auto sales, although growth in sales tax will likely start to stabilize in the coming years. Another factor in the increase in sales tax revenues was completion of the State of California's "Triple Flip" program, which resulted in some one-time revenues for the city. Overall, General Fund revenues ended the current fiscal year at \$145.1 million, an increase of more than 6 percent over the previous year. For Fiscal Year 2016-17, the city's General Fund revenues are forecasted to continue to slightly grow by less than one 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 315,000 square feet per year over the next five fiscal years. Large industrial and commercial developments in the next five years include a LEGOLAND hotel, Carlsbad Oaks, 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 15.7 percent in the first quarter of 2015. Industrial vacancy remains at 10.6 percent and retail vacancy for the first quarter of 2016 was 4.8 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 CoreLogic indicates that the median sales price increased to approximately \$827,000 in the first quarter of 2016, an increase of almost 13 percent compared to the same quarter in 2015. According to Movoto, inventory of units for sale has decreased by 30 percent in Carlsbad, from 370 units in April 2015 to 259 units for sale, in April 2016. Total assessed

property values in the city are \$26.3 billion, an increase of almost 6 percent compared to the prior fiscal year (Fiscal Year 2015-16). According to recent growth projections prepared for the city, Carlsbad will add almost 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; The Shoppes at Carlsbad – 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 opened in Fiscal Year 2014-15.

Development has also enhanced Carlsbad’s reputation as a destination for tourism. The city is host to a major family theme park, LEGOLAND, and has two luxury resorts available for its visitors, the Park Hyatt at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the city, with the most recent additions being the Hilton Oceanfront Resort & Spa (recently renamed Cape Rey Carlsbad, a Hilton Resort) and the LEGOLAND California Resort.

The City of Carlsbad opened a municipal golf course in the summer of 2007 which has further enhanced the tourism attractions the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole golf course set in the rolling hills and canyons of Carlsbad. With ocean views, high quality golf, 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 revenues increased by 6.5 percent from the previous year. Most major sources of tax revenue are expected to increase slightly in Fiscal Year 2016-17, including property tax (4 percent increase), which is stabilizing following a year that saw growth of over 5 percent. Sales tax is showing a slight decrease (2.4 percent) due to the timing of the final triple flip payment in Fiscal Year 2015-16, and TOT revenues are projected to increase by almost 3 percent as occupancy and average daily rates (ADR) increase. The forecast assumes no additions to room inventory in Fiscal Year 2016-17. Property values continue to appreciate, however, following the national, state, and regional trends, growth rates are leveling off. Development related revenues are forecast to increase by over 30 percent in Fiscal Year 2016-17, compared to the previous year, as some major residential projects are expected to commence earlier than previously anticipated.



State of California – In January, Governor Jerry Brown submitted a balanced budget to the California legislature. Revenues provided by Proposition 30, which temporarily increases income tax rates and sales tax rates, are helping to brace the budget, as is the seven-year long economic expansion. The state’s budget could be easily unbalanced by even a minor economic recession.

The proposed budget for Fiscal Year 2016-17 uses \$125.8 billion to cover \$122.6 billion in expenditures and leaves \$8 billion, or approximately 6 percent of revenues, for a “rainy day” fund. The passage of Proposition 2 in 2014 set a constitutional goal of 10 percent of tax revenues to be set aside for economic downturns in

order to mitigate the highly volatile revenue received by the state of California. Almost 68 percent of General Fund revenues come from personal income tax, and this source of revenues includes highly volatile capital gains receipts. The state has taken some measures to reform public employee pensions and restore solvency to the state's teacher pension system, but the Governor's attention turned to the cost of retiree health care benefits in the preliminary budget. The unfunded liability is currently \$72 billion for retiree health benefits and is projected to grow to \$100 billion by Fiscal Year 2020-21, if no action is taken. The proposed budget assumes that the state can successfully negotiate with bargaining units to have state employees share in the cost of these benefits. The governor's budget acknowledges that a recession could cause a loss in revenues of \$55 billion, which would cause a deficit even with the "rainy day" fund in place.

The governor's proposed budget also acknowledges the state of California's infrastructure, estimating the state has \$77 billion in deferred maintenance. The plan submitted would provide \$36 billion over the next decade to address highways and roads and improve public transit. The other challenge to the state's fiscal resources is the proposal to raise the minimum wage to \$15 per hour. This proposal, raising the minimum wage incrementally over several years, would have an estimated effect of \$4 billion to California's General Fund by 2021. This, coupled with other challenges to the budget, could easily upset the precariously balanced budget.

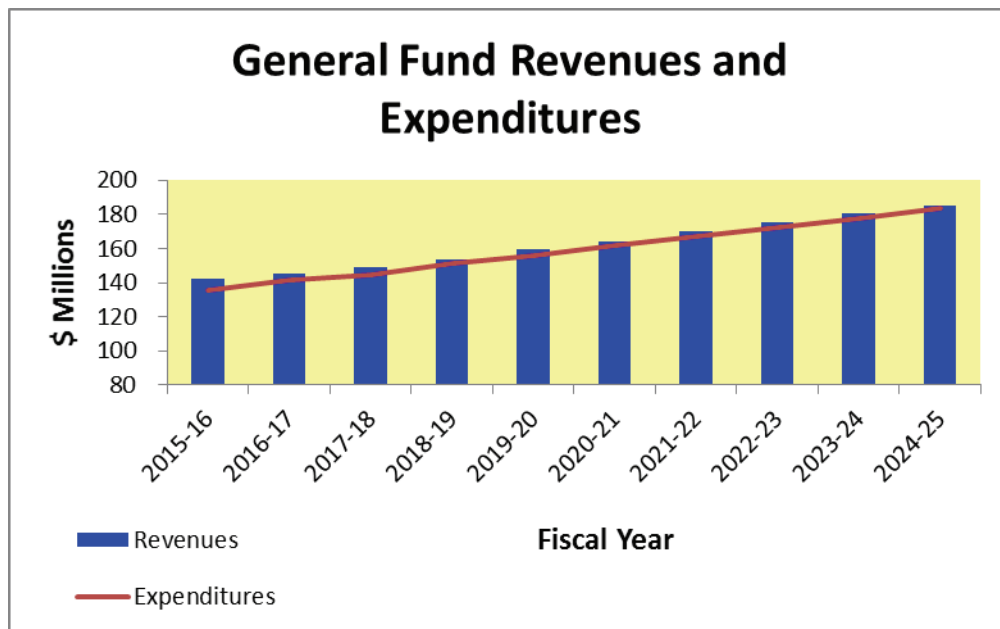
Long-Term Financial Planning

In order to strategically address the future needs of the city and to ensure that the city maintains a structurally balanced budget in the long term, 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, with an economic climate that changes rapidly and unpredictably. 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 fiscal challenges are identified and resolved, and to ensure the continued of development or a balanced and responsible budget.

During the Great Recession, the city took deliberate actions to ensure that the budget remained structurally balanced. 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 ten-year forecast offers a more optimistic and stable picture for the next few years, and city leadership is beginning to address service areas that need available resources.

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 will cease in Fiscal Year 2016-17, as existing construction debt was paid off in September 2016, as approved in the adopted budget. The operating costs of new city facilities projected in the Capital Improvement Program and supported by the General Fund, such as a new maintenance and operations center, 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 the major revenue sources. Home prices, which saw large decreases during the recession, continue to recover and are providing support to city's property tax revenues in the following years, although the levels of growth over the past two years are starting to temper. 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 2.9 percent in Fiscal Year 2016-17. Although economic conditions continue to improve, bolstering revenues from the property taxes and TOT, the city ended Fiscal Year 2015-16 with higher than anticipated revenues, leading to a smaller growth projection for the upcoming fiscal year. 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 future parks and civic facilities.

The forecast assumes that the city’s cost for employee health care will increase by slightly more than 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 2016-17 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 finances, including pension costs that are more volatile and the overall health of the economy. 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.

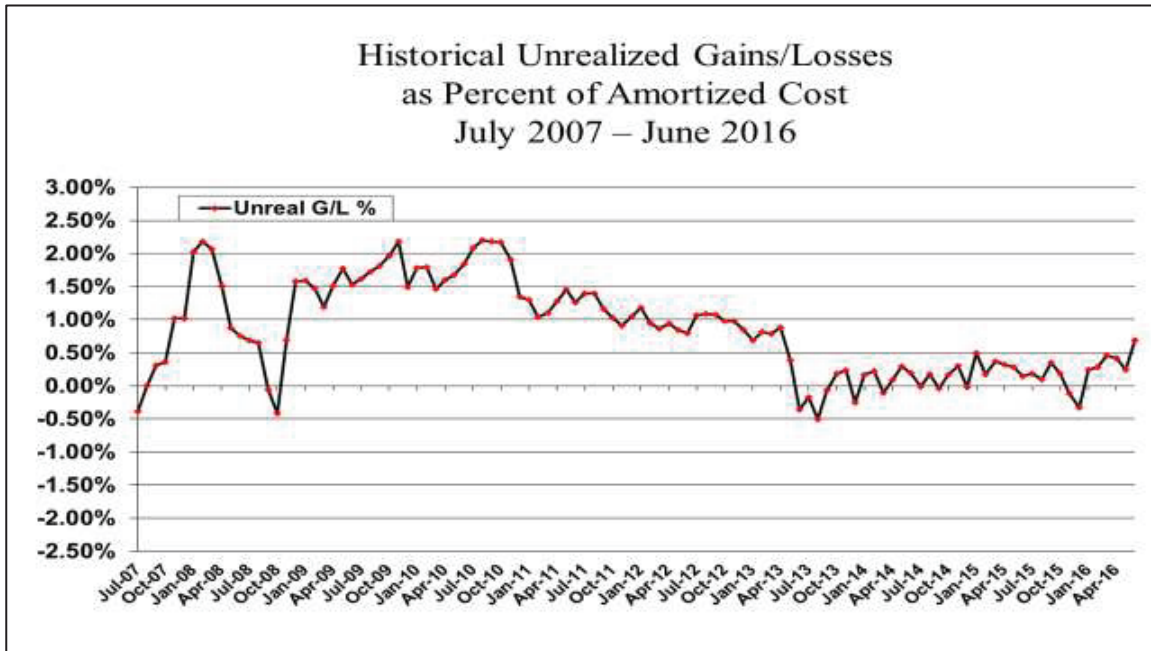
Cash Management

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, 2016 was 1.801. The average return realized on the pooled investments increased from 1.086 percent in Fiscal Year 2014-15 to 1.147 percent for Fiscal Year 2015-16, 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 its investments to maturity rather than selling them at fair value.

The graph below shows the amount of unrealized income reflected in the portfolio over the last few years. The total portfolio had an unrealized gain of 0.692 percent for Fiscal Year 2015-16. According to the City Treasurer, Craig Lindholm, “We believe that interest rates will continue to be low when compared to historical levels. As investments mature in our current portfolio, it is challenging to find reinvestment opportunities that are significantly higher than those that matured. 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 2016-17 Capital Budget, several significant projects are in design or under construction over the next five years. Some of the notable capital projects are discussed below.

PARK PROJECTS

The city is currently implementing park projects which were a result of a needs assessment and subsequent updated master plans. The city worked with the community to identify current needs and priorities for parks and recreation programs, and summarized the input in the Parks & Recreation Department Master Plan. The city then updated individual master plans for Poinsettia Community Park, Aviara Community Park, Pine Avenue Community Park and Leo Carrillo Ranch Historic Park.

Aviara Community Park Event Gathering Space and Picnic Areas – The additional park amenities include a large passive outdoor community social space, 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 \$3.2 million.

Poinsettia Park 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. Additional planned improvements include a fenced dog park for both large and small dogs, pickleball courts, updated tot lots and a multi-sports arena with a picnic area and artificial turf field, at a total cost of \$4.4 million.

Leo Carrillo Phase III – This historic park is located in the southeast quadrant of the city. Expenditures include restoration of the horse stables, implementation of an outdoor interpretive plan to educate and focus on the life and times of Leo Carrillo, his ranch years, and native people and plants. Also included is visitor way-finding signage and additional lighting. The total estimated cost is \$2.4 million.



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. The community center and gymnasium will include basketball, volleyball, gymnastics, multi-purpose rooms, meeting rooms, a teen center, and office space. This final phase of the park is estimated at \$11.1 million.

Robertson Ranch Master Plan – This 13 acre park site is located within the Robertson Ranch development located in the northeast quadrant of the city. Funding in the amount of \$200,000 is included for the development of a master plan.

CIVIC FACILITY IMPROVEMENTS

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

Barrio Street Lighting – An analysis of the need for additional street lighting throughout the Barrio resulted in a project to add pedestrian scaled lighting around the perimeter of Pine Avenue Park, at a cost of \$660,000.

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 project cost is \$29.8 million.



Facilities Maintenance – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. In the next five years, \$8.6 million has been allocated to projects, including projects at the following locations:

- Aviara Community Park – Synthetic Turf Replacement
- Beach Access Repairs/Upgrades
- Cannon Park Restroom
- City Facility Accessibility Upgrades
- Hosp Grove Park Improvements
- Ocean Street Restroom
- Pine Avenue Park – Synthetic Turf Replacement

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

Village and Barrio Public Gathering Spaces – Funding in the amount of \$345,000 is included to conduct outreach to determine the best locations for public gathering spaces, and, once locations have been identified, to prepare design concepts, illustrating outdoor gathering places with varied amenities.

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 million in funding over the next five years. The project includes various accessibility improvements, including sidewalk curb ramps and pedestrian signals.

Avenida Encinas Widening – Widening to full secondary arterial standards along Avenida Encinas from Palomar Airport Road to just south of Embarcadero Lane is scheduled for design in Fiscal Year 2016-17. The CIP includes \$5.4 million to fund this project in the next five years.

Bridge Preventative Maintenance Program – This is a new program designed to perform preventative maintenance activities on bridges throughout the city, at a total cost of \$1.5 million.

Carlsbad Boulevard Pedestrian Lighting – This project will install pedestrian scale lighting along both sides of Carlsbad Boulevard between Tamarack Avenue and State Street at a total cost of \$1.3 million.

Carlsbad Boulevard and Tamarack Avenue Pedestrian Improvements – Improvements at the intersection of Carlsbad Boulevard and Tamarack Avenue includes installation of new concrete curb, gutter, sidewalk and pedestrian ramps at a total cost of \$2.9 million.

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.

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, 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 Avenue to Chestnut Avenue. In the next five years, \$5.1 million in additional funding is included for these projects, which are expected to cost over \$20 million by completion.

Intersection Improvements – Two intersection projects along El Camino Real, at Cannon Road and at College Boulevard are scheduled to receive an additional \$2.6 million in the next five years.

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 Fiscal Year 2016-17 CIP has \$12.6 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.

Poinsettia Lane Extension from Cassia Road to Skimmer Court – Completion of this segment of Poinsettia Lane is the final link between Aviara Parkway and El Camino Real. The total cost is estimated at \$14 million.

Road Diet and Traffic Calming Projects along Chestnut Avenue, Valley Street, Kelly Drive, and La Costa Avenue – Several 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 \$9 million.

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

Village and Barrio Traffic Circles – Installation of traffic circles at intersections throughout the Village and Barrio is planned at a total cost of \$1.2 million.



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 with impact fees collected with new development. 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 \$43.2 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 \$68 million, of which approximately 64 percent is funded by the City of Vista and 36 percent by the City of Carlsbad.

Wastewater

Other wastewater facilities scheduled for construction or replacement within the next five years include:

- Buena Interceptor Sewer Improvements
- Faraday/El Camino Real Sewer Replacement
- Foxes Landing Lift Station Wetwell and Pump Replacement
- Las Palmas Trunk Sewer
- Marron Road
- North Batiquitos
- Quarry Creek Sewer Extension

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 \$3.5 million in the next five years.

Water Lines

Major water facilities scheduled for construction or replacement within the next five years are estimated at \$38 million, and include the following locations:

- Aviara Parkway and Plum Tree
- Carlsbad Boulevard – South of Avenida Encinas
- Carlsbad Boulevard – Terramar
- Fire Flow System Improvements
- La Costa High Reservoir Inlet Pipeline

- Maerkle Pump Station Improvements and Transmission Main
- Maerkle Reservoir Floating Cover Replacement
- Santa Fe II Inlet Pipeline

Recycled Water Expansion

Expansion to the Carlsbad Water Recycling Facility, including construction of additional pipelines and a reservoir, are anticipated to cost \$33 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 million gallons per day (mgd). 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 \$3.3 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, 2015. This was the eighteenth 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, the 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**

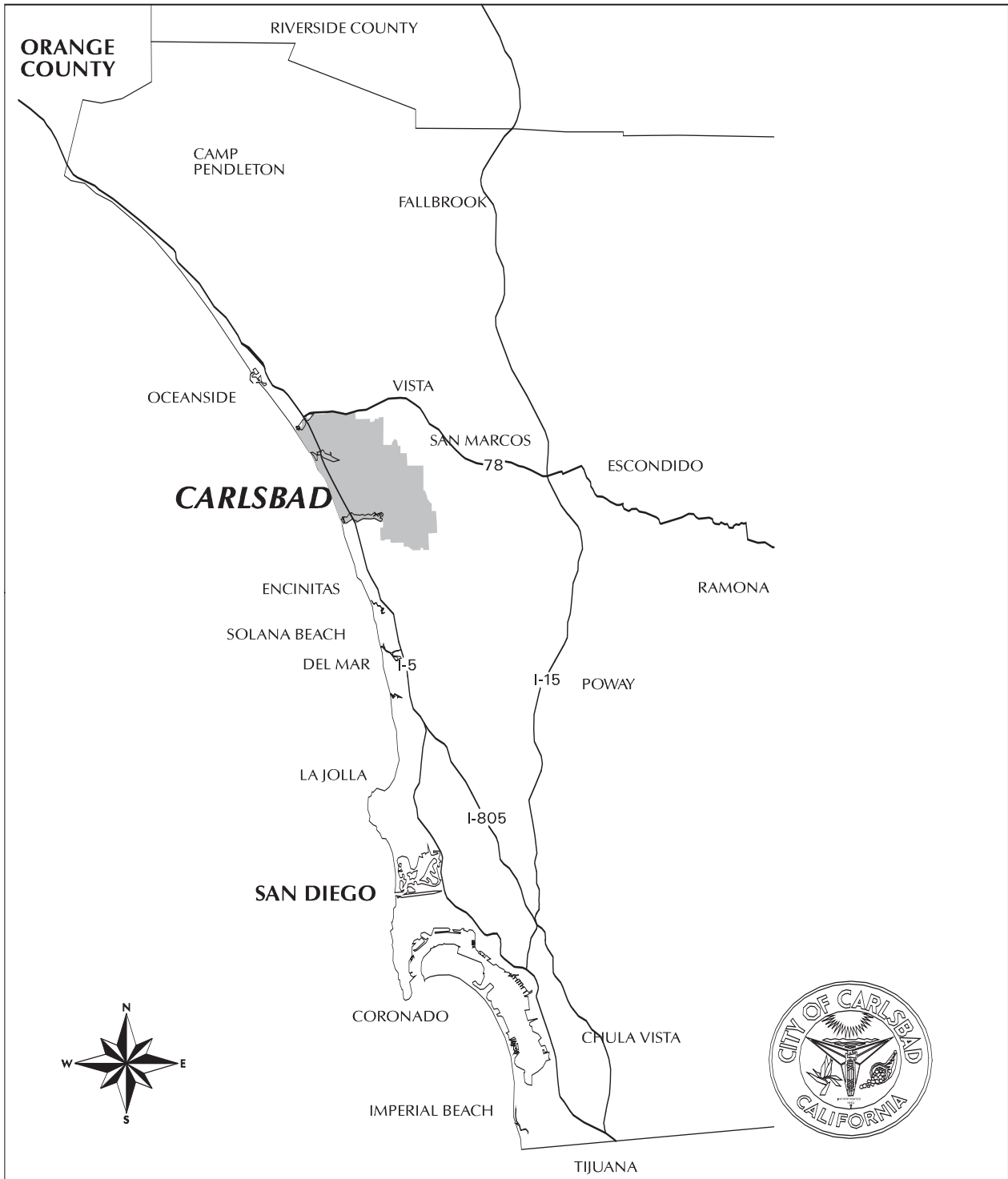
Presented to

**City of Carlsbad
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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

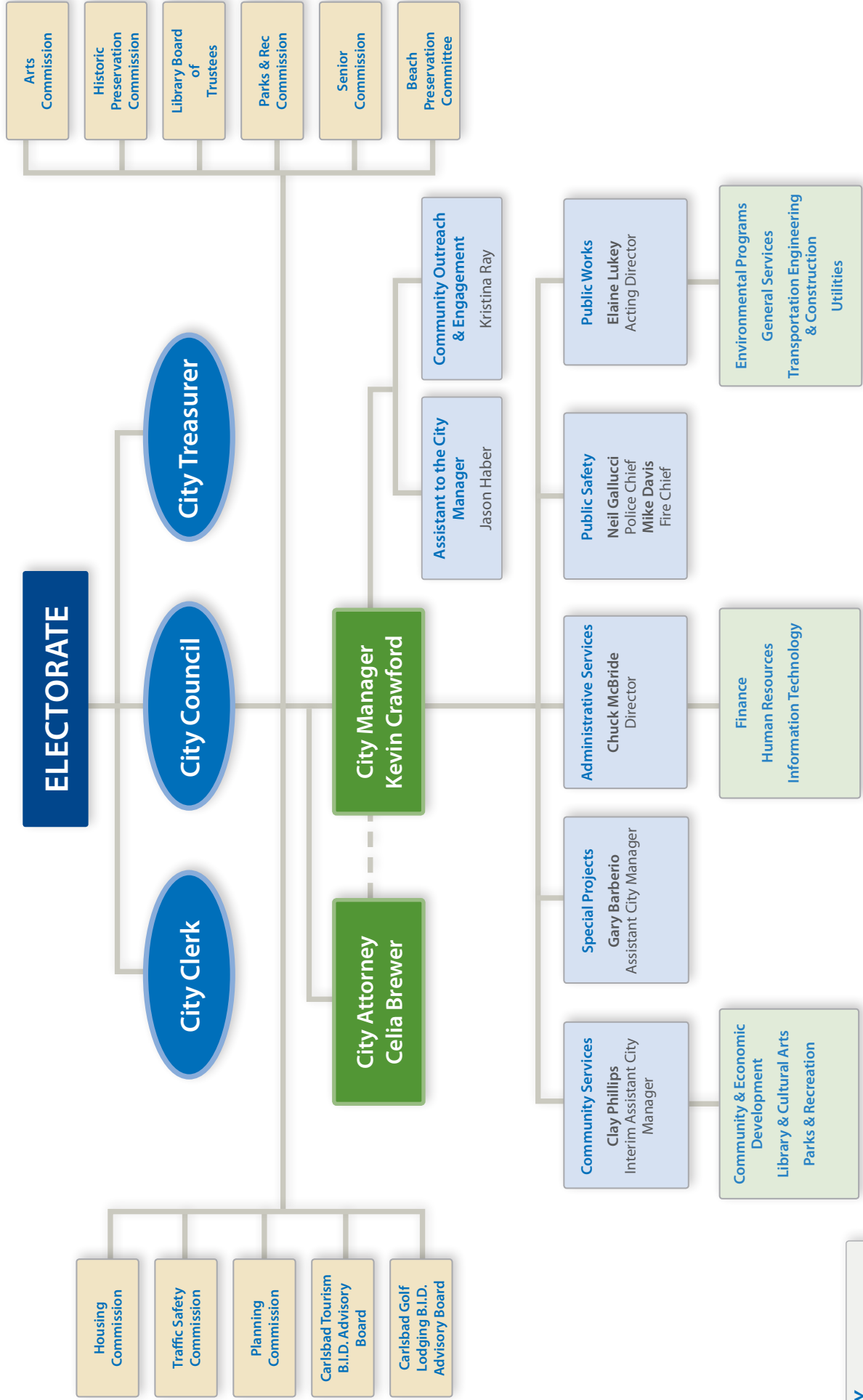
Kevin Crawford, City Manager
Celia Brewer, City Attorney

Chris Hazeltine, Parks & Recreation Director	John Maashoff, Public Works Manager
Chuck McBride, Administrative Services Director	Julie Clark, Human Resources Director
Debbie Fountain, Housing & Neighborhood Services Director	Kevin Branca, Finance Director
Elaine Lukey, Acting Public Works Director	Michael Davis, Fire Chief
Gary Barberio, Assistant City Manager	Morgen Fry, Secretary to the City Manager
Glen Van Peski, Community & Economic Development Director	Neil Gallucci, Police Chief
Heather Pizzuto, Library & Cultural Arts Director	Nick Lourian, Information Technology Director
James Wood, Acting Environmental Manager	Sheila Cobian, City Clerk Services Manager
Jason Haber, Assistant to the City Manager	Wendy Chambers, Utilities Director

CHAIRPERSONS, COMMISSIONS AND BOARDS

Tina Schmidt	Arts Commission
Linda Petrucci	Beach Preservation Committee
Timothy Stripe	Carlsbad Golf Lodging Business Improvement District
Timothy Stripe	Carlsbad Tourism Business Improvement District Board
Christopher Garcia	Historic Preservation Commission
Bobbie Smith	Housing Commission
Beth Hulsart	Library Board of Trustees
Dianne Proulx	Parks & Recreation Commission
Velyn Anderson	Planning Commission
David Tweedy	Senior Commission
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

Organization Chart



KEY

- Elected
- Council Appointed
- Council Appointed

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 of the general fund of the City of Carlsbad, California, as of and for the year ended June 30, 2016, 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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios During Measurement Period, and Schedule of Plan Contributions* 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.

City Council
City of Carlsbad, California
Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2016 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.

A handwritten signature in blue ink that reads "Davis Jan UP". The signature is written in a cursive, flowing style.

Irvine, California
November 21, 2016

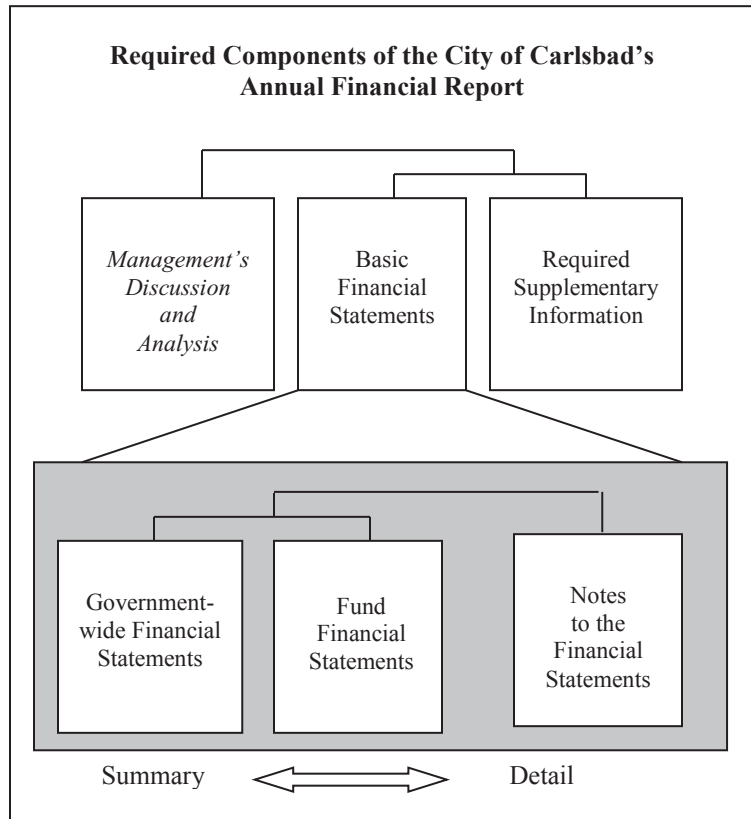
Management’s Discussion and Analysis

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, 2016. 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, 2016, as shown below, was \$1.698 billion. The city’s net position increased by \$38.6 million as compared to the prior fiscal year. This increase was derived in large part to a significant increase in current and capital assets, a direct result of revenues exceeding expenses for the year totaling \$38.6 million. Current and other assets were impacted by the wind down of the State of California’s “Triple Flip” program (an increase in sales tax receivable), the recalculation of the interest on the General Fund’s advance to the Successor Agency, and billings to the City of Vista for work on the Vista/Carlsbad Wastewater Interceptor. The increase in capital assets was highlighted by the completion of Fire Station #3, the remodeling of two of the city’s libraries, the purchase of 45 new vehicles (including one new fire engine), the implementation of a citywide managed print service program, and the expansion of the recycled water facility. Additional components associated with the implementation of Government Accounting Standards Board (GASB) 68, impacted deferred outflows and inflows, as well as an increase in the pension liability for the year. This GASB required the city to put their net pension liability on the books. 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). The increase in other liabilities for the city’s business-type activities was the result of work done on the recycled water phase three expansion and the Vista/Carlsbad wastewater interceptor project.

CITY OF CARLSBAD'S NET POSITION							
(in millions of dollars)							
	Governmental		Business-Type		Total		Total Percentage Change
	Activities		Activities		Total		
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015-16</u>
Current and other assets	\$604.5	\$624.2	\$139.5	\$145.8	\$744.0	\$770.0	3.5%
Capital assets	783.3	789.0	340.7	350.3	1,124.0	1,139.3	1.4%
Total assets	1,387.8	1,413.2	480.2	496.1	1,868.0	1,909.3	2.2%
Deferred outflows	13.8	16.7	1.1	1.9	14.9	18.6	24.8%
Other liabilities	25.8	28.8	10.6	15.2	36.4	44.0	20.9%
Net pension liability	114.3	128.8	9.3	11.0	123.6	139.8	13.1%
Long-term debt outstanding	0.0	1.0	34.9	33.7	34.9	34.7	-0.6%
Total liabilities	140.1	158.6	54.8	59.9	194.9	218.5	12.1%
Deferred inflows	26.9	10.9	2.1	0.9	29.0	11.8	-59.3%
Net position							
Net investment in							
capital assets	783.3	788.0	307.1	317.9	1,090.4	1,105.9	1.4%
Restricted	227.8	227.3	47.3	46.0	275.1	273.3	-0.7%
Unrestricted	223.5	245.1	70.0	73.3	293.5	318.4	8.5%
Total net position	\$1,234.6	\$1,260.4	\$424.4	\$437.2	\$1,659.0	\$1,697.6	2.3%

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 \$1.698 billion at the close of the most recent fiscal year.

A large portion of the city's net position (65.1 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 (16.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$318.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

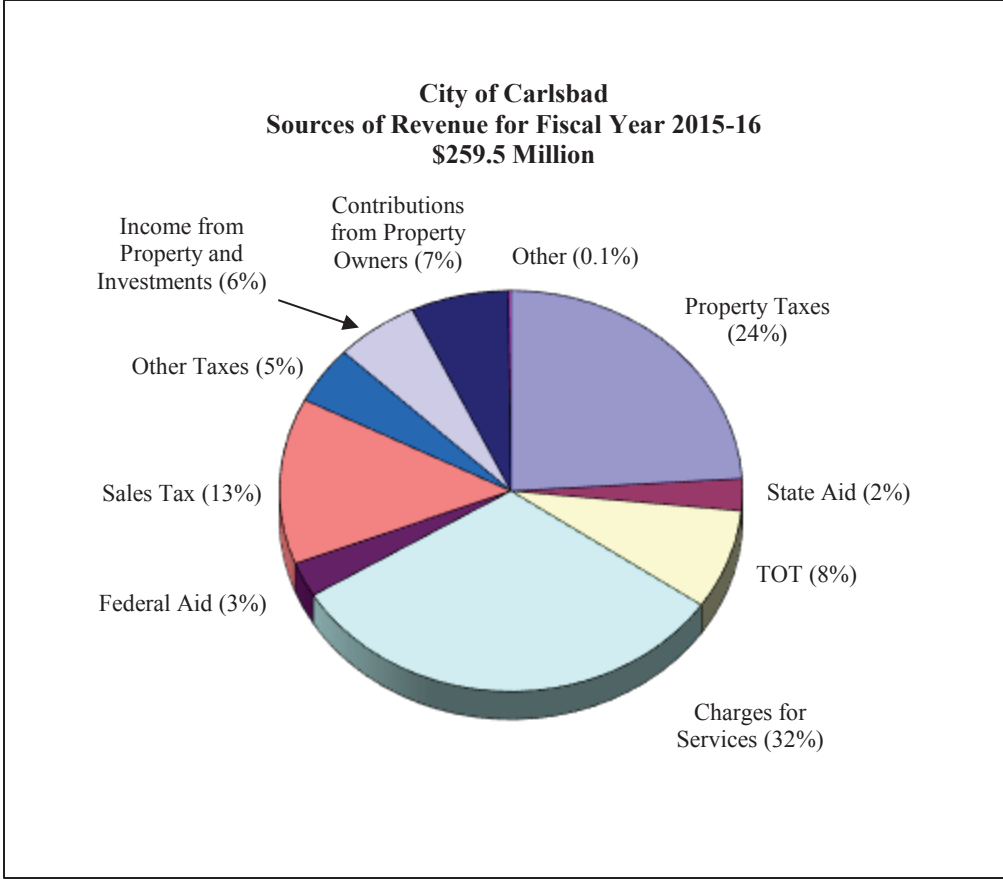
Just over 30 percent of the \$245.1 million in unrestricted governmental activities net position is attributable to the General Fund. This is a small increase from the previous fiscal year, due to strong revenue growth (primarily in taxes) and a large increase in income from property and investments (primarily from the impacts of GASB 31 the interest adjustment made on the advance from the former redevelopment agency). The net investment in capital assets for the city increased slightly during Fiscal Year 2015-16, 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 2015-16, 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

CITY OF CARLSBAD'S CHANGES IN NET POSITION							
(in millions of dollars)							
	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	2015	2016	2015	2016	2015	2016	2015-16
Revenues							
Program revenues							
Charges for services	\$20.2	\$19.1	\$70.3	\$63.0	\$90.5	\$82.1	-9.3%
Operating grants and contributions	12.2	11.9	3.5	5.7	15.7	17.6	12.1%
Capital grants and contributions	19.1	12.1	2.4	2.0	21.5	14.1	-34.4%
General revenues							
Property taxes	56.0	59.0	3.1	3.3	59.1	62.3	5.4%
Sales and use taxes	32.1	34.8	-	-	32.1	34.8	8.4%
Other taxes	31.1	33.0	-	-	31.1	33.0	6.1%
Income from property and investments	4.6	11.9	1.9	3.2	6.5	15.1	132.3%
Other	0.6	0.5	0.6	-	1.2	0.5	-58.3%
Total revenues	175.9	182.3	81.8	77.2	257.7	259.5	0.7%
Expenses							
General government	16.1	16.1	-	-	16.1	16.1	0.0%
Public safety	48.8	50.5	-	-	48.8	50.5	3.5%
Community development	17.2	17.6	-	-	17.2	17.6	2.3%
Community services	31.4	33.6	-	-	31.4	33.6	7.0%
Public works	36.3	37.5	-	-	36.3	37.5	3.3%
Carlsbad Municipal Water District	-	-	40.9	39.5	40.9	39.5	-3.4%
Golf course	-	-	10.5	10.5	10.5	10.5	0.0%
Wastewater	-	-	12.6	12.6	12.6	12.6	0.0%
Solid waste	-	-	3.0	3.0	3.0	3.0	0.0%
Total expenses	149.8	155.3	67.0	65.6	216.8	220.9	1.9%
Excess (deficiency) before transfers	26.1	27.0	14.8	11.6	40.9	38.6	-5.6%
Transfers	(1.3)	(1.2)	1.3	1.2	-	-	0.0%
Increase (decrease) in net position	24.8	25.8	16.1	12.8	40.9	38.6	-5.6%
Beginning position	1,209.8	1,234.6	408.3	424.4	1,618.1	1,659.0	2.5%
Ending net position	\$1,234.6	\$1,260.4	\$424.4	\$437.2	\$1,659.0	\$1,697.6	2.3%

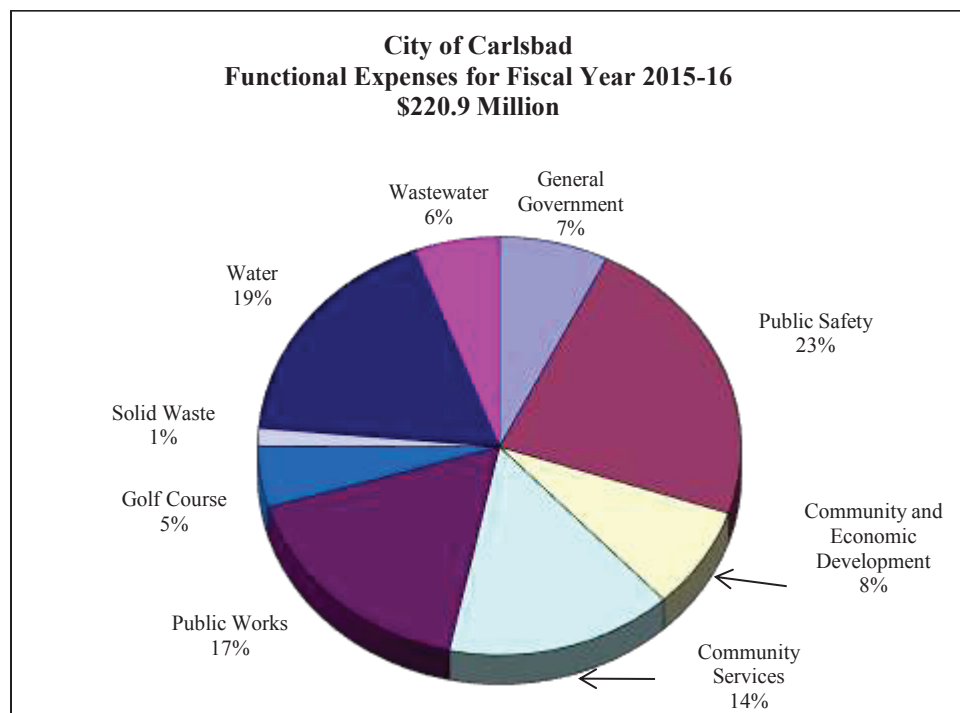
The condensed summary of activities shows that net position increased by \$38.6 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net position: \$24.3 million in “savings” in the General Fund being carried forward 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 as well as rate stabilization efforts due to the purchasing of more expensive water from the desalination facility; revenues received in the city’s special revenue funds for future services and programs; and the donation of infrastructure assets from developers.

Approximately 70 percent of the revenues of the city’s governmental funds are generated through taxes collected (property, sales, transient occupancy, etc.), and just under 82 percent of the city’s business-type revenue is generated through charges for services. The chart on the next page graphically depicts the city’s revenue sources.



Ever since the city exited the Great Recession, the city continues to see its sales and transient occupancy taxes (TOT) grow, and in the most recent two fiscal years, the last of the “big three” taxes, property taxes, has shown some significant growth. An increase in assessed values for residential, commercial and industrial properties (assessed values increased by 5.4 percent) led to higher property tax revenues. This was the first time since the recession (a lagging indicator of the financial health of the city) that the city saw growth in all three assessed value components. Higher room rates throughout the city combined with 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 spring of 2015, contributed to higher TOT for the year. Although sales tax revenues were down at one of the city’s major shopping venues, and car sales flattened out, the completion of the State of California’s “Triple Flip” program created some additional one-time revenues, leading to an overall increase in sales tax revenues for the year. Income from property and investments were heavily impacted by three factors: the unrealized gains and losses created by adjusting the city’s investments to their fair market value at June 30, 2016 (as required by GASB 31); interest received from the Department of Finance (DOF) for interest earned on unpaid mandated costs going back to 2004; and the interest adjustment made on the loan from the city’s General Fund to the Successor Agency. The adjustment made on the loan from the General Fund is to reflect simple interest on the loan that is now computed annually at a rate of 3 percent per Health and Safety Code Section 3419.4, which was amended by Senate Bill No. 107. The statewide drought mandated conservation measures, which led to large decrease in water sales (charges for services) for the year. A large decrease in the donation of developer constructed assets (roads, pipelines, sidewalks, etc.) led to the decrease in capital grants and contributions. The City of Vista continues to reimburse the city for their portion of the Vista/Carlsbad Wastewater Interceptor project, which is reflected in the increase in operating grants and contributions for the business-type activities.

The total cost of all programs and services was just under \$220.9 million in Fiscal Year 2015-16. This was slightly more than Fiscal Year 2014-15 figure of \$216.8 million. A factor in this increase was higher public safety expenses created by the replacement of mobile radios, normal salary and benefit increases, and the filling of prior year vacancies. The addition of two new Transportation engineers to help accelerate the completion of projects in the city’s Capital Improvement Program (CIP), combined with normal salary and benefit increases, led to the increase in Public Works expenditures for the year. During the fiscal year, the city remodeled two municipal libraries. Although the city’s capital project funds paid for a majority of the renovations, the Library Department operating budget funded much of the furniture for these newly completed facilities. 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 decrease in purchased water costs due to drought conservation efforts in the Water Fund created the decline in expenses 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, and Parks & Recreation 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 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 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, which includes a new local supply of desalinated seawater, 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)

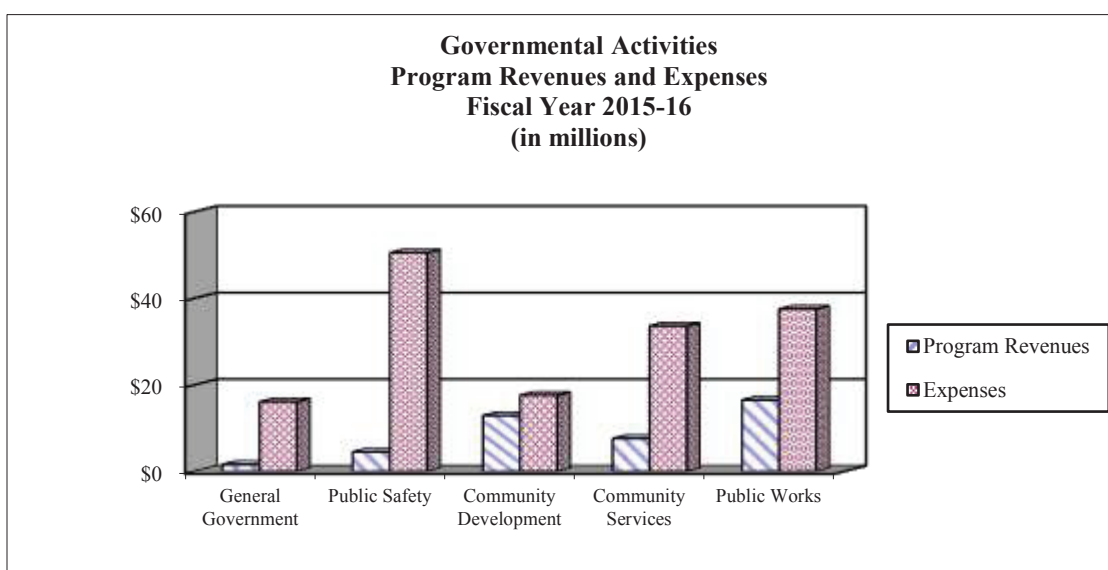
The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad, Vista and Encinitas; the Leucadia 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 \$25.8 million. This increase was generated by total revenues of *governmental* activities of \$182.3 million (\$43.1 million in program revenues and \$139.2 million in general revenues) offset by \$155.3 million in total costs of *governmental* activities, and \$1.2 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).

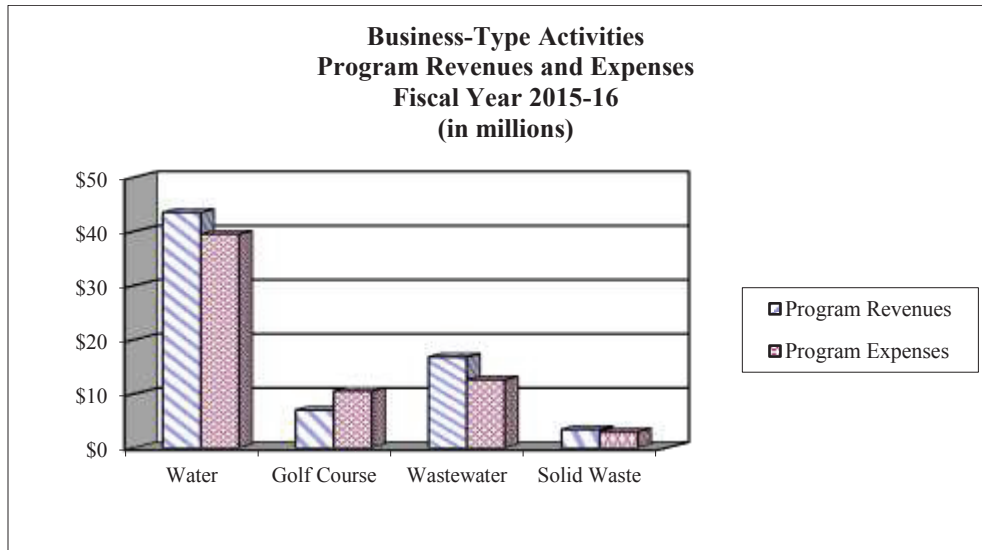


Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$19.1 million), grants and contributions from other governments and organizations which subsidize certain programs (\$24 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 \$139.2 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 2015-16, 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 \$70.7 million for the year, while program expenses equaled \$65.6 million.

Water program revenues are higher than program expenses, primarily due to reimbursements received for work done on a joint project, capital contributions in the form of capital connection fees and developer constructed assets donated to the city, and the receipt of a lawsuit settlement. 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 2015 and a 5.25 percent increase that went into effect in January 2016, completely offset by drought conservation efforts. However, the drought conservation efforts were reduced in the second half of the fiscal year as the drought level in the state was reduced.

Wastewater program revenues exceeded program expenses due to personnel vacancies, lower than anticipated Encina Wastewater Authority (operator of the wastewater treatment plant) expenses, and higher than budgeted revenues.

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 ninth 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 \$3.6 million.

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

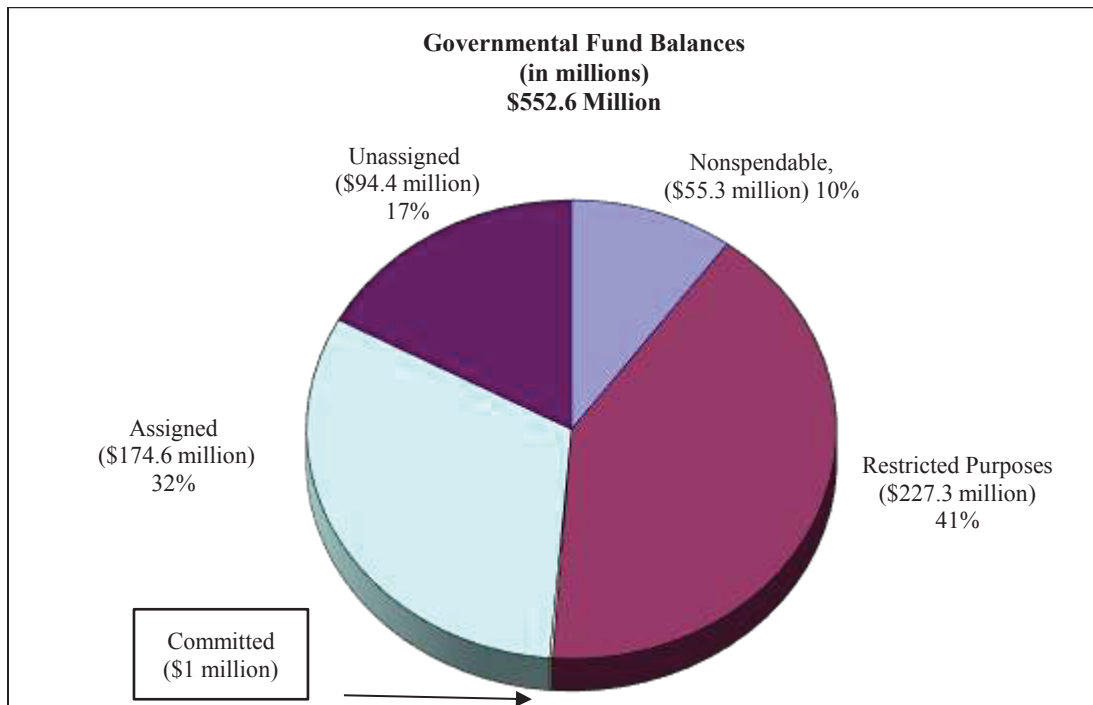
Financial Analysis of the City's Funds

As noted earlier, the city uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), the implementation of Government Accounting Standards Board (GASB) No. 54 resulted in the Community Activity Grants Fund being combined with the General Fund for financial statement presentation.

Governmental Funds

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

There are five fund balance classifications. 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. As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$552.6 million, up \$10 million from the year before. Approximately 10 percent of this (\$55.3 million) constitutes non-spendable 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 41 percent (\$227.3 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 32 percent (\$174.6 million) of the city's fund balance. Approximately 17 percent (\$94.4 million) of the fund balance is unassigned, which is available for spending at the city council's discretion. Of the \$94.4 million unassigned fund balance, the City Council has set aside \$10 million for economic uncertainty purposes. However, accounting standards require that this \$10 million set aside be shown as part of the city's unassigned fund balance.



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

	Total		Increase (Decrease)	Total Percentage Change
	2015	2016	2015-16	
Revenues				
Taxes	\$118.6	\$125.6	\$7.0	5.9%
Intergovernmental	1.7	1.1	(0.6)	-35.3%
Licenses and permits	2.4	2.5	0.1	4.2%
Charges for services	9.4	9.0	(0.4)	-4.3%
Fines and forfeitures	0.7	0.8	0.1	14.3%
Income from property and investments	3.6	4.9	1.3	36.1%
Miscellaneous	2.2	1.2	(1.0)	-45.5%
Total revenues	138.6	145.1	6.5	4.7%
Expenditures				
General government	16.3	16.8	0.5	3.1%
Interdepartmental charges	(3.8)	(3.5)	0.3	-7.9%
Public safety	48.6	51.6	3.0	6.2%
Community development	9.0	10.3	1.3	14.4%
Community services	25.4	26.7	1.3	5.1%
Public works	14.9	15.7	0.8	5.4%
Total expenses	110.4	117.6	7.2	6.5%
Excess (deficiency) before transfers	28.2	27.5		
Transfers in	0.0	0.0		
Transfers out	(10.9)	(12.6)		
Increase (decrease) in fund balance	17.3	14.9		
Beginning fund balance	161.2	178.5		
Ending fund balance	\$178.5	\$193.4		

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 \$193.4 million, an increase of \$14.9 million. The unassigned fund balance portion of the General Fund was \$94.4 million, although the City Council took action to earmark \$10 million of the assigned General Fund balance for economic uncertainty in the future. 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. The other significant increase in General Fund revenues was due to higher income from property and investments. A majority of this increase was due to the impacts of reflecting the city's investments at their fair market value on June 30, 2016 (as required by GASB 31) as well as additional interest earned due to higher average cash balances during the year and a moderate increase in the yield on the Treasurer's portfolio.

In the city's Fiscal Year 2015-16 budget, expenditures were expected to increase 8.5 percent over the Fiscal Year 2014-15 budget to \$135.3 million. The total personnel budget for Fiscal Year 2015-16 was \$82.2 million, which was 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 was \$39.2 million, which was 8.7 percent higher than the previous year's budget of \$36.1 million. The increase in personnel budgets was based on previously negotiated salary and benefit increases, the net addition of 9.99 new staff members (full-time, limited-term and part-time staff), and projected retirement rate increases. Smaller increases were projected for health insurance and workers' compensation. Higher

M&O budgets reflected increased internal service funds changes (information technology, fleet, etc.), general inflationary adjustments, costs associated with succession planning, expenditure enhancements (Faraday front counter improvements; contractual increases; recodification and republication of the city's Municipal Code, enhancements for the Pay for Performance and Performance Management model; training, repair and replacement for protective gear; arts and cultural development plan; various library and cultural arts enhancements; additional grounds maintenance; new Alga Norte Park concessions program; etc.), and "out-of-block" increases (election expenses, ambulance collection fees, bank fees, animal control, weed abatement, plan check services, recreation class instructors, land management and street lighting costs). Capital outlay budgets totaled \$1.8 million for the year, with a majority of this budget for the purchase of Regional Communications System radios. Transfers out of the General Fund were budgeted at \$12.1 million, a \$1.9 million increase from the prior fiscal year. This increase was due to additional transfers to the Workers' Compensation Fund and the Infrastructure Replacement Fund (this transfer represents 6.5 percent of budgeted General Fund revenues). 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 was carried over to Fiscal Year 2015-16, as well as \$8.7 million in open encumbrances as of June 30, 2015.

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 used a portion of its existing fund balance to fund the remodeling of two municipal libraries and install solar panels at the Safety Training Center during the fiscal year.

The fund balance in the Infrastructure Replacement Fund (IRF) increased as the city continued the annual transfer of funds from the General Fund for the future replacement of current infrastructure and facilities. During the year, several projects were funded within the IRF, including the traffic signal monitoring program, several traffic signals, the replacement of synthetic turf at Aviara Community Park, the replacement of aging drainage pipes, various refurbishments at the Faraday Center, and upgrades at Fire Station #1.

Due to the relocation and construction of Fire Station #3, the installation of medians on El Camino Real, and the initiation of the addition of new park amenities at Pine Avenue Park and Poinsettia Park, the Public Facilities Construction Fund (PFF) saw its fund balance decrease by just over \$2.4 million.

The reduction in the fund balance of the PFF and GCC funds was anticipated, as the city has been setting aside money for several years for the construction of various projects within these funds. 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 specific projects. 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 \$2.8 million for the year. Operating revenues were just under \$42.2 million and operating expenses were slightly under \$39.4 million. One of the larger factors in the operating gain was the result of reimbursements received for work done on a joint project and the receipt of a lawsuit settlement (from a former supplier to the District). Water revenues 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 fifth 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 2015 and 5.25 percent in January 2016), 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) led to the \$1.1 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 \$7.8 million.

In the ninth year of operation, the Golf Course Fund had an operating loss of \$2.8 million, primarily due to depreciating the enterprise's assets (\$3.5 million). When golf course operating revenues are not sufficient to cover golf course operating expenses, the General Fund will make contributions in the form of lease payments to pay for the shortfall. Food and beverage sales at the golf course restaurant (The Canyons) remain strong, and golf revenues are on the rise due to an increase in fees charged at the course and an increase in golf rounds.

The Wastewater Funds had an annual operating gain of \$3.4 million for the fiscal year. Total revenues from operations were up by \$3.3 million. This was the net effect of \$3.1 million in reimbursements from the City of Vista for their share of the Vista/Carlsbad interceptor project and a slight increase in charges for wastewater services. The small increase in operating expenses was the net result of Encina adjustments made for prior year operations and depreciation, and the expensing of the City of Vista's share of the Vista/Carlsbad interceptor project. Non-operating revenues of \$797,000 added to the operating income, resulting in a net gain of \$4.2 million before transfers and capital contributions.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports, and showed a net operating income of \$286,000 for the year. Revenues were essentially the same as the previous fiscal 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 \$72.6 million, or approximately 16.6 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 \$45.9 million, or 10.5 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 2015-16

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 \$3.7 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 hotel rates.
- An increase in franchise fees from San Diego Gas & Electric due to an increase in electric sales from the warmer summer in 2015.
- A new master planned community and a spike in industrial development led to higher building permit and associated revenues (licenses and permits, as well as charges for services).
- Increased interest resulting from higher cash balances maintained in the General Fund and General Capital Construction Fund combined with a one-time payment from the Department of Finance (DOF) for interest earned on unpaid state mandated costs going back to 2004.

The increase from the total original expenditure budget to the final budget amounted to \$528,000, due primarily to:

- The appropriation of grant money received.
- Sales tax audit expenses.
- Developer funded studies.

An additional transfer was budgeted for during the year to assist with the funding in the Workers' Compensation Fund.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$26.4 million can be generally summarized as follows:

- Interdepartmental charges were \$278,000 below estimates, which are offset against expenditures for reporting purposes in the financial statements.
- \$26.1 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.
 - Of the \$26.1 million in savings, \$24.3 million will be carried forward into Fiscal Year 2016-17 and is planned to be used for:
 - ⇒ Trenching of the railroad tracks through the downtown area of Carlsbad.
 - ⇒ Enhancing the coastline.
 - ⇒ Succession planning in Finance.
 - ⇒ New gym equipment at the Faraday Center and multiple recreation centers.
 - ⇒ Completion of a new permitting and business license implementation.
 - ⇒ Utility billing system upgrade.
 - ⇒ Human Capital Management System (HCMS) upgrade.
 - ⇒ A new Enterprise Resource Planning system.
 - ⇒ New office furniture and filing cabinets in the City Clerk's office.
 - ⇒ Upgrading of the city's law library.
 - ⇒ New radios and office furniture in the Fire Department.
 - ⇒ Office furniture and web carriers in the Police Department.
 - ⇒ Enhance the city's proactive code enforcement program.
 - ⇒ Village and Barrio enhancement program.
 - ⇒ An electric cart for the Parks and Recreation Department.
 - ⇒ Outdoor furniture for the recent library remodels.
 - ⇒ Enhancing the Library Department's print/copy services.
 - ⇒ Electric vehicle charging station policy development.
 - ⇒ Research and development for various climate action plan (CAP) measures.
 - ⇒ Elmwood House streetscape improvements.
 - ⇒ CALTRANS matching funds for transportation projects.
 - ⇒ Mobile application software development for Public Works.
 - ⇒ New vehicle in construction management and inspection (CM&I).
 - ⇒ Audio visual system upgrade at the Safety Training Center.
 - ⇒ Training opportunities for city staff at all levels.
 - ⇒ Minor building renovations at city facilities.
 - ⇒ Other one-time capital outlay items, as needed, throughout the city.

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

Capital Asset and Debt Administration

Capital Assets

CITY OF CARLSBAD'S CAPITAL ASSETS								
(in millions of dollars)								
	Governmental Activities		Business-Type Activities		Total		Change	Total Percentage Change
	2015	2016	2015	2016	2015	2016	2015-16	2015-16
Land	\$152.2	\$152.2	\$9.4	\$9.4	\$161.6	\$161.6	\$0.0	0.0%
Construction in progress	14.5	16.7	10.5	27.5	25.0	44.2	19.2	76.8%
Buildings and other structures	115.6	123.1	40.7	40.7	156.3	163.8	7.5	4.8%
Improvements other than buildings	72.3	80.6	51.1	51.1	123.4	131.7	8.3	6.7%
Machinery and equipment	34.1	36.2	3.3	3.5	37.4	39.7	2.3	6.1%
Infrastructure	682.5	687.0	327.8	330.0	1,010.3	1,017.0	6.7	0.7%
Wastewater treatment facility	-	-	55.4	57.3	55.4	57.3	1.9	3.4%
Intangibles	3.2	4.1	-	-	3.2	4.1	0.9	28.1%
	1,074.4	1,099.9	498.2	519.5	1,572.6	1,619.4	46.8	3.0%
Accumulated depreciation	(291.1)	(310.9)	(157.5)	(169.2)	(448.6)	(480.1)	(31.5)	7.0%
Total	\$783.3	\$789.0	\$340.7	\$350.3	\$1,124.0	\$1,139.3	\$15.3	1.4%

At the end of Fiscal Year 2015-16, the city had recorded investments of 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 completion of Fire Station #3.
- The construction of a concrete barrier on Carlsbad Blvd. over the railroad tracks.
- Installation of solar panels at the Safety Training Center.
- The northwest quadrant storm drain program.
- Completion of the Cole and Dove Library remodeling projects.
- Audio/visual upgrades of the Dove Library auditorium.
- Audio/visual upgrades of the City Council chambers.
- The citywide acquisition of copiers through capital leases.
- New records management software.
- 45 new vehicles, including a new fire brush rig and a GAP/vax jet/vacuum machine.
- A backhoe loader.
- A mobile stage for TGIF Concerts in the Park.
- A new recycled water line along El Camino Real in La Costa.
- The initiation of the expansion of the recycled water facility.
- Several waterline projects.
- Several storm drain projects.

In addition to carrying forward appropriations of \$179.5 million for previously budgeted projects, the city's Fiscal Year 2016-17 capital budget appropriates an additional \$64.5 million for capital projects. These additional appropriations are principally for the new extension of Poinsettia Lane; city facility refurbishments; the pavement management program; community facility and garden areas at Pine Avenue Park; Hosp Grove Park improvements; Pine Avenue Park synthetic turf replacement; Maerke Reservoir floating cover replacement and pump station improvements; miscellaneous street projects; implementation of an adaptive traffic signal program; continuation of the street lighting replacement program; 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

CITY OF CARLSBAD'S OUTSTANDING DEBT							
(in millions of dollars)							
	Governmental		Business-Type		Total		Total
	Activities		Activities				Percentage
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015-16</u>
Bonds	\$0.0	\$0.0	\$16.3	\$15.9	\$16.3	\$15.9	-2.5%
Loans	-	-	18.4	17.6	18.4	17.6	-4.3%
Capital leases	-	1.0	-	-	-	1.0	100.0%
Adjusted by: premiums/discounts	-	-	0.2	0.2	0.2	0.2	0.0%
Total	\$0.0	\$1.0	\$34.9	\$33.7	\$34.9	\$34.7	-0.6%

At year-end, the city had \$34.7 million in bonds, capital leases and loans, a decrease of \$200,000 from last year, as shown in the table above. The city entered into several office equipment lease-purchase agreements during the year for copier equipment, totaling just under \$1 million. This increase was completely offset by payments made on all of the city's outstanding debt, creating a small reduction in the city's total debt for the fiscal year. More detail about the city's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2016-17

- The State of California adopted its Fiscal Year 2016-17 Annual Budget with the following provisions affecting the city:
 - Governor Brown submitted a balanced state budget in January 2016 for Fiscal Year 2016-17 using projected revenues of \$125.8 billion to cover \$122.6 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 2015-16, it is projected that the "rainy day" fund will have a balance of \$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. The "Triple Flip" was completed during Fiscal Year 2015-16. In Fiscal Year 2016-17, the city will once again receive their full one percent sales tax every month.
 - 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. A ballot measure to extend a portion of the income tax increase was voted on in November 2016 and passed.
 - 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 \$28.9 billion, a 5.6 percent increase from the prior fiscal year due to new construction and escalating home and commercial property values.
- Sales tax revenues are projected to slightly decrease by 0.8 percent due in part to the unwinding of the Triple Flip (see above), and a drop in sales tax revenues at The Shoppes at Carlsbad. Westfield (the former owner of the mall) sold this property in 2015. The new owners (Rouse Properties) have begun major renovations and should have them completed by the fall of 2017.

- 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 2016 as well with projected average daily rates (ADR) increases of approximately 5 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 2.8 percent.
- PERS rates for the miscellaneous plan have increased for Fiscal Year 2016-17 from 27.2 percent to 28.6 percent, and rates have also increased from 36.9 percent to 40.6 percent for the safety plan.
- Median home prices in Carlsbad have increased by 12.7 percent from the first quarter of 2015 (\$734,000) to the first quarter of 2016 (\$827,000).
- City departments were given maximum increases of 2 percent for maintenance and operational funding to cover changes in the Consumer Price Index (CPI), funding for new minor capital outlay, and additional funding for existing contractual obligations.
- The city added 5 full-time positions, 3 limited-term positions, 3.25 part-time positions and eliminated 3 full-time 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, 2016.
 - Fire and General Management employees will receive an allocated share of a 4 percent raise/stipend pool on December 31, 2016.
 - Police Management employees will receive an allocated share of a 4.5 percent raise/stipend pool on December 31, 2016.
 - The Carlsbad Firefighters Association (CFA) are currently in negotiations with the City Council.
 - The Carlsbad Police Officers Association (CPOA) will receive a 3.8 percent raise on January 1, 2017.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2016-17. Budgeted expenditures are expected to increase 6.5 percent to \$141.8 million. The total personnel budget for Fiscal Year 2016-17 is \$87.7 million, which is 6.7 percent more than the previous year's personnel budget of \$82.2 million. The total maintenance and operations (M&O) budget for Fiscal Year 2016-17 is \$42.1 million, which is 7.3 percent higher than the previous year's budget of \$39.2 million. The increase in personnel budgets is based on previously negotiated salary and benefit increases and the net addition of 8.25 full-time, limited-term and part-time staff. 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 increased information technology charges to address current and future funding requirements; general inflationary adjustments; costs associated with succession planning; expenditure enhancements (police body cameras, Coastal Trolley Study, implementation of the Climate Action Plan, additional vehicles for Community Service Officers, expansion of the youth basketball program, mobile library services from a Library Book Bike, a lobbyist and community outreach for the Village Double Tracking project, and a parking study) and "out of block" increases (internal service fund charges, election costs, ambulance collection fees, bank fees, animal control, weed abatement, plan check services, recreation class instructors, land management, and street lighting costs). Transfers out of the General Fund are budgeted at \$11.7 million, a \$400,000 decrease from the prior fiscal year. This decrease is due primarily to the elimination of the annual transfer from the General Fund to the Golf Course Fund (approximately \$1 million annually) to cover debt service payments for the year. This transfer is no longer needed since the 2016-17 budget reflects the early payoff of the outstanding golf course bonds. This reduction in transfers was partially offset by an additional transfer from the General Fund to the Workers' Compensation Fund to cover increased claims and settlements. Adding to the adopted budget of \$135.3 million for the General Fund, approximately \$24.3 million in unspent Fiscal Year 2015-16 budgeted expenditures will be carried over to Fiscal Year 2016-17, as well as \$8.4 million in open encumbrances as of June 30, 2016.

During the current fiscal year, the unassigned fund balance in the General Fund increased by \$4.1 million to \$84.4 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), the completion of the state's "Triple Flip" program, higher income from investments due to higher cash balances maintained in the General and General Capital Construction Funds, and the impact of restating the city's investments to their fair market value (as required by GASB 31), and higher than anticipated development within the city (increased development related services and building permit revenues). Based on Fiscal Year 2016-17 projections, the unassigned General Fund balance is expected to grow approximately \$4.4 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 set aside 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. During Fiscal Year 2015-16, the City Council took another step to help stabilize future retirement costs (CalPERS rates) by assigning \$10 million of the General Fund to assist in these efforts.

There appears to be sufficient revenues projected to build the projects listed in the Fiscal Year 2016-17 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 5.9 percent in total for Fiscal Year 2016-17. In November 2016, a public meeting will be held to determine how much water rates will increase effective January 1, 2017. The proposed rate increase is needed to fund the additional cost of purchased water, and to maintain an adequate reserve balance.
- No wastewater rate increases are proposed for calendar year 2017. Better than anticipated financial results in Fiscal Year 2015-16 mitigated the need for a rate increase.
- For the first time since the golf course opened, the Fiscal Year 2016-17 budget reflects an operating gain for the Golf Course Fund. This is due to the city paying off the outstanding bonds in September 2016.
- There are no projected significant changes in other revenue sources.

Contacting the City's Financial Management

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



CITY OF CARLSBAD

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 515,941,415	\$ 183,173,512	\$ 699,114,927
Receivables:			
Interest	1,524,234	568,587	2,092,821
Taxes	13,667,550	24,852	13,692,402
Other	1,244,586	859,508	2,104,094
Accounts, net of allowances	95,330	8,509,748	8,605,078
Due from other governments	341,845	7,200,870	7,542,715
Inventories	461,583	929,978	1,391,561
Prepaid items	24,510	17,158	41,668
Loan and reimbursement receivables, net of allowances	23,842,527	-	23,842,527
Due from Successor Agency	11,603,382	-	11,603,382
Deposits	25,000	-	25,000
Internal balances	55,461,914	(55,461,914)	-
Subtotal	<u>624,233,876</u>	<u>145,822,299</u>	<u>770,056,175</u>
Capital assets:			
Land	152,207,069	9,375,975	161,583,044
Construction in progress	16,659,747	27,554,662	44,214,409
Buildings and other structures	123,085,992	40,673,540	163,759,532
Improvements other than buildings	80,562,176	51,121,786	131,683,962
Machinery and equipment	36,261,632	3,471,210	39,732,842
Infrastructure	687,030,699	329,986,540	1,017,017,239
Wastewater treatment facility	-	57,295,227	57,295,227
Intangible assets	4,065,600	-	4,065,600
Less accumulated depreciation	(310,868,426)	(169,223,003)	(480,091,429)
Total capital assets	<u>789,004,489</u>	<u>350,255,937</u>	<u>1,139,260,426</u>
Total assets	<u>1,413,238,365</u>	<u>496,078,236</u>	<u>1,909,316,601</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related items	<u>16,688,377</u>	<u>1,876,972</u>	<u>18,565,349</u>

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

CITY OF CARLSBAD

Statement of Net Position (Continued)

June 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 16,956,338	\$ 6,747,854	\$ 23,704,192
Accrued interest payable	-	316,172	316,172
Due to other governments	232	6,066,153	6,066,385
Estimated claims payable	9,535,612	-	9,535,612
Deposits payable	509,116	1,728,606	2,237,722
Unearned revenue	1,800,461	356,583	2,157,044
Noncurrent liabilities:			
Net pension liability	128,843,973	11,005,876	139,849,849
Due within one year, net of unamortized premiums (\$9,895)	185,378	1,910,356	2,095,734
Due in more than one year, net of unamortized premiums (\$192,687)	784,549	31,817,630	32,602,179
Total liabilities	158,615,659	59,949,230	218,564,889
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related items	10,901,917	844,236	11,746,153
NET POSITION			
Net investment in capital assets	788,034,562	317,927,130	1,105,961,692
Restricted for:			
Capital assets	176,279,495	45,949,176	222,228,671
Lighting and landscaping districts	5,920,797	-	5,920,797
Affordable housing	40,390,345	-	40,390,345
Habitat and agricultural mitigation management	1,757,681	-	1,757,681
Other purposes	2,948,510	-	2,948,510
Unrestricted	245,077,776	73,285,436	318,363,212
Total net position	\$ 1,260,409,166	\$ 437,161,742	\$ 1,697,570,908

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, 2016**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 16,146,962	\$ 295,504	\$ 1,355,889	\$ 3,365
Public safety	50,462,628	3,979,565	356,294	167,709
Community development	17,581,228	5,210,930	7,032,995	649,229
Community services	33,610,117	5,500,063	742,547	1,331,276
Public works	37,463,750	4,152,030	2,424,703	9,890,645
Interest and fiscal charges on long-term debt	904	-	-	-
Total governmental activities	155,265,589	19,138,092	11,912,428	12,042,224
Business-type activities:				
Carlsbad Municipal Water District	39,457,749	39,854,080	2,247,260	1,417,773
Golf course	10,545,299	6,987,811	-	-
Wastewater	12,612,651	12,962,888	3,241,576	593,218
Solid waste	2,997,279	3,205,403	157,326	-
Total business-type activities	65,612,978	63,010,182	5,646,162	2,010,991
Total primary government	\$ 220,878,567	\$ 82,148,274	\$ 17,558,590	\$ 14,053,215

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

 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
\$ (14,492,204)	\$ -	\$ (14,492,204)
(45,959,060)	-	(45,959,060)
(4,688,074)	-	(4,688,074)
(26,036,231)	-	(26,036,231)
(20,996,372)	-	(20,996,372)
(904)	-	(904)
<u>(112,172,845)</u>	<u>-</u>	<u>(112,172,845)</u>
-	4,061,364	4,061,364
-	(3,557,488)	(3,557,488)
-	4,185,031	4,185,031
-	365,450	365,450
<u>-</u>	<u>5,054,357</u>	<u>5,054,357</u>
<u>(112,172,845)</u>	<u>5,054,357</u>	<u>(107,118,488)</u>
58,945,296	3,305,980	62,251,276
34,842,622	-	34,842,622
20,943,173	-	20,943,173
5,632,318	-	5,632,318
4,894,804	-	4,894,804
1,545,410	-	1,545,410
11,910,386	3,163,220	15,073,606
485,705	39,133	524,838
(1,240,197)	1,240,197	-
<u>137,959,517</u>	<u>7,748,530</u>	<u>145,708,047</u>
25,786,672	12,802,887	38,589,559
1,234,622,494	424,358,855	1,658,981,349
<u>\$ 1,260,409,166</u>	<u>\$ 437,161,742</u>	<u>\$1,697,570,908</u>

CITY OF CARLSBAD

**Balance Sheet
Governmental Funds
June 30, 2016**

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
ASSETS				
Cash and investments	\$ 131,491,248	\$ 76,671,631	\$ 40,752,605	\$ 92,591,301
Receivables:				
Interest	517,082	231,105	-	279,373
Taxes	13,664,633	2,917	-	-
Other	1,029,859	-	-	-
Accounts, net of allowances	79,958	-	-	-
Due from other funds	14,608	-	-	-
Due from other governments	100,702	-	-	-
Inventories	25,700	-	-	-
Prepaid items	-	-	-	-
Loans receivable, net of allowances	75,589	-	-	-
Deposits	25,000	-	-	-
Due from Successor Agency	11,603,382	-	-	-
Advances to other funds	56,526,248	2,163,083	-	-
Total assets	\$ 215,154,009	\$ 79,068,736	\$ 40,752,605	\$ 92,870,674
LIABILITIES				
Accrued liabilities	\$ 6,501,886	\$ 166,514	\$ 1,233,682	\$ 450,689
Due to other funds	-	-	-	-
Deposits payable	48,013	-	-	-
Due to other governments	232	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	1,327,485	-	-	-
Total liabilities	7,877,616	166,514	1,233,682	450,689
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - sales tax	924,490	-	-	-
Unavailable revenue - grants	25,429	-	-	-
Unavailable revenue - interest on advances	12,906,435	-	-	-
Total deferred inflows of resources	13,856,354	-	-	-
FUND BALANCES				
Nonspendable	55,324,484	-	-	-
Restricted	-	78,902,222	-	-
Committed	1,000,000	-	-	-
Assigned	42,691,505	-	39,518,923	92,419,985
Unassigned	94,404,050	-	-	-
Total fund balances	193,420,039	78,902,222	39,518,923	92,419,985
Total liabilities, deferred inflows of resources, and fund balances	\$ 215,154,009	\$ 79,068,736	\$ 40,752,605	\$ 92,870,674

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 25,964,304	\$ 105,301,121	\$ 472,772,210
78,378	305,292	1,411,230
-	-	13,667,550
-	214,727	1,244,586
-	1,858	81,816
-	-	14,608
-	241,143	341,845
-	-	25,700
-	3,872	3,872
-	23,766,938	23,842,527
-	-	25,000
-	-	11,603,382
6,450,000	-	65,139,331
<u>\$ 32,492,682</u>	<u>\$ 129,834,951</u>	<u>\$ 590,173,657</u>
\$ 625,633	\$ 3,194,348	\$ 12,172,752
-	14,608	14,608
-	460,103	508,116
-	-	232
-	9,026,648	9,026,648
-	472,976	1,800,461
<u>625,633</u>	<u>13,168,683</u>	<u>23,522,817</u>
-	-	924,490
-	138,711	164,140
-	-	12,906,435
<u>-</u>	<u>138,711</u>	<u>13,995,065</u>
-	3,872	55,328,356
31,867,049	116,523,685	227,292,956
-	-	1,000,000
-	-	174,630,413
-	-	94,404,050
<u>31,867,049</u>	<u>116,527,557</u>	<u>552,655,775</u>
<u>\$ 32,492,682</u>	<u>\$ 129,834,951</u>	<u>\$ 590,173,657</u>

CITY OF CARLSBAD

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016**

Total fund balances - governmental funds.	\$ 552,655,775
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	778,144,572
Internal service funds	10,859,917
Total capital assets	<u>789,004,489</u>
Deferred outflows are not an available resource and, therefore, are not reported in the funds.	
Governmental funds	31,868,419
Internal service funds	1,640,674
Total deferred outflows	<u>33,509,093</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	32,697,532
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(650,769)
Internal service fund net assets included as part of total capital assets	(10,859,917)
Internal service fund net assets included as part of deferred outflows	(1,640,674)
Internal service fund net assets included as part of long-term liabilities	7,149,789
Internal service fund net assets included as part of deferred inflows	2,085,316
Net internal service fund net position	<u>28,781,277</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.	12,906,435
A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	924,490
A portion of the unearned revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	164,140
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	(122,664,111)
Internal service funds	(7,149,789)
Total long-term liabilities	<u>(129,813,900)</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	(25,637,317)
Internal service funds	(2,085,316)
Total deferred inflows	<u>(27,722,633)</u>
Net position of governmental activities.	<u>\$1,260,409,166</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, 2016**

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Revenues:				
Taxes	\$ 125,645,915	\$ 1,547,066	\$ -	\$ -
Intergovernmental	1,058,125	-	-	-
Licenses and permits	2,467,395	-	-	-
Charges for services	8,987,785	-	-	-
Fines and forfeitures	807,805	-	-	-
Income from property and investments	4,859,526	1,173,595	-	1,446,719
Contributions from property owners	-	834,951	-	-
Donations	-	-	-	-
Miscellaneous	1,258,525	1,050	-	-
Total revenues	145,085,076	3,556,662	-	1,446,719
Expenditures:				
Current:				
General government	16,747,380	106,317	-	-
Less: interdepartmental charges	(3,471,330)	-	-	-
Public safety	51,637,941	-	-	-
Community development	10,335,002	-	-	-
Community services	26,654,033	-	-	-
Public works	15,739,323	-	-	-
Capital outlay	-	258,834	11,460,880	3,236,224
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	117,642,349	365,151	11,460,880	3,236,224
Excess (deficiency) of revenues over (under) expenditures	27,442,727	3,191,511	(11,460,880)	(1,789,505)
Other financing sources (uses):				
Transfers in	10,000	-	-	8,952,000
Transfers out	(12,552,197)	-	-	-
Total other financing sources (uses)	(12,542,197)	-	-	8,952,000
Net change in fund balances	14,900,530	3,191,511	(11,460,880)	7,162,495
Fund balances at beginning of year	178,519,509	75,710,711	50,979,803	85,257,490
Fund balances at end of year	<u>\$ 193,420,039</u>	<u>\$ 78,902,222</u>	<u>\$ 39,518,923</u>	<u>\$ 92,419,985</u>

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,424,204	\$ 129,617,185
-	10,231,481	11,289,606
-	-	2,467,395
-	3,925,196	12,912,981
-	45,782	853,587
471,281	2,018,854	9,969,975
2,530,101	4,644,511	8,009,563
-	417,173	417,173
22,066	221,101	1,502,742
<u>3,023,448</u>	<u>23,928,302</u>	<u>177,040,207</u>
800	366,620	17,221,117
-	-	(3,471,330)
-	377,522	52,015,463
-	7,582,796	17,917,798
-	1,726,076	28,380,109
-	1,725,702	17,465,025
5,455,225	14,257,393	34,668,556
-	6,247	6,247
<u>5,456,025</u>	<u>26,042,356</u>	<u>164,202,985</u>
<u>(2,432,577)</u>	<u>(2,114,054)</u>	<u>12,837,222</u>
-	1,007,991	9,969,991
-	(157,991)	(12,710,188)
-	850,000	(2,740,197)
<u>(2,432,577)</u>	<u>(1,264,054)</u>	<u>10,097,025</u>
<u>34,299,626</u>	<u>117,791,611</u>	<u>542,558,750</u>
<u>\$ 31,867,049</u>	<u>\$ 116,527,557</u>	<u>\$ 552,655,775</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, 2016**

Net change in fund balances - total governmental funds.	\$ 10,097,025
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	22,532,563
Depreciation expense	(21,298,948)
Governmental funds do not reflect the donation of capital assets as revenues.	1,558,065
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.	
	(17,722)
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	4,018,434
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.	299,721
The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds	3,189
The net revenue of activities of internal service funds is reported with governmental activities.	5,202,529
Adjustments made to the net pension liability do not use current financial resources and, therefore, are not recognized in the funds.	3,880,138
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(488,322)
Change in net position of governmental activities.	<u>\$ 25,786,672</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, 2016

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 121,238,000	\$ 123,135,000	\$ 125,645,915	\$ 2,510,915
Intergovernmental	908,000	956,000	1,058,125	102,125
Licenses and permits	1,128,000	1,645,000	2,467,395	822,395
Charges for services	7,241,000	7,789,000	8,987,785	1,198,785
Fines and forfeitures	749,000	749,000	807,805	58,805
Income from property and investments	2,909,000	3,646,000	4,114,883	468,883
Miscellaneous	869,000	870,000	1,258,525	388,525
Total revenues	135,042,000	138,790,000	144,340,433	5,550,433
Expenditures:				
Current:				
General government	37,117,132	36,395,399	19,171,636	(17,223,763)
Less: interdepartmental charges	(2,689,403)	(3,193,000)	(3,471,330)	(278,330)
Public safety	54,178,674	54,923,124	52,021,225	(2,901,899)
Community development	11,860,032	12,383,171	11,686,203	(696,968)
Community services	31,132,801	31,448,291	28,417,715	(3,030,576)
Public works	20,240,336	20,410,515	18,169,848	(2,240,667)
Total expenditures	151,839,572	152,367,500	125,995,297	(26,372,203)
Excess (deficiency) of revenues over (under) expenditures	(16,797,572)	(13,577,500)	18,345,136	31,922,636
Other financing sources (uses):				
Transfers in	10,000	10,000	10,000	-
Transfers out	(12,071,530)	(12,571,530)	(12,552,197)	19,333
Total other financing sources (uses)	(12,061,530)	(12,561,530)	(12,542,197)	19,333
Net change in fund balances	(28,859,102)	(26,139,030)	5,802,939	\$ 31,941,969
Fund balance at beginning of year	178,519,509	178,519,509	178,519,509	
Fund balance at end of year	<u>\$ 149,660,407</u>	<u>\$ 152,380,479</u>	<u>\$ 184,322,448</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, 2016**

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 144,340,433
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>744,643</u>
	<u>\$ 145,085,076</u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 125,995,297
Differences - budget to GAAP: Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(8,352,948)</u>
	<u>\$ 117,642,349</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, 2016

ASSETS	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	\$ 114,337,592	\$ 2,316,500	\$ 52,430,399
Receivables:			
Interest	366,935	5,114	158,240
Taxes	24,852	-	-
Other	-	310,583	-
Accounts, net of allowances	6,066,993	1,618	2,066,562
Due from other governments	267,770	-	6,933,100
Inventories	723,575	192,548	13,855
Prepaid items	17,158	-	-
Total current assets	121,804,875	2,826,363	61,602,156
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,399,179	-
Accrued interest - restricted for debt service	-	22,108	-
Subtotal	-	1,421,287	-
Capital assets:			
Land	1,905,206	4,841,667	2,629,102
Construction in progress	16,814,820	-	10,739,842
Buildings and other structures	20,604,559	20,068,981	-
Improvements other than buildings	2,322,549	42,670,657	6,128,580
Machinery and equipment	811,230	2,328,024	331,956
Infrastructure	219,111,070	-	110,875,470
Wastewater treatment facility	-	-	57,295,227
Intangible assets	-	-	-
Less accumulated depreciation	(68,911,826)	(27,877,551)	(72,433,626)
Total capital assets (net of accumulated depreciation)	192,657,608	42,031,778	115,566,551
Total noncurrent assets	192,657,608	43,453,065	115,566,551
Total assets	314,462,483	46,279,428	177,168,707
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related items	1,297,785	-	376,816

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

<u>Enterprise Funds</u>		Governmental
<u>Solid</u>	<u>Totals</u>	Activities -
<u>Waste</u>		Internal
		Service
		<u>Funds</u>
\$ 12,689,842	\$ 181,774,333	\$ 43,169,205
38,298	568,587	113,004
-	24,852	-
526,817	837,400	-
374,575	8,509,748	13,514
-	7,200,870	-
-	929,978	435,883
-	17,158	20,638
<u>13,629,532</u>	<u>199,862,926</u>	<u>43,752,244</u>
-	1,399,179	-
-	22,108	-
<u>-</u>	<u>1,421,287</u>	<u>-</u>
-	9,375,975	-
-	27,554,662	672,004
-	40,673,540	-
-	51,121,786	-
-	3,471,210	24,665,133
-	329,986,540	-
-	57,295,227	-
-	-	737,789
<u>-</u>	<u>(169,223,003)</u>	<u>(15,215,009)</u>
-	350,255,937	10,859,917
<u>-</u>	<u>351,677,224</u>	<u>10,859,917</u>
<u>13,629,532</u>	<u>551,540,150</u>	<u>54,612,161</u>
<u>202,371</u>	<u>1,876,972</u>	<u>844,815</u>

(Continued)

CITY OF CARLSBAD

Statement of Net Position
 Proprietary Funds (Continued)
 June 30, 2016

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	3,248,502	452,726	2,556,919
Accrued interest payable	78,772	237,400	-
Due to other governments	4,736,107	55,457	1,274,589
Estimated claims payable	-	-	-
Current portion of long-term debt, net of unamortized premiums of \$9,895	1,475,461	434,895	-
Total current liabilities	9,538,842	1,180,478	3,831,508
Noncurrent liabilities:			
Deposits payable	137,248	714,463	876,895
Advance from other funds	-	56,112,683	-
Unearned revenue	314,919	-	10,000
Net pension liability	6,557,033	-	2,893,752
Capital lease payable	-	-	-
Loans payable	16,194,942	-	-
Revenue bonds payable, net of unamortized premiums of \$192,687	-	15,622,688	-
Total noncurrent liabilities	23,204,142	72,449,834	3,780,647
Total liabilities	32,742,984	73,630,312	7,612,155
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related items	324,783	-	336,818
NET POSITION			
Net investment in capital assets	174,987,205	27,373,374	115,566,551
Restricted for:			
Capital assets	28,132,317	-	17,816,859
Unrestricted	79,572,979	(54,724,258)	36,213,140
Total net position (deficit)	\$ 282,692,501	\$ (27,350,884)	\$ 169,596,550

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
Solid	Totals	Activities -
Waste		Internal
		Service
		Funds
489,707	6,747,854	4,783,586
-	316,172	-
-	6,066,153	-
-	-	9,535,612
-	1,910,356	176,311
<u>489,707</u>	<u>15,040,535</u>	<u>14,495,509</u>
-	1,728,606	1,000
-	56,112,683	-
31,664	356,583	-
1,555,091	11,005,876	6,228,379
-	-	745,099
-	16,194,942	-
-	15,622,688	-
<u>1,586,755</u>	<u>101,021,378</u>	<u>6,974,478</u>
<u>2,076,462</u>	<u>116,061,913</u>	<u>21,469,987</u>
<u>182,635</u>	<u>844,236</u>	<u>1,289,457</u>
-	317,927,130	9,938,507
-	45,949,176	-
<u>11,572,806</u>	<u>72,634,667</u>	<u>22,759,025</u>
<u>\$ 11,572,806</u>	<u>436,510,973</u>	<u>\$ 32,697,532</u>
	<u>650,769</u>	
	<u>\$ 437,161,742</u>	

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 39,216,777	\$ -	\$ -
Wastewater service charges	-	-	12,962,888
Golf course operations	-	6,987,810	-
Other charges for services	637,303	-	-
Miscellaneous	2,329,269	-	3,241,576
Total operating revenues	42,183,349	6,987,810	16,204,464
Operating expenses:			
Encina plant operations	857,768	-	3,100,639
Purchased water	17,524,435	-	-
Golf course operations	-	6,273,320	-
Depreciation	4,956,664	3,501,541	3,267,437
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	16,054,851	46,766	6,392,465
Total operating expenses	39,393,718	9,821,627	12,760,541
Operating income (loss)	2,789,631	(2,833,817)	3,443,923
Nonoperating revenues (expenses):			
Income from property and investments	2,049,993	120,896	796,930
Miscellaneous	-	38,352	-
Interest expense and fees	(324,682)	(723,672)	-
Gain (loss) on sale of property	782	-	-
Property taxes	3,305,980	-	-
Total nonoperating revenues (expenses)	5,032,073	(564,424)	796,930
Income (loss) before transfers and capital contributions	7,821,704	(3,398,241)	4,240,853
Transfers in	-	1,049,795	-
Capital contributions:			
Capital restricted fees	985,803	-	513,070
Developer constructed assets	349,961	-	80,148
Other	-	-	-
Change in net position	9,157,468	(2,348,446)	4,834,071
Total net position (deficit) at beginning of year	273,535,033	(25,002,438)	164,762,479
Total net position (deficit) at end of year	<u>\$ 282,692,501</u>	<u>\$ (27,350,884)</u>	<u>\$ 169,596,550</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.

<u>Enterprise Funds</u>		Governmental
		Activities -
		Internal
<u>Solid Waste</u>	<u>Totals</u>	<u>Service Funds</u>
\$ -	\$ 39,216,777	\$ -
-	12,962,888	-
-	6,987,810	-
3,205,403	3,842,706	18,609,700
157,326	5,728,171	742,997
<u>3,362,729</u>	<u>68,738,352</u>	<u>19,352,697</u>
-	3,958,407	-
-	17,524,435	-
-	6,273,320	-
-	11,725,642	1,993,810
-	-	1,118,142
-	-	4,568,945
-	-	573,364
3,077,060	25,571,142	9,059,924
<u>3,077,060</u>	<u>65,052,946</u>	<u>17,314,185</u>
<u>285,669</u>	<u>3,685,406</u>	<u>2,038,512</u>
195,401	3,163,220	552,029
-	38,352	-
-	(1,048,354)	(19,199)
-	782	203,132
-	3,305,980	-
<u>195,401</u>	<u>5,459,980</u>	<u>735,962</u>
481,070	9,145,386	2,774,474
190,402	1,240,197	1,500,000
-	1,498,873	-
-	430,109	-
-	-	928,055
<u>671,472</u>	<u>12,314,565</u>	<u>5,202,529</u>
<u>10,901,334</u>		<u>27,495,003</u>
<u>\$ 11,572,806</u>		<u>\$ 32,697,532</u>
	<u>488,322</u>	
	<u>\$ 12,802,887</u>	

CITY OF CARLSBAD

Statement of Cash Flows
 Proprietary Funds
 For the Year Ended June 30, 2016

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 38,671,377	\$ 7,586,849	\$ 12,601,591
Payments to suppliers	(24,639,116)	(6,240,656)	(9,649,590)
Payments to employees	(4,741,591)	-	(1,875,897)
Internal activity - payments to other funds	(2,499,115)	-	(1,237,044)
Claims and premiums paid	-	-	-
Other receipts	2,329,269	-	3,241,576
Other payments	-	(33,762)	-
Increase in deposits payable	4,419	92,709	324,713
Net cash provided (used) by operating activities	<u>9,125,243</u>	<u>1,405,140</u>	<u>3,405,349</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from other funds	-	1,049,795	-
Insurance reimbursement	-	38,352	-
Advances to other funds	-	(251,743)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>836,404</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	683,059	-	-
Capital restricted fees	985,803	-	513,070
Purchase of capital assets	(14,833,781)	(68,041)	(3,799,668)
Gross proceeds from the sale of capital assets	782	-	-
Principal paid on capital debt	(1,441,301)	(405,000)	-
Interest and other fees paid	(435,182)	(734,315)	-
Property taxes received	3,297,998	-	-
Net cash (used in) capital and related financing activities	<u>(11,742,622)</u>	<u>(1,207,356)</u>	<u>(3,286,598)</u>
Cash flows from investing activities:			
Interest on investments	<u>2,049,993</u>	<u>120,896</u>	<u>796,930</u>
Net increase (decrease) in cash and cash equivalents	<u>(567,386)</u>	<u>1,155,084</u>	<u>915,681</u>
Cash and cash equivalents at beginning of year	<u>114,904,978</u>	<u>2,560,595</u>	<u>51,514,718</u>
Cash and cash equivalents at end of year	<u>\$ 114,337,592</u>	<u>\$ 3,715,679</u>	<u>\$ 52,430,399</u>

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>	
\$ 3,155,362	\$ 62,015,179	\$ 18,581,883
(1,104,981)	(41,634,343)	(6,041,668)
(1,103,832)	(7,721,320)	(4,650,220)
(617,589)	(4,353,748)	(145,113)
-	-	(4,109,006)
157,326	5,728,171	673,021
-	(33,762)	(62,914)
-	421,841	-
<u>486,286</u>	<u>14,422,018</u>	<u>4,245,983</u>
190,402	1,240,197	1,500,000
-	38,352	-
-	(251,743)	-
<u>190,402</u>	<u>1,026,806</u>	<u>1,500,000</u>
-	683,059	-
-	1,498,873	-
-	(18,701,490)	(3,090,530)
-	782	238,308
-	(1,846,301)	(56,457)
-	(1,169,497)	(19,199)
-	3,297,998	-
<u>-</u>	<u>(16,236,576)</u>	<u>(2,927,878)</u>
<u>195,401</u>	<u>3,163,220</u>	<u>439,025</u>
872,089	2,375,468	3,257,130
<u>11,817,753</u>	<u>180,798,044</u>	<u>39,912,075</u>
<u>\$ 12,689,842</u>	<u>\$ 183,173,512</u>	<u>\$ 43,169,205</u>

(Continued)

CITY OF CARLSBAD

Statement of Cash Flows
 Proprietary Funds (Continued)
 For the Year Ended June 30, 2016

	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)	\$ 2,789,631	\$ (2,833,817)	\$ 3,443,923
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,956,664	3,501,541	3,267,437
Change in assets and liabilities:			
(Increase) decrease in receivables	(1,182,703)	599,039	(361,297)
(Increase) decrease in due from other governments	91,350	-	(2,689,561)
(Increase) decrease in inventories	(5,824)	(14,637)	2,077
(Increase) decrease in prepaid items	91	-	-
(Increase) decrease in deferred outflows - pension related items	(686,167)	-	(55,688)
(Decrease) increase in accrued liabilities	2,173,339	47,301	(199,806)
(Decrease) increase in due to other governments	407,961	13,004	(246,424)
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	4,419	92,709	324,713
(Decrease) increase in unearned revenue	-	-	-
(Decrease) increase in net pension liability	1,428,433	-	200,997
(Decrease) increase in deferred inflows - pension related items	(851,951)	-	(281,022)
Net cash provided by operating activities	<u>\$ 9,125,243</u>	<u>\$ 1,405,140</u>	<u>\$ 3,405,349</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 349,961</u>	<u>\$ -</u>	<u>\$ 80,148</u>
Capital assets acquired under capital lease agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unrealized gains (losses)	<u>\$ 542,142</u>	<u>\$ 9,442</u>	<u>\$ (22,523)</u>
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	\$ 114,337,592	\$ 2,316,500	\$ 52,430,399
Restricted assets:			
Cash and investments	<u>-</u>	<u>1,399,179</u>	<u>-</u>
Cash and cash equivalents at end of year	<u>\$ 114,337,592</u>	<u>\$ 3,715,679</u>	<u>\$ 52,430,399</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
\$ 285,669	\$ 3,685,406	\$ 2,038,512
-	11,725,642	1,993,810
(51,116)	(996,077)	(27,927)
-	(2,598,211)	-
-	(18,384)	(124,166)
309,859	309,950	(20,639)
(29,567)	(771,422)	(879,699)
14,127	2,034,961	337,551
-	174,541	-
-	-	459,939
-	421,841	-
1,075	1,075	-
106,074	1,735,504	(152,622)
(149,835)	(1,282,808)	621,224
<u>\$ 486,286</u>	<u>\$ 14,422,018</u>	<u>\$ 4,245,983</u>
<u>\$ -</u>	<u>\$ 430,109</u>	<u>\$ 928,055</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,574</u>
<u>\$ 56,784</u>	<u>\$ 585,845</u>	<u>\$ 168,163</u>
\$ 12,689,842	\$ 181,774,333	\$ 43,169,205
-	1,399,179	-
<u>\$ 12,689,842</u>	<u>\$ 183,173,512</u>	<u>\$ 43,169,205</u>

CITY OF CARLSBAD

Statement of Net Position
 Fiduciary Funds
 June 30, 2016

ASSETS	Agency Funds	Private Purpose Trust Funds
Current assets:		
Cash and investments	\$ 20,222,737	\$ 1,105,437
Receivables:		
Interest	103,089	5,015
Taxes	1,319	-
Other	89,161	-
Prepaid items	5,630	-
Total current assets	<u>20,421,936</u>	<u>1,110,452</u>
Noncurrent assets:		
Loans receivable	-	3,750,000
Restricted assets:		
Cash and investments	5,751,318	-
Total noncurrent assets	<u>5,751,318</u>	<u>3,750,000</u>
Total assets	<u>\$ 26,173,254</u>	<u>\$ 4,860,452</u>
LIABILITIES		
Current liabilities:		
Accrued liabilities	\$ 1,224,319	\$ 4,512
Accrued interest payable	-	118,392
Deposits held for others	24,948,935	-
Current portion of long-term debt	-	700,000
Total current liabilities	<u>26,173,254</u>	<u>822,904</u>
Noncurrent liabilities:		
Due to the City of Carlsbad	-	11,603,382
Tax allocation bonds payable	-	6,030,000
Total noncurrent liabilities	<u>-</u>	<u>17,633,382</u>
Total liabilities	<u>26,173,254</u>	<u>18,456,286</u>
NET POSITION		
Held in trust for redevelopment obligation retirement purposes	<u>\$ -</u>	<u>\$ (13,595,834)</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, 2016

	Private Purpose Trust Funds
ADDITIONS	
<hr/>	
Contributions:	
Tax increment	\$ 1,692,155
Income from property and investments	19,729
Total additions	<u>1,711,884</u>
DEDUCTIONS	
<hr/>	
General and administrative	273,879
Interest expense and fees	4,388,827
Total deductions	<u>4,662,706</u>
Change in net position	<u>(2,950,822)</u>
Total net position (deficit) at beginning of year	<u>(10,645,012)</u>
Total net position (deficit) at end of year	<u><u>\$ (13,595,834)</u></u>

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

CITY OF CARLSBAD

Notes to the Financial Statements

Year Ended June 30, 2016

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. 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 potable and recycled water systems.

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

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 maintenance and replacement, self insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the city.

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the city's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, restricted revenue will be applied first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the policy is to apply committed fund balance first, then assigned fund balance and finally unassigned fund balance.

Cash and investments

Cash includes amounts in demand and time deposits. Investments are reported in the accompanying balance sheet at fair value, except for certain investment contracts that are reported at cost because they are not transferable and they have terms that are not affected by changes in market interest rates.

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

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

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

CITY OF CARLSBAD

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Inventories

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

Compensated absences

Compensated absences are comprised of vacation payable for all city employees, banked overtime (comp time) and vested sick benefits for certain former district employees. Vacation pay and comp time are payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation and comp time expected to be paid in the next 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, 2016, 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

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 has pension related items in this category in accordance with the application of GASB 68.

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. The City of Carlsbad has pension related items in this category 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, 2016, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2016, 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, 2016, 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.

Notes to the Financial Statements

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 in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control 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, 2014
Measurement Date (MD)	June 30, 2015
Measurement Period (MP)	June 30, 2014 to June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Certain assets and liabilities are required to be reported at fair value. The fair value framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly and fair value is determined through the use of models or other valuation methodologies including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. These unobservable inputs reflect the city's own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). These unobservable inputs are developed based on the best information available in the circumstances and may include the city's own data.

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

CITY OF CARLSBAD

Notes to the Financial Statements

Note 2. Budgetary Data (continued)

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, 2016, the LAIF performance report shows a fair value factor of 1.000621222. 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, 2016 the city had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
Federal National Mortgage Association	\$ 73,297,237	10.3%	2.468
Federal Home Loan Bank	94,029,832	13.2%	2.061
Federal Farm Credit Bank	70,062,300	9.8%	2.348
Federal Home Loan Mortgage Corporation	64,651,272	9.1%	2.573
Federal Agricultural Corporation	14,174,212	2.0%	1.940
Tennessee Valley Authority	525,265	0.1%	1.005
United States Treasury Bills & Notes Financing Corporation	71,845,746	10.1%	2.062
Refunding Corporation	9,044,685	1.3%	3.018
Subtotal U.S. agencies	2,855,010	0.4%	4.268
	400,485,559	56.3%	2.300
Corporate notes:			
Medium-term corporate notes	167,596,057	23.5%	2.000
Subtotal corporate notes	167,596,057	23.5%	2.000
Certificates of deposit	15,515,683	2.2%	2.813
LAIF	128,133,550	18.0%	-
Cash accounts	1,823,918	0.3%	-
Total Treasurer's Pool	713,554,767	100.0%	1.801
Investments held outside the Treasurer's Pool			
Money market funds	7,075,143		
Guaranteed investment contracts	3,746,187		
Subtotal debt service funds/bond proceeds	10,821,330		
Other deposits	1,809,197		
Petty cash funds	9,125		
Total cash and investments	\$ 726,194,419		
Statement of Net Position, Primary Government			
Cash and investments	\$ 699,114,927		
Statement of Net Position, Fiduciary Funds			
Cash and investments	21,328,174		
Restricted cash and investments	5,751,318		
Total cash and investments	\$ 726,194,419		

CITY OF CARLSBAD

Notes to the Financial Statements

Note 3. Deposit and Investment Risk (continued)

Fair Value Measurement

The city categorizes its fair value investments within the fair value hierarchy established by generally accepted accounting principles. The city has the following recurring fair value measurements as of June 30, 2016:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
U.S. Treasury Bills	\$ 71,845,746	\$ -	\$ -	\$ 71,845,746
Refunding Corporation	2,855,010	-	-	2,855,010
Federal Agency securities	-	325,784,803	-	325,784,803
Certificates of Deposit	-	15,515,683	-	15,515,683
Medium-term corporate notes	-	167,596,057	-	167,596,057
LAIF	-	128,133,550	-	128,133,550
Total Investments Reported at Fair Value	74,700,756	637,030,093	-	711,730,849
Cash accounts	-	-	-	1,823,918
Money market funds	-	-	-	7,075,143
Guaranteed investment contracts	-	-	-	3,746,187
Other deposits	-	-	-	1,809,197
Petty cash funds	-	-	-	9,125
Total cash and investments	\$ 74,700,756	\$ 637,030,093	\$ -	\$ 726,194,419

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.

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, 2016, approximately 23.4 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, 2016, the portfolio was in compliance with this requirement.

Note 3. Deposit and Investment Risk (continued)

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, 2016, approximately 8.1 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 or higher. 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, 2016, the portfolio had a 0.39 percent gain 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:

1. As of June 30, 2016, the modified duration of the portfolio was 1.801. 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, 2016, maturities within one year exceeded the required minimum of \$160,258,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2015-16 Operating Budget adopted by the City Council).
3. As of June 30, 2016, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 167 days. As of June 30, 2016, LAIF had a 0.062 percent gain in market value.
4. As of June 30, 2016, the city's investment portfolio included \$12,500,000 of callable step-up notes.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 4. Due To and From Other Funds

The following table shows amounts due from funds within the city to other funds within the city at June 30, 2016.

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 14,608
Other Governmental Funds:		
Community Development Block Grant	14,608	-
Totals	\$ 14,608	\$ 14,608

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, 2016:

Advances From	Advances To	Amount
General Fund	Other Governmental Funds - Habitat and Agricultural Management	\$ 413,565 (1)
General Fund	Golf Course Enterprise Fund	56,112,683 (2)
Other Governmental Funds:	Other Governmental Funds:	
CFD No. 1	Traffic Impact Projects	2,163,083 (3)
Public Facilities Construction	Park Development	6,450,000 (4)
		\$ 65,139,331
General Fund	Fiduciary Funds:	
	Redevelopment Obligation	
	Retirement Trust Funds	\$ 11,603,382 (5)

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 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 3 percent per Health and Safety Code Section 34191.4 which was amended by Senate Bill No. 107. Senate Bill No. 107 went into effect in September 2015.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2016:

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 152,207,069	\$ -	\$ -	\$ 152,207,069
Construction in progress	14,461,680	8,742,360	(6,544,293)	16,659,747
Total capital assets, not being depreciated	<u>166,668,749</u>	<u>8,742,360</u>	<u>(6,544,293)</u>	<u>168,866,816</u>
Capital assets, being depreciated:				
Buildings	115,608,739	7,477,253	-	123,085,992
Improvements, other than buildings	72,264,176	8,298,000	-	80,562,176
Machinery and equipment	34,158,944	5,708,457	(3,605,769)	36,261,632
Infrastructure	682,536,323	4,494,376	-	687,030,699
Intangible assets	3,186,520	879,080	-	4,065,600
Total capital assets, being depreciated	<u>907,754,702</u>	<u>26,857,166</u>	<u>(3,605,769)</u>	<u>931,006,099</u>
Less accumulated depreciation for:				
Buildings	(32,095,318)	(2,554,559)	-	(34,649,877)
Improvements, other than buildings	(21,014,816)	(3,057,947)	-	(24,072,763)
Machinery and equipment	(24,058,892)	(2,718,568)	3,549,873	(23,227,587)
Infrastructure	(212,590,864)	(14,506,466)	-	(227,097,330)
Intangible assets	(1,365,651)	(455,218)	-	(1,820,869)
Total accumulated depreciation	<u>(291,125,541)</u>	<u>(23,292,758)</u>	<u>3,549,873</u>	<u>(310,868,426)</u>
Total capital assets being depreciated, net	<u>616,629,161</u>	<u>3,564,408</u>	<u>(55,896)</u>	<u>620,137,673</u>
Governmental activities capital assets, net	<u>\$ 783,297,910</u>	<u>\$ 12,306,768</u>	<u>\$ (6,600,189)</u>	<u>\$ 789,004,489</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (continued)

	Balance at July 1, 2015	Increases	Decreases	Balance at June 30, 2016
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,375,975	\$ -	\$ -	\$ 9,375,975
Construction in progress	10,490,240	20,996,741	(3,932,319)	27,554,662
Total capital assets, not being depreciated	<u>19,866,215</u>	<u>20,996,741</u>	<u>(3,932,319)</u>	<u>36,930,637</u>
Capital assets, being depreciated:				
Buildings	40,665,993	7,547	-	40,673,540
Improvements, other than buildings	51,121,786	-	-	51,121,786
Machinery and equipment	3,357,830	120,886	(7,506)	3,471,210
Infrastructure	327,786,935	2,199,605	-	329,986,540
Wastewater treatment facility	55,394,354	1,900,873	-	57,295,227
Total capital assets, being depreciated	<u>478,326,898</u>	<u>4,228,911</u>	<u>(7,506)</u>	<u>482,548,303</u>
Less accumulated depreciation for:				
Buildings	(7,791,492)	(912,925)	-	(8,704,417)
Improvements, other than buildings	(24,847,382)	(3,221,938)	-	(28,069,320)
Machinery and equipment	(2,642,420)	(298,756)	7,506	(2,933,670)
Infrastructure	(89,230,562)	(6,569,247)	-	(95,799,809)
Wastewater treatment facility	(32,993,011)	(722,776)	-	(33,715,787)
Total accumulated depreciation	<u>(157,504,867)</u>	<u>(11,725,642)</u>	<u>7,506</u>	<u>(169,223,003)</u>
Total capital assets being depreciated, net	<u>320,822,031</u>	<u>(7,496,731)</u>	<u>-</u>	<u>313,325,300</u>
Business-type activities capital assets, net	<u>\$ 340,688,246</u>	<u>\$ 13,500,010</u>	<u>\$ (3,932,319)</u>	<u>\$ 350,255,937</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 6. Capital Assets (continued)

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

Governmental activities:	
General government	\$ 1,134,209
Community development	293,502
Public safety	1,256,667
Community services	3,689,765
Public works	14,924,805
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>1,993,810</u>
Total depreciation expense - governmental activities	<u>\$ 23,292,758</u>
Business-type activities:	
Carlsbad Municipal Water District	\$ 4,956,664
Wastewater	3,267,437
Golf course	<u>3,501,541</u>
Total depreciation expense - business-type activities	<u>\$ 11,725,642</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2016:

	Vendors and Miscellaneous	Salaries and Benefits	Infrastructure Financing District (IFD) Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	\$ 3,867,705	\$ 2,447,139	\$ 187,042	\$ -	\$ 6,501,886
Community Facilities					
District No. 1	166,514	-	-	-	166,514
General Capital Construction	1,233,682	-	-	-	1,233,682
Infrastructure Replacement	450,689	-	-	-	450,689
Public Facilities					
Construction	625,633	-	-	-	625,633
Other Governmental Funds	3,150,946	43,402	-	-	3,194,348
Subtotals	9,495,169	2,490,541	187,042	-	12,172,752
Internal Service Funds*	617,769	4,165,817	-	-	4,783,586
Total governmental activities	<u>\$ 10,112,938</u>	<u>\$ 6,656,358</u>	<u>\$ 187,042</u>	<u>\$ -</u>	<u>\$ 16,956,338</u>
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water					
District	\$ 2,805,388	\$ 443,114	\$ -	\$ -	\$ 3,248,502
Golf Course	452,726	-	-	-	452,726
Wastewater	2,392,180	164,739	-	-	2,556,919
Solid Waste	101,525	70,968	-	317,214	489,707
Total business-type activities	<u>\$ 5,751,819</u>	<u>\$ 678,821</u>	<u>\$ -</u>	<u>\$ 317,214</u>	<u>\$ 6,747,854</u>

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

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2016:

	Principal Balance at July 1, 2015	Increases	Decreases	Principal Balance at June 30, 2016	Due Within One Year
Governmental activities:					
Obligations under capital leases	\$ -	\$ 1,029,574	\$ 59,647	\$ 969,927	\$ 185,378
Total governmental activities	<u>\$ -</u>	<u>\$ 1,029,574</u>	<u>\$ 59,647</u>	<u>\$ 969,927</u>	<u>\$ 185,378</u>
	Principal Balance at July 1, 2015	Increases	Decreases	Principal Balance at June 30, 2016	Due Within One Year
Business-type activities:					
Bonds	\$ 16,260,000	\$ -	\$ 405,000	\$ 15,855,000	\$ 425,000
Loans payable	18,428,645	683,059	1,441,301	17,670,403	1,475,461
	<u>34,688,645</u>	<u>683,059</u>	<u>1,846,301</u>	<u>33,525,403</u>	<u>1,900,461</u>
Plus premiums	212,477	-	9,894	202,583	9,895
Total business type activities	<u>\$ 34,901,122</u>	<u>\$ 683,059</u>	<u>\$ 1,856,195</u>	<u>\$ 33,727,986</u>	<u>\$ 1,910,356</u>

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (continued)

Long-term debt at June 30, 2016 is comprised of the following issues:

Governmental long-term debt	Balance at June 30, 2016
The city has entered into several office equipment lease-purchase agreements. As of June 30, 2016 the city has not purchased any of the copier equipment. All lease terms are for 60 months, with interest rates ranging from 6.0% to 7.2%	\$ 969,927
Sub-total governmental long-term debt	969,927
Less current portion	(185,378)
Total long-term portion of governmental debt	\$ 784,549
Business-type long-term debt	Balance at June 30, 2016
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds were issued totaling \$18,540,000. Principal is due in varying amounts ranging from \$425,000 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. The bonds outstanding at June 30, 2016 will be defeased on September 1, 2016.	\$ 15,855,000
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 \$517,959 to \$631,082 on June 1 of each year through 2025, interest payable on June 1 each year at 2.5% per annum. Payable from recycled water user fees.	5,156,029
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 \$957,502 to \$1,201,978 on April 1 of each year through 2027, interest payable on April 1 of each year at 2.3% per annum. Payable from recycled water user fees.	11,831,315
2014 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board authorized to \$29,500,000. Principal will not be due until June 2019. Interest is payable on June 30 each year at 1.0% per annum. An amortization schedule is not yet available for amounts drawn down to date. Payable from recycled water user fees.	683,059
Subtotal business-type long-term debt	33,525,403
Plus unamortized premiums	202,583
Less current portion	(1,910,356)
Total long-term portion of business-type debt	\$ 31,817,630

CITY OF CARLSBAD

Notes to the Financial Statements

Note 8. Long-term Debt (continued)

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

Year ended June 30:	Governmental Activities	
	Principal	Interest
2017	\$ 185,378	\$ 53,872
2018	196,969	42,281
2019	209,285	29,965
2020	222,373	16,877
2021	155,922	3,578
	<u>\$ 969,927</u>	<u>\$ 146,573</u>

Year ended June 30:	Business-type Activities	
	Principal	Interest
2017	\$ 1,900,461	\$ 1,103,659
2018	1,960,433	1,047,875
2019	2,026,234	988,823
2020	2,092,886	927,420
2021	2,160,408	866,349
2022-2026	11,169,944	3,369,193
2027-2031	5,211,978	1,918,771
2032-2036	5,135,000	866,813
2037-2038	1,185,000	78,750
	<u>\$ 32,842,344</u>	<u>\$ 11,167,653</u>

The aggregate maturities for the business-type activities do not reflect a \$683,059 water loan as the city is currently drawing down loan proceeds for the expansion of the recycled water facility. Once the final draw has been made, this loan will be added to the amortization schedules.

Note 9. Rate Covenants and Pledged Revenue

Rate covenants

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 one 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 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, 2016.

CITY OF CARLSBAD

Notes to the Financial Statements

Note 9. Rate Covenants and Pledged Revenue (continued)

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	\$ 3,536,656	\$ 1,876,483	53%
Golf Course revenues	1,959,231	1,126,313	57%

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, 2016, the city has three series of assessment district bonds outstanding in the amount of \$42,105,000. 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, 2016, the city has two series of community facilities district (CFD) bonds outstanding in the amount of \$22,505,000. 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, 2016 is \$21,169,681. 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, 2016:

Fund Balances	Governmental Funds			
	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Nonspendable:				
Inventory	\$ 25,700	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-
Loans receivable	75,589	-	-	-
Due from Successor Agency*	7,137,506	-	-	-
Advances to other funds*	48,085,689	-	-	-
Totals	55,324,484	-	-	-
Restricted for:				
Affordable housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	78,902,222	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Totals	-	78,902,222	-	-
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	1,000,000	-	-	-
Assigned to:				
CalPERS stability	10,000,000	-	-	-
General government	19,547,359	-	-	-
Public safety	3,350,997	-	-	-
Community development	2,142,837	-	-	-
Community services	3,643,925	-	-	-
Public works	4,006,387	-	-	-
Capital projects	-	-	39,518,923	92,419,985
Totals	42,691,505	-	39,518,923	92,419,985
Unassigned:				
Unassigned	84,404,050	-	-	-
Economic uncertainty	10,000,000	-	-	-
Totals	94,404,050	-	-	-
Total fund balances	\$ 193,420,039	\$ 78,902,222	\$ 39,518,923	\$ 92,419,985

* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of \$12,906,435 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

CITY OF CARLSBAD

Notes to the Financial Statements

Governmental Funds		
Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ 25,700
-	3,872	3,872
-	-	75,589
-	-	7,137,506
-	-	48,085,689
-	3,872	55,328,356
-	40,386,473	40,386,473
-	5,920,797	5,920,797
-	1,780,643	1,780,643
31,867,049	65,510,224	176,279,495
-	615,824	615,824
-	466,798	466,798
-	230,068	230,068
-	1,612,858	1,612,858
31,867,049	116,523,685	227,292,956
-	-	1,000,000
-	-	1,000,000
-	-	10,000,000
-	-	19,547,359
-	-	3,350,997
-	-	2,142,837
-	-	3,643,925
-	-	4,006,387
-	-	131,938,908
-	-	174,630,413
-	-	84,404,050
-	-	10,000,000
-	-	94,404,050
<u>\$ 31,867,049</u>	<u>\$ 116,527,557</u>	<u>\$ 552,655,775</u>

Notes to the Financial Statements

Note 11. Fund Balances (continued)

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes legislation (council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The city considers a resolution 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, certain unspent budgeted amounts to be carried forward into the next fiscal year, and has set aside funds to stabilize future pension costs. These amounts are shown as assigned fund balance at the end of the fiscal year:

- CalPERS stability – the City Council has set assigned these funds to be used to address fluctuating CalPERS rates caused by volatile market conditions. The assignment has defined parameters that will determine when and how much will be used to stabilize CalPERS rates.
- General government – trenching of the railroad tracks through the downtown area of Carlsbad, enhancing the coastline, succession planning in Finance, new gym equipment at the Faraday Center, completion of a new permitting and business license implementation, utility billing system upgrade, Human Capital Management System (HCMS) upgrade, a new Enterprise Resource Planning system, new office furniture and filing cabinets in the City Clerk’s office, and upgrading of the city’s law library.
- Public safety – new radios in the Fire Department and new equipment including ballistic plates, office furniture and web carriers in the Police Department.
- Community development – enhance proactive code enforcement program, Village and Barrio enhancement program, and implementation of new permitting system.
- Community services – the Parks and Recreation Department will be purchasing an electric cart, gym equipment for recreation centers, and outdoor patio furniture for Alga Norte Park. The Library and Arts Department will be purchasing additional furniture for the recent library remodels and enhancing their print/copy services.
- Public works – electric vehicle charging station policy development, research and development for various climate action plan (CAP) measures, Elmwood House streetscape improvements, CALTRANS matching funds for projects, mobile application software development, new vehicle for inspector, and an audio visual system upgrade at the Safety Training Center.
- Capital projects – citywide infrastructure replacement projects, City Hall exterior refurbishments, open space acquisition, beach access improvements, Safety Center improvements, Village and beach streetscape improvements, Lake Calavera trails construction, traffic signal program, parking lot maintenance program, Kelly Drive repair, Fleet Maintenance building refurbishment, and storm drain replacement program.

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.

CITY OF CARLSBAD

Notes to the Financial Statements

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 is 30 percent of General Fund operating expenditures and the target reserve is a range of 40 percent to 50 percent of General Fund operating expenditures. The minimum reserve would provide approximately three to four months of operating expenditures for unforeseen emergencies and the target reserve of 40 percent to 50 percent would provide approximately five to six months of operating expenditures for catastrophic events.

Note 13. Accumulated Fund Deficits/Negative Net Position

The following funds reported deficits in fund balances or net position as of June 30, 2016:

	Deficit Balance
Enterprise Funds:	
Golf Course	\$ (27,350,884)

The deficit in the Golf Course Fund 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.

Note 14. Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	\$ 10,000
Infrastructure Replacement	General Fund	8,952,000
Enterprise Funds:		
Golf Course	General Fund	1,049,795
Storm Water Protection	General Fund	190,402
Internal Service Funds:		
Workers' Compensation	Self Insured Benefits	1,500,000
Special Revenue Funds:		
Affordable Housing	Tyler Court Apartments	147,991
Financing Districts	General Fund	860,000
		<u>\$ 12,710,188</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.

Beginning July 1, 2015, the city joined 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. CSAC-EIA is one of the largest risk sharing pools of its kind in the Country. At June 30, 2016, the unrestricted fund equity for the Risk Management Self-Insurance Fund was approximately \$3,133,992. Funds used by the Risk Management Fund to liquidate the claims liability predominantly come from the General Fund (84.56%), the Water funds (6.75%) and the Wastewater funds (3.26%).

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, 2016, the unrestricted fund equity for the Workers’ Compensation Self-Insurance Fund was approximately \$76,053. Funds used by the Workers’ Compensation Fund to liquidate the claims liability predominantly come from the General Fund (89.74%), the Water funds (3.64%) and the Wastewater funds (1.87%).

The estimated claims payable reported at June 30, 2016 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 2015 and 2016 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-Insured Benefits Fund:				
2014-15	\$ 87,812	\$ 847,923	\$ 838,535	\$ 97,200
2015-16	97,200	923,817	915,679	105,338
Risk Management Fund:				
2014-15	606,209	2,557,032	1,144,065	2,019,176
2015-16	2,019,176	(340,881)	567,566	1,110,729
Workers’ Compensation Fund:				
2014-15	6,963,717	2,280,271	2,260,019	6,983,969
2015-16	6,983,969	3,963,018	2,627,442	8,319,545

CITY OF CARLSBAD

Notes to the Financial Statements

Note 16. Joint Ventures

Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the facilities) are wastewater facilities owned jointly by the cities of Carlsbad, Vista and Encinitas and the Leucadia County Water District, the Buena Vista Sanitation District and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the facilities. It is responsible for the management, maintenance and operations of the joint system. Each member agency has a specified percentage of ownership in the various components of the Encina Water Pollution Control Facilities that varies from component to component. Accordingly, each member agency reports its undivided interest in the facilities as a part of that member agency’s capital assets. As of June 30, 2015, 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 gain (before member billings) for the EWA totaled \$24,449 in Fiscal Year 2015. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at www.encinajpa.com.

Encina Financing Joint Powers Authority

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

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

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, 2016, 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	27.213%	27.213%	27.213%

	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	36.927%	36.927%	36.927%

Employees Covered

As of June 30, 2014, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	440	200
Inactive employees or beneficiaries currently not yet receiving benefits	398	83
Active employees	468	182
Total	<u>1,306</u>	<u>465</u>

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, 2015 (the measurement date), the average active employee contribution rate ranged from 6.0 percent to 8.0 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 25.089 percent of annual payroll for miscellaneous employees and 35.335 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, 2015 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability determined in the June 30, 2014 actuarial accounting valuation. The June 30, 2015 total pension liability was based on 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	7.65%*
	* the net discount rate after administrative expenses is 7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5% net of pension plan investment 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, 2014 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.

Change of Assumption

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate was changed from 7.50 percent (net of administrative expense in 2014) to 7.65 percent as of the June 30, 2015 measurement date to correct the adjustment which previously reduced the discount rate for administrative expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 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 testing of the plans, the test revealed that the assets would not run out. Therefore, the current 7.65 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 7.65 percent is applied to all plans in the Public Employees Retirement Fund. 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.

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.

Notes to the Financial Statements

Note 17. Pension Plan (continued)

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. Such cashflows were developed assuming that both members and employers will make their required contributions on time as scheduled in all future years. 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	Current Target Allocation	Real Return Years 1 - 10¹	Real Return Years 11+²
Global equity	51.0%	5.25%	5.71%
Global debt securities	19.0	0.99	2.43
Inflation assets	6.0	0.45	3.36
Private equity	10.0	6.83	6.95
Real estate	10.0	4.50	5.13
Infrastructure and forestland	2.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)

¹ An expected inflation of 2.5% used for this period.

² 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)
Balance at: 6/30/2014	\$ 310,018,027	\$ 239,310,294	\$ 70,707,733
Changes Recognized for the Measurement Period:			
• Service cost	6,674,982		6,674,982
• Interest on the Total Pension Liability	23,142,961		23,142,961
• Changes of benefit terms	-		-
• Differences between expected and actual experience	1,300,520		1,300,520
• Changes of assumptions	(5,737,798)		(5,737,798)
• Plan to plan resource movement		(298,989)	298,989
• Contributions from the employer		8,434,882	(8,434,882)
• Contributions from employees		2,703,715	(2,703,715)
• Net investment income ²		5,362,753	(5,362,753)
• Benefit payments, including refunds of employee contributions	(12,791,734)	(12,791,734)	-
• Administrative expense		(273,288)	273,288
Net Changes during 2014-15	\$ 12,588,931	\$ 3,137,339	\$ 9,451,592
Balance at 6/30/2015	\$ 322,606,958	\$ 242,447,633	\$ 80,159,325

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)
Balance at: 6/30/2014	\$ 239,340,454	\$ 186,479,563	\$ 52,860,891
Changes Recognized for the Measurement Period:			
• Service cost	5,048,529		5,048,529
• Interest on the Total Pension Liability	17,775,039		17,775,039
• Changes of benefit terms	-		-
• Differences between expected and actual experience	638,786		638,786
• Changes of assumptions	(4,517,683)		(4,517,683)
• Plan to plan resource movement		-	-
• Contributions from the employer		6,491,856	(6,491,856)
• Contributions from employees		1,726,785	(1,726,785)
• Net investment income ²		4,107,305	(4,107,305)
• Benefit payments, including refunds of employee contributions	(11,264,768)	(11,264,768)	-
• Administrative expense		(210,908)	210,908
Net Changes during 2014-15	\$ 7,679,903	\$ 850,270	\$ 6,829,633
Balance at 6/30/2015	\$ 247,020,357	\$ 187,329,833	\$ 59,690,524

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 7.65 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 (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

	Discount Rate - 1% (6.65%)	Current Discount Rate (7.65%)	Discount Rate + 1% (8.65%)
Plan's Net Pension Liability - Miscellaneous	\$ 124,096,878	\$ 80,159,325	\$ 43,882,055
Plan's Net Pension Liability - Safety	\$ 94,227,378	\$ 59,690,524	\$ 31,454,445

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 June 30, 2015 measurement date is 3.1 years, which was obtained by dividing the total service years of 4,055 (the sum of remaining service lifetimes of the active employees) by 1,306 (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 June 30, 2015 measurement date is 4.7 years, which was obtained by dividing the total service years of 2,179 (the sum of remaining service lifetimes of the active employees) by 465 (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

For the measurement period ending June 30, 2015 (the measurement date), the City of Carlsbad recognized a pension expense of \$11,790,223 for the Plans.

As of June 30, 2015, the City of Carlsbad reports other amounts for the Plans as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 16,399,789	\$ -
Difference between expected and actual experience	1,383,871	-
Change in allocation between programs	781,689	(781,689)
Changes of assumptions	-	(7,443,369)
Net difference between projected and actual earnings on pension plan investments	-	(3,521,095)
Total	\$ 18,565,349	\$ (11,746,153)

CITY OF CARLSBAD

Notes to the Financial Statements

Note 17. Pension Plan (continued)

\$16,399,789 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2016	\$ (4,949,346)
2017	(4,949,346)
2018	(3,661,105)
2019	3,979,204
2020	-
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 three active and seventeen retired plan members as of the actuarial report dated June 30, 2015.

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 631 active and 164 retired plan members as of the actuarial report dated June 30, 2015. 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 2014	\$119.00
Calendar Year 2015	122.00
Calendar Year 2016	125.00

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>
2015-16 Annual Required Contribution (ARC)	\$ 133,108	\$ 606,343
2015-16 Recognized Implicit Rate Subsidy	(23,233)	(340,027)
2015-16 Contributions Made	<u>(109,875)</u>	<u>(266,316)</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, 2016 were as follows:

Three-year trend information for OPEB (CMWD)

Year	Annual	Percentage of	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
6/30/14	\$ 196,864	100.0%	\$ -
6/30/15	196,864	100.0%	-
6/30/16	133,108	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>
6/30/14	\$ 257,995	100.0%	\$ -
6/30/15	257,995	100.0%	-
6/30/16	606,343	100.0%	-

Funded status and funding progress

The funded status of the plans as of the actuarial report dated June 30, 2016 was as follows:

	<u>CMWD</u>	<u>City</u>
Actuarial Accrued Liability (a)	\$ 3,998,588	\$ 10,958,937
Actuarial Value of Plan Assets (b)	<u>3,054,475</u>	<u>9,015,859</u>
Unfunded Actuarial Accrued Liability	<u>\$ 944,113</u>	<u>\$ 1,943,078</u>
Funded Ratio (b)/(a)	<u>76.4%</u>	<u>82.3%</u>
Covered Payroll	<u>\$ 236,190</u>	<u>\$ 53,419,371</u>
UAAL as a percentage of Covered Payroll	<u>399.7%</u>	<u>3.6%</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 24 years remaining as of June 30, 2016.

In the June 30, 2015 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 6.25 percent per annum and 6.50 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
6/30/11	\$ 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%
6/30/15	3,998,588	3,054,475	944,113	76.4%	236,190	399.7%

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
6/30/11	\$ 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%
6/30/15	10,958,937	9,015,859	1,943,078	82.3%	53,419,371	3.6%

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 \$1,382 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 \$2,229 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 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, 2016 is \$1,564,747.

As of June 30, 2016, city commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) by major governmental fund and nonmajor funds in the aggregate are as follows:

	<u>Outstanding Encumbrances</u>
General Fund	\$ 8,356,203
Community Facilities District No. 1	487,480
General Capital Construction	1,222,480
Infrastructure Replacement	1,188,766
Public Facilities Construction	1,313,931
Nonmajor Governmental Funds in the Aggregate	<u>7,311,611</u>
Total	<u>\$ 19,880,471</u>

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

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

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

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

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

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

CITY OF CARLSBAD

Notes to the Financial Statements

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

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.

Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2016:

	Principal Balance at July 1, 2015	Increases	Decreases	Principal Balance at June 30, 2016	Due Within One Year
Bonds	\$ 7,395,000	\$ -	\$ 665,000	\$ 6,730,000	\$ 700,000
Due to the City of Carlsbad	8,022,876	4,025,416	444,910	11,603,382	-
	<u>\$ 15,417,876</u>	<u>\$ 4,025,416</u>	<u>\$ 1,109,910</u>	<u>\$ 18,333,382</u>	<u>\$ 700,000</u>

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$700,000 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
2017	\$ 700,000	\$ 336,802
2018	735,000	299,134
2019	775,000	259,496
2020	815,000	217,759
2021	855,000	173,707
2022-2024	2,850,000	231,875
	<u>\$ 6,730,000</u>	<u>\$ 1,518,773</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:

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)	\$ 1,711,884	\$ 1,037,634	61%



**REQUIRED SUPPLEMENTARY
INFORMATION (RSI)**

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 ¹	\$ 292,931,044	\$ 6,908,307	\$ 21,793,340	\$ -
2014-15	310,018,027	6,674,982	23,142,961	-

Safety Plan

2013-14 ¹	\$ 227,568,288	\$ 5,425,425	\$ 16,876,220	\$ -
2014-15	239,340,454	5,048,529	17,775,039	-

Plan Fiduciary Net Position

Miscellaneous Plan

Measurement Period	Plan Fiduciary Net Position Beginning	Contributions Employer	Contributions Employee	Net Investment Income ²
2013-14 ¹	\$ 204,354,694	\$ 8,004,157	\$ 3,039,951	\$ 35,526,156
2014-15	239,310,294	8,434,882	2,703,715	5,362,753

Safety Plan

2013-14 ¹	\$ 161,108,415	\$ 6,141,746	\$ 1,853,365	\$ 27,905,516
2014-15	186,479,563	6,491,856	1,726,785	4,107,305

Miscellaneous Plan	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
	2013-14 ¹	77.19%	\$ 32,856,020	215.20%
	2014-15 ¹	75.15%	33,730,770	237.64%
Safety Plan	2013-14 ¹	77.91%	\$ 18,629,989	283.74%
	2014-15 ¹	75.84%	18,020,162	331.24%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² 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, 2014. 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: The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent.

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)
\$ - 1,300,520	\$ - (5,737,798)	\$ (11,614,664) (12,791,734)	\$ 17,086,983 12,588,931	\$ 310,018,027 322,606,958
\$ - 638,786	\$ - (4,517,683)	\$ (10,529,479) (11,264,768)	\$ 11,772,166 7,679,903	\$ 239,340,454 247,020,357

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) (12,791,734)	\$ - (572,277)	\$ 34,955,600 3,137,339	\$ 239,310,294 242,447,633	\$ 70,707,733 80,159,325
\$ (10,529,479) (11,264,768)	\$ - (210,908)	\$ 25,371,148 850,270	\$ 186,479,563 187,329,833	\$ 52,860,891 59,690,524

CITY OF CARLSBAD

Required Supplementary Information (continued)

Schedule of Plan Contributions¹

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	24.36%
06/30/15	8,434,882	(8,434,882)	-	33,730,770 ²	25.01%
06/30/16	9,562,930	(9,562,930)	-	35,141,036	27.21%

Safety Plan

06/30/14	\$ 6,141,746	\$ (6,141,746)	\$ -	\$ 18,629,989	32.97%
06/30/15	6,491,856	(6,491,856)	-	18,020,162 ³	36.03%
06/30/16	6,836,859	(6,836,859)	-	18,514,525	36.93%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Payroll from prior year \$32,748,320 was assumed to increase by the 3.00 percent payroll growth assumption.

³ Payroll from prior year \$17,495,303 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 2015-16 were from the June 30, 2013 public agency valuations.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2013 Funding Valuation Report
Inflation	2.75 percent
Salary Increases	Varies by Entry Age and Service.
Payroll Growth	3.00 percent
Investment Rate of Return	7.5 percent net of pension plan investment and administrative 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.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2016

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
ASSETS				
Cash and investments	\$ 15,862,163	\$ -	\$ 2,664,012	\$6,110,773
Receivables:				
Interest	47,092	-	8,041	16,519
Other	-	-	-	25,635
Accounts, net of allowances	-	-	-	-
Due from other governments	-	27,240	-	-
Prepaid items	-	-	-	-
Loan receivables, net of allowances	23,542,534	224,404	-	-
Total assets	\$ 39,451,789	\$ 251,644	\$ 2,672,053	\$6,152,927
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 12,395	\$ 6,968	\$ 101,233	\$ 232,130
Due to other funds	-	14,608	-	-
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	12,395	21,576	101,233	232,130
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable housing	39,439,394	-	-	-
Lighting and landscaping districts	-	-	-	5,920,797
Habitat and agricultural mitigation/preservation	-	-	957,962	-
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	230,068	-	-
Community services	-	-	1,612,858	-
Total fund balances	39,439,394	230,068	2,570,820	5,920,797
Total liabilities, deferred inflows of resources and fund balances	\$ 39,451,789	\$ 251,644	\$ 2,672,053	\$6,152,927

Special Revenue Funds

Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 1,231,430	\$ 797,841	\$ 453,580	\$ 610,474	\$ 386,214	\$ 28,116,487
4,816	2,408	1,636	16	449	80,977
-	90,292	-	-	624	116,551
-	-	-	1,858	-	1,858
-	-	146,978	-	-	174,218
-	-	-	-	3,872	3,872
-	-	-	-	-	23,766,938
<u>\$ 1,236,246</u>	<u>\$ 890,541</u>	<u>\$ 602,194</u>	<u>\$ 612,348</u>	<u>\$ 391,159</u>	<u>\$ 52,260,901</u>
\$ -	\$ 274,717	\$ 17,852	\$ 10,368	\$ 8,264	\$ 663,927
-	-	-	-	-	14,608
-	-	-	7,055	26,869	33,924
413,565	-	-	-	-	413,565
-	-	-	-	-	-
<u>413,565</u>	<u>274,717</u>	<u>17,852</u>	<u>17,423</u>	<u>35,133</u>	<u>1,126,024</u>
-	-	117,544	-	-	117,544
-	-	-	-	3,872	3,872
-	-	-	594,925	352,154	40,386,473
-	-	-	-	-	5,920,797
822,681	-	-	-	-	1,780,643
-	-	-	-	-	-
-	615,824	-	-	-	615,824
-	-	466,798	-	-	466,798
-	-	-	-	-	230,068
-	-	-	-	-	1,612,858
<u>822,681</u>	<u>615,824</u>	<u>466,798</u>	<u>594,925</u>	<u>356,026</u>	<u>51,017,333</u>
<u>\$ 1,236,246</u>	<u>\$ 890,541</u>	<u>\$ 602,194</u>	<u>\$ 612,348</u>	<u>\$ 391,159</u>	<u>\$ 52,260,901</u>

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 June 30, 2016

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
ASSETS				
Cash and investments	\$ 5,526,577	\$ 11,694,050	\$ 15,359,619	\$ 1,128,482
Receivables:				
Interest	7,470	35,296	46,300	3,578
Other	-	-	-	-
Accounts, net of allowances	-	-	-	-
Due from other governments	-	-	-	66,925
Prepaid items	-	-	-	-
Loan receivables, net of allowances	-	-	-	-
Total assets	\$ 5,534,047	\$ 11,729,346	\$ 15,405,919	\$ 1,198,985
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 12,819	\$ -	\$ 1,626,513	\$ 10,084
Due to other funds	-	-	-	-
Deposits payable	426,179	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	350,000	-
Total liabilities	438,998	-	1,976,513	10,084
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	21,167
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	5,095,049	11,729,346	13,429,406	1,167,734
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Total fund balances	5,095,049	11,729,346	13,429,406	1,167,734
Total liabilities, deferred inflows of resources and fund balances	\$ 5,534,047	\$ 11,729,346	\$ 15,405,919	\$ 1,198,985

Capital Project Funds

Park Development	Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 12,044,285	\$ 6,417,225	\$ 5,533,260	\$ 19,481,136	\$ 77,184,634	\$ 105,301,121
36,353	19,368	16,714	59,236	224,315	305,292
-	-	98,176	-	98,176	214,727
-	-	-	-	-	1,858
-	-	-	-	66,925	241,143
-	-	-	-	-	3,872
-	-	-	-	-	23,766,938
<u>\$ 12,080,638</u>	<u>\$ 6,436,593</u>	<u>\$ 5,648,150</u>	<u>\$ 19,540,372</u>	<u>\$ 77,574,050</u>	<u>\$ 129,834,951</u>
\$ 2,321	\$ 9,720	\$ 316,787	\$ 552,177	\$ 2,530,421	\$ 3,194,348
-	-	-	-	-	14,608
-	-	-	-	426,179	460,103
6,450,000	-	-	2,163,083	8,613,083	9,026,648
-	-	-	122,976	472,976	472,976
<u>6,452,321</u>	<u>9,720</u>	<u>316,787</u>	<u>2,838,236</u>	<u>12,042,659</u>	<u>13,168,683</u>
-	-	-	-	21,167	138,711
-	-	-	-	-	3,872
-	-	-	-	-	40,386,473
-	-	-	-	-	5,920,797
-	-	-	-	-	1,780,643
5,628,317	6,426,873	5,331,363	16,702,136	65,510,224	65,510,224
-	-	-	-	-	615,824
-	-	-	-	-	466,798
-	-	-	-	-	230,068
-	-	-	-	-	1,612,858
<u>5,628,317</u>	<u>6,426,873</u>	<u>5,331,363</u>	<u>16,702,136</u>	<u>65,510,224</u>	<u>116,527,557</u>
<u>\$ 12,080,638</u>	<u>\$ 6,436,593</u>	<u>\$ 5,648,150</u>	<u>\$ 19,540,372</u>	<u>\$ 77,574,050</u>	<u>\$ 129,834,951</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	225	44,259	-	-
Charges for services	51,008	-	-	2,344,388
Fines and forfeitures	-	-	-	-
Income from property and investments	442,376	244,527	39,005	81,556
Contributions from property owners	513,100	-	-	500
Donations	-	-	417,173	-
Miscellaneous	111,227	-	16,829	18,808
Total revenues	<u>1,117,936</u>	<u>288,786</u>	<u>473,007</u>	<u>2,445,252</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	567,578	322,829	-	-
Community services	-	-	204,457	1,521,619
Public works	-	-	-	1,125,702
Capital outlay	-	16,685	83,683	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>567,578</u>	<u>339,514</u>	<u>288,140</u>	<u>2,647,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>550,358</u>	<u>(50,728)</u>	<u>184,867</u>	<u>(202,069)</u>
Other financing sources (uses):				
Transfers in	147,991	-	-	860,000
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>147,991</u>	<u>-</u>	<u>-</u>	<u>860,000</u>
Net change in fund balances	698,349	(50,728)	184,867	657,931
Fund balances at beginning of year	<u>38,741,045</u>	<u>280,796</u>	<u>2,385,953</u>	<u>5,262,866</u>
Fund balances at end of year	<u>\$39,439,394</u>	<u>\$ 230,068</u>	<u>\$ 2,570,820</u>	<u>\$5,920,797</u>

Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	497,306	6,138,169	-	6,679,959
-	-	-	-	461,632	2,857,028
-	-	45,782	-	-	45,782
25,069	11,122	7,982	210	2,291	854,138
347,083	367,173	-	-	-	1,227,856
-	-	-	-	-	417,173
-	-	-	74,237	-	221,101
<u>372,152</u>	<u>378,295</u>	<u>551,070</u>	<u>6,212,616</u>	<u>463,923</u>	<u>12,303,037</u>
-	188,760	-	-	-	188,760
-	-	377,522	-	-	377,522
316,627	-	-	6,113,904	261,858	7,582,796
-	-	-	-	-	1,726,076
-	-	-	-	-	1,125,702
-	317,721	289,826	-	4,449	712,364
<u>6,247</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,247</u>
<u>322,874</u>	<u>506,481</u>	<u>667,348</u>	<u>6,113,904</u>	<u>266,307</u>	<u>11,719,467</u>
<u>49,278</u>	<u>(128,186)</u>	<u>(116,278)</u>	<u>98,712</u>	<u>197,616</u>	<u>583,570</u>
-	-	-	-	-	1,007,991
-	-	-	-	(147,991)	(147,991)
-	-	-	-	(147,991)	860,000
49,278	(128,186)	(116,278)	98,712	49,625	1,443,570
<u>773,403</u>	<u>744,010</u>	<u>583,076</u>	<u>496,213</u>	<u>306,401</u>	<u>49,573,763</u>
<u>\$ 822,681</u>	<u>\$ 615,824</u>	<u>\$ 466,798</u>	<u>\$ 594,925</u>	<u>\$ 356,026</u>	<u>\$ 51,017,333</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, 2016

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 2,424,204	\$ -
Intergovernmental	-	-	-	586,794
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	43,508	178,582	246,709	17,780
Contributions from property owners	50,000	134,400	-	153,320
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	93,508	312,982	2,670,913	757,894
Expenditures:				
Current:				
General government	18,703	-	-	147,457
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	600,000	-
Capital outlay	-	-	5,360,534	258,050
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	18,703	-	5,960,534	405,507
Excess (deficiency) of revenues over (under) expenditures	74,805	312,982	(3,289,621)	352,387
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(10,000)	-
Total other financing sources (uses)	-	-	(10,000)	-
Net change in fund balances	74,805	312,982	(3,299,621)	352,387
Fund balances at beginning of year	5,020,244	11,416,364	16,729,027	815,347
Fund balances at end of year	<u>\$ 5,095,049</u>	<u>\$ 11,729,346</u>	<u>\$ 13,429,406</u>	<u>\$ 1,167,734</u>

Capital Project Funds

Park Development	Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,424,204	\$ 2,424,204
-	-	2,964,728	-	3,551,522	10,231,481
-	-	1,068,168	-	1,068,168	3,925,196
-	-	-	-	-	45,782
182,434	98,452	83,040	314,211	1,164,716	2,018,854
1,331,496	70,545	-	1,676,894	3,416,655	4,644,511
-	-	-	-	-	417,173
-	-	-	-	-	221,101
<u>1,513,930</u>	<u>168,997</u>	<u>4,115,936</u>	<u>1,991,105</u>	<u>11,625,265</u>	<u>23,928,302</u>
-	-	11,700	-	177,860	366,620
-	-	-	-	-	377,522
-	-	-	-	-	7,582,796
-	-	-	-	-	1,726,076
-	-	-	-	600,000	1,725,702
310,511	66,568	3,330,661	4,218,705	13,545,029	14,257,393
-	-	-	-	-	6,247
<u>310,511</u>	<u>66,568</u>	<u>3,342,361</u>	<u>4,218,705</u>	<u>14,322,889</u>	<u>26,042,356</u>
<u>1,203,419</u>	<u>102,429</u>	<u>773,575</u>	<u>(2,227,600)</u>	<u>(2,697,624)</u>	<u>(2,114,054)</u>
-	-	-	-	-	1,007,991
-	-	-	-	(10,000)	(157,991)
-	-	-	-	(10,000)	850,000
1,203,419	102,429	773,575	(2,227,600)	(2,707,624)	(1,264,054)
4,424,898	6,324,444	4,557,788	18,929,736	68,217,848	117,791,611
<u>\$ 5,628,317</u>	<u>\$ 6,426,873</u>	<u>\$ 5,331,363</u>	<u>\$ 16,702,136</u>	<u>\$ 65,510,224</u>	<u>\$ 116,527,557</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds
 Year Ended June 30, 2016

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 933,500	\$ 1,048,505	\$ 115,005
Total expenditures	619,044	575,032	(44,012)
Net change in fund balance	<u>314,456</u>	<u>473,473</u>	<u>159,017</u>
Community Development Block Grant			
Total revenues	391,000	288,786	(102,214)
Total expenditures	708,700	442,059	(266,641)
Net change in fund balance	<u>(317,700)</u>	<u>(153,273)</u>	<u>164,427</u>
Donations			
Total revenues	409,400	461,359	51,959
Total expenditures	744,841	422,991	(321,850)
Net change in fund balance	<u>(335,441)</u>	<u>38,368</u>	<u>373,809</u>
Financing Districts			
Total revenues	3,294,500	2,421,084	(873,416)
Total expenditures	3,731,304	3,011,260	(720,044)
Net change in fund balance	<u>(436,804)</u>	<u>(590,176)</u>	<u>(153,372)</u>
Habitat and Agricultural Management			
Total revenues	-	365,107	365,107
Total expenditures	763,602	322,874	(440,728)
Net change in fund balance	<u>(763,602)</u>	<u>42,233</u>	<u>805,835</u>
Other Special Revenue Funds			
Total revenues	375,400	375,006	(394)
Total expenditures	862,737	862,737	-
Net change in fund balance	<u>(487,337)</u>	<u>(487,731)</u>	<u>(394)</u>

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
 Budget and Actual (Budgetary Basis)
 Special Revenue Funds (Continued)
 Year Ended June 30, 2016

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Police Grants and Asset Forfeiture			
Total revenues	\$ 502,813	\$ 548,770	\$ 45,957
Total expenditures	861,175	683,168	(178,007)
Net change in fund balance	<u>(358,362)</u>	<u>(134,398)</u>	<u>223,964</u>
Section 8 Rental Assistance			
Total revenues	5,690,000	6,212,616	522,616
Total expenditures	6,269,237	6,114,117	(155,120)
Net change in fund balance	<u>(579,237)</u>	<u>98,499</u>	<u>677,736</u>
Totals			
Total revenues	11,596,613	11,721,233	124,620
Total expenditures	14,560,640	12,434,238	(2,126,402)
Net change in fund balance	<u>\$ (2,964,027)</u>	<u>\$ (713,005)</u>	<u>\$ 2,251,022</u>

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2016

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	\$ 97,000	\$ 159,088	\$ 62,088
Total expenditures	44,020	43,620	(400)
Net change in fund balance	<u>\$ 52,980</u>	<u>\$ 115,468</u>	<u>\$ 62,488</u>



CITY OF CARLSBAD

Combining Statement of Net Position
Internal Service Funds
June 30, 2016

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	\$ 16,753,801	\$ 5,677,357	\$ 7,546,475
Receivables:			
Interest	50,454	-	22,757
Accounts, net of allowances	10,368	3,146	-
Inventories	435,883	-	-
Prepaid items	-	-	20,638
Total current assets	17,250,506	5,680,503	7,589,870
Noncurrent assets:			
Capital assets:			
Machinery and equipment	19,937,420	-	4,727,713
Construction in progress	3,966	-	668,038
Intangible assets	-	-	737,789
Less accumulated depreciation	(12,078,080)	-	(3,136,929)
Total capital assets (net of accumulated depreciation)	7,863,306	-	2,996,611
Total noncurrent assets	7,863,306	-	2,996,611
Total assets	25,113,812	5,680,503	10,586,481
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related items	187,024	-	589,036
LIABILITIES			
Current liabilities:			
Accrued liabilities	202,234	3,859,026	639,872
Estimated claims payable	-	105,338	-
Current portion of long-term debt	-	-	176,311
Total current liabilities	202,234	3,964,364	816,183
Noncurrent liabilities:			
Deposits payable	-	-	-
Net pension liability	1,178,342	-	4,520,986
Capital lease payable	-	-	745,099
Total noncurrent liabilities	1,178,342	-	5,266,085
Total liabilities	1,380,576	3,964,364	6,082,268
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related items	74,147	-	1,168,014
NET POSITION			
Net investment in capital assets	7,863,306	-	2,075,201
Unrestricted	15,982,807	1,716,139	1,850,034
Total net position	\$ 23,846,113	\$ 1,716,139	\$ 3,925,235

Risk Management	Workers' Compensation	Total
\$ 4,617,948	\$ 8,573,624	\$ 43,169,205
13,916	25,877	113,004
-	-	13,514
-	-	435,883
-	-	20,638
<u>4,631,864</u>	<u>8,599,501</u>	<u>43,752,244</u>
-	-	24,665,133
-	-	672,004
-	-	737,789
-	-	(15,215,009)
<u>-</u>	<u>-</u>	<u>10,859,917</u>
<u>-</u>	<u>-</u>	<u>10,859,917</u>
<u>4,631,864</u>	<u>8,599,501</u>	<u>54,612,161</u>
<u>42,950</u>	<u>25,805</u>	<u>844,815</u>
76,428	6,026	4,783,586
1,110,729	8,319,545	9,535,612
-	-	176,311
<u>1,187,157</u>	<u>8,325,571</u>	<u>14,495,509</u>
1,000	-	1,000
328,653	200,398	6,228,379
-	-	745,099
<u>329,653</u>	<u>200,398</u>	<u>6,974,478</u>
<u>1,516,810</u>	<u>8,525,969</u>	<u>21,469,987</u>
<u>24,012</u>	<u>23,284</u>	<u>1,289,457</u>
-	-	9,938,507
<u>3,133,992</u>	<u>76,053</u>	<u>22,759,025</u>
<u>\$ 3,133,992</u>	<u>\$ 76,053</u>	<u>\$ 32,697,532</u>

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Position
 Internal Service Funds
 For the Year Ended June 30, 2016

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	\$ 4,991,191	\$ 928,575	\$ 8,674,394
Miscellaneous	32,272	-	235,605
Total operating revenues	5,023,463	928,575	8,909,999
Operating expenses:			
Depreciation	1,628,767	-	365,043
Fuel and supplies	1,118,142	-	-
Claims and premiums expense	-	923,817	-
Small equipment purchases	35,785	-	537,579
General and administrative	1,318,485	57,004	6,739,003
Total operating expenses	4,101,179	980,821	7,641,625
Operating income (loss)	922,284	(52,246)	1,268,374
Nonoperating revenues (expenses):			
Income from property and investments	253,675	-	107,819
Interest expense	-	-	(19,199)
Gain (loss) on sale of property	205,313	-	(2,181)
Total nonoperating revenues (expenses)	458,988	-	86,439
Income (loss) before transfers and capital contributions	1,381,272	(52,246)	1,354,813
Transfers in	-	-	-
Capital contributions	190,954	-	737,101
Change in net position	1,572,226	(52,246)	2,091,914
Total net position at beginning of year	22,273,887	1,768,385	1,833,321
Total net position at end of year	\$ 23,846,113	\$ 1,716,139	\$ 3,925,235

	Risk Management	Workers' Compensation	Totals
	\$ 1,951,500	\$ 2,064,040	\$ 18,609,700
	423,855	51,265	742,997
	<u>2,375,355</u>	<u>2,115,305</u>	<u>19,352,697</u>
	-	-	1,993,810
	-	-	1,118,142
	(254,840)	3,899,968	4,568,945
	-	-	573,364
	<u>759,341</u>	<u>186,091</u>	<u>9,059,924</u>
	<u>504,501</u>	<u>4,086,059</u>	<u>17,314,185</u>
	<u>1,870,854</u>	<u>(1,970,754)</u>	<u>2,038,512</u>
	61,803	128,732	552,029
	-	-	(19,199)
	<u>-</u>	<u>-</u>	<u>203,132</u>
	<u>61,803</u>	<u>128,732</u>	<u>735,962</u>
	1,932,657	(1,842,022)	2,774,474
	-	1,500,000	1,500,000
	<u>-</u>	<u>-</u>	<u>928,055</u>
	1,932,657	(342,022)	5,202,529
	<u>1,201,335</u>	<u>418,075</u>	<u>27,495,003</u>
	<u>\$ 3,133,992</u>	<u>\$ 76,053</u>	<u>\$ 32,697,532</u>

CITY OF CARLSBAD

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2016**

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	\$ 4,991,191	\$ 925,429	\$ 8,674,394
Payments to suppliers	(1,630,214)	-	(3,907,143)
Payments to employees	(859,816)	-	(3,454,869)
Internal activity - payments to other funds	(106,311)	-	(20,497)
Claims and premiums paid	-	(915,679)	-
Other receipts	13,561	-	235,605
Other payments	-	(51,129)	-
	<u>2,408,411</u>	<u>(41,379)</u>	<u>1,527,490</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers (to) from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(2,923,689)	-	(166,841)
Gross proceeds from the sale of capital assets	238,308	-	-
Principal paid on capital debt	-	-	(56,457)
Interest expense	<u>-</u>	<u>-</u>	<u>(19,199)</u>
	<u>(2,685,381)</u>	<u>-</u>	<u>(242,497)</u>
Cash flows from investing activities:			
Interest on investments	<u>203,221</u>	<u>-</u>	<u>85,062</u>
	<u>(73,749)</u>	<u>(41,379)</u>	<u>1,370,055</u>
Cash and cash equivalents at beginning of year	<u>16,827,550</u>	<u>5,718,736</u>	<u>6,176,420</u>
Cash and cash equivalents at end of year	<u>\$ 16,753,801</u>	<u>\$ 5,677,357</u>	<u>\$ 7,546,475</u>

	Risk Management	Workers' Compensation	Total
\$	1,951,500	\$ 2,039,369	\$ 18,581,883
	(504,311)	-	(6,041,668)
	(204,963)	(130,572)	(4,650,220)
	(17,575)	(730)	(145,113)
	(653,606)	(2,539,721)	(4,109,006)
	423,855	-	673,021
	-	(11,785)	(62,914)
	<u>994,900</u>	<u>(643,439)</u>	<u>4,245,983</u>
	-	1,500,000	1,500,000
	-	-	(3,090,530)
	-	-	238,308
	-	-	(56,457)
	-	-	(19,199)
	-	-	(2,927,878)
	<u>47,887</u>	<u>102,855</u>	<u>439,025</u>
	1,042,787	959,416	3,257,130
	<u>3,575,161</u>	<u>7,614,208</u>	<u>39,912,075</u>
\$	<u><u>4,617,948</u></u>	<u><u>\$ 8,573,624</u></u>	<u><u>\$ 43,169,205</u></u>

(Continued)

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2016

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 922,284	\$ (52,246)	\$ 1,268,374
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,628,767	-	365,043
Change in assets and liabilities:			
(Increase) decrease in receivables	(110)	(3,146)	-
(Increase) in inventories	(124,166)	-	-
(Increase) in prepaid items	-	-	(20,639)
(Increase) in deferred outflows - pension related items	(219,479)	-	(580,552)
Increase (decrease) in accrued liabilities	15,242	5,875	270,562
Increase (decrease) in estimated claims payable	-	8,138	-
Increase (decrease) in net pension liability	188,357	-	(393,324)
Increase (decrease) in deferred inflows - pension related items	(2,484)	-	618,026
Net cash provided by (used in) operating activities	<u>\$ 2,408,411</u>	<u>\$ (41,379)</u>	<u>\$ 1,527,490</u>
Noncash capital financing activities:			
Capital assets contributed by other funds	<u>\$ 190,954</u>	<u>\$ -</u>	<u>\$ 737,101</u>
Capital assets acquired under capital lease agreements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,574</u>
Unrealized gains (losses)	<u>\$ 73,241</u>	<u>\$ -</u>	<u>\$ 34,572</u>

<u>Risk Management</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 1,870,854	\$ (1,970,754)	\$ 2,038,512
-	-	1,993,810
-	(24,671)	(27,927)
-	-	(124,166)
-	-	(20,639)
(50,228)	(29,440)	(879,699)
44,678	1,194	337,551
(908,446)	1,360,247	459,939
38,701	13,644	(152,622)
(659)	6,341	621,224
<u>\$ 994,900</u>	<u>\$ (643,439)</u>	<u>\$ 4,245,983</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 928,055</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,029,574</u>
<u>\$ 21,533</u>	<u>\$ 38,817</u>	<u>\$ 168,163</u>

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2016

Contractors' and Miscellaneous Deposits

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Current assets:				
Cash and investments	\$ 15,146,902	\$ 50,479,360	\$ 51,868,617	\$ 13,757,645
Receivables:				
Interest	-	37,984	-	37,984
Other	8,309	8,477	16,786	-
Prepaid items	5,553	5,630	5,553	5,630
Total current assets	\$ 15,160,764	\$ 50,531,451	\$ 51,890,956	\$ 13,801,259
LIABILITIES				
Accrued liabilities	\$ 1,540,939	\$ 53,260,587	\$ 53,618,647	\$ 1,182,879
Deposits held for others	13,619,825	3,164,320	4,165,765	12,618,380
Total liabilities	\$ 15,160,764	\$ 56,424,907	\$ 57,784,412	\$ 13,801,259

Assessment Districts

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Current assets:				
Cash and investments	\$ 5,819,251	\$ 6,370,945	\$ 5,725,104	\$ 6,465,092
Receivables:				
Interest	41,053	50,903	26,851	65,105
Taxes	6,517	1,319	6,517	1,319
Other	7,195	89,161	7,195	89,161
Total current assets	5,874,016	6,512,328	5,765,667	6,620,677
Restricted assets:				
Cash and investments	5,751,817	-	499	5,751,318
Total restricted assets	5,751,817	-	499	5,751,318
Total assets	\$ 11,625,833	\$ 6,512,328	\$ 5,766,166	\$ 12,371,995
LIABILITIES				
Accrued liabilities	\$ 38,668	\$ 13,712	\$ 10,940	\$ 41,440
Deposits held for others	11,587,165	6,454,132	5,710,742	12,330,555
Total liabilities	\$ 11,625,833	\$ 6,467,844	\$ 5,721,682	\$ 12,371,995

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
 Agency Funds (continued)
 For the Year Ended June 30, 2016

Total Agency Funds

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
ASSETS				
Current assets:				
Cash and investments	\$ 20,966,153	\$ 56,850,305	\$ 57,593,721	\$ 20,222,737
Receivables:				
Interest	41,053	88,887	26,851	103,089
Taxes	6,517	1,319	6,517	1,319
Other	15,504	97,638	23,981	89,161
Prepaid items	5,553	5,630	5,553	5,630
Total current assets	<u>21,034,780</u>	<u>57,043,779</u>	<u>57,656,623</u>	<u>20,421,936</u>
Restricted assets:				
Cash and investments	5,751,817	-	499	5,751,318
Total current assets	<u>5,751,817</u>	<u>-</u>	<u>499</u>	<u>5,751,318</u>
Total assets	<u>\$ 26,786,597</u>	<u>\$ 57,043,779</u>	<u>\$ 57,657,122</u>	<u>\$ 26,173,254</u>
LIABILITIES				
Accrued liabilities	\$ 1,579,607	\$ 53,274,299	\$ 53,629,587	\$ 1,224,319
Deposits held for others	25,206,990	9,618,452	9,876,507	24,948,935
Total liabilities	<u>\$ 26,786,597</u>	<u>\$ 62,892,751</u>	<u>\$ 63,506,094</u>	<u>\$ 26,173,254</u>

CITY OF CARLSBAD

Combining Statement of Fiduciary Net Position by Project Area
 Private Purpose Trust Funds
 June 30, 2016

ASSETS	Redevelopment Obligation Retirement Trust Fund Village Project Area	Redevelopment Obligation Retirement Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
Current assets:			
Cash and investments	\$ 1,105,437	\$ -	\$ 1,105,437
Receivables:			
Interest	5,015	-	5,015
Total current assets	1,110,452	-	1,110,452
Noncurrent assets:			
Loans receivable	3,750,000	-	3,750,000
Total assets	4,860,452	-	4,860,452
LIABILITIES			
Current liabilities:			
Accrued liabilities	\$ 4,512	\$ -	\$ 4,512
Accrued interest payable	118,392	-	118,392
Current portion of long-term debt	700,000	-	700,000
Total current liabilities	822,904	-	822,904
Noncurrent liabilities:			
Due to the City of Carlsbad	8,786,031	2,817,351	11,603,382
Tax allocation bonds payable	6,030,000	-	6,030,000
Total noncurrent liabilities	14,816,031	2,817,351	17,633,382
Total liabilities	15,638,935	2,817,351	18,456,286
NET POSITION			
Held in trust for redevelopment obligation retirement purposes	\$ (10,778,483)	\$ (2,817,351)	\$ (13,595,834)

CITY OF CARLSBAD

**Combining Statement of Changes in Fiduciary Net Position by Project Area
Private Purpose Trust Funds
For the Year Ended June 30, 2016**

	Redevelopment Retirement Obligation Trust Fund Village Project Area	Redevelopment Retirement Obligation Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Redevelopment Property Tax Trust Fund (RPTTF) revenues	\$ 1,692,155	\$ -	\$ 1,692,155
Income from property and investments	19,729	-	19,729
Total additions	<u>1,711,884</u>	<u>-</u>	<u>1,711,884</u>
DEDUCTIONS			
General and administrative	273,879	-	273,879
Interest expense and fees	3,946,376	442,451	4,388,827
Total deductions	<u>4,220,255</u>	<u>442,451</u>	<u>4,662,706</u>
Change in net position	<u>(2,508,371)</u>	<u>(442,451)</u>	<u>(2,950,822)</u>
Total net position (deficit) at beginning of year	<u>(8,270,112)</u>	<u>(2,374,900)</u>	<u>(10,645,012)</u>
Total net position (deficit) at end of year	<u>\$ (10,778,483)</u>	<u>\$ (2,817,351)</u>	<u>\$ (13,595,834)</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
2016-17	\$ 177,589	\$ 159,214	\$ 336,803	\$ 700,000	\$ 1,036,803
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	\$ 848,181	\$ 670,593	\$ 1,518,774	\$ 6,730,000	\$ 8,248,774

**\$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
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	\$ 4,555,705	\$ 4,199,620	\$ 8,755,325	\$ 15,855,000	\$ 24,610,325

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
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	89,074	557,785	646,859
2020-21	75,130	571,729	646,859
2021-22	60,837	586,023	646,860
2022-23	46,186	600,673	646,859
2023-24	31,169	615,690	646,859
2024-25	15,777	631,082	646,859
Totals	\$ 665,705	\$ 5,156,029	\$ 5,821,734

**\$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
2016-17	\$ 272,120	\$ 957,502	\$ 1,229,622
2017-18	250,098	979,525	1,229,623
2018-19	227,569	1,002,054	1,229,623
2019-20	204,521	1,025,101	1,229,622
2020-21	180,944	1,048,679	1,229,623
2021-22	156,824	1,072,798	1,229,622
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	54,669	1,174,953	1,229,622
2026-27	27,646	1,201,978	1,229,624
Totals	\$ 1,694,535	\$ 11,831,315	\$ 13,525,850

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements (continued)

**\$1,029,574 - City of Carlsbad
Ricoh Copier Capital Leases**

<u>Fiscal Year</u>	<u>Interest Due Monthly</u>	<u>Principal Due Monthly</u>	<u>Total Annual Debt Service</u>
2016-17	\$ 53,872	\$ 185,378	\$ 239,250
2017-18	42,281	196,969	239,250
2018-19	29,965	209,285	239,250
2019-20	16,877	222,373	239,250
2020-21	<u>3,578</u>	<u>155,922</u>	<u>159,500</u>
Totals	<u>\$ 146,573</u>	<u>\$ 969,927</u>	<u>\$ 1,116,500</u>

CITY OF CARLSBAD
Statistical Section

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

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.	138
Revenue Capacity These schedules contain information to help the reader assess the city’s most significant local revenue source, property taxes.	149
Debt Capacity These schedules present information to help the reader assess the affordability of the city’s current levels of outstanding debt, and the city’s ability to issue additional debt in the future.	154
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.	164
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city’s financial report relates to the services the city provides and the activities it performs.	168

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>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental activities				
Net investment in capital assets	\$ 645,995	\$ 713,026	\$ 742,500	\$ 767,719
Restricted for:				
Capital assets	178,559	189,694	186,597	178,669
Lighting and landscaping districts	2,073	2,152	2,196	2,827
Affordable housing	30,356	33,888	35,330	36,187
Habitat and agricultural mitigation management	7,670	6,949	7,115	6,600
Other purposes	2,776	3,145	2,412	2,710
Unrestricted	<u>232,701</u>	<u>250,835</u>	<u>268,779</u>	<u>279,737</u>
Total governmental activities net position	<u>\$ 1,100,130</u>	<u>\$ 1,199,689</u> (2)	<u>\$ 1,244,929</u> (2)	<u>\$ 1,274,449</u>
Business-type activities				
Net investment in capital assets	\$ 253,645	\$ 292,684	\$ 308,440	\$ 317,238
Restricted for:				
Capital assets	47,164 (1)	44,738	43,167	44,241
Unrestricted	<u>36,044</u> (1)	<u>32,600</u>	<u>28,469</u>	<u>34,556</u>
Total business-type activities net position	<u>\$ 336,853</u>	<u>\$ 370,022</u> (2)	<u>\$ 380,076</u> (2)	<u>\$ 396,035</u>
Total government				
Net investment in capital assets	\$ 899,640	\$ 1,005,710	\$ 1,050,940	\$ 1,084,957
Restricted for:				
Capital assets	225,723	234,432	229,764	222,910
Lighting and landscaping districts	2,073	2,152	2,196	2,827
Affordable housing	30,356	33,888	35,330	36,187
Habitat and agricultural mitigation management	7,670	6,949	7,115	6,600
Other purposes	2,776	3,145	2,412	2,710
Unrestricted	<u>268,745</u>	<u>283,435</u>	<u>297,248</u>	<u>314,293</u>
Total net position	<u>\$ 1,436,983</u>	<u>\$ 1,569,711</u>	<u>\$ 1,625,005</u>	<u>\$ 1,670,484</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports.

- (1) 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.
- (2) Net position for prior years were restated in Fiscal Year 2007-08, to reflect the application of GASB 45.
- (3) 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.
- (4) Net position for the prior year was restated in Fiscal Year 2014-15, to reflect the application of GASB 68.

2011	2012	2013	2014	2015	2016
\$ 774,269	\$ 780,727	\$ 782,500	\$ 784,210	\$ 783,298	\$ 788,035
184,419	192,713	182,685	175,468	178,228	176,279
2,133	2,246	2,958	4,703	5,263	5,921
40,005	38,434	37,390	39,317	39,544	40,390
5,377	4,799	2,665	1,713	1,708	1,758
5,298	4,022	3,685	3,774	3,059	2,948
284,825	308,470 (3)	319,317	328,602	223,522	245,078
<u>\$ 1,296,326</u>	<u>\$ 1,331,411</u>	<u>\$ 1,331,200</u>	<u>\$ 1,337,787</u> (4)	<u>\$ 1,234,622</u> (4)	<u>\$ 1,260,409</u>
\$ 314,691	\$ 311,392	\$ 307,000	\$ 305,681	\$ 307,122	\$ 317,927
44,954	45,522	45,990	46,632	47,315	45,950
38,278	47,530	55,758	66,083	69,922	73,285
<u>\$ 397,923</u>	<u>\$ 404,444</u>	<u>\$ 408,748</u>	<u>\$ 418,396</u> (4)	<u>\$ 424,359</u> (4)	<u>\$ 437,162</u>
\$ 1,088,960	\$ 1,092,119	\$ 1,089,500	\$ 1,089,891	\$ 1,090,420	\$ 1,105,962
229,373	238,235	228,675	222,100	225,543	222,229
2,133	2,246	2,958	4,703	5,263	5,921
40,005	38,434	37,390	39,317	39,544	40,390
5,377	4,799	2,665	1,713	1,708	1,758
5,298	4,022	3,685	3,774	3,059	2,948
323,103	356,000	375,075	394,685	293,444	318,363
<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>	<u>\$ 1,697,571</u>

CITY OF CARLSBAD

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

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 16,675	\$ 23,574 (7)	\$ 20,187	\$ 16,108	\$ 16,147
45,576	48,468	48,942	48,856	50,463
17,689	23,061 (8)	16,286	17,201	17,581
25,398	24,839	29,055	31,429	33,610
28,441	36,806	30,314	36,273	37,464
298	4	1	-	1
<u>134,077</u>	<u>156,752</u>	<u>144,785</u>	<u>149,867</u>	<u>155,266</u>
35,985	41,626	43,547	40,897	39,458
11,190	10,668	11,032	10,538	10,545
11,330	13,556	12,488	12,629	12,613
2,922	2,918	2,856	2,973	2,997
<u>61,427</u>	<u>68,768</u>	<u>69,923</u>	<u>67,037</u>	<u>65,613</u>
<u>\$ 195,504</u>	<u>\$ 225,520</u>	<u>\$ 214,708</u>	<u>\$ 216,904</u>	<u>\$ 220,879</u>
\$ 315	\$ 1,469	\$ 289	\$ 1,382	\$ 296
4,379	4,025	3,950	4,220	3,980
3,567	4,174	4,378	5,160	5,211
2,747	2,813	4,354	5,374	5,500
3,717	5,073	3,720	4,014	4,152
11,813	13,199	11,919	12,242	11,912
15,429	17,741	16,129	19,105	12,042 (11)
<u>41,967</u>	<u>48,494</u>	<u>44,739</u>	<u>51,497</u>	<u>43,093</u>
35,776	44,240 (9)	46,750	47,461	39,854 (12)
6,127	6,278	6,635	6,709	6,988
10,989	12,402	12,896	12,875	12,963
2,961	3,060	3,320	3,245	3,206
1,201	38	90	59	5,646
4,560	2,855	3,198	5,879	2,011
<u>61,614</u>	<u>68,873</u>	<u>72,889</u>	<u>76,228</u>	<u>70,668</u>
<u>\$ 103,581</u>	<u>\$ 117,367</u>	<u>\$ 117,628</u>	<u>\$ 127,725</u>	<u>\$ 113,761</u>
\$ (92,110)	\$ (108,258)	\$ (100,046)	\$ (98,370)	\$ (112,173)
187	105	2,966	9,191	5,055
<u>\$ (91,923)</u>	<u>\$ (108,153)</u>	<u>\$ (97,080)</u>	<u>\$ (89,179)</u>	<u>\$ (107,118)</u>

(Continued)

CITY OF CARLSBAD

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	\$ 49,284	\$ 52,705	\$ 55,338	\$ 55,113	\$ 54,049
Sales and use taxes	27,445	27,031	23,098	23,031	25,660
Transient occupancy taxes	12,929	14,277	12,752	11,490	11,569
Franchise taxes	5,346	4,634	5,274	4,906	4,650
Business license taxes	3,056	3,328	3,422	3,458	3,581
Real property transfer taxes	1,262	951	621	758	911
Vehicle license fees	608	450	353	309	483
Income from property and investments	21,455	24,955	19,828	12,523	8,372
Other general revenues	700	513	359	391	328
Extraordinary gain/(loss)	-	-	-	-	-
Transfers	400	(2,634)	(127)	(443)	(135)
Total governmental activities	<u>122,485</u>	<u>126,210</u>	<u>120,918</u>	<u>111,536</u>	<u>109,468</u>
Business type activities					
Property taxes	2,504	2,711	2,861	2,822	2,779
Income from property and investments	7,621	8,030	5,908	3,686	2,109
Other general revenues	34	954	209	153	3,599
Transfers	(400)	2,634	127	443	135
Total business-type activities	<u>9,759</u>	<u>14,329</u>	<u>9,105</u>	<u>7,104</u>	<u>8,622</u>
Total government	<u>\$ 132,244</u>	<u>\$ 140,539</u>	<u>\$ 130,023</u>	<u>\$ 118,640</u>	<u>\$ 118,090</u>
Change in Net Position					
Governmental activities	\$ 86,241	\$ 104,454	\$ 45,241	\$ 29,520	\$ 21,877
Business-type activities	16,693	35,665	9,889	15,959	4,326
Total government	<u>\$ 102,934</u>	<u>\$ 140,119</u>	<u>\$ 55,130</u>	<u>\$ 45,479</u>	<u>\$ 26,203</u>

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) 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.
- (2) 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.
- (3) In Fiscal Year 2008-09, the city's municipal golf course began making debt service payments and depreciating its assets.
- (4) The large increase in general government expenses in Fiscal Year 2009-10 is primarily a result of a refund of over \$10 million in excess development fees paid by Rancho Santa Fe Road property owners.
- (5) The State of California ceased sending the city vehicle license fee revenues in Fiscal Year 2011-12.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) The decrease in Fiscal Year 2015-16 was a result of one-time funds received from FEMA and OES last fiscal year for the 2014 Poinsettia Fire, as well as the receipt of retroactive mandated cost reimbursements last fiscal year.
- (12) The decrease in Fiscal Year 2015-16 was a result of a decrease in water sales during the fiscal year from drought conservation measures.
- (13) The increase in Fiscal Year 2015-16 is a result of higher cash balances that generate interest, an increase in investment earnings, and interest received from the California Department of Finance earned on unpaid mandated costs.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 51,538	\$ 52,861	\$ 52,608	\$ 55,992	\$ 58,945
28,094	28,403	30,520	32,146	34,843
12,872	14,702	17,472	19,713	20,943
4,852	5,118	4,907	5,427	5,632
2,695	3,834	4,177	4,548	4,895
925	1,058	1,080	1,406	1,546
53 (5)	55	-	-	-
6,088	1,792	6,917	4,564	11,910 (13)
419	426	429	609	486
20,477 (6)	-	(10,289) (10)	-	-
<u>(1,810)</u>	<u>(656)</u>	<u>(1,188)</u>	<u>(1,264)</u>	<u>(1,240)</u>
<u>126,203</u>	<u>107,593</u>	<u>106,633</u>	<u>123,141</u>	<u>137,960</u>
2,721	2,904	2,897	3,133	3,306
2,054	555	2,498	1,870	3,163
106	85	99	623	39
<u>1,810</u>	<u>655</u>	<u>1,188</u>	<u>1,264</u>	<u>1,240</u>
<u>6,691</u>	<u>4,199</u>	<u>6,682</u>	<u>6,890</u>	<u>7,748</u>
<u>\$ 132,894</u>	<u>\$ 111,792</u>	<u>\$ 113,315</u>	<u>\$ 130,031</u>	<u>\$ 145,708</u>
\$ 34,093	\$ (665)	\$ 6,587	\$ 24,771	\$ 25,787
<u>6,878</u>	<u>4,304</u>	<u>9,648</u>	<u>16,081</u>	<u>12,803</u>
<u>\$ 40,971</u>	<u>\$ 3,639</u>	<u>\$ 16,235</u>	<u>\$ 40,852</u>	<u>\$ 38,590</u>

CITY OF CARLSBAD

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (4)</u>
General Fund					
Reserved	\$ 56,505 (1)	\$ 56,479	\$ 59,303	\$ 59,586	\$ -
Unreserved	66,084	64,494	66,302	68,935	-
Nonspendable	-	-	-	-	53,943
Restricted	-	-	-	-	-
Committed	-	-	-	-	1,000
Assigned	-	-	-	-	23,584
Unassigned	-	-	-	-	57,533
Total General Fund	<u>\$ 122,589</u>	<u>\$ 120,973</u>	<u>\$ 125,605</u>	<u>\$ 128,521</u>	<u>\$ 136,060</u>
All Other Governmental Funds					
Reserved	\$ 44,352	\$ 38,963	\$ 34,573	\$ 50,617	\$ -
Unreserved, reported in:					
Special revenue funds	32,485	36,277	40,207	41,449	-
Debt service funds	(12,423)	(12,095)	(11,150)	(17,824)	-
Capital project funds	231,071	268,915 (2)	276,183	262,612 (3)	-
Nonspendable					
Special revenue funds	-	-	-	-	433
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	250
Restricted					
Special revenue funds	-	-	-	-	65,585
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	171,214
Committed					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Assigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	123,473
Unassigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	(18,658)
Capital project funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 295,485</u>	<u>\$ 332,060</u>	<u>\$ 339,813</u>	<u>\$ 336,854</u>	<u>\$ 342,297</u>

Source: City of Carlsbad Comprehensive Annual Financial Report.

- (1) 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.
- (2) \$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.
- (3) 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.
- (4) GASB 54, which requires changes in the reporting categories for fund balances, was implemented in Fiscal Year 2010-11.
- (5) AB1x26 and AB 1484 were implemented in Fiscal Year 2011-12. The former RDA debt service funds were transferred to trust funds.
- (6) 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.
- (7) Beginning in Fiscal Year 2015-16, the Gas Tax fund balance was reclassified from Special Revenue to Capital Project.

2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
54,228	57,719	56,707	56,381	55,324
-	-	-	-	-
1,000	1,000	1,000	1,000	1,000
22,955	26,200	27,838	40,865	42,692
61,384	69,578	75,615	80,274	94,404
<u>\$ 139,567</u>	<u>\$ 154,497</u>	<u>\$ 161,160</u>	<u>\$ 178,520</u>	<u>\$ 193,420</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
440	435	430	3	4
-	-	-	-	-
-	-	-	-	-
64,401	61,938	66,833	66,300	51,013 (7)
-	-	-	-	-
177,372	167,009 (6)	157,712 (6)	161,499	176,280 (7)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
123,465	121,861	131,627	136,237	131,939
-	-	-	-	-
- (5)	-	-	-	-
-	-	-	-	-
<u>\$ 365,678</u>	<u>\$ 351,243</u>	<u>\$ 356,602</u>	<u>\$ 364,039</u>	<u>\$ 359,236</u>

CITY OF CARLSBAD

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(dollars in thousands)

	2007	2008	2009	2010	2011
Revenues:					
Taxes	\$ 101,196	\$ 105,724	\$ 103,874	\$ 100,249	\$ 103,660
Intergovernmental	25,097	19,565	10,029	12,108	12,847
Licenses and permits	2,094	1,991	1,022	1,484	1,590
Charges for services	10,937	11,089	9,616	10,215	9,938
Fines and forfeitures	1,387	1,500	1,402	1,199	1,051
Income from property and investments	22,270	24,163	19,132	12,719	9,278
Contributions from property owners	10,311	23,850	3,117 (2)	4,580	5,473
Donations	173	281	174	203	310
Miscellaneous	950	932	926	1,263	2,521
Total revenues	<u>174,415</u>	<u>189,095</u>	<u>149,292</u>	<u>144,020</u>	<u>146,668</u>
Expenditures:					
Current:					
General government	18,013	14,433	12,896	22,778	16,937
Less: Interdepartmental charges	(2,151)	(2,287)	(3,676)	(3,991)	(3,015)
Public safety	39,832	43,719	45,003	44,686	44,157
Community development	13,998	15,726	16,294	18,272	16,980
Community services	16,667	17,136	17,517	16,493	22,560
Public works	22,481	24,355	23,851	23,851	13,078
Capital outlay	30,765	39,010	22,097	19,727	20,985
Debt service:					
Principal retirement	1,091	1,140	1,200	490	515
Interest and fiscal charges	1,333	1,347	1,188	1,016	935
Total expenditures	<u>142,029</u>	<u>154,579</u>	<u>136,370</u>	<u>143,322</u>	<u>133,132</u>
Excess (deficiency) of revenues over (under) expenditures	32,386	34,516	12,922	698	13,536
Other financing sources (uses):					
Proceeds from the sale of property	1,364	-	-	-	-
Issuance of debt	-	-	-	-	581
Transfers in	9,723	20,390	9,101	21,837	9,802
Transfers out	(9,760)	(19,948)	(9,637)	(22,578)	(10,937)
Extraordinary gain (loss)	-	-	-	-	-
Total other financing sources (uses)	<u>1,327</u>	<u>442</u>	<u>(536)</u>	<u>(741)</u>	<u>(554)</u>
Net change in fund balances	<u>\$ 33,713</u>	<u>\$ 34,958</u>	<u>\$ 12,386</u>	<u>\$ (43)</u>	<u>\$ 12,982</u>
Debt service as percentage of noncapital expenditures (1)	2.01%	2.08%	2.01%	1.18%	1.26%

Source: City of Carlsbad Comprehensive Annual Financial Report.

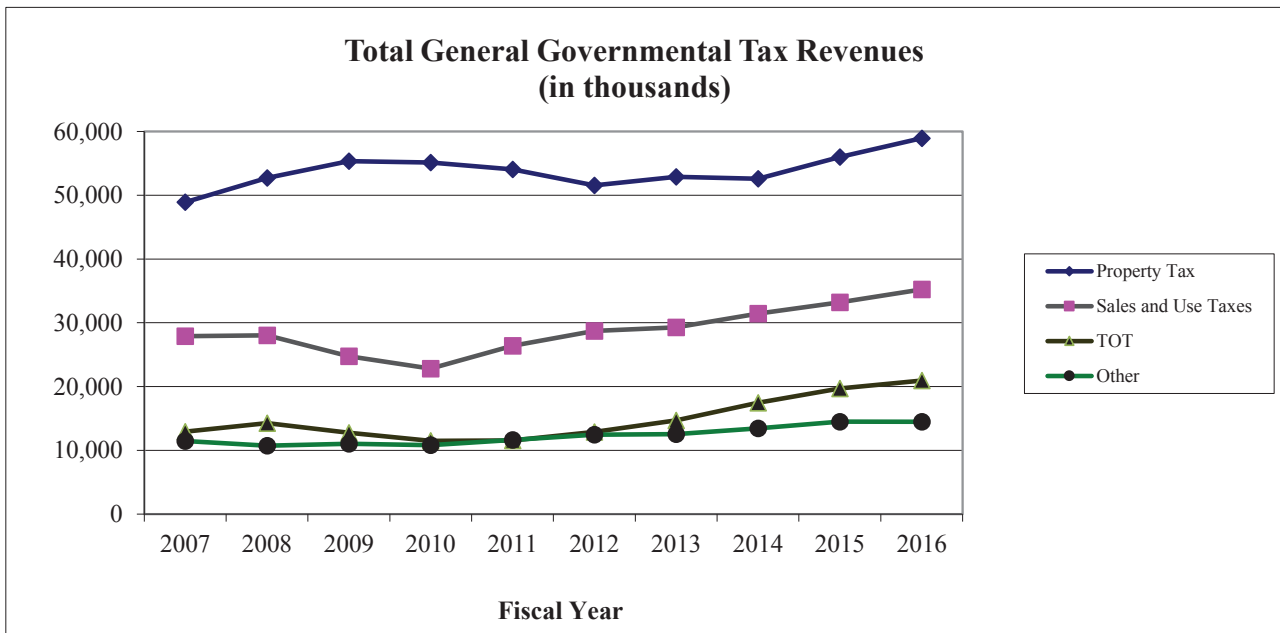
- (1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Position) and expenditures for capitalized assets included within the functional expenditure categories.
- (2) Steep drop in development throughout the city due 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.

2012	2013	2014	2015	2016
\$ 105,595	\$ 109,447	\$ 114,996	\$ 123,411	(4) \$ 129,617
9,603	11,513	10,602	10,359	11,290
1,852	2,016	2,184	2,369	2,467
10,092	10,261	11,278	13,181	12,913
892	861	876	837	854
6,253	2,362	7,604	6,442	9,970
9,927	12,029	9,042	10,688	8,009
206	411	210	440	417
697	1,969	1,219	2,550	1,503
<u>145,117</u>	<u>150,869</u>	<u>158,011</u>	<u>170,277</u>	<u>177,040</u>
16,992	23,072	21,471	17,903	17,221
(3,750)	(3,858)	(3,566)	(3,807)	(3,471)
44,915	46,162	47,333	48,915	52,015
17,587	18,805	15,689	17,363	17,918
22,815	22,094	25,816	27,138	28,380
11,773	11,299	15,442	16,350	17,465
17,367	28,602	18,702	20,050	34,669
851	316	159	-	-
308	6	5	5	6
<u>128,858</u>	<u>146,498</u>	<u>141,051</u>	<u>143,917</u>	<u>164,203</u>
16,259	4,371	16,960	26,360	12,837
-	-	-	-	-
-	-	-	-	-
19,887	8,087	11,477	14,857	9,970
(23,097)	(14,792)	(16,415)	(16,420)	(12,710)
12,847	(3)	-	-	-
<u>9,637</u>	<u>(6,705)</u>	<u>(4,938)</u>	<u>(1,563)</u>	<u>(2,740)</u>
<u>\$ 25,896</u>	<u>\$ (2,334)</u>	<u>\$ 12,022</u>	<u>\$ 24,797</u>	<u>\$ 10,097</u>
0.99%	0.24%	0.13%	0.00%	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	Gas Tax	Total Tax Revenue
2007	48,912 (1)	27,889	12,929	5,346	3,056	1,262	1,802	101,196
2008	52,704	28,012	14,277	4,634	3,328	951	1,818	105,724
2009	55,338	24,765 (2)	12,752 (2)	5,274	3,422	621	1,702	103,874
2010	55,113 (2)	22,819	11,490	4,906 (2)	3,458	758	1,704	100,248
2011	54,049	26,386	11,569	4,650	3,581	911	2,514 (5)	103,660
2012	51,538 (3)	28,733 (4)	12,872 (4)	4,852	3,669	925	3,006	105,595
2013	52,888	29,301	14,702 (6)	5,118	3,834	1,058	2,546	109,447
2014	52,607	31,464	17,472 (7)	4,907	4,178	1,080	3,288	114,996
2015	55,992 (8)	33,202	19,713 (9)	5,427	4,548	1,406	3,123	123,411
2016	58,946	35,232	20,943	5,632	4,895	1,545	2,424	129,617
Change 2007-2016	21%	26%	62%	5%	60%	22%	35%	28%



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) 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.
- (6) 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.
- (7) 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.
- (8) Reflects improvement in the housing market and new construction.
- (9) 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>
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
2016	22.19	3.53	27.81

Source: City of Carlsbad.

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

(1) One unit of water equals 748 gallons.

(2) Tiered rates were implemented starting in Fiscal Year 2009-10. From that point on, the base price shown is for tier 1, which applies to the first 12 units of usage per month at a single family residence.

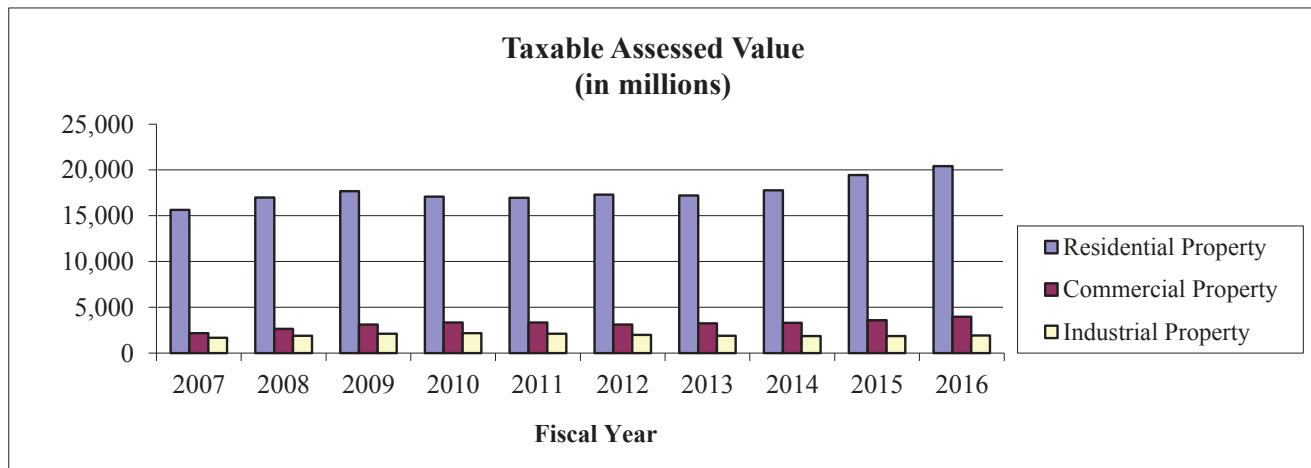
CITY OF CARLSBAD

Assessed Value of Taxable Property

Last Ten Fiscal Years

(dollars in millions)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property (1)	Net Assessed Valuation	Change From Prior Year	Estimated Property Tax Revenue (2)	Total Direct Tax Rate (3)
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	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 (4)	0.1927%
2016	20,431	3,973	1,909	612	26,925	5.63%	52	0.1927%



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 increase in estimated property tax revenue is due to improvements in the housing market and new construction.

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

CITY OF CARLSBAD

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

Allocation of 1% Ad Valorem Property Taxes											
Fiscal Year	City of Carlsbad Total Direct Rate (5)	Overlapping Rates for Tax Rate Area 09000 (1)							Total Prop 13 Rate (2)	Voter Approved Debt (3)	Total Tax Rate (4)
		Carlsbad Unified School District	San Diego County	Educational Revenue Augmentation Fund	Mira Costa Community College	Tri City Hospital District	All Other Rates				
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	
2016	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0681	1.0681	

Tax Rates for all Tax Rate Areas
 Fiscal Year 2015-16

Voter Approved Debt Tax Rates										
Total Tax Rates (4)	County Tax Rate Areas (6)	Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Palomar Comm. College	Palomar Pomerado Hospital	MWD / SDCWA	Total Voter Approved Rates (3)
1.0433	1	-	-	-	-	0.0433%	-	-	-	0.0433%
1.0468	47	-	-	-	-	0.0433	-	-	0.0035	0.0468
1.0645	3	-	-	-	-	0.0433	0.0177	-	0.0035	0.0645
1.0646	3	0.0646	-	-	-	-	-	-	-	0.0646
1.0681	57	0.0646	-	-	-	-	-	-	0.0035	0.0681
1.0768	2	-	-	0.0733	-	-	-	-	0.0035	0.0768
1.0835	1	-	0.0800	-	-	-	-	-	0.0035	0.0835
1.0851	5	-	-	-	0.0640	-	0.0177	-	0.0035	0.0851
1.0858	3	0.0646	-	-	-	-	0.0177	-	0.0035	0.0858
1.0916	1	0.0646	-	-	-	-	-	0.0235	0.0035	0.0916
1.0945	29	-	-	0.0733	-	-	0.0177	-	0.0035	0.0945
1.1003	1	-	-	0.0733	-	-	-	0.0235	0.0035	0.1003
1.1180	11	-	-	0.0733	-	-	0.0177	0.0235	0.0035	0.1180

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.

CITY OF CARLSBAD

**Principal Property Taxpayers
Current Year and Nine Years Ago**

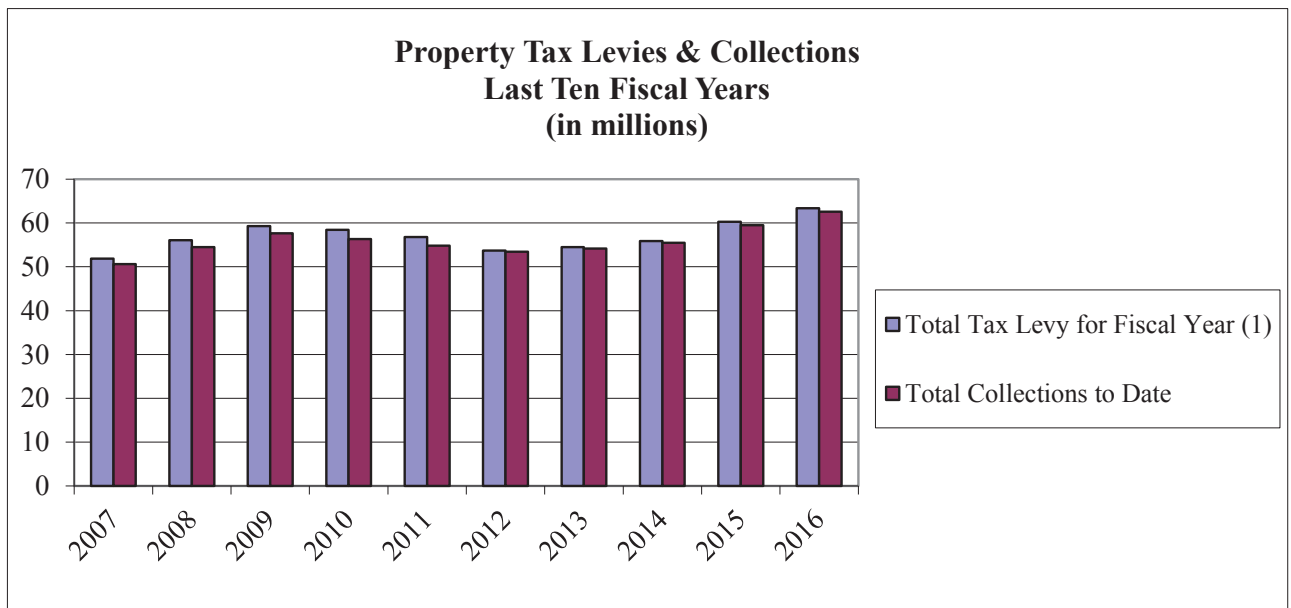
Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
La Costa Resort & Spa	\$ 284,714,679	1	1.06%	\$ 129,428,459	3	0.65%
La Costa Glen Retirement Community	242,911,018	2	0.90%	113,158,766	5	0.56%
The Forum Shopping Center	187,906,991	3	0.70%	-	-	-
Legoland California, LLC	181,905,617	4	0.68%	103,301,253	7	0.51%
Park Hyatt Aviara Resort	143,850,000	5	0.53%	129,594,602	2	0.65%
La Costa Town Center, LLC	140,496,561	6	0.52%	-	-	-
Carlsbad Premium Outlets	122,182,356	7	0.45%	107,453,677	6	0.54%
Pacific View Apartments	118,117,440	8	0.44%	-	-	-
The Shoppes at Carlsbad	108,653,019	9	0.40%	-	-	-
H.G. Fenton Company	84,255,490	10	0.31%	82,896,284	9	-
Callaway Golf Company	-	-	-	145,211,900	1	0.72%
Greystone Homes Inc.	-	-	-	114,916,672	4	0.57%
Pulte Home Corp	-	-	-	86,731,338	8	0.43%
Borders, Inc.	-	-	-	79,216,564	10	0.39%
Total	<u>\$ 1,614,993,171</u>		<u>6.00%</u>	<u>\$ 1,091,909,515</u>		<u>5.44%</u>
Net assessed valuation	<u>\$ 26,924,891,169</u>			<u>\$ 20,059,893,358</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>
2007	51,854,596	49,219,793	94.92%	1,423,698	50,643,491	97.66%
2008	56,098,718	52,622,619	93.80%	1,890,867	54,513,486	97.17%
2009	59,297,940	55,759,900	94.03%	1,874,576	57,634,476	97.19%
2010	58,433,851	55,030,915	94.18%	1,331,241	56,362,156	96.45%
2011	56,792,002	53,953,149	95.00%	851,546	54,804,695	96.50%
2012	53,682,809	52,778,359	98.32%	700,219	53,478,578	99.62%
2013	54,469,819	53,677,921	98.55%	514,838	54,192,759	99.49%
2014	55,883,499	55,042,944	98.50%	440,648	55,483,592	99.28%
2015	60,266,230	59,509,285	98.74%	402,378	59,509,285	98.74%
2016	63,363,527	62,595,504	98.79%	N/A	62,595,504	98.79%



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

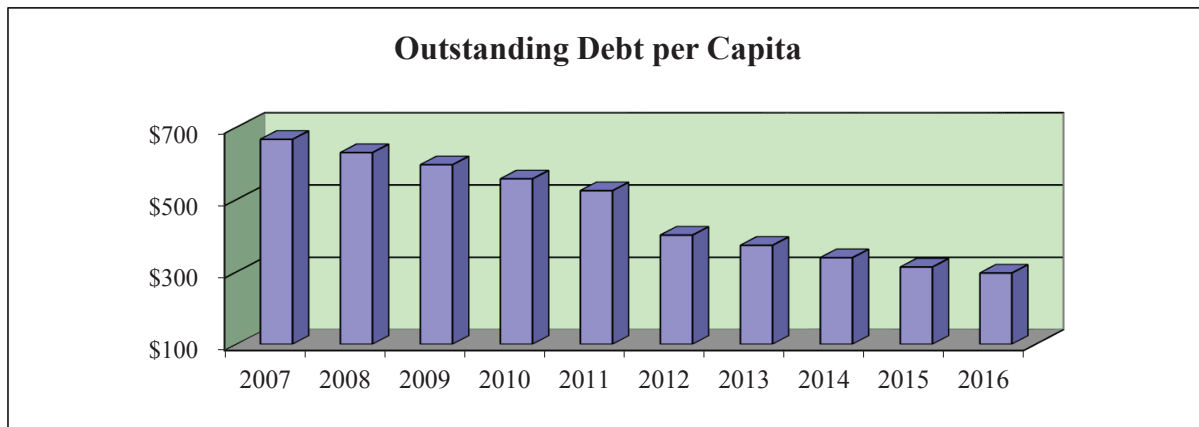
(1) Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.

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

CITY OF CARLSBAD

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

Governmental Activities					
<u>Fiscal Year</u>	<u>Bonds / Special Debt (4)</u>	<u>Certificates of Participation</u>	<u>Capital Leases</u>	<u>Loans Payable</u>	
2007	\$ 11,645	\$ 1,435	\$ -	\$ -	
2008	11,205	735	-	-	
2009	10,740	-	-	-	
2010	10,250	-	-	-	
2011	9,735	-	-	581	
2012	-	-	-	475	
2013	-	-	-	159	
2014	-	-	-	-	
2015	-	-	-	-	
2016 (5)	-	-	1	-	



- 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. An additional loan of \$29.5 million was authorized in Fiscal Year 2015-16, of which \$683,000 has been issued to date.
 - (3) Percentage of personal income is calculated using per capita personal income beginning in 2011, in prior years the percentage is calculated using household median income.
 - (4) The 1993 Carlsbad Housing & Redevelopment Commission Tax Allocation Bonds were transferred to a trust fund due to the dissolution of the RDA in Fiscal Year 2011-12, per AB1x26 and AB1484.
 - (5) The Bond/Special Debt is net of amortized premiums and the Loan Payable is net of unamortized discounts.

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

Business-Type Activities

Bonds / Special Debt (1)	Installment Purchase Agreements	Loan Payable (2)	Capital Leases	Total	Percentage of Personal Income (3)	Per Capita
\$ 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
15,855	-	17,670	-	33,526	0.58%	296.87

CITY OF CARLSBAD

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

Fiscal Year 2015-16 Assessed Valuation:	\$ 27,329,319,024
Redevelopment Incremental Valuation:	404,427,855
Adjusted Assessed Valuation:	<u>\$ 26,924,891,169</u>

	Total Debt 06/30/16	Percent Applicable (1)	City's Share of Debt 6/30/16
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 92,865,000	1.119%	\$ 1,039,159
Palomar Community College District	511,508,251	2.739%	14,010,211
Carlsbad Unified School District	175,000,581	98.000%	171,500,569
Oceanside Unified School District	238,627,478	0.005%	11,931
Vista Unified School District	102,214,882	0.571%	583,647
Encinitas Union School District	44,024,619	31.490%	13,863,353
San Marcos Unified School District	277,306,103	18.664%	51,756,411
San Marcos Unified School District School Facility Improvement District	3,568,552	20.298%	724,345
San Marcos Unified School District CFD No. 4	19,050,000	32.779%	6,244,400
San Marcos Unified School District CFD No. 5	16,855,000	100.000%	16,855,000
San Dieguito Union High School District	261,260,000	9.336%	24,391,234
San Dieguito Union HS District CFD No. 94-1	82,731	100.000%	82,731
San Dieguito Union HS District CFD No. 94-2	23,457,999	98.160%	23,026,372
San Dieguito Union HS District CFD No. 95-2	3,843,231	13.293%	510,881
Palomar Pomerado Hospital District	467,510,127	1.642%	7,676,516
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	12,485,000	22.093%	2,758,311
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	22,505,000	100.000%	22,505,000
City of Carlsbad 1915 Act Bonds	42,105,000	100.000%	42,105,000
Total Overlapping Tax and Assessment Debt	<u>\$ 2,314,269,554</u>		<u>\$ 399,645,071</u>
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 307,830,000	6.201%	\$ 19,088,538
San Diego County Pension Obligations	649,860,000	6.201%	40,297,819
San Diego County Superintendent of Schools General Fund Obligations	13,295,000	6.201%	824,423
Mira Costa Community College District Certificates of Participation	1,335,000	27.268%	364,028
Palomar Community College District General Fund Obligations	3,825,000	2.739%	104,767
Carlsbad Unified School District General Fund Obligations	46,480,000	98.000%	45,550,400
San Marcos Unified School District General Fund Obligations	54,313,327	18.664%	10,137,039
Vista Unified School District Certificates of Participation	3,275,000	0.571%	18,700
San Dieguito Union High School District General Fund Obligations	12,730,000	9.336%	1,188,473
Total Overlapping General Fund Obligation Debt	<u>\$ 1,092,943,327</u>		<u>\$ 117,574,187</u>
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	<u>6,730,000</u>	100.000%	6,730,000 (3)
Total Overlapping Debt:	\$ 3,413,942,881		\$ 523,949,258
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	\$ 970,000	100.000%	\$ 970,000
Total City of Carlsbad Direct Debt	<u>\$ 970,000</u>		<u>\$ 970,000</u>
Combined Total Debt	<u>\$ 3,414,912,881</u>		<u>\$ 524,919,258</u> (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and bonded capital

Ratios to Fiscal Year 2015-16 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.46%

Ratios to Adjusted Assessed Valuation:

Governmental Activities Direct Debt 0.00%

Combined Total Debt 1.95%

(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>2007</u>	<u>2008</u>	<u>2009</u>
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 0.224	\$ 0.187	\$ 0.160
Palomar Community College District	0.239	0.224	0.208
Carlsbad Unified School District	0.897	2.521	5.513
Carlsbad Unified School District CFD No. 1	0.386	0.318	0.263
Oceanside Unified School District	-	-	-
Vista Unified School District	0.011	0.029	0.033
Encinitas Union School District	0.322	0.270	0.228
San Marcos Unified School District	-	-	-
San Marcos Unified School District School Fac. Improv. Dist.	0.327	0.282	0.250
Palomar Pomerado Hospital District	0.080	0.303	0.389
Leucadia County Water District and I.D. No. 1	-	-	-
San Marcos Unified School District CFD No. 4	0.302	0.270	0.248
San Marcos Unified School District CFD No. 5	1.255	1.114	1.016
San Dieguito Union High School District	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.014	0.012	0.011
San Dieguito Union HS District CFD No. 94-2	0.975	0.867	0.793
San Dieguito Union HS District CFD No. 95-2	0.005	0.004	0.004
San Dieguito Union HS District combined CFD	0.734	0.668	0.626
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.203	0.177	0.157
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	0.573	1.338	1.246
City of Carlsbad 1915 Act Bonds	3.553	3.091	2.806
Total Overlapping Tax and Assessment Debt	\$ 10.100	\$ 11.675	\$ 13.951
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 1.125	\$ 1.051	\$ 1.304
San Diego County Pension Obligations	4.306	3.094	2.782
San Diego City Superintendent of Schools General Fund Obligations	0.058	0.051	0.046
Mira Costa Community College District Certificates of Participation	0.061	0.052	0.046
Palomar Community College District General Fund Obligations	0.012	0.011	0.010
Carlsbad Unified School District General Fund Obligations	2.694	2.404	2.206
San Marcos Unified School District General Fund Obligations	0.093	0.082	0.076
Vista Unified School District Certificates of Participation	-	-	-
Encinitas Union School District Certificates of Participation	0.018	0.013	0.008
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.001	0.001	0.002
Total Overlapping General Fund Obligation Debt	\$ 8.368	\$ 6.759	\$ 6.480
<u>Overlapping Tax Increment Debt (Successor Agency):</u>			
	\$ -	\$ -	\$ -
Total Overlapping Debt:	18.468	18.434	20.431
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	0.072	0.033	-
Total City of Carlsbad Direct Debt	\$ 0.072	\$ 0.033	\$ -
Combined Total Debt	\$ 18.540	\$ 18.467	\$ 20.431

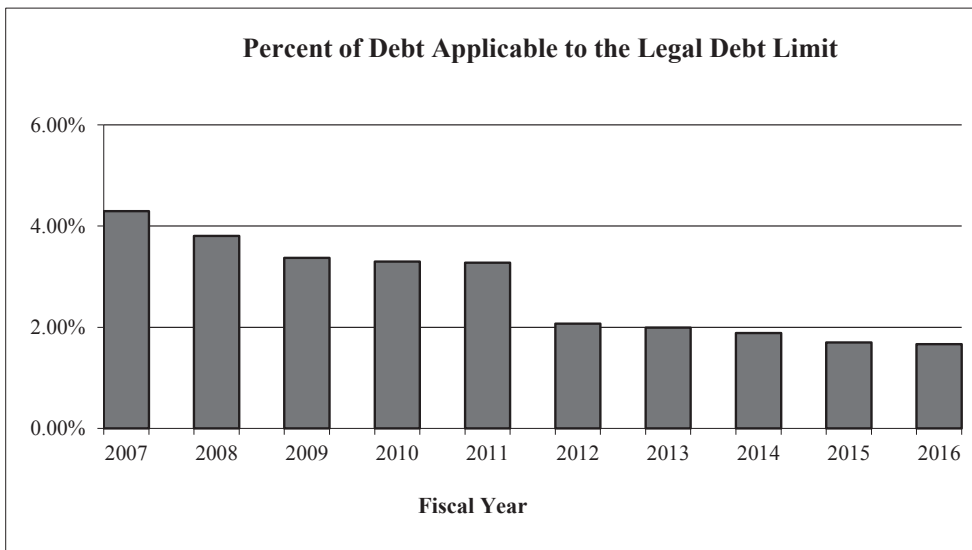
Source: California Municipal Statistics, Inc. & MuniServices, LLC

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$	0.147	\$ 0.129	\$ 0.110	\$ 0.080	\$ 0.062	\$ 0.049	\$ 0.039
	0.207	0.447	0.448	0.375	0.361	0.562	0.520
	5.401	8.660	8.527	8.312	7.921	7.073	6.370
	0.230	0.192	0.149	0.103	0.052	-	-
	0.001	0.001	0.001	0.001	-	-	-
	0.043	0.039	0.038	0.031	0.028	0.025	0.022
	0.205	0.357	0.338	0.454	0.426	0.385	0.515
	-	-	3.103	1.711	2.248	2.087	1.922
	0.227	0.202	0.176	0.076	0.057	0.035	0.027
	0.383	0.444	0.434	0.353	0.336	0.308	0.285
	-	-	-	-	-	-	-
	0.245	0.241	0.236	0.230	0.292	0.254	0.232
	1.000	0.979	0.950	0.918	0.864	0.690	0.626
	-	-	-	0.621	0.607	0.967	0.906
	0.004	0.004	0.004	0.004	0.004	0.003	0.003
	1.105	1.093	1.106	1.082	1.032	0.928	0.855
	0.022	0.022	0.022	0.022	0.023	0.021	0.019
	0.218	0.215	-	-	-	-	-
	0.151	0.147	0.142	0.138	0.139	0.031	0.102
	1.244	1.080	1.063	1.045	1.000	0.903	0.836
	2.685	2.640	2.569	2.107	2.018	1.727	1.564
\$	<u>13.518</u>	\$ <u>16.892</u>	\$ <u>19.416</u>	\$ <u>17.663</u>	\$ <u>17.470</u>	\$ <u>16.048</u>	\$ <u>14.843</u>
\$	1.201	\$ 1.133	\$ 1.155	\$ 1.070	\$ 0.983	\$ 0.857	\$ 0.709
	2.470	2.410	2.300	2.017	1.865	1.664	1.497
	0.061	0.059	0.055	0.047	0.042	0.036	0.031
	0.043	0.036	0.032	0.028	0.023	0.018	0.014
	0.010	0.009	0.008	0.006	0.006	0.005	0.004
	2.132	2.089	2.028	1.967	2.086	1.846	1.692
	0.834	0.831	0.837	0.458	0.441	0.407	0.376
	-	-	-	0.001	0.001	0.001	0.001
	0.004	-	-	-	-	-	-
	0.048	0.049	0.059	0.051	0.049	0.047	0.044
	0.002	0.002	0.002	-	-	-	-
\$	<u>6.805</u>	\$ <u>6.618</u>	\$ <u>6.476</u>	\$ <u>5.645</u>	\$ <u>5.496</u>	\$ <u>4.881</u>	\$ <u>4.368</u>
\$	-	\$ -	\$ -	\$ 0.376	\$ 0.341	\$ 0.290	0.250
	20.323	23.510	25.892	23.684	23.307	21.219	19.461
	-	0.025	0.021	0.007	-	-	-
\$	<u>-</u>	\$ <u>0.025</u>	\$ <u>0.021</u>	\$ <u>0.007</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$	20.323	\$ 23.535	\$ 25.913	\$ 23.691	\$ 23.307	\$ 21.219	\$ 19.461

CITY OF CARLSBAD

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net assessed valuation	\$ 20,059,893	\$ 22,040,018	\$ 23,517,153	\$ 23,234,948	\$ 23,012,997
Debt limit (25% x 15%)	752,246	826,501	881,893	871,311	862,987
Less amount of debt applicable to limit:					
Bonded debt	30,185 (1)	29,745	29,005	28,225	27,405
Certificates of participation	1,435	735	-	-	-
Loan payable	-	-	-	-	581
Obligations under capital leases	699	958	736	502	256
Total net debt applicable to limit	<u>32,319</u>	<u>31,438</u>	<u>29,741</u>	<u>28,727</u>	<u>28,242</u>
Legal debt margin	<u>\$ 719,927</u>	<u>\$ 795,063</u>	<u>\$ 852,152</u>	<u>\$ 842,584</u>	<u>\$ 834,745</u>
Total net debt applicable to the limit as a percentage of debt limit	4.30%	3.80%	3.37%	3.30%	3.27%



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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 22,982,172	\$ 22,956,650	\$ 23,522,746	\$ 25,489,468	\$ 26,924,891
861,831	860,874	882,103	955,855	1,009,683
17,345 (2)	17,005	16,645	16,260	15,855
-	-	-	-	-
475	159	-	-	-
14	-	-	-	970
<u>17,834</u>	<u>17,164</u>	<u>16,645</u>	<u>16,260</u>	<u>16,825</u>
<u>\$ 843,997</u>	<u>\$ 843,710</u>	<u>\$ 865,458</u>	<u>\$ 939,595</u>	<u>\$ 992,858</u>
2.07%	1.99%	1.89%	1.70%	1.67%

CITY OF CARLSBAD

Pledged-Revenue Coverage
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Wastewater Revenue Bonds					
Gross revenues (1)	\$ 10,540,303	\$ 11,134,290	\$ 10,551,005	\$ 10,837,232	\$ 11,564,398
Less expenses (2)	<u>6,173,656</u>	<u>6,645,724</u>	<u>7,523,300</u>	<u>6,197,845</u>	<u>6,060,142</u>
Net available revenue	<u>\$ 4,366,647</u>	<u>\$ 4,488,566</u>	<u>\$ 3,027,705</u>	<u>\$ 4,639,387</u>	<u>\$ 5,504,256</u>
Debt service					
Principal	\$ 605,000	\$ 640,000	\$ 675,000	\$ 705,000	\$ 740,000
Interest	<u>328,944</u>	<u>295,506</u>	<u>262,169</u>	<u>228,006</u>	<u>191,419</u>
Total debt service	<u>\$ 933,944</u>	<u>\$ 935,506</u>	<u>\$ 937,169</u>	<u>\$ 933,006</u>	<u>\$ 931,419</u>
Coverage	4.68	4.80	3.23	4.97	5.91
Recycled Water Loans					
Gross revenues (3)	\$ 4,187,044	\$ 4,714,098	\$ 5,749,477	\$ 6,635,220	\$ 5,942,531
Less expenses (4)	<u>1,968,609</u>	<u>2,484,843</u>	<u>2,925,479</u>	<u>3,300,263</u>	<u>3,629,787</u>
Net available revenue	<u>\$ 2,218,435</u>	<u>\$ 2,229,255</u>	<u>\$ 2,823,998</u>	<u>\$ 3,334,957</u>	<u>\$ 2,312,744</u>
Debt service					
Principal (5)	\$ 409,896	\$ 1,041,202	\$ 1,223,781	\$ 1,252,343	\$ 1,282,018
Interest	<u>236,964</u>	<u>799,759</u>	<u>652,702</u>	<u>624,140</u>	<u>594,463</u>
Total debt service	<u>\$ 646,860</u>	<u>\$ 1,840,961</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,481</u>
Coverage	3.43	1.21	1.50	1.78	1.23
Golf Course Revenue Bonds					
Gross revenues (1)	n/a	\$ 6,614,579	\$ 7,680,342	\$ 7,080,711	\$ 7,582,458
Less expenses (2)	n/a	<u>6,312,031</u>	<u>6,848,161</u>	<u>6,426,412</u>	<u>6,356,592</u>
Net available revenue	<u>n/a</u>	<u>\$ 302,548</u>	<u>\$ 832,181</u>	<u>\$ 654,299</u>	<u>\$ 1,225,866</u>
Debt service					
Principal (6)	n/a	\$ -	\$ 275,000	\$ 290,000	\$ 305,000
Interest	n/a	<u>827,050</u>	<u>821,550</u>	<u>810,250</u>	<u>798,350</u>
Total debt service	<u>n/a</u>	<u>\$ 827,050</u>	<u>\$ 1,096,550</u>	<u>\$ 1,100,250</u>	<u>\$ 1,103,350</u>
Coverage	n/a	0.37	0.76	0.59	1.11

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>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
\$ 12,391,225	\$ 12,599,601	\$ 13,699,286	\$ 13,723,835	\$ 13,723,835
<u>6,645,436</u>	<u>7,094,310</u>	<u>6,989,194</u>	<u>7,249,798</u>	<u>7,249,798</u>
<u>\$ 5,745,789</u>	<u>\$ 5,505,291</u>	<u>\$ 6,710,092</u>	<u>\$ 6,474,037</u>	<u>\$ 6,474,037</u>
\$ 780,000	\$ 820,000	\$ 860,000	\$ 905,000	\$ 905,000
<u>152,468</u>	<u>111,469</u>	<u>68,419</u>	<u>23,191</u>	<u>-</u>
<u>\$ 932,468</u>	<u>\$ 931,469</u>	<u>\$ 928,419</u>	<u>\$ 928,191</u>	<u>\$ 905,000</u>
6.16	5.91	7.23	6.97	7.15
\$ 7,002,009	\$ 8,160,109	\$ 9,392,061	\$ 9,210,258	\$ 8,216,362
<u>4,133,530</u>	<u>4,019,176</u>	<u>3,640,786</u>	<u>3,826,699</u>	<u>4,679,706</u>
<u>\$ 2,868,479</u>	<u>\$ 4,140,933</u>	<u>\$ 5,751,275</u>	<u>\$ 5,383,559</u>	<u>\$ 3,536,656</u>
\$ 1,312,398	\$ 1,343,498	\$ 1,375,337	\$ 1,407,932	\$ 1,441,301
<u>564,084</u>	<u>532,983</u>	<u>501,144</u>	<u>468,550</u>	<u>435,182</u>
<u>\$ 1,876,482</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,483</u>
1.53	2.21	3.06	2.87	1.88
\$ 7,863,951	\$ 6,777,292	\$ 7,747,116	\$ 8,428,375	\$ 8,196,853
<u>6,177,438</u>	<u>5,954,896</u>	<u>6,125,159</u>	<u>6,302,019</u>	<u>6,273,320</u>
<u>\$ 1,686,513</u>	<u>\$ 822,396</u>	<u>\$ 1,621,957</u>	<u>\$ 2,126,356</u>	<u>\$ 1,923,533</u>
\$ 325,000	\$ 340,000	\$ 360,000	\$ 385,000	\$ 405,000
<u>785,750</u>	<u>771,600</u>	<u>755,850</u>	<u>739,088</u>	<u>721,313</u>
<u>\$ 1,110,750</u>	<u>\$ 1,111,600</u>	<u>\$ 1,115,850</u>	<u>\$ 1,124,088</u>	<u>\$ 1,126,313</u>
1.52	0.74	1.45	1.89	1.71

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>
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
2016	112,930	3.43%	2.06%	42.1	2.70

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

% High School Graduate	% Bachelor's Degree or Higher	Personal Income (1) (millions)	Per Capita Personal Income (2)	City Unemployment Rate
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%
95.6%	54.8%	\$ 5,741	\$ 50,838	5.20%

CITY OF CARLSBAD

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

Employer	2016			2007		
	Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
Manufacturing						
Thermo Fisher Scientific, Inc.	1,507	1	1.84%	900	2	1.62%
Taylor Made Golf Company, Inc.	750	2	0.91%	727	3	1.31%
Genoptix, Inc.	613	3	0.75%	-	-	-
Zimmer Dental Inc.	472	4	0.57%	391	5	0.70%
Alphatec Spine, Inc.	460	5	0.56%	-	-	-
Callaway Golf Company	431	6	0.52%	2,000	1	3.60%
Nordson Asymtek	430	7	0.52%	-	-	-
Nortek Security and Control	413	8	0.50%	-	-	-
Titleist and Foot-Joy Worldwide	320	9	0.39%	-	-	-
Ionis Pharmaceuticals	313	10	0.38%	-	-	-
Hoehn Motors	-	-	-	300	6	0.54%
The Upper Deck Company	-	-	-	300	7	0.54%
Beckman Coulter	-	-	-	260	9	0.47%
Acushnet Golf	-	-	-	535	4	0.96%
Modern Postcard	-	-	-	270	8	0.49%
Syntron Bioresearch Inc.	-	-	-	250	10	0.45%
Schumacher	-	-	-	250	10	0.45%
Non-Manufacturing						
Legoland California, LLC	2,300	1	2.80%	251	9	0.45%
ViaSat, Inc.	1,901	2	2.32%	811	4	1.46%
Omni La Costa Resort & Spa	1,175	3	1.43%	501	6	0.90%
Carlsbad Unified School District	910	4	1.11%	950	2	1.71%
Gemological Institute of America, Inc.	864	5	1.05%	660	5	1.19%
City of Carlsbad	670	6	0.82%	834	3	1.50%
OptumRX, Inc.	668	7	0.81%	-	-	-
Park Hyatt Aviara Resort	637	8	0.78%	1,000	1	1.80%
Eastridge Workforce Solutions	524	9	0.64%	-	-	-
Glenbrook at Home, LLC	474	10	0.58%	-	-	-
24-Hour Fitness, USA	-	-	-	350	7	0.63%
San Diego Gas & Electric	-	-	-	325	8	0.59%
FedEx Express	-	-	-	250	10	0.45%
Jenny Craig	-	-	-	250	10	0.45%
Subtotal Employees	15,832		19.28%	12,365		22.26%
Total Employees (estimate)	82,100			55,538		

Source: Carlsbad Business License Data (2016 and 2007)



CITY OF CARLSBAD

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

<u>Program Area</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Policy and Leadership Group					
City Attorney	7.00	7.00	7.00	7.00	7.00
City Clerk	-	-	-	-	-
City Council	1.00	1.00	1.00	1.00	1.00
City Manager	7.00	7.00	8.00	8.00	8.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
Communications	3.75	3.75	3.75	3.75	2.75
Records Management	8.00	8.00	8.00	8.00	8.00
Administrative Services					
Finance and Risk Management	32.00	32.00	32.00	31.00	30.50
Human Resources and Worker's Comp	10.00	10.00	10.00	10.00	9.00
Information Technology	19.00	19.00	19.50	19.00	22.50 (2)
Public Safety					
Police	157.00	162.00	162.00	162.00	162.00
Fire	87.75	88.75	88.75	88.75	88.75
Community Development					
Community and Economic Development	49.00	50.00	50.00	50.00	54.00 (2)
Housing and Neighborhood Services	10.00	10.00	10.00	10.00	11.00 (2)
Community Services					
Library and Arts	53.00	53.00	53.00	53.00	52.25
Parks and Recreation	30.50	30.50	30.50	72.10 (1)	71.95
Public Works					
Environmental Management	-	-	-	-	-
General Services, Engineering, Environmental	166.00	173.05	174.80	133.00 (1)	- (2)
Property and Fleet	-	-	-	-	41.60 (2)
Public Works Administration	-	-	-	-	-
Transportation	-	-	-	-	58.40 (2)
Utilities	48.50	55.45	55.20	55.40	69.55 (2)
Full and 3/4 Time Authorized Employees					
Increase/(decrease) over prior year	690.25	711.25	714.25	712.75	699.00
	30.25	21.00	3.00	(1.50)	(13.75)

Source: City of Carlsbad Operating Budget

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

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

- (1) During Fiscal Year 2009-10, the Parks Department was moved from Public Works - General Services to Community Services - 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.
- (4) During Fiscal Year 2015-16, the Internal Service and Public Works groups were realigned/reorganized to better reflect the future needs of the city.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
7.00	7.00	7.00	7.00	7.00
-	-	-	3.00 (3)	3.00
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00
0.75	0.75	0.75	0.75	0.75
2.75	2.75	2.75	4.75 (3)	5.00
6.25	6.00	5.00	2.00 (3)	2.00
30.50	30.50	31.50	31.50	32.50
9.00	9.00	9.00	11.00	11.00
22.50	22.50	22.50	22.50	19.50 (4)
162.00	161.00	161.00	162.00	168.00 (4)
87.75	87.75	88.00	89.00	89.00
50.00	47.00	44.00	44.00	44.00
13.00	10.00	10.00	12.00	13.00
51.25	51.25	51.25	50.25 (3)	50.50
70.95	68.40	67.60	61.60 (3)	58.15
-	-	-	-	8.50 (4)
-	-	-	-	-
39.60	40.55	40.60	39.90	28.10 (4)
-	-	-	-	8.05 (4)
54.40	54.40	53.40	55.90	57.35
68.55	67.65	65.40	64.60	60.85 (4)
684.25	674.50	667.75	669.75	674.25
(14.75)	(9.75)	(6.75)	2.00	4.50

CITY OF CARLSBAD

Operating Indicators by Function/Program
Last Ten Fiscal Years

	2007	2008	2009	2010	2011
General Government					
Number of recruitments processed	74	54	39	44	31
Number of new hires	105	118	75	61	39
Business licenses processed	8,926	9,405	9,029	9,173	9,539
Number of payments processed	41,337	41,991	41,381	40,310	41,344
Public Safety					
Police					
Calls for service	87,213	94,126	94,492	94,678	97,414
Average priority one response (minutes)	6.3	6.0	5.9	6.0	5.5
Cases	11,178	11,259	10,309	8,826	8,188
Fire					
Emergency responses	6,705	6,705	7,853	9,503	9,084
Response time: arrivals on scene within goal standard	89%	89%	85%	74%	71% (1)
Community Development					
Affordable housing units completed	66	168	90	6	5
Financial assistance to affordable housing projects	\$3,009,000	\$1,932,000	\$1,014,000	\$3,750,000	\$ 525,000
Residential building permits issued	481	340	114	343	262
Building inspections conducted	33,523	26,801	18,232	19,860	20,017
Final inspections (dwelling units)	765	787	269	285	306
Code enforcement actions	6,800	5,500	4,484	3,400	4,320
Response time: inspections performed by next working day	96%	98%	99%	98%	95%
Community Services					
Library - total material circulation	1,283,662	1,291,611	1,334,875	1,365,127	1,362,700
Library - patron visits	665,277	662,794	670,932	749,514	858,788
Arts - number of events	58	62	58	54	44
Arts - attendance of events	64,000	76,000	80,000	80,000	80,000
Recreation - youth sports participants	1,150	1,200	1,200	1,200	1,200
Recreation - adult sports participants	5,300	5,400	5,400	5,400	5,400
Recreation - enrichment class enrollees	16,700	15,000	13,539	13,075	13,300
Recreation - special events participants	5,200	6,400	10,700	12,000	9,000
Recreation - aquatics classes conducted	262	271	350	368	470
Trees trimmed	1,811	1,808	1,820	1,816	2,221
Public Works					
Streets					
Road miles - overlay or slurry seal	23.8	11.9	4.7	15.3	3.8
Carlsbad Municipal Water District					
Average consumption (millions of gallons per day)	18.6	18.1	17.7	15.3 (2)	14.1 (3)
Annual water deliveries (acre feet)	19,500	20,271	19,867	17,142 (2)	15,786 (3)
Water connections	25,791	27,770	27,890	27,910	27,978
Wastewater					
Sewage pumped (millions of gallons per day)	6.81	7.96	7.11	7.10	7.57
Annual flow (millions of gallons)	2,486	2,906	2,595	2,590	2,762
Wastewater connections	20,858	22,200	22,331	22,335	22,342

Source: City of Carlsbad

- (1) The percentage decrease reflects a change in the response-time goal from eight minutes to six minutes.
- (2) Water deliveries and consumption decreased significantly in Fiscal Year 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.
- (7) The decrease in patron visits is due to the temporary closures of library facilities for remodeling during the year.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
35	93	117	102	77
22	43	82	59	96
9,303	9,422	10,327	10,735	11,449
39,075	38,441	39,310	40,663	41,398
93,248	90,122	87,976	91,314	92,061
5.9	5.8	5.8	6.5	6.1
7,963	8,314	8,296	8,349	9,253
9,106	10,755	9,925	9,830	11,455
72%	71%	63%	63%	64%
-	59	-	-	-
\$ 780,000	\$7,408,000	-	\$ 2,646,000	\$ -
425	290	173	286	204
19,973	23,444	18,446	22,478	25,400
267	525	200	163	242
3,827	4,943	4,794	5,389	10,994
95%	95%	98%	98%	98%
1,358,839	1,348,333	1,369,369	1,293,282	1,103,090
858,422	821,045	791,533	804,003	609,679 (7)
50	50	62	80	88
75,000	80,000	75,000	87,000	85,000
1,200	1,200	2,292 (5)	1,000	1,000
5,450	5,200	5,600	6,150	5,600
12,650	12,200	10,350	19,030 (6)	19,632
10,000	13,000	13,600	17,841 (6)	19,474
557	575	1,018 (5)	1,224	684
1,863	1,936	1,920	2,018	1,965
25.2	24.3 (4)	14.8	18.1	20.0
14.4	15.4	15.9	14.6	12.1
16,104	17,248	17,801	16,368	13,578
28,379	28,947	29,045	29,190	29,190
6.92	6.65	5.89	6.17	5.82
2,524	2,426	2,151	2,252	2,125
22,631	22,955	23,282	23,431	23,431

CITY OF CARLSBAD

**Capital Asset Statistics
Last Ten Fiscal Years**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Community Services					
Number of parks and community fields	31	31	31	31	31
Acres of developed parks	183	183	183	183	183
Acres of open space and community fields	737	790	790	790	790
Miles of trails	31	35	38	47	47
Number of pools	1	1	1	1	1
Number of community centers	4	4	4	4	4
Number of libraries	2	2	3	3	3
Number of records in library catalog	371,885	373,592	367,161	365,371	370,228
Public Safety					
Fire Protection					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	11
Number of ambulances	4	5	5	5	5
Number of other fire vehicles	13	14	14	14	14
Police Protection					
Number of patrol and other vehicles	90	93	91	91	90
Number of motorcycles	12	17	18	15	11
Public Works					
Carlsbad Municipal Water District					
Miles of lines and mains	442	442	447	447	518 (1)
Wastewater					
Miles of sewers	265	265	269	282	284
Streets					
Miles of streets	332	338	340	340	340
Number of street lights	6,858	7,066	7,100	7,113	7,126
Number of traffic signals	155	164	168	172	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.

2012	2013	2014	2015	2016
31	31	33	33	33
183	183	281	319	319
790	755	728	728	728
47	47	47	47	47
1	1	3	3	3
4	4	4	4	4
3	3	3	3	3
370,034	373,010	361,507	357,862	341,745
6	6	6	6	6
12	12	13	12	12
5	6	8	7	6
15	15	16	15	18
90	88	114	114	106
11	13	13	14	15
527	534	534	534	559
288	288	288	288	288
340	343	346	347	348
7,142	7,179	7,236	7,864	7,846
172	174	174	177	177

