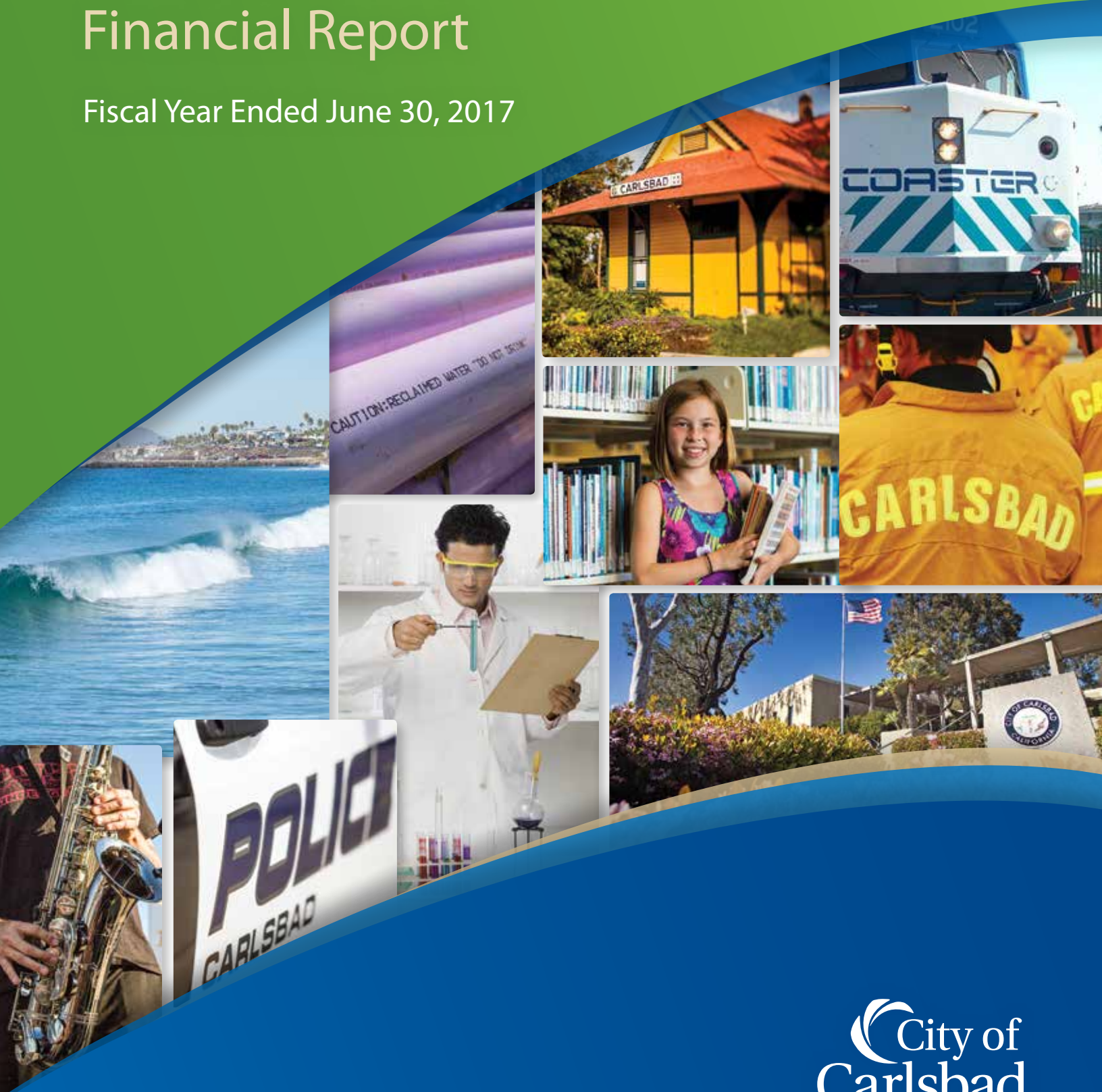


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2017

Prepared by the



Finance Department
1635 Faraday Ave.
Carlsbad, CA 92008
www.carlsbadca.gov



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CITY OF CARLSBAD
Comprehensive Annual Financial Report
Year Ended June 30, 2017

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November 29, 2017

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

**LETTER OF TRANSMITTAL
2016-17 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Citizens:

I am pleased to present the Fiscal Year 2016-17 Comprehensive Annual Financial Report (CAFR) for the City of Carlsbad ("city"). 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, 2017.

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's financial statements for the year ended June 30, 2017. 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. The 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, 2017 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

Administrative Services Department

Finance Division

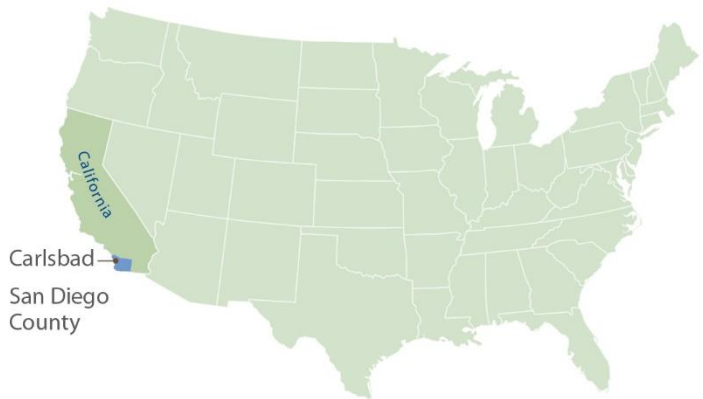
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is governed by a five member City Council under the Council Manager form of government. The City Council is elected at large, on a staggered basis, for a term of four years. The City Clerk and City Treasurer are also elected to four-year terms. The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

The city covers approximately 39 square miles and has a population of 113,725, 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 1,100 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 600 low-income households in Carlsbad and older residents can take advantage of Carlsbad’s senior citizen programs.

Budget Process

The Carlsbad Municipal Code requires that the City Manager annually prepare a budget for the City Council with a message describing important features and to 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 (see City Council Goals below). 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.

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.

Community Vision

These nine core values make up the Carlsbad Community Vision. They were developed in collaboration with the community and drive both the day to day work of the city and its long term planning.



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 and cutting-edge venues to host world class performances, and celebrate Carlsbad’s cultural heritage in dedicated facilities and programs.



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



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

City Council Strategic Policy Goals



Become a leader in multimodal transportation systems and creative approaches to moving people and goods through and within Carlsbad.

The City Council expects Carlsbad to become a leader in the broad array of plans and systems that support more efficient and effective means of moving people and goods around and through Carlsbad and the region, including technology that improves traffic signal coordination and vehicle operation. Major regional projects, including the McClellan-Palomar Airport master plan update, double tracking of the railroad, widening of I-5 and reconfiguration of the I-5/78 interchange, require continued policy-level involvement to ensure Carlsbad's interests are reflected in project design and implementation.



Plan for a new city hall that will meet the future workplace and operational needs of the city and the community.

Plan for a new city hall that will be a point of pride for citizens while greatly improving efficiency and effectiveness by centralizing an employee base that is currently spread through many facilities. A strategic approach to locating city operational functions will provide better coordination among city functions and enhanced customer service.



Promote education to increase civic engagement and attract and retain talent in Carlsbad.

The City Council will take a stewardship role in encouraging the development of high quality educational experiences that foster economic development, civic engagement and community leadership. This broad goal includes partnering with local school districts, working to attract an institution of higher education, and cultivating a community with life and workplace skills that will support Carlsbad's vision for the future.



Enhance Carlsbad's coastline to ensure an exceptional experience in all the ways people want to enjoy it.

The Carlsbad coastline is a critical element of the city's identity. The City Council is committed to making policy decisions to ensure Carlsbad's coastline maintains the character the community loves while enhancing access, amenities and mobility to a level consistent with Carlsbad's high-quality community standards. This includes partnering with State Parks, which currently controls most of Carlsbad's beaches. This goal also includes physical changes that will enhance natural beauty, better manage traffic flow, expand walking and biking opportunities, improve safety and create a uniquely Carlsbad experience.



Lower the railroad tracks in a trench through the Village to improve safety, community connectivity, quality of life and economic value.

The busy rail line that runs through the core of the community divides Carlsbad. Railroad traffic, which will increase significantly in coming years, has adverse effects on the City of Carlsbad, especially in the area between the Agua Hedionda and Buena Vista lagoons. With the planned addition of a second, parallel track through the Village and Barrio, the city has an opportunity to lower the tracks below street level, similar to what has been done in other coastal communities. Achieving this goal would improve safety and increase coastal access. Without this change, the future quality of life and business climate in the Village would be irreparably harmed, the Barrio would remain cut off from the coast, and public safety would be severely compromised.

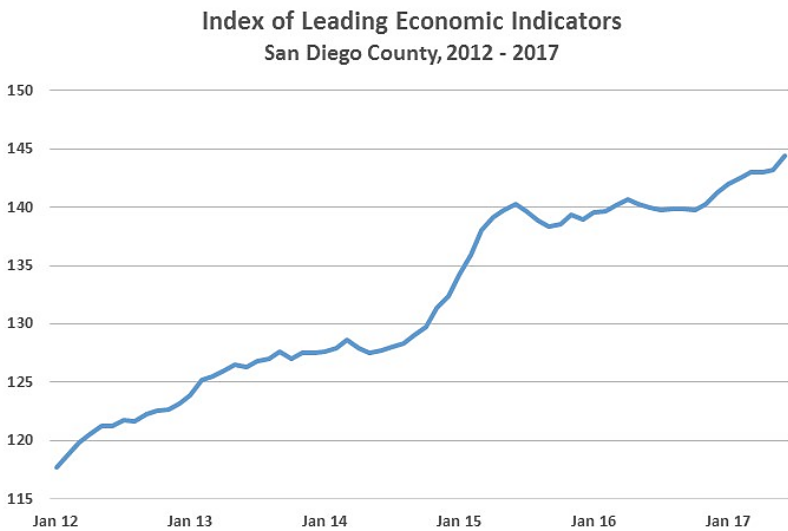


Enhance the health and vitality of the Village and Barrio, two neighborhoods that represent the historic heart of Carlsbad.

The city has made significant investments in the revitalization of the Village and Barrio, starting with "Redevelopment" and continuing with public-private partnerships and city funded infrastructure improvements. A new Village and Barrio Master Plan is nearing completion, and achieving the vision developed with the community through the master planning process will require continued policy focus and investment.

FACTORS AFFECTING FINANCIAL CONDITION

Economic Profile



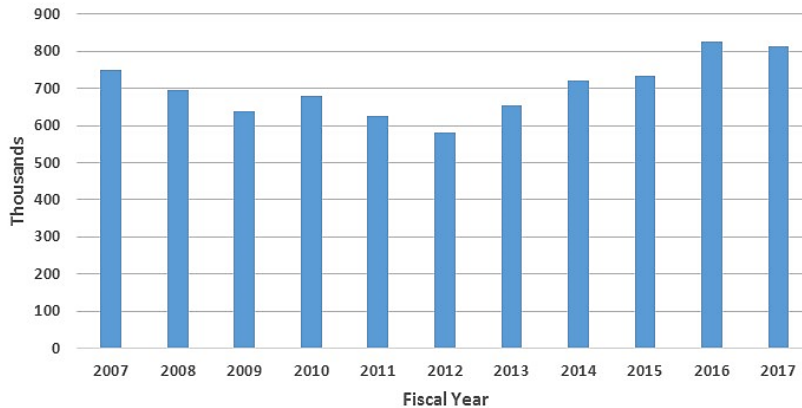
The University of San Diego (USD) monitors the health of the San Diego economy through its Index of Leading Economic Indicators. The chart to the left reflects historical movement in the USD's Leading Economic Indicators. The index, which measures local stock prices, help wanted advertising, and other pertinent metrics, rose 0.8 percent in June. The gain was led by sharp increases in residential units authorized by building permits and in the outlook for the national

economy. Local stock prices and consumer confidence were also slightly higher. These gains were enough to overwhelm negative moves in initial claims for unemployment insurance and in help wanted advertising to push the USD Index to its seventh increase in the last eight months and its eighth straight month without a decline.

Carlsbad's economy generally moves in tandem with that of the San Diego region. Property taxes for the current year, Fiscal Year (FY) 2016-17, increased by almost eight percent compared to the previous year, primarily due to increased assessed values in residential real estate. Transient Occupancy Tax (TOT), taxes paid by hotel guests, increased by over six percent, bolstered by some new room inventory, higher occupancy rates and, overall, higher room rates. Sales tax revenues ended FY 2016-17 down almost two percent, mostly due to one-time receipts resulting from the cessation of the triple flip, last year, a decrease of 1.5 percent projected for new auto sales, and a decrease in taxable sales at The Shoppes at Carlsbad; a large portion of their retail establishments are currently closed as the remodeling project continues. Overall, General Fund revenues for the city are expected to increase by 3.7 percent in the coming fiscal year, with the three major revenue sources discussed here increasing.

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 new LEGOLAND hotel, Carlsbad Oaks industrial park, 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 19.4 percent in the fourth quarter of 2016. Industrial vacancy remains at 9.1 percent (10.6 percent, last year) and retail vacancy for the fourth quarter of 2016 was 2.4 percent (4.8 percent, last year) according to data from CoStar, a leader in commercial real estate information.

**Median Single Family Residence
Home Prices**



Housing prices in Carlsbad remain strong. The median price for single family homes (resale), according to CoreLogic (a leading provider of consumer, financial and property information, analytics and services to business and government) data, has actually decreased slightly compared to last year, falling approximately 1.5 percent to \$814,000. Annual median prices fell in February in the 92009 zip

code (southeast quadrant) and the 92010 zip code (northeast quadrant). However, CoreLogic (also indicates that, if new construction and condominiums are included, median home prices are up over 9 percent compared to a year ago. According to Movoto (a real estate inventory website), inventories in Carlsbad remain tight, down by 14 percent from a year ago, so the weakness in pricing may be an anomaly. Total assessed property values in Carlsbad are \$27.7 billion, an increase of 6 percent over FY 2015-16. The city is expected to add another 1,235 new residential units in the next five 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 Lowe’s home improvement store opened in fall 2013, and La Costa Town Square opened in fall 2014.

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

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

Overall, for FY 2016-17, General Fund revenues increased 2.4 percent from the previous year. Most major sources of tax revenue are expected to increase in FY 2017-18, including property tax (4.9 percent increase), which is stabilizing following a year that saw growth of almost 7 percent. Sales tax is projected to increase 8.3 percent and TOT revenues are projected to increase by 3 percent as occupancy and average daily rates (ADR) increase. The forecast assumes no additions to room inventory in FY 2017-18. Property values continue to appreciate, however, following the national, state, and regional trends, but appreciation is leveling off. Development related revenues are forecast to decrease by over 30 percent in FY 2017-18, compared to the previous year, with permit activity falling after a 30 percent increase in the previous year.



State of California – In January 2017, Governor Jerry Brown submitted the proposed budget to the Legislature with an introductory letter that began, “This year’s budget is the most difficult that we have faced since 2012.” Despite the tax increases in the state over the past several years, the budget remains precariously balanced, as the governor’s office began with a forecasted \$2 billion shortfall for the upcoming fiscal year. The May revision indicated that a surging stock market improved revenues by \$2.5 billion, eliminating the shortfall. Despite this improved revenue picture, the forecast is still \$3.3 billion below the previous budget cycle.

The budget for FY 2017-18 acknowledges that, in the past four years, California’s budget has expanded government spending as the effects of the Great Recession waned. The May revision continues to provide funding for the rising state minimum wage, expansion of health care coverage to undocumented children and Californians covered under the Affordable Care Act, and a new earned income tax credit, which is a new allowance under the California tax code. Challenges continue to plague state lawmakers, as the state relies on a system under which over 70 percent of General Fund revenues come from a highly volatile income tax base. The revised budget also acknowledges the growing cost of pensions – contributions to CalPERS are expected to nearly double from FY 2017-18 to FY 2023-24. To mitigate this growing expense, the revised budget includes a supplemental payment to CalPERS of \$6 billion.

The California state budget assumes no downturn in an economy that has been in mid-expansion for eight years, compared to previous post-recession expansions of five years, and the governor notes that a moderate recession could drop state revenues by \$20 billion. The revised budget for FY 2017-18 forecasts \$127.7 billion in revenues covering \$124 billion in expenditures. The remainder is used to bolster the “rainy day” fund by \$1.8 billion and to liquidate debt. The state budget continues to be a precarious balancing act, even following a state vote to make permanent income tax increases under Prop 30.

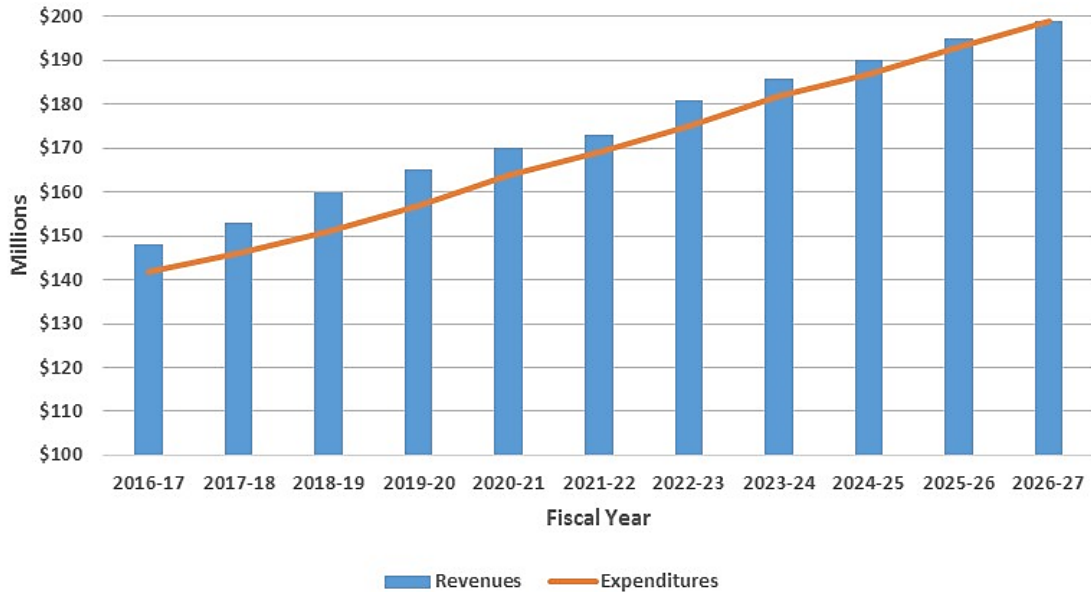
Long-Term Financial Planning

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 development of 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 identifies increasing labor costs as CalPERS, the administrator for the city’s employee pension plan, embarks on a strategy to lower the risk in their investment portfolio. The city is taking actions to adjust to these increases and provide ongoing resources to continue providing service levels expected by our stakeholders.

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.

General Fund Revenues and Expenditures



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 ceased this fiscal year, following Council action in the adopted budget to retire outstanding construction debt almost twenty years ahead of the original maturity. The operating costs of new city facilities projected in the Capital Improvement Program and supported by the General Fund, such as Pine Avenue Park, are also captured in the forecast. Economic conditions at the national, state, and local level are expected to continue to improve at a modest rate and to provide a boost to most of the major revenue sources. Home prices, which saw large decreases during the recession, continue to recover and are providing support to the 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 3.7 percent in FY 2017-18, as economic conditions continue to improve, bolstering revenues from the property taxes and TOT. To project the expenditures, all known changes in personnel and maintenance and operations costs are accounted for. However, the effects of future negotiations with employee bargaining units are not contemplated in the current ten-year forecast. The forecast also captures increases in operating costs associated with planned capital improvements, such as future parks and civic facilities.

The forecast assumes that the city's cost for employee health care increases by 5.75 percent in FY 2017-18 and will increase between five and six percent annually for the remainder of the forecast horizon. CalPERS, the administrator of the city's employee pension plan, has embarked on a strategy to pursue investment in less risky, and volatile, assets within its investment portfolio. CalPERS will be reducing the assumed rate of return on the pension investment portfolio from 7.5 percent to 7 percent over a three year period in order to meet this strategic goal. Because of the lengths of time involved in pension investing and the fact that CalPERS is a mature plan, the effects of this half point decrease in the rate of return will increase annual pension costs to the city in the future. Increases will not be seen in the operating budget until FY 2018-19, so this proposed budget is not affected by this change in the coming fiscal year. Between FY 2018-19 and FY 2020-21, pension costs will increase between six and twelve percent per year. This may not be the last such action by CalPERS - the CalPERS Board will contemplate a further drop in the assumed investment rate (or discount rate) at the February 2018 meeting. The forecast does not consider increases in personnel beyond FY 2017-18, except those that may be related to the operating costs of new city facilities supported

by the General Fund. Negotiated salary increases and future salary growth projections are included in personnel costs in the forecast, 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 FY 2017-18 and revenues exceed expenses over the life of the forecast. Although the revenue forecast is positive, 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 challenges, 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, 2017 was 1.942. The average return realized on the pooled investments increased from 1.155 percent in FY 2015-16 to 1.248 percent for FY 2016-17, 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 decreases 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 nine years. The total portfolio had an unrealized loss of 0.368 percent for FY 2016-17. According to the City Treasurer, Craig Lindholm, “In spite of several short-term interest rate hikes by the Federal Reserve, the yield curve remains quite flat. While longer dated maturities remain constrained, the 1 to 5 year rates have improved



as reflected in the figures on the previous page. The Federal Reserve faces challenges to its stated objective of continuing to increase rates against a backdrop of modest economic growth. We anticipate our portfolio returns will continue to increase but at a slower rate than previously experienced in prior business cycles.”

Major Initiatives and Projects

In the city’s FY 2017-18 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 public gathering space, group picnic areas, a perimeter walking path and a catering support room complete with appliances to support outside catering and food and beverage services for small events. The total cost is \$3.6 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 to allow occupancy for events, 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 \$2.8 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 \$12.3 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 provides its services to the public. This category also includes maintenance of those facilities.

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 \$31.3 million.

Fire Station No. 2 Reconstruction – Fire Station No. 2, located at the corner of El Camino Real and Arenal Road, was originally constructed in 1969 for one full-time firefighter and a yearly call volume of less than 250. Today, the station maintains a staff of five full-time firefighters with a call volume of approximately 4,000 per year. Funding for the reconstruction project was approved by a vote of the citizens at a cost not-to-exceed \$10.5 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, \$5.1 million has been allocated to projects, including projects at the following locations:

- Cannon Park Restroom
- City Facility Accessibility Upgrades
- Faraday Administrative Facility Upgrades
- Fire Station No. 1, 4 & 5 Security Fencing
- Fleet Maintenance Facility Refurbishment
- Leo Carrillo Park Improvements
- Senior Center Refurbishment
- Village Arts Building Roof and Exterior Refurbishment



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 \$1.7 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 FY 2017-18. The CIP includes \$5.4 million to fund this project in the next five years.

Beach Access Repair/Upgrades – Tamarack Avenue to Pine Avenue – Funding of \$5 million is included to pay for a structural evaluation report for railings, girders, caissons, concrete, etc., along with recommendations for repair and rehabilitation to keep the beach access facilities in safe condition.

Bridge Preventative Maintenance Program – This is a new program designed to perform preventative maintenance activities on bridges throughout the city, at a total budgeted cost of \$1.6 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 budgeted cost of \$1.3 million.

Carlsbad Village Drive and Grand Avenue Pedestrian Improvements – This project is estimated at \$1.3 million and will improve pedestrian features including roadway and sidewalk improvements and safety barriers.

Concrete Repair and Maintenance – The proposed spending plan includes \$1 million over 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 and Lisa Street to Crestview Drive. The estimated cost for these roadway sections is \$5.5 million.

Pavement Management – Carlsbad’s local streets are maintained on a regular cycle to ensure a good riding surface and to extend the life of the streets. Part of the maintenance program is the sealing and overlay of the existing street surface. In addition, any problem areas are addressed as they are identified. The FY 2017-18 CIP has \$15.6 million budgeted over the next five years for this program.

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 \$14.1 million.

Road Diet and Traffic Calming Projects along Chestnut Avenue, Valley Street and Kelly Drive – Several projects are planned in the next five years to provide complete street solutions so that the varied users of these roads, including pedestrians and bicyclists, are provided for in a balanced and equitable manner. The total cost is estimated at \$7 million.

Traffic Signals/Traffic Control Improvements – In the next five years, traffic signal projects are planned at the following locations, at a total budgeted cost of \$1.2 million:

- Faraday Avenue and Camino Hills Drive
- Faraday Avenue and Palmer Way
- La Costa Avenue and Levante Street
- Maverick Way and Camino De Los Coches
- Poinsettia Lane and Cassia Road
- Poinsettia Lane and Oriole Court

Village and Barrio Traffic Circles – Installation of traffic circles at intersections throughout the Village and Barrio is planned at a total cost of \$1.5 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 for with impact fees collected from 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 \$40.9 million in funding is scheduled for both new and replacement water and sewer projects.

Vista/Carlsbad Interceptor & Agua Hedionda Lift Station Replacement – This project consists of a set of individual projects that will ultimately construct a parallel sewer interceptor system to accommodate existing and future sewer flows from the cities of Vista and Carlsbad. The individual projects include a main in Jefferson Street, replacement of the Agua Hedionda Lift Station, and a main from the lift station to the Encina Wastewater Facility. The overall total cost estimate for this set of projects totals \$64 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
- 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 \$33.2 million, and include the following locations:

- Aviara Parkway and Plum Tree
- Carlsbad Boulevard – South of Avenida Encinas
- Fire Flow System Improvements
- Maerkle Reservoir Floating Cover Replacement
- Santa Fe II Inlet Pipeline

Rehabilitation and maintenance programs included in the five year total are estimated at \$17 million.

Recycled Water Expansion

Expansion to the Carlsbad Water Recycling Facility, including construction of additional pipelines and a reservoir, are anticipated to cost \$34.2 million. These facilities are expected to meet the anticipated 76 percent increase in future recycled water demand. The expansion is expected to increase the recycled water supply from 4 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 \$4.3 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 for its CAFR for the fiscal year ended June 30, 2016. This was the 19th 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 CAFR 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's finances.

Respectfully submitted,



Chuck McBride
Administrative Services Director



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, 2016

Executive Director/CEO





Elected Officials

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

Leadership Team

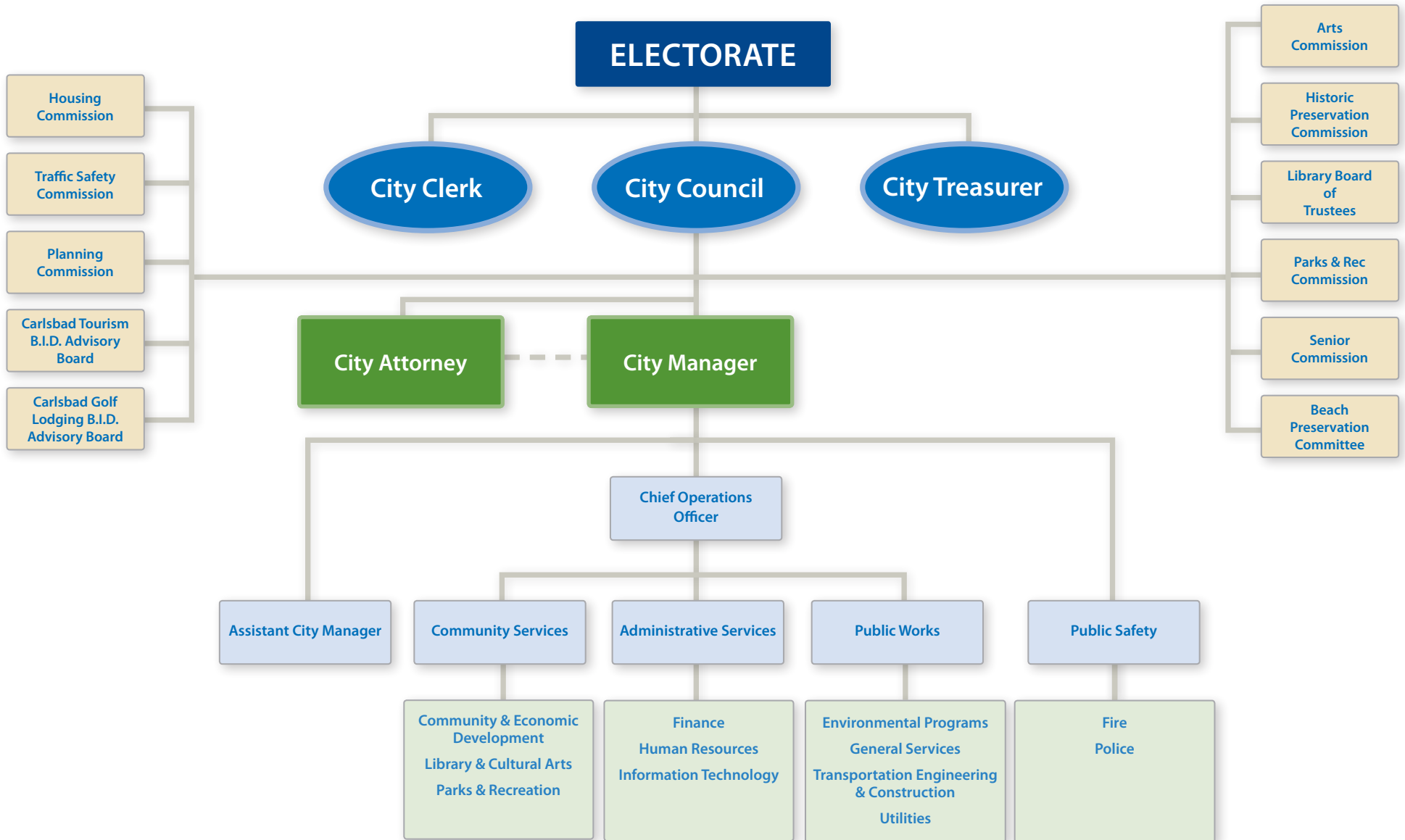
Kevin Crawford, City Manager
Celia Brewer, City Attorney
Marisa Lundstedt, Chief Operating Officer

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

Boards and Commission Chairs

Aaron Alter, Arts Commission
Linda Petrucci, Beach Preservation Committee
Timothy Stripe, Carlsbad Golf Lodging Business Improvement District
Timothy Stripe, Carlsbad Tourism Business Improvement District Board
Vacant, Historic Preservation Commission
Vacant, Housing Commission
Beth Hulsart, Library Board of Trustees
Matt Simons, Parks & Recreation Commission
Jeff Segall, Planning Commission
Ray Pearson, Senior Commission
Chuck Hunter, 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 City of Carlsbad, California, as of and for the year ended June 30, 2017, 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, 2017, 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 28, 2017 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 Fan UP". The signature is written in a cursive, flowing style.

Irvine, California
November 28, 2017



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, 2017. 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 Financial 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 Funds Statements offer short- and long-term financial information about the activities the city operates like businesses, such as providing water and wastewater services.
 - Fiduciary Funds 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 (MD&A) 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. Additional non-financial factors should be considered, 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).

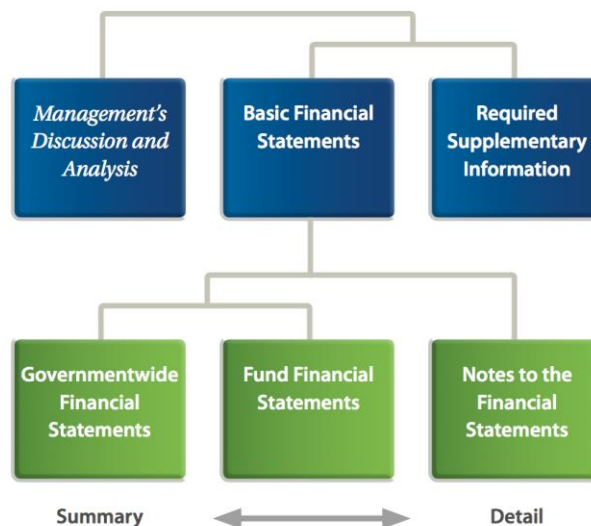
The city has three kinds of funds:

- *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 Statement 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. The 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 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 propriety funds: enterprise funds and internal services 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.*

Required Components of the Annual Financial Report





- *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, 2017, as shown below, was \$1.743 billion. The city’s net position increased by \$45.3 million as compared to the prior fiscal year. This increase was derived in large part due to a significant increase in deferred outflows related to pension costs as well as an increase in current and capital assets, a direct result of revenues exceeding expenses for the year. Current and other assets were impacted by higher interest received (the yield on the Treasurer’s portfolio is up for the year as well as higher cash balances), timing differences in the billing of city utilities (higher accounts, net of allowances), and additional billings to the City of Vista for their share of the Vista/Carlsbad Wastewater Interceptor project (due from other governments). The increase in capital assets is discussed in more detail in the capital asset section of this MD&A. Changes in the various components associated with the Government Accounting Standards Board (GASB) pension pronouncement impacted deferred outflows and inflows, as well as an increase in the pension liability for the year. This GASB pronouncement required the city to put their net pension liability on the books. Other liabilities decreased due to smaller year-end accruals from vendor invoices and the repayment during the year of an error made by the State Board of Equalization which created an overpayment of sales tax (this overpayment had been previously set aside in a liability to be repaid to the agency). The large decrease in long-term debt outstanding was created by the city defeasing the outstanding golf course bonds during the year in order to achieve long-term savings.

CITY OF CARLSBAD'S NET POSITION
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	2016-17
Current and other assets	\$624.2	\$623.3	\$145.8	\$152.2	\$770.0	\$775.5	0.7%
Capital assets	789.0	788.9	350.3	360.7	1,139.3	1,149.6	0.9%
Total assets	1,413.2	1,412.2	496.1	512.9	1,909.3	1,925.1	0.8%
Deferred outflows	16.7	48.1	1.9	3.4	18.6	51.5	176.9%
Other liabilities	28.8	24.5	15.2	17.3	44.0	41.8	-5.0%
Net pension liability	128.8	155.2	11.0	12.7	139.8	167.9	20.1%
Long-term debt outstanding	1.0	0.8	33.7	15.9	34.7	16.7	-51.9%
Total liabilities	158.6	180.5	59.9	45.9	218.5	226.4	3.6%
Deferred inflows	10.9	7.0	0.9	0.4	11.8	7.4	-37.3%
Net position							
Net investment in							
capital assets	788.0	788.1	317.9	344.8	1,105.9	1,132.9	2.4%
Restricted	227.3	234.9	46.0	40.1	273.3	275.0	0.6%
Unrestricted	245.1	249.8	73.3	85.2	318.4	335.0	5.2%
Total net position	\$1,260.4	\$1,272.8	\$437.2	\$470.1	\$1,697.6	\$1,742.9	2.7%

As noted earlier, over time, net position may serve as a useful indicator of the city’s financial position. For the city, assets currently exceed liabilities by \$1.743 billion at the close of the most recent fiscal year.



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

An additional portion of the city's net position (15.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$335 million) may be used to meet the government's ongoing obligations to citizens and creditors.

Just over 31 percent of the \$249.8 million in unrestricted governmental activities net position is attributable to the General Fund. This is a slight increase from the previous fiscal year, due to strong revenue growth (primarily in property and transient occupancy taxes (TOT)) and a large increase in development activity (licenses and permits as well as charges for services). These revenue increases were completely offset by additional transfers made by the General Fund to pay off the golf course bonds and to fund the relocation of Fire Station No. 2. The city also made a \$9 million additional payment to CalPERS to help stabilize future CalPERS rates. Adjustments made to reflect the city's pension obligations as required by GASB helped to create the positive change in unrestricted governmental activities. The net investment in capital assets for the city increased moderately during Fiscal Year (FY) 2016-17, 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 FY 2016-17, 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.

The condensed summary of activities shows that net position increased by \$45.3 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: \$24.9 million in "savings" in the General Fund is 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 economic recovery; 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.



Changes in Net Position

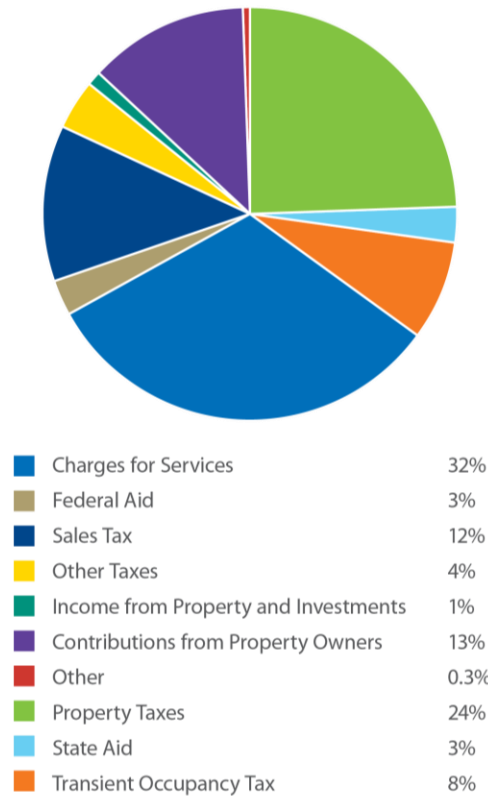
CITY OF CARLSBAD'S CHANGES IN NET POSITION (in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2016	2017	2016	2017	2016	2017	2016-17
Revenues							
Program revenues							
Charges for services	\$19.1	\$21.1	\$63.0	\$68.7	\$82.1	\$89.8	9.4%
Operating grants and contributions	11.9	12.6	5.7	2.5	17.6	15.1	-14.2%
Capital grants and contributions	12.1	22.8	2.0	13.3	14.1	36.1	156.0%
General revenues							
Property taxes	59.0	64.0	3.3	3.6	62.3	67.6	8.5%
Sales and use taxes	34.8	34.0	-	-	34.8	34.0	-2.3%
Other taxes	33.0	33.5	-	-	33.0	33.5	1.5%
Income from property and investments	11.9	2.0	3.2	0.7	15.1	2.7	-82.1%
Other	0.5	0.4	-	0.3	0.5	0.7	40.0%
Total revenues	182.3	190.4	77.2	89.1	259.5	279.5	7.7%
Expenses							
General government	16.1	18.4	-	-	16.1	18.4	14.3%
Public safety	50.5	56.0	-	-	50.5	56.0	10.9%
Community development	17.6	19.5	-	-	17.6	19.5	10.8%
Community services	33.6	34.7	-	-	33.6	34.7	3.3%
Public works	37.5	34.3	-	-	37.5	34.3	-8.5%
Carlsbad Municipal Water District	-	-	39.5	45.2	39.5	45.2	14.4%
Golf course	-	-	10.5	10.2	10.5	10.2	-2.9%
Wastewater	-	-	12.6	12.6	12.6	12.6	0.0%
Solid waste	-	-	3.0	3.3	3.0	3.3	10.0%
Total expenses	155.3	162.9	65.6	71.3	220.9	234.2	6.0%
Excess (deficiency) before transfers	27.0	27.5	11.6	17.8	38.6	45.3	17.4%
Transfers	(1.2)	(15.1)	1.2	15.1	-	-	0.0%
Increase (decrease) in net position	25.8	12.4	12.8	32.9	38.6	45.3	17.4%
Beginning position	1,234.6	1,260.4	424.4	437.2	1,659.0	1,697.6	2.3%
Ending net position	\$1,260.4	\$1,272.8	\$437.2	\$470.1	\$1,697.6	\$1,742.9	2.7%

Approximately 69 percent of the revenues of the city's governmental funds are generated through taxes collected (property, sales, transient occupancy, etc.), and just over 77 percent of the city's business-type revenue is generated through charges for services. The chart on the following page graphically depicts the city's revenue sources.

Sources of Revenue for Fiscal Year 2016-17 (in millions)

\$279.5 Million

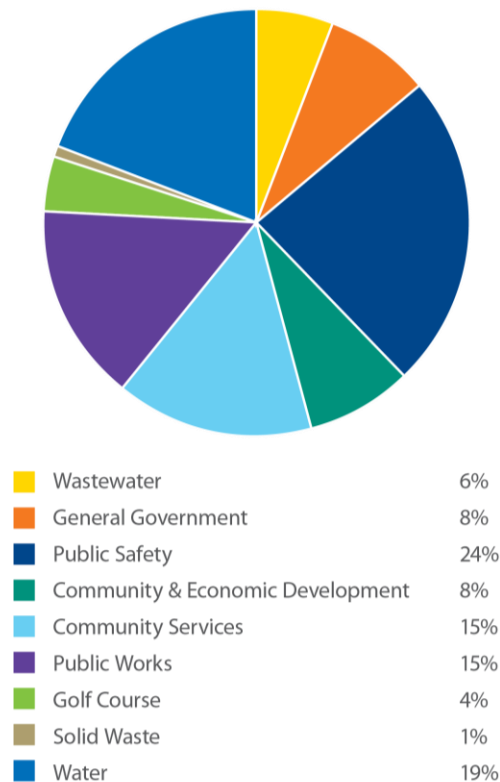


Ever since the city exited the Great Recession, the growth in the city’s “big three” revenue sources has remained strong. This continued again in FY 2016-17, except for sales taxes. TOT continues to grow and, in the most recent two fiscal years, the last of the “big three” taxes, property taxes, has shown some significant growth. An increase in assessed values for residential, commercial and industrial properties (assessed values increased by 5.6 percent) led to higher property tax revenues. This was the second 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 and occupancy rates throughout the city led to higher TOT for the year. Sales tax revenues were down at one of the city’s major shopping venues due to a major renovation project currently underway, and car sales showed very little growth during the year. On top of that, last fiscal year saw the completion of the State of California’s “Triple Flip” program with some one-time additional revenues, leading to an overall decrease in sales tax revenues for the year (timing difference). Income from property and investments were heavily impacted by two factors: the unrealized losses created by adjusting the city’s investments to their fair market value at June 30, 2017 (as required by GASB) and interest received from the Department of Finance (DOF) for interest earned on unpaid mandated costs going back to 2004 in the previous fiscal year. These two factors led to a large drop in income from property and investments. The end of statewide drought mandated conservation measures led to an increase in water sales (charges for services) for the year. A large increase in the donation of developer constructed assets (roads, pipelines, sidewalks, etc.) and the receipt of recycled water grants led to the increase in capital grants and contributions. The City of Vista continues to reimburse the city for their portion of the Vista/Carlsbad Wastewater Interceptor project. However, due to timing differences, this is reflected as a decrease in operating grants and contributions for the business-type activities.

The total cost of all programs and services was just over \$234.2 million in FY 2016-17. This was moderately higher than the FY 2015-16 figure of \$220.9 million. A factor in this increase was higher public safety expenses created by the replacement of the regional communication system backbone, implementation of a pilot Park Ranger program, purchase

of body worn cameras and associated storage costs, normal salary and benefit increases, and the filling of prior year vacancies. The property acquisition to house the Carlsbad Service Center (CDBG funds), which will serve low income residents and higher monthly rent subsidies in the Section 8 program, led to the increase in Community and Economic Development costs. The increase in purchased water costs, due to decreased drought conservation efforts and the purchase of more costly desalinated water in the Water Fund, created the increase in expenses for the year in business-type activities.

Functional Expenses for Fiscal Year 2016-17
(in millions)
\$234.2 Million



- General Government (8 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, Records Management, and the Community Outreach and Engagement team. The Administrative Services group includes Finance, Human Resources (including Workers’ Compensation and Self-Insured Benefits), Information Technology, and Risk Management. Also included in non-departmental are any Council directed special projects.

- Public Safety (24 percent)

Public Safety has always been a top City Council priority. This major service area includes the Police Department, whose 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 & Economic Development encompasses Land Use Planning, Economic Development, the Hiring Center, Housing & Neighborhood Services, Land Development Engineering, and Building.

- Community Services (15 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 (15 percent)

Public Works is responsible for building and maintaining all of the infrastructure assets of the city. This service area includes Transportation, Construction Management & Inspection, Storm Drain Engineering, Asset Management, the Buena Vista Channel, Street Lighting, Traffic Operations, Planning and Signal Maintenance programs, Property & Fleet Management, and Environmental Management.

- Golf Course (4 percent)

The city opened a municipal golf course in the summer of 2007, further enhancing 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, AB2176, AB1826 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 (CMWD), a subsidiary of the city, provides potable and recycled water service to approximately 85 percent of the city (approximately 29,000 customers). CMWD 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 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.

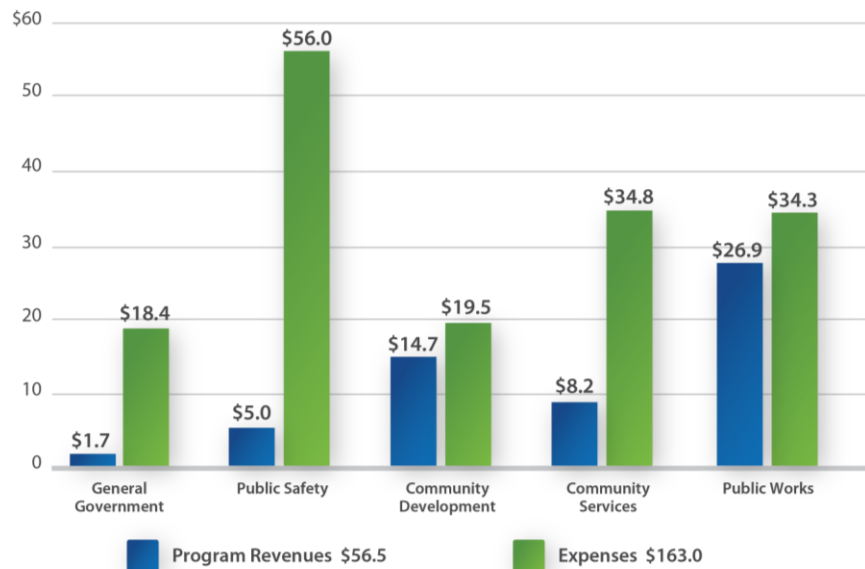
The following sections will provide information about the operations of the governmental and business-type activities separately.

Governmental Activities

The increase in net position for governmental activities was \$12.4 million. This increase was generated by total revenues of governmental activities of \$190.4 million (\$56.5 million in program revenues and \$133.9 million in general revenues) offset by \$162.9 million in total costs of governmental activities, and \$15.1 million in transfers to the Golf Course and Solid Waste funds.

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

Governmental Activities
Program Revenues and Expenses
 Fiscal Year 2016-17
 (in millions)



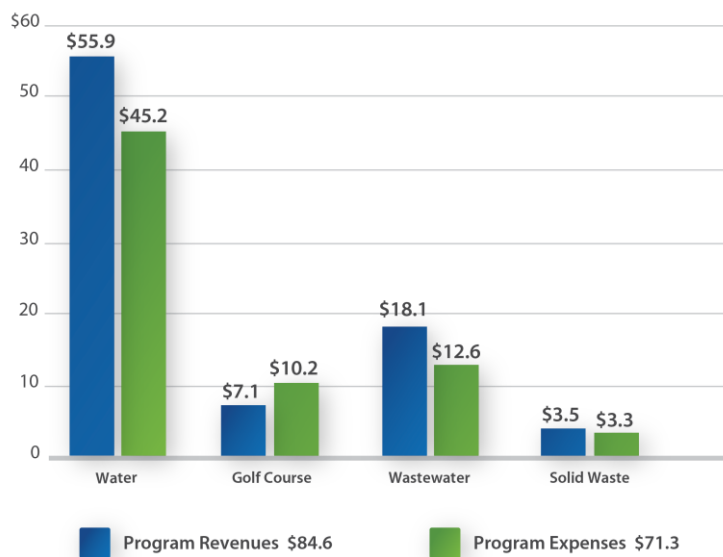
Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$21.1 million), grants and contributions from other governments and organizations which subsidize certain programs (\$35.4 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 \$133.9 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 FY 2016-17, 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 Industrial Park and Robertson Ranch); the developers of these communities recently dedicated infrastructure to the city, a requirement for development.

Business-type Activities

Business-Type Activities
 Program Revenues and Expenses
 Fiscal Year 2016-17
 (in millions)



Program revenues for the city’s business-type activities totaled \$84.6 million for the year, while program expenses equaled \$71.3 million.

Water program revenues are higher than program expenses, primarily due to reimbursements received for work done on the Carlsbad desalination plant, capital contributions in the form of capital connection fees and developer constructed assets donated to the city, and the receipt of recycled water grants. Revenues from water sales are higher than the previous fiscal year due to the net effect of an average 5.25 percent increase in water rates charged to our customers

(water and delivery charges) that went into effect in January 2016, a 4.85 percent revenue increase that went into effect in January 2017, and the elimination of state mandated drought conservation efforts.

Wastewater program revenues exceeded program expenses due to personnel vacancies and higher than budgeted revenues due to a rate increase that went into effect in January 2016 coupled with decreased conservation from the enterprises' volumetric based customers.

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 tenth full year of operation. Golf course revenues were sufficient to fund normal golf course operating expenses excluding depreciation expenses, resulting in a net loss of \$2.7 million.

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

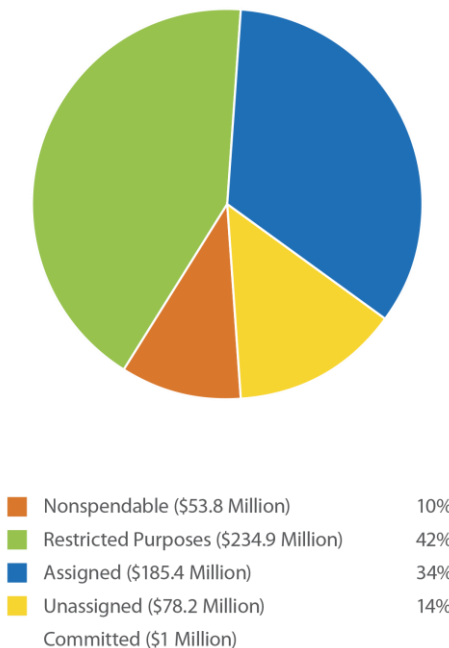
Financial Analysis of the City's Funds

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 a prior GASB pronouncement 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.

Governmental Fund Balances
June 30, 2017
(in millions)
\$553.3 Million





There are five fund balance classifications: non-spendable, restricted, committed, assigned and unassigned. These fund balance classifications 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 10 of the financial statements. As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of \$553.3 million, up \$700,000 from the year before. Approximately 10 percent of this (\$53.8 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 42 percent (\$234.9 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 34 percent (\$185.4 million) of the city's fund balance. Approximately 14 percent (\$78.2 million) of the fund balance is unassigned, which is available for spending at the city council's discretion. Of the \$78.2 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
	<u>2016</u>	<u>2017</u>	<u>2016-17</u>	
Revenues				
Taxes	\$125.6	\$129.9	\$4.3	3.4%
Intergovernmental	1.1	1.2	0.1	9.1%
Licenses and permits	2.5	3.0	0.5	20.0%
Charges for services	9.0	10.3	1.3	14.4%
Fines and forfeitures	0.8	0.7	(0.1)	-12.5%
Income from property and investments	4.9	2.6	(2.3)	-46.9%
Miscellaneous	1.2	1.1	(0.1)	-8.3%
Total revenues	145.1	148.8	3.7	2.5%
Expenditures				
General government	16.8	25.7	8.9	53.0%
Interdepartmental charges	(3.5)	(3.4)	0.1	-2.9%
Public safety	51.6	57.0	5.4	10.5%
Community development	10.3	10.6	0.3	2.9%
Community services	26.7	27.7	1.0	3.7%
Public works	15.7	16.0	0.3	1.9%
Total expenses	117.6	133.6	16.0	13.6%
Excess (deficiency) before transfers	27.5	15.2		
Transfers out	(12.6)	(37.2)		
Increase (decrease) in fund balance	14.9	(22.0)		
Beginning fund balance	178.5	193.4		
Ending fund balance	\$193.4	\$171.4		

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 \$171.4 million, a decrease of \$22 million. The unassigned fund balance portion of the General Fund was \$78.2 million, a decrease of \$16.2 million from last fiscal year. During the year, the General Fund made two large one-time transfers: a \$14.8 million transfer to the Golf Course Fund to pay off the outstanding construction bonds and a \$10.5 million transfer to the General Capital Construction Fund for the relocation of Fire Station No. 2. Finally, the city made an additional \$9 million payment to CalPERS to assist in the stabilization of future retirement costs. Of the \$9 million payment to CalPERS,



\$4.5 million was paid for out of a previously assigned fund balance and \$5.5 million was funded through the current year surplus. These additional expenditures were heavily offset by the growth in several key revenues during the year: property taxes, TOT, and development-related revenues (licenses and permits as well as charges for services). The economy continues to improve since the end of the Great Recession. This was evident as development within the city continued on its strong course. As the city approaches buildout, several of the remaining large residential master planned communities and industrial/commercial parks saw increased construction activity leaving only a small portion of the city undeveloped. This pace is projected to continue for at least another fiscal year, until things temper to a much slower level. One significant decrease in General Fund revenues was due to lower income from property and investments. The majority of this decrease was due to the impacts of reflecting the city's investments at their fair market value on June 30, 2017 (as required by GASB), which resulted in an unrealized loss in this fiscal year. This is a temporary adjustment that is only required to be made on June 30th each fiscal year and then reversed each July 1st.

In the city's FY 2016-17 budget, expenditures were expected to increase 4.8 percent over the FY 2015-16 budget to \$141.8 million. The total personnel budget for FY 2016-17 was \$87.7 million, which was 5.5 percent more than the previous year's personnel budget of \$82.2 million. The total maintenance and operations (M&O) budget for FY 2016-17 was \$42.1 million, which was 7.3 percent higher than the previous year's budget of \$39.2 million. The increase in personnel budgets was based on previously negotiated salary and benefit increases, the net addition of 8.25 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 fund charges (information technology, risk management, fleet, etc.), 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, a parking study, etc.), and "out-of-block" increases (internal service fund charges, 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 \$300,000 for the year, with a majority of this budget for facility access control upgrades, vehicles and electric vehicle charging stations. Transfers out of the General Fund were budgeted at \$11.7 million, a \$400,000 decrease from the prior fiscal year. This decrease was due to the net effect of not transferring funds to the Golf Course Fund to assist with their debt payments combined with an increase in the annual transfer to the Infrastructure Replacement Fund (IRF) (this transfer represents 6.5 percent of budgeted General Fund revenues) and the Workers' Compensation Fund. Adding to the adopted budget of \$141.8 million for the General Fund, approximately \$24.3 million in unspent FY 2015-16 budgeted expenditures was carried over to FY 2016-17, \$8.5 million in open encumbrances as of June 30, 2016, and a \$14.8 million transfer to the Golf Course Fund to pay off the outstanding balance of their bonds.

The Community Facilities District (CFD) 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 public beach access improvements and the finish the two municipal libraries remodeling projects.

The fund balance in the IRF increased, as the city continued the annual transfer of funds from the General Fund for the future replacement of existing 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 Pine Avenue Park, the replacement of scoreboards at several city parks, the replacement of aging drainage pipes, and various refurbishments at the Faraday Center and City Hall.

The Public Facilities Construction Fund (PFF) used a portion of its existing fund balance for the completion of new medians on El Camino Real, and the initiation of the addition of new park amenities at Pine Avenue Park, Poinsettia Park and Leo Carrillo Park. However, due to a high level of development during the year in the city, the contributions received from developers exceeded the costs for these projects.



During the year, the city continued to set aside money 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.

CMWD funds had an operating gain of approximately \$1.8 million for the year. Operating revenues were approximately \$46.8 million and operating expenses were approximately \$45 million. One of the larger factors in the operating gain was the result of reimbursements received for work done on the Carlsbad desalination plant. Water revenues were up for the year due to an increase in water sales; a direct correlation with reduced drought conservation measures. CMWD saw a 6.1 percent increase in water sales after Governor Brown eliminated the mandatory water reduction measures as a result of record breaking rainfall last winter. The increase in sales, coupled with the approval of water rate increases (5.25 percent in January 2016 and about 4.85 percent in January 2017), led to higher water sale revenues. The cost of purchased water from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the CMWD's potable water) continues to increase and, therefore, CMWD rates must increase to cover the added cost. The increase in purchased water costs due to decreased drought conservation efforts and the purchase of more costly desalinated water led to the \$5.7 million increase in operating expenses. Decreases in non-operating revenues from investment earnings partially offset by property tax receipts reduced the operating gain, resulting in income before transfers and capital contributions of \$5.8 million.

In the tenth year of operation, the Golf Course Fund had an operating loss of \$3 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, while golf revenues remain flat.

The Wastewater Funds had an annual operating gain of \$1.1 million for the fiscal year. Total revenues from operations were down by \$2.5 million. This was the net effect of \$3.1 million in reimbursements from the City of Vista for their share of the Vista/Carlsbad Wastewater Interceptor project in the prior fiscal year, partially offset by a \$500,000 increase in charges for wastewater services. The small decrease in operating expenses was predominantly due to a decrease in staffing costs resulting from the reallocation of staff from the Wastewater operation to other operations, to better reflect each operations workload. Non-operating revenues of \$98,000 added to the operating income, resulting in a net gain of \$1.2 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 \$223,000 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 \$84.5 million, or approximately 18 percent of the total enterprise funds net position. The unrestricted net position may be used for rate stabilization, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately \$40.1 million, or 8.5 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 2016-17

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 \$1.9 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; and
- several new master planned communities and a spike in industrial/commercial development led to higher building permit and associated revenues (licenses and permits, as well as charges for services).

The increase from the total original expenditure budget to the final budget amounted to \$12.4 million, due primarily to:

- the appropriation of grant money received;
- sales tax audit expenses;
- developer funded studies;
- the appropriation of mutual aid response overtime reimbursements received;
- the appropriation of additional building inspection revenues received; and
- additional large payments made to CalPERS in order to help stabilize future retirement costs.

Additional transfers were budgeted for during the year to assist with the funding of the relocation of Fire Station No. 2 and the defeasance of the outstanding golf course bonds.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$30.4 million can be generally summarized as follows:

- Interdepartmental charges were \$78,000 below estimates, which are offset against expenditures for reporting purposes in the financial statements.
- \$30.3 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; and
 - accumulated savings set aside for future technology and innovation enhancements.
 - Of the \$30.3 million in savings, \$24.9 million will be carried forward into FY 2017-18 and is planned to be used for:
 - ✓ Talent Management initiatives;
 - ✓ staff development including training and coaching;
 - ✓ succession planning;
 - ✓ 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;
 - ✓ continuing the implementation of the new permitting and business license system;
 - ✓ new laptops and office furniture for Human Resources;



- ✓ new office furniture in the City Clerk’s, City Attorney’s, City Manager’s, and Community & Economic Development offices, and the Senior Center;
- ✓ new breathing apparatus units for the Fire Department;
- ✓ the purchase and training of a new K-9 unit;
- ✓ new command post radios, air cards for the license plate recognition cameras, and new audiovisual equipment;
- ✓ costs associated with creating desk manuals and process documentation in Community & Economic Development;
- ✓ events to help address homelessness in the city;
- ✓ activity management software for Community Services;
- ✓ improved signage for all library facilities;
- ✓ funding of community public art projects;
- ✓ engineering manual update;
- ✓ implementation of the Public Works strategic plan;
- ✓ minor building renovations at city facilities; and
- ✓ 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; actual expenditures have been adjusted to include remaining encumbrances.

Capital Asset and Debt Administration

Capital Assets

CITY OF CARLSBAD’S CAPITAL ASSETS
(in millions of dollars)

	Governmental		Business-Type		Total		Change	Total
	Activities		Activities				2016-17	Percentage
	2016	2017	2016	2017	2016	2017	2016-17	2016-17
Land	\$152.2	\$153.1	\$9.4	\$9.4	\$161.6	\$162.5	\$0.9	0.6%
Construction in progress	16.7	7.8	27.5	44.2	44.2	52.0	7.8	17.6%
Buildings and other structures	123.1	123.7	40.7	40.7	163.8	164.4	0.6	0.4%
Improvements other than buildings	80.6	81.5	51.1	51.1	131.7	132.6	0.9	0.7%
Machinery and equipment	36.2	40.5	3.5	3.7	39.7	44.2	4.5	11.3%
Infrastructure	687.0	711.4	330.0	334.9	1,017.0	1,046.3	29.3	2.9%
Wastewater treatment facility	-	-	57.3	57.5	57.3	57.5	0.2	0.3%
Intangibles	4.1	5.0	-	-	4.1	5.0	0.9	22.0%
	1,099.9	1,123.0	519.5	541.5	1,619.4	1,664.5	45.1	2.8%
Accumulated depreciation	(310.9)	(334.1)	(169.2)	(180.8)	(480.1)	(514.9)	(34.8)	7.2%
Total	\$789.0	\$788.9	\$350.3	\$360.7	\$1,139.3	\$1,149.6	\$10.3	0.9%

At the end of FY 2016-17, 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.



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

- El Camino Real widening from Tamarack to Chestnut;
- Robertson Ranch East Village donated assets (sewer lines, water lines, storm drain and streets);
- the EnerGov permitting software;
- the city’s share of the countywide regional communication system;
- Pine Avenue synthetic turf;
- a license plate reader camera system;
- golf cart fleet (89 carts);
- 29 vehicles;
- two dump trucks;
- one CAT excavator;
- one asphalt roller;
- the initiation of the expansion of the recycled water facility;
- several waterline projects; and
- several storm drain projects.

In addition to carrying forward appropriations of \$200.4 million for previously budgeted projects, the city’s FY 2017-18 capital budget appropriates an additional \$54 million for capital projects. These additional appropriations are principally for beach access repair/upgrade from Pine Avenue to Tamarack; the widening of El Camino Real between Cassia Road and Camino Vida Roble; sidewalk/street construction in the older areas of Carlsbad; rehabilitation work at the Faraday Center; initiating the relocation of Fire Station No. 3; initial stages of the new Maintenance and Operations Center; city facility refurbishments; the pavement management program; Maerkle Reservoir floating cover replacement and pump station improvements; miscellaneous street projects; continuing the implementation of an adaptive traffic signal program; continuation of the street lighting replacement program; enhancing the wastewater collection system; continuation of the Vista/Carlsbad wastewater interceptor; additional water and recycled water lines; the recycled 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 (CIP) 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
	2016	2017	2016	2017	2016	2017	Change
Bonds	\$0.0	\$0.0	\$15.9	\$0.0	\$15.9	\$0.0	-100.0%
Loans	-	-	17.6	15.9	17.6	15.9	-9.7%
Capital leases	1.0	0.8	-	-	1.0	0.8	100.0%
Adjusted by: premiums/discounts	-	-	0.2	-	0.2	-	-100.0%
Total	\$1.0	\$0.8	\$33.7	\$15.9	\$34.7	\$16.7	-51.9%

At year-end, the city had \$16.7 million in capital leases and loans, a decrease of \$18 million from last year, as shown in the table above. The city defeased the outstanding golf course bonds during the year of \$15.9 million. In addition, regular payments were made on all of the city’s outstanding capital leases and loans. More detail about the city’s long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2017-18

- The State of California adopted its FY 2017-18 Annual Budget with the following provisions affecting the city:
 - Governor Brown submitted a balanced state budget in January 2017 for FY 2017-18 using projected revenues of \$127.7 billion to cover \$124 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.
 - The “rainy day” fund is projected to grow by \$1.8 billion during FY 2017-18.
 - The budget continues to provide funding for the rising state minimum wage, expansion of health care coverage to undocumented children and Californians covered under the Affordable Care Act, and a new earned income tax credit, a new allowance under the California tax code.
 - California voters approved to make permanent the income tax increases under Prop 30.
 - Pension costs at the state level are expected to nearly double from FY 2017-18 to FY 2023-24. To mitigate this growing expense, the budget includes a supplemental payment to CalPERS of \$6 billion.
- Net assessed values in the city stand at over \$30.9 billion, a 7.2 percent increase from the prior fiscal year, due to new construction and escalating home and commercial property values.
- Sales tax revenues are projected to increase by 8.3 percent, due primarily to the timing of revenues at the expiration of the “Triple Flip.” Another factor in the projected increase in sales tax revenues is the newly renovated The Shoppes at Carlsbad Westfield (the former owner of the mall) sold this property in 2015. The new owners (Rouse Properties) are in the final stages of a major renovation and should have it completed by the fall of 2017.
- Prolonged weakness in global demand and a strong dollar continue to place a drag on tourism, however, a report by Tourism Economics that focuses on San Diego tourism indicates that occupancy growth will remain at less than one percent for the next two years and average room revenues will increase by over three percent annually for the same time period.
- CalPERS is addressing a structural shortfall by lowering the discount rate used to determine the city’s annual pension costs. The reduction in the discount rate is being phased in over several years. The impact in the FY 2017-18 budget is a four percent increase in the pension contributions for miscellaneous employees and a 5.4 percent increase in the pension contributions for safety employees.
- Median home prices for single-family residences in Carlsbad have decreased slightly by 1.5 percent from the first quarter of 2016 (\$827,000) to the first quarter of 2017 (\$814,000).
- City departments were given maximum increases of 2 percent for maintenance and operational funding to cover changes in the Consumer Price Index (CPI) and additional funding for existing contractual obligations.
- The city added 10 full-time positions, one limited-term position, 16.33 part-time positions and eliminated one full-time position to better align staffing with the services the city provides.
- Through Memorandums of Understanding (MOUs):
 - The Carlsbad City Employees’ Association (CCEA) will receive an allocated share of a 4.0 percent raise/stipend pool on December 31, 2017.
 - Fire and General Management employees will receive an allocated share of a 4.0 percent raise/stipend pool on December 31, 2017.
 - Police Management employees will receive an allocated share of a 4.5 percent raise/stipend pool on December 31, 2017.
 - The Carlsbad Firefighters Association (CFA) will receive a 2.0 percent base raise on January 1, 2018. Certain fire classifications will receive a 3.3 percent base raise on January 1, 2018.
 - The Carlsbad Police Officers Association (CPOA) will receive a 3.8 percent raise on January 1, 2018.

These factors were considered when preparing the city’s General Fund budget for FY 2017-18. Budgeted expenditures are expected to increase 2.8 percent to \$145.7 million. The total personnel budget for FY 2017-18 is \$90.4 million, which is 2.8 percent more than the previous year’s personnel budget of \$87.7 million. The total maintenance and operations (M&O) budget for FY 2017-18 is \$42.7 million, which is 1.5 percent higher than the previous year’s budget of \$42.1 million. The increase in personnel budgets is based on previously negotiated salary and benefit increases and the net



addition of nine full-time, one limited-term and 16.33 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. Despite the two percent escalator provided for M&O costs, the FY 2017-18 budget was offset by decreases of one-time expenditures from the previous fiscal year, and decreases in the internal service charges. Higher M&O budgets general inflationary adjustments; higher bank credit card fees; increases in legal professional services and citywide training and development; additional costs associated with nuisance abatement; consulting services to assist with documentation of business process and procedures related to the new permitting system; operating costs associated with several new park facilities; fire engine equipment and a chemical detox unit to remove toxic chemicals from firefighters; and upgrades to the Safety Training Center audio visual equipment. Transfers out of the General Fund are budgeted at \$12.5 million, an \$800,000 increase from the prior fiscal year. This increase is due primarily to increases in the transfers from the General Fund to the IRF (\$510,000) and the Median Maintenance and Street Tree Maintenance Special Revenue Funds (\$250,000). Adding to the adopted budget of \$145.7 million for the General Fund, approximately \$24.9 million in unspent FY 2016-17 budgeted expenditures will be carried over to FY 2017-18, as well as \$8 million in open encumbrances as of June 30, 2017.

During the current fiscal year, the unassigned fund balance in the General Fund decreased by \$16.2 million to \$78.2 million. During the fiscal year, the General Fund transferred \$14.8 million to the Golf Course Fund to pay off the associated bonds 20 years early. This decision was made as the average coupon on the bonds was 4.5 percent, while the average yield on the Treasurer's portfolio over the last couple of years has hovered around one percent. The city also made an additional \$9 million payment to CalPERS to help stabilize future retirement costs. The city used \$4.5 million of the \$10 million previously assigned to help address future retirement costs. These additional expenditures were partially offset by savings achieved in the General Fund due to fiscal discipline, a significant increase in assessed values (higher property taxes), a strong tourism season (increased TOT revenues), and higher than anticipated development within the city (increased development related services and building permit revenues). Based on FY 2017-18 projections, the unassigned General Fund balance is expected to grow by approximately \$9.2 million.

The city took an additional step in FY 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 FY 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. After the additional payment made to CalPERS in FY 2016-17, the CalPERS stability assignment is now \$5.5 million.

Projected revenues are currently sufficient to build the projects listed in the FY 2017-18 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 4.3 percent in total for FY 2017-18. In November 2016, a public meeting was held to determine how much water rates would increase effective January 1, 2017 and January 1, 2018. The proposed rate increases are 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 2018. Better than anticipated financial results in FY 2016-17 mitigated the need for a rate increase.
- The golf course bonds were paid off in September 2016. As a result, the operation will see improvements in their cash flows going forward.
- 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.



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Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental	Business-Type	Total
ASSETS	Activities	Activities	
Cash and investments	\$ 518,383,452	\$ 184,927,010	\$ 703,310,462
Receivables:			
Interest	1,773,167	631,321	2,404,488
Taxes	10,295,484	27,310	10,322,794
Other	1,227,851	704,312	1,932,163
Accounts, net of allowances	83,119	10,419,664	10,502,783
Due from other governments	343,124	9,682,179	10,025,303
Inventories	410,160	726,677	1,136,837
Prepaid items	1,292	21,170	22,462
Loan and reimbursement receivables, net of allowances	24,969,159	-	24,969,159
Due from Successor Agency	10,860,807	-	10,860,807
Deposits	25,000	-	25,000
Internal balances	54,963,339	(54,963,339)	-
Subtotal	<u>623,335,954</u>	<u>152,176,304</u>	<u>775,512,258</u>
Capital assets:			
Land	153,098,487	9,375,975	162,474,462
Construction in progress	7,774,678	44,229,764	52,004,442
Buildings and other structures	123,742,120	40,705,081	164,447,201
Improvements other than buildings	81,453,044	51,121,786	132,574,830
Machinery and equipment	40,432,960	3,711,152	44,144,112
Infrastructure	711,444,588	334,925,558	1,046,370,146
Wastewater treatment facility	-	57,521,662	57,521,662
Intangible assets	5,017,448	-	5,017,448
Less accumulated depreciation	(334,100,328)	(180,853,632)	(514,953,960)
Total capital assets	<u>788,862,997</u>	<u>360,737,346</u>	<u>1,149,600,343</u>
Total assets	<u>1,412,198,951</u>	<u>512,913,650</u>	<u>1,925,112,601</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related items	<u>48,050,715</u>	<u>3,438,754</u>	<u>51,489,469</u>

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



Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 11,820,401	\$ 5,846,808	\$ 17,667,209
Accrued interest payable	-	72,187	72,187
Due to other governments	-	8,971,455	8,971,455
Estimated claims payable	10,395,448	-	10,395,448
Deposits payable	528,555	2,293,863	2,822,418
Unearned revenue	1,722,038	124,606	1,846,644
Noncurrent liabilities:			
Net pension liability	155,221,029	12,654,621	167,875,650
Due within one year	196,969	1,510,433	1,707,402
Due in more than one year	587,580	14,390,630	14,978,210
Total liabilities	180,472,020	45,864,603	226,336,623
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related items	6,960,292	400,979	7,361,271
NET POSITION			
Net investment in capital assets	788,078,448	344,836,283	1,132,914,731
Restricted for:			
Capital assets	183,244,819	40,097,854	223,342,673
Lighting and landscaping districts	6,526,874	-	6,526,874
Affordable housing	40,527,524	-	40,527,524
Habitat and agricultural mitigation management	1,805,069	-	1,805,069
Other purposes	2,818,349	-	2,818,349
Unrestricted	249,816,271	85,152,685	334,968,956
Total net position	\$ 1,272,817,354	\$ 470,086,822	\$ 1,742,904,176

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



Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 18,374,381	\$ 327,035	\$ 1,358,332	\$ 605
Public safety	55,993,808	4,646,438	394,235	-
Community development	19,457,631	6,350,029	8,035,516	336,133
Community services	34,754,541	5,803,819	670,707	1,707,598
Public works	34,316,940	3,952,422	2,171,489	20,744,567
Interest and fiscal charges on long-term debt	3,215	-	-	-
Total governmental activities	162,900,516	21,079,743	12,630,279	22,788,903
Business-type activities:				
Carlsbad Municipal Water District	45,219,261	44,816,640	2,021,855	9,015,116
Golf course	10,210,684	7,119,069	-	-
Wastewater	12,626,031	13,466,800	279,236	4,306,723
Solid waste	3,271,556	3,302,612	169,835	-
Total business-type activities	71,327,532	68,705,121	2,470,926	13,321,839
Total primary government	\$ 234,228,048	\$ 89,784,864	\$ 15,101,205	\$ 36,110,742

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
\$ (16,688,409)	\$ -	\$ (16,688,409)
(50,953,135)	-	(50,953,135)
(4,735,953)	-	(4,735,953)
(26,572,417)	-	(26,572,417)
(7,448,462)	-	(7,448,462)
(3,215)	-	(3,215)
<u>(106,401,591)</u>	<u>-</u>	<u>(106,401,591)</u>
-	10,634,350	10,634,350
-	(3,091,615)	(3,091,615)
-	5,426,728	5,426,728
-	200,891	200,891
<u>-</u>	<u>13,170,354</u>	<u>13,170,354</u>
<u>(106,401,591)</u>	<u>13,170,354</u>	<u>(93,231,237)</u>
63,987,996	3,568,505	67,556,501
33,999,152	-	33,999,152
22,266,977	-	22,266,977
5,475,263	-	5,475,263
4,327,839	-	4,327,839
1,393,460	-	1,393,460
1,975,200	749,267	2,724,467
450,854	369,992	820,846
<u>(15,066,962)</u>	<u>15,066,962</u>	<u>-</u>
<u>118,809,779</u>	<u>19,754,726</u>	<u>138,564,505</u>
12,408,188	32,925,080	45,333,268
<u>1,260,409,166</u>	<u>437,161,742</u>	<u>1,697,570,908</u>
<u>\$ 1,272,817,354</u>	<u>\$ 470,086,822</u>	<u>\$ 1,742,904,176</u>



Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Community Facilities District No. 1	General Capital Construction
ASSETS			
Cash and investments	\$ 113,104,250	\$ 79,490,324	\$ 47,801,823
Receivables:			
Interest	576,036	272,456	-
Taxes	10,291,182	4,302	-
Other	1,035,832	-	-
Accounts, net of allowances	83,119	-	-
Due from other governments	111,969	-	-
Inventories	17,546	-	-
Prepaid items	-	-	-
Loans receivable, net of allowances	69,952	-	-
Deposits	25,000	-	-
Due from Successor Agency	10,860,807	-	-
Advances to other funds	55,911,992	2,070,958	-
Total assets	\$ 192,087,685	\$ 81,838,040	\$ 47,801,823
LIABILITIES			
Accrued liabilities	\$ 4,699,225	\$ 28,171	\$ 158,638
Deposits payable	67,658	-	-
Advances from other funds	-	-	-
Unearned revenue	1,372,038	-	-
Total liabilities	6,138,921	28,171	158,638
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - sales tax	1,397,466	-	-
Unavailable revenue - grants	61,579	-	-
Unavailable revenue - interest on advances	13,108,925	-	-
Total deferred inflows of resources	14,567,970	-	-
FUND BALANCES			
Nonspendable	53,751,372	-	-
Restricted	-	81,809,869	-
Committed	1,000,000	-	-
Assigned	38,438,659	-	47,643,185
Unassigned	78,190,763	-	-
Total fund balances	171,380,794	81,809,869	47,643,185
Total liabilities, deferred inflows of resources, and fund balances	\$ 192,087,685	\$ 81,838,040	\$ 47,801,823

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

Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 99,150,985	\$ 31,105,621	\$ 101,345,559	\$ 471,998,562
339,980	106,592	339,604	1,634,668
-	-	-	10,295,484
-	-	192,019	1,227,851
-	-	-	83,119
-	-	231,155	343,124
-	-	-	17,546
-	-	1,292	1,292
-	-	24,899,207	24,969,159
-	-	-	25,000
-	-	-	10,860,807
-	6,450,000	-	64,432,950
<u>\$ 99,490,965</u>	<u>\$ 37,662,213</u>	<u>\$ 127,008,836</u>	<u>\$ 585,889,562</u>
\$ 140,174	\$ 59,822	\$ 1,762,235	\$ 6,848,265
-	-	459,897	527,555
-	-	8,798,078	8,798,078
-	-	350,000	1,722,038
<u>140,174</u>	<u>59,822</u>	<u>11,370,210</u>	<u>17,895,936</u>
-	-	-	1,397,466
-	-	128,251	189,830
-	-	-	13,108,925
<u>-</u>	<u>-</u>	<u>128,251</u>	<u>14,696,221</u>
-	-	1,292	53,752,664
-	37,602,391	115,509,083	234,921,343
-	-	-	1,000,000
99,350,791	-	-	185,432,635
-	-	-	78,190,763
<u>99,350,791</u>	<u>37,602,391</u>	<u>115,510,375</u>	<u>553,297,405</u>
<u>\$ 99,490,965</u>	<u>\$ 37,662,213</u>	<u>\$ 127,008,836</u>	<u>\$ 585,889,562</u>



**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2017**

Total fund balances - governmental funds.	\$ 553,297,405
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	778,051,555
Internal service funds	<u>10,811,442</u>
Total capital assets	<u>788,862,997</u>
Deferred outflows are not an available resource and, therefore, are not reported in the funds.	
Governmental funds	46,217,138
Internal service funds	<u>1,833,577</u>
Total deferred outflows	<u>48,050,715</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	35,152,444
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(671,533)
Internal service fund net position included as part of total capital assets	(10,811,442)
Internal service fund net position included as part of deferred outflows	(1,833,577)
Internal service fund net position included as part of long-term liabilities	8,259,968
Internal service fund net position included as part of deferred inflows	<u>780,026</u>
Net internal service fund net position	<u>30,875,886</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.	13,108,925
A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	1,397,466
A portion of deferred grant revenues are not available to pay for current-period expenditures and, therefore, are not recognized in the funds.	189,830
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	(147,745,610)
Internal service funds	<u>(8,259,968)</u>
Total long-term liabilities	<u>(156,005,578)</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	(6,180,266)
Internal service funds	<u>(780,026)</u>
Total deferred inflows	<u>(6,960,292)</u>
Net position of governmental activities.	<u>\$ 1,272,817,354</u>

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



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**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017**

	General Fund	Community Facilities District No. 1	General Capital Construction
Revenues:			
Taxes	\$ 129,935,750	\$ 2,059,001	\$ -
Intergovernmental	1,147,187	-	-
Licenses and permits	3,034,004	-	-
Charges for services	10,267,153	-	-
Fines and forfeitures	696,784	-	-
Income from property and investments	2,594,077	183,429	-
Contributions from property owners	-	823,009	21,222
Donations	-	-	-
Miscellaneous	1,105,412	-	-
Total revenues	148,780,367	3,065,439	21,222
Expenditures:			
Current:			
General government	25,670,897	99,521	-
Less: interdepartmental charges	(3,344,623)	-	-
Public safety	56,976,934	-	-
Community development	10,565,523	-	-
Community services	27,718,348	-	-
Public works	16,018,571	-	-
Capital outlay	-	58,271	2,396,960
Debt service:			
Interest and fiscal charges	-	-	-
Total expenditures	133,605,650	157,792	2,396,960
Excess (deficiency) of revenues over (under) expenditures	15,174,717	2,907,647	(2,375,738)
Other financing sources (uses):			
Transfers in	10,000	-	10,500,000
Transfers out	(37,223,962)	-	-
Total other financing sources (uses)	(37,213,962)	-	10,500,000
Net change in fund balances	(22,039,245)	2,907,647	8,124,262
Fund balances at beginning of year	193,420,039	78,902,222	39,518,923
Fund balances at end of year	\$ 171,380,794	\$ 81,809,869	\$ 47,643,185

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

Infrastructure Replacement	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,170,007	\$ 134,164,758
-	-	10,816,201	11,963,388
-	-	-	3,034,004
-	-	4,041,871	14,309,024
-	-	43,129	739,913
305,585	158,639	602,853	3,844,583
-	6,342,879	6,142,467	13,329,577
-	-	349,452	349,452
-	-	362,066	1,467,478
<u>305,585</u>	<u>6,501,518</u>	<u>24,528,046</u>	<u>183,202,177</u>
-	-	2,154,667	27,925,085
-	-	-	(3,344,623)
-	-	351,934	57,328,868
-	-	8,626,947	19,192,470
-	-	2,019,459	29,737,807
-	-	1,330,120	17,348,691
2,834,779	766,176	11,546,940	17,603,126
-	-	5,161	5,161
<u>2,834,779</u>	<u>766,176</u>	<u>26,035,228</u>	<u>165,796,585</u>
<u>(2,529,194)</u>	<u>5,735,342</u>	<u>(1,507,182)</u>	<u>17,405,592</u>
9,460,000	-	878,916	20,848,916
-	-	(388,916)	(37,612,878)
<u>9,460,000</u>	<u>-</u>	<u>490,000</u>	<u>(16,763,962)</u>
6,930,806	5,735,342	(1,017,182)	641,630
<u>92,419,985</u>	<u>31,867,049</u>	<u>116,527,557</u>	<u>552,655,775</u>
<u>\$ 99,350,791</u>	<u>\$ 37,602,391</u>	<u>\$ 115,510,375</u>	<u>\$ 553,297,405</u>



**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, 2017**

Net change in fund balances - total governmental funds.	\$ 641,630
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Purchase of capital assets	14,820,725
Depreciation expense	(21,991,236)
Governmental funds do not reflect the donation of capital assets as revenues.	7,077,494
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	202,490
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.	498,666
The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, the repayment of the principal of long-term debt consumes the current financial resources of governmental funds	9,067
The net revenue of activities of internal service funds is reported with governmental activities.	2,454,912
Adjustments made to the net pension liability do not use current financial resources and, therefore, are not recognized in the funds.	8,715,204
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(20,764)</u>
Change in net position of governmental activities.	<u><u>\$ 12,408,188</u></u>

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



**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Over (Under)
	Original	Final		
Revenues:				
Taxes	\$ 125,397,000	\$ 125,928,000	\$ 129,935,750	\$ 4,007,750
Intergovernmental	834,000	910,000	1,147,187	237,187
Licenses and permits	2,269,000	3,639,000	3,034,004	(604,996)
Charges for services	8,956,000	9,054,000	10,267,153	1,213,153
Fines and forfeitures	767,000	749,000	696,784	(52,216)
Income from property and investments	3,806,000	3,663,000	4,130,424	467,424
Miscellaneous	858,000	870,000	1,105,412	235,412
Total revenues	142,887,000	144,813,000	150,316,714	5,503,714
Expenditures:				
Current:				
General government	38,219,781	46,078,180	27,705,003	(18,373,177)
Less: interdepartmental charges	(3,261,403)	(3,267,000)	(3,344,623)	(77,623)
Public safety	58,685,201	61,730,121	58,389,300	(3,340,821)
Community development	12,920,991	13,488,275	11,795,145	(1,693,130)
Community services	31,562,210	31,919,640	28,667,174	(3,252,466)
Public works	21,503,831	22,088,656	18,409,996	(3,678,660)
Total expenditures	159,630,611	172,037,872	141,621,995	(30,415,877)
Excess (deficiency) of revenues over (under) expenditures	(16,743,611)	(27,224,872)	8,694,719	35,919,591
Other financing sources (uses):				
Transfers in	10,000	10,000	10,000	-
Transfers out	(11,684,000)	(37,223,962)	(37,223,962)	-
Total other financing sources (uses)	(11,674,000)	(37,213,962)	(37,213,962)	-
Net change in fund balances	(28,417,611)	(64,438,834)	(28,519,243)	\$ 35,919,591
Fund balance at beginning of year	193,420,039	193,420,039	193,420,039	
Fund balance at end of year	<u>\$ 165,002,428</u>	<u>\$ 128,981,205</u>	<u>\$ 164,900,796</u>	

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



**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2017**

BUDGET-TO-GAAP RECONCILIATION

Actual Amounts
(Budgetary Basis)

Revenues

Actual amounts (budgetary basis) "available for appropriation" from
the budgetary comparison schedule (previous page). \$ 150,316,714

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. (1,536,347)

\$ 148,780,367

Expenditures

Actual amounts (budgetary basis) "total charges to appropriations"
from the budgetary comparison schedule (previous page). \$ 141,621,995

Differences - budget to GAAP:

Encumbrances are shown in the year encumbered for budgetary purposes,
but in the year paid for financial reporting purposes. (8,016,345)

\$ 133,605,650

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



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**Statement of Net Position
Proprietary Funds
June 30, 2017**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
ASSETS			
Current assets:			
Cash and investments	\$ 122,689,636	\$ 1,800,260	\$ 47,103,071
Receivables:			
Interest	420,356	3,840	161,515
Taxes	27,310	-	-
Other	-	155,552	968
Accounts, net of allowances	7,644,186	1,674	1,980,755
Due from other governments	826,862	-	8,855,317
Inventories	548,778	163,590	14,309
Prepaid items	21,170	-	-
Total current assets	132,178,298	2,124,916	58,115,935
Capital assets:			
Land	1,905,206	4,841,667	2,629,102
Construction in progress	21,389,271	-	22,840,493
Buildings and other structures	20,636,100	20,068,981	-
Improvements other than buildings	2,322,549	42,670,657	6,128,580
Machinery and equipment	811,230	2,567,966	331,956
Infrastructure	222,179,603	-	112,745,955
Wastewater treatment facility	-	-	57,521,662
Intangible assets	-	-	-
Less accumulated depreciation	(73,697,471)	(30,803,668)	(76,352,493)
Total capital assets (net of accumulated depreciation)	195,546,488	39,345,603	125,845,255
Total noncurrent assets	195,546,488	39,345,603	125,845,255
Total assets	327,724,786	41,470,519	183,961,190
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pension related items	2,142,010	-	851,251

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

Enterprise Funds		Governmental
Solid	Totals	Activities -
Waste		Internal
		Service
		Funds
\$ 13,334,043	\$ 184,927,010	\$ 46,384,890
45,610	631,321	138,499
-	27,310	-
547,792	704,312	-
793,049	10,419,664	-
-	9,682,179	-
-	726,677	392,614
-	21,170	-
<u>14,720,494</u>	<u>207,139,643</u>	<u>46,916,003</u>
-	9,375,975	-
-	44,229,764	-
-	40,705,081	-
-	51,121,786	-
-	3,711,152	25,577,480
-	334,925,558	-
-	57,521,662	-
-	-	1,689,637
-	(180,853,632)	(16,455,675)
-	<u>360,737,346</u>	<u>10,811,442</u>
-	<u>360,737,346</u>	<u>10,811,442</u>
<u>14,720,494</u>	<u>567,876,989</u>	<u>57,727,445</u>
<u>445,493</u>	<u>3,438,754</u>	<u>1,833,577</u>

(Continued)



**Statement of Net Position
Proprietary Funds (Continued)
June 30, 2017**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	2,100,235	442,115	2,354,332
Accrued interest payable	72,187	-	-
Due to other governments	6,648,075	-	2,323,380
Estimated claims payable	-	-	-
Current portion of long-term debt	1,510,433	-	-
Total current liabilities	10,330,930	442,115	4,677,712
Noncurrent liabilities:			
Deposits payable	142,302	613,396	1,538,165
Advance from other funds	-	55,634,872	-
Unearned revenue	82,790	-	10,000
Net pension liability	7,353,361	-	3,306,162
Capital lease payable	-	-	-
Loans payable	14,390,630	-	-
Total noncurrent liabilities	21,969,083	56,248,268	4,854,327
Total liabilities	32,300,013	56,690,383	9,532,039
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension related items	100,362	-	201,561
NET POSITION			
Net investment in capital assets	179,645,425	39,345,603	125,845,255
Restricted for:			
Capital assets	30,062,207	-	10,035,647
Unrestricted	87,758,789	(54,565,467)	39,197,939
Total net position (deficit)	\$ 297,466,421	\$ (15,219,864)	\$ 175,078,841

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
950,126	5,846,808	4,972,136
-	72,187	-
-	8,971,455	-
-	-	10,395,448
-	1,510,433	187,223
<u>950,126</u>	<u>16,400,883</u>	<u>15,554,807</u>
-	2,293,863	1,000
-	55,634,872	-
31,816	124,606	-
1,995,098	12,654,621	7,514,869
-	-	557,876
-	14,390,630	-
<u>2,026,914</u>	<u>85,098,592</u>	<u>8,073,745</u>
<u>2,977,040</u>	<u>101,499,475</u>	<u>23,628,552</u>
<u>99,056</u>	<u>400,979</u>	<u>780,026</u>
-	344,836,283	10,066,343
-	40,097,854	-
<u>12,089,891</u>	<u>84,481,152</u>	<u>25,086,101</u>
<u>\$ 12,089,891</u>	<u>469,415,289</u>	<u>\$ 35,152,444</u>
	<u>671,533</u>	
	<u>\$ 470,086,822</u>	



Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 44,089,527	\$ -	\$ -
Wastewater service charges	-	-	13,466,800
Golf course operations	-	7,119,069	-
Other charges for services	727,113	-	-
Miscellaneous	2,021,855	-	279,236
Total operating revenues	46,838,495	7,119,069	13,746,036
Operating expenses:			
Encina plant operations	1,017,275	-	3,709,178
Purchased water	23,188,770	-	-
Golf course operations	-	6,619,307	-
Depreciation	4,785,645	3,487,374	3,918,867
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	16,068,108	-	5,040,691
Total operating expenses	45,059,798	10,106,681	12,668,736
Operating income (loss)	1,778,697	(2,987,612)	1,077,300
Nonoperating revenues (expenses):			
Income from property and investments	563,288	49,292	98,268
Miscellaneous	-	202,583	-
Interest expense and fees	(159,435)	(104,003)	-
Gain (loss) on sale of property	7,749	159,660	-
Property taxes	3,568,505	-	-
Total nonoperating revenues (expenses)	3,980,107	307,532	98,268
Income (loss) before transfers and capital contributions	5,758,804	(2,680,080)	1,175,568
Transfers in	-	14,811,100	-
Capital contributions:			
Capital restricted fees and grants	5,946,583	-	2,436,238
Developer constructed assets	3,068,533	-	1,870,485
Other	-	-	-
Change in net position	14,773,920	12,131,020	5,482,291
Total net position (deficit) at beginning of year	282,692,501	(27,350,884)	169,596,550
Total net position (deficit) at end of year	\$ 297,466,421	\$ (15,219,864)	\$ 175,078,841

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>
\$ -	\$ 44,089,527	\$ -
-	13,466,800	-
-	7,119,069	-
3,302,612	4,029,725	19,390,917
169,835	2,470,926	106,344
<u>3,472,447</u>	<u>71,176,047</u>	<u>19,497,261</u>
-	4,726,453	-
-	23,188,770	-
-	6,619,307	-
-	12,191,886	2,205,672
-	-	1,236,777
-	-	6,150,453
-	-	597,263
3,249,643	24,358,442	9,317,680
<u>3,249,643</u>	<u>71,084,858</u>	<u>19,507,845</u>
<u>222,804</u>	<u>91,189</u>	<u>(10,584)</u>
38,419	749,267	101,150
-	202,583	-
-	(263,438)	(50,657)
-	167,409	87,797
-	3,568,505	-
<u>38,419</u>	<u>4,424,326</u>	<u>138,290</u>
261,223	4,515,515	127,706
255,862	15,066,962	1,697,000
-	8,382,821	-
-	4,939,018	-
-	-	630,206
<u>517,085</u>	<u>32,904,316</u>	<u>2,454,912</u>
<u>11,572,806</u>		<u>32,697,532</u>
<u>\$ 12,089,891</u>		<u>\$ 35,152,444</u>
	20,764	
	<u>\$ 32,925,080</u>	



**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 43,611,436	\$ 7,200,199	\$ 14,371,149
Payments to suppliers	(32,179,078)	(6,583,672)	(7,241,793)
Payments to employees	(4,557,385)	-	(1,953,706)
Internal activity - payments to other funds	(2,556,054)	-	(1,284,367)
Claims and premiums paid	-	-	-
Other receipts	911,165	-	279,236
Other payments	-	(72,745)	-
Net cash provided (used) by operating activities	<u>5,230,084</u>	<u>543,782</u>	<u>4,170,519</u>
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from other funds	-	14,811,100	-
Advances to other funds	-	(480,401)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>14,330,699</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	166,025	-	-
Capital restricted fees	1,959,476	-	2,436,238
Purchase of capital assets	(4,370,990)	(801,198)	(11,870,838)
Gross proceeds from the sale of capital assets	7,749	159,660	-
Principal paid on capital debt	(1,935,365)	(15,855,000)	-
Interest and other fees paid	(401,021)	(338,814)	-
Proceeds from state and local grants	3,987,107	-	-
Property taxes received	3,566,047	-	-
Net cash (used in) capital and related financing activities	<u>2,979,028</u>	<u>(16,835,352)</u>	<u>(9,434,600)</u>
Cash flows from investing activities:			
Interest on investments	142,932	45,452	(63,247)
Net increase (decrease) in cash and cash equivalents	<u>8,352,044</u>	<u>(1,915,419)</u>	<u>(5,327,328)</u>
Cash and cash equivalents at beginning of year	<u>114,337,592</u>	<u>3,715,679</u>	<u>52,430,399</u>
Cash and cash equivalents at end of year	<u>\$ 122,689,636</u>	<u>\$ 1,800,260</u>	<u>\$ 47,103,071</u>

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

Enterprise Funds		Governmental
Solid Waste	Totals	Activities - Internal Service Funds
\$ 2,901,614	\$ 68,084,398	\$ 19,394,063
(856,145)	(46,860,688)	(6,414,626)
(1,236,550)	(7,747,641)	(4,745,126)
(583,224)	(4,423,645)	(200,381)
-	-	(5,041,864)
169,835	1,360,236	116,711
-	(72,745)	-
<u>395,530</u>	<u>10,339,915</u>	<u>3,108,777</u>
255,862	15,066,962	1,697,000
-	(480,401)	-
<u>255,862</u>	<u>14,586,561</u>	<u>1,697,000</u>
-	166,025	-
-	4,395,714	-
-	(17,043,026)	(1,594,769)
-	167,409	155,991
-	(17,790,365)	(176,311)
-	(739,835)	(50,657)
-	3,987,107	-
-	3,566,047	-
-	(23,290,924)	(1,665,746)
(7,191)	117,946	75,654
644,201	1,753,498	3,215,685
<u>12,689,842</u>	<u>183,173,512</u>	<u>43,169,205</u>
<u>\$ 13,334,043</u>	<u>\$ 184,927,010</u>	<u>\$ 46,384,890</u>

(Continued)



**Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2017**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 1,778,697	\$ (2,987,612)	\$ 1,077,300
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,785,645	3,487,374	3,918,867
Change in assets and liabilities:			
(Increase) decrease in receivables	(1,210,258)	182,197	243,079
(Increase) decrease in due from other governments	(559,092)	-	(1,922,217)
(Increase) decrease in inventories	174,797	28,958	(454)
(Increase) decrease in prepaid items	(4,012)	-	-
(Increase) decrease in deferred outflows - pension related items	(844,225)	-	(474,435)
(Decrease) increase in accrued liabilities	(1,380,397)	6,677	(40,340)
(Decrease) increase in due to other governments	1,911,968	(72,745)	430,296
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	5,054	(101,067)	661,270
(Decrease) increase in unearned revenue	-	-	-
(Decrease) increase in net pension liability	796,328	-	412,410
(Decrease) increase in deferred inflows - pension related items	(224,421)	-	(135,257)
Net cash provided by operating activities	<u>\$ 5,230,084</u>	<u>\$ 543,782</u>	<u>\$ 4,170,519</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 3,068,533</u>	<u>\$ -</u>	<u>\$ 1,870,485</u>
Unrealized gains (losses)	<u>\$ (1,102,159)</u>	<u>\$ (13,338)</u>	<u>\$ (455,494)</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
\$ 222,804	\$ 91,189	\$ (10,584)
-	12,191,886	2,205,672
(401,151)	(1,186,133)	242,835
-	(2,481,309)	-
-	203,301	43,270
-	(4,012)	20,638
(243,122)	(1,561,782)	(988,762)
460,418	(953,642)	188,136
-	2,269,519	-
-	-	630,513
-	565,257	-
153	153	-
440,007	1,648,745	1,286,490
(83,579)	(443,257)	(509,431)
<u>\$ 395,530</u>	<u>\$ 10,339,915</u>	<u>\$ 3,108,777</u>
<u>\$ -</u>	<u>\$ 4,939,018</u>	<u>\$ 630,206</u>
<u>\$ (116,709)</u>	<u>\$ (1,687,700)</u>	<u>\$ (348,326)</u>



**Statement of Net Position
Fiduciary Funds
June 30, 2017**

ASSETS	Agency Funds	Private Purpose Trust Funds
ASSETS		
Current assets:		
Cash and investments	\$ 19,069,498	\$ 1,192,773
Receivables:		
Interest	109,303	4,107
Taxes	932	-
Other	9,247	-
Prepaid items	4,129	-
Total current assets	19,193,109	1,196,880
Noncurrent assets:		
Loans receivable	-	3,750,000
Restricted assets:		
Cash and investments	5,124,822	-
Total noncurrent assets	5,124,822	3,750,000
Total assets	\$ 24,317,931	\$ 4,946,880
LIABILITIES		
Current liabilities:		
Accrued liabilities	\$ 935,011	\$ 2,699
Accrued interest payable	-	106,143
Deposits held for others	23,382,920	-
Current portion of long-term debt	-	735,000
Total current liabilities	24,317,931	843,842
Noncurrent liabilities:		
Due to the City of Carlsbad	-	10,860,807
Tax allocation bonds payable	-	5,295,000
Total noncurrent liabilities	-	16,155,807
Total liabilities	24,317,931	16,999,649
NET POSITION		
Held in trust for redevelopment obligation retirement purposes	\$ -	\$ (12,052,769)

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



**Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017**

	Private Purpose Trust Funds
ADDITIONS	
<hr/>	
Contributions:	
Tax increment	\$ 2,454,954
Income from property and investments	7,766
Total additions	<u>2,462,720</u>
DEDUCTIONS	
<hr/>	
General and administrative	380,652
Interest expense and fees	539,003
Total deductions	<u>919,655</u>
Change in net position	1,543,065
Total net position (deficit) at beginning of year	<u>(13,595,834)</u>
Total net position (deficit) at end of year	<u>\$ (12,052,769)</u>

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



Notes to the Financial Statements

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 (CMWD).

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.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 (TOT), 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 (National Council on Government Accounting) 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 (CFD) 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 (GCC)** 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 (IRF)** capital project fund is used to account for transfers from the General Fund and expenditures for the replacement of major infrastructure throughout the city.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

- The **Public Facilities Construction (PFF)** 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.
- 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 (RDA).

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 CMWD 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.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Cash and investments

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

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

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

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

Inventories

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

Compensated absences

Compensated absences are comprised of vacation payable for all city employees, banked overtime (comp time) and vested sick benefits for certain former district employees. Vacation pay and comp time are payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation and comp time expected to be paid in the next 12 months is recorded as a liability in the Self-Insured Benefits internal service fund. Since the city caps the amount of vacation and comp time employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2017, 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 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.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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 acquisition 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 addition the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized.

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 has pension-related items in this category.

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.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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 has pension related items in this category.

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 two percent of outstanding billings at June 30, 2017, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2017, 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, 2017, 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.

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.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Net position

Net position represents the differences between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction or improvement of those assets. Net investment in capital assets, excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the city or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the city’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Cash flows

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

Long-term obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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’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.

For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2015
Measurement Date (MD)	June 30, 2016
Measurement Period (MP)	July 1, 2015 to June 30, 2016

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.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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; and
- 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. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and a portion of the Parking-in-Lieu Capital Project Fund (Grants and Other Capital Project Funds). Accordingly, the revenues and expenditures for the Tyler Court Apartments Fund have been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds except for the Parking-in-Lieu Fund; therefore, budget basis financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.



Notes to the Financial Statements

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 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, 2017, the LAIF performance report shows a fair value factor of 0.998940671. The city'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.



Notes to the Financial Statements

Note 3. Deposit and Investment Risk (continued)

As of June 30, 2017 the city had the following investments in its portfolio:

	Fair Market Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
United States Treasury Bills & Notes	\$ 125,902,867	17.5%	2.390
Federal National Mortgage Association	89,422,103	12.4%	2.097
Federal Home Loan Bank	80,011,478	11.1%	2.103
Federal Home Loan Mortgage Corporation	67,668,820	9.4%	2.534
Federal Farm Credit Bank	60,980,566	8.5%	2.275
Federal Agricultural Corporation	21,725,734	3.0%	1.790
Refunding Corporation	9,272,288	1.3%	2.003
Financing Corporation	8,989,726	1.2%	2.014
Tennessee Valley Authority	3,722,900	0.5%	2.903
RFCO Strip Principal	2,826,660	0.4%	3.263
Subtotal U.S. agencies	<u>470,523,142</u>	<u>65.3%</u>	<u>2.258</u>
Corporate notes:			
Medium-term corporate notes	134,977,144	18.8%	2.225
Subtotal corporate notes	<u>134,977,144</u>	<u>18.8%</u>	<u>2.250</u>
LAIF	94,405,887	13.1%	-
Certificates of deposit	15,613,005	2.2%	2.102
Cash accounts	4,200,495	0.6%	-
Total Treasurer's Pool	<u>719,719,673</u>	<u>100.0%</u>	<u>1.942</u>
Investments held outside the Treasurer's Pool			
Money market funds	4,758,951		
Guaranteed investment contracts	2,409,361		
Subtotal debt service funds/bond proceeds	<u>7,168,312</u>		
Other deposits	1,797,100		
Petty cash funds	12,470		
Total cash and investments	<u>\$ 728,697,555</u>		
Statement of Net Position, Primary Government			
Cash and investments	\$ 703,310,462		
Statement of Net Position, Fiduciary Funds			
Cash and investments	20,262,271		
Restricted cash and investments	5,124,822		
Total cash and investments	<u>\$ 728,697,555</u>		



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, 2017:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
U.S. Treasury Bills & Notes	\$ 125,902,867	\$ -	\$ -	\$ 125,902,867
Refunding Corporation	9,272,288	-	-	9,272,288
Federal Agency securities	-	335,347,987	-	335,347,987
Medium-term corporate notes	-	134,977,144	-	134,977,144
Certificates of Deposit	-	15,613,005	-	15,613,005
Total Investments Reported at Fair Value	135,175,155	485,938,136	-	621,113,291
Cash accounts	-	-	-	4,200,495
LAIF	-	-	-	94,405,887
Money market funds	-	-	-	4,758,951
Guaranteed investment contracts	-	-	-	2,409,361
Other deposits	-	-	-	1,797,100
Petty cash funds	-	-	-	12,470
Total cash and investments	\$ 135,175,155	\$ 485,938,136	\$ -	\$ 728,697,555

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 Wall Street Reform and Consumer Protection Act.

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.



Notes to the Financial Statements

Note 3. Deposit and Investment Risk (continued)

For concentration of investments, the city's IPS requires that no more than five 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, 2017, the portfolio was in compliance with this requirement.

Default credit risk

Default credit risk is the risk that the issuer of the security does not pay either the interest or principal when due. Debts of most U.S. agencies are not backed by the full faith and credit of the federal government. These agencies are U.S. government-sponsored. In August 2011, Standard and Poor's Investor's Service 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, the city believes 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, 2017, approximately 1.56 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 IPS. 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 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.

The table below is the minimum rating (where applicable) the California state code, the city's investment policy, or debt agreements, and the actual rating at June 30, 2017 for each investment type by Standard & Poor's Investor's Service:

Investment Type	Total	Minimum Legal Rating	Exempt from Disclosure	Rating as of Year End			
				AAA	AA	A	Not Rated
Treasury securities	\$ 125,902,867	N/A	\$ 125,902,867	\$ -	\$ -	\$ -	\$ -
Federal agency securities	344,620,275	N/A	-	-	344,620,275	-	-
Medium term notes	134,977,144	AA	-	33,189,463	90,781,122	11,006,559	-
Local Agency Investment Fund (LAIF)	94,405,887	N/A	-	-	-	-	94,405,887
Certificates of deposit	15,613,005	N/A	-	-	-	-	15,613,005
Cash accounts	4,200,495	N/A	-	-	-	-	4,200,495
Other deposits	1,797,100	N/A	-	-	-	-	1,797,100
Petty cash funds	12,470	N/A	-	-	-	-	12,470
Investments with fiscal agent							
Money market funds	4,758,951	N/A	-	4,758,951	-	-	-
Guaranteed investment contracts	2,409,361	N/A	-	-	-	-	2,409,361
	<u>\$ 728,697,555</u>		<u>\$ 125,902,867</u>	<u>\$ 37,948,414</u>	<u>\$ 435,401,397</u>	<u>\$ 11,006,559</u>	<u>\$ 118,438,318</u>



Notes to the Financial Statements

Note 3. Deposit and Investment Risk (continued)

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, 2017, the portfolio had a 0.66 percent loss in market value based on cost.

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, 2017, the modified duration of the portfolio was 1.942. 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 one 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, 2017, maturities within one year exceeded the required minimum of \$166,764,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2016-17 Operating Budget adopted by the City Council).
3. As of June 30, 2017, the weighted average maturity of the LAIF underlying debt securities was 194 days. As of June 30, 2017, LAIF had a 0.106 percent loss in market value.
4. As of June 30, 2017, the city's investment portfolio included \$25,305,000 of callable step-up notes.

Note 4. Due To and From Other Funds

The city had no amounts that were due from funds within the city to other funds within the city at June 30, 2017.



Notes to the Financial Statements

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, 2017:

Advances From	Advances To	Amount
General Fund	Other Governmental Funds: Habitat Mitigation	\$ 277,120 (1)
General Fund	Enterprise Funds: Golf Course	55,634,872 (2)
Other Governmental Funds: CFD No. 1	Other Governmental Funds: Traffic Impact Projects	2,070,958 (3)
Public Facilities Construction	Park Development	6,450,000 (4)
		<u>\$ 64,432,950</u>
General Fund	Fiduciary Funds: Redevelopment Obligation Retirement Trust Funds	<u>\$ 10,860,807 (5)</u>

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

- (1) The advance between the General Fund and the Habitat & Agricultural Management 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 Enterprise Fund is estimated to be repaid through residual operating income from golf course operations.
- (3) The advance between the CFD 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 PFF 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.



Notes to the Financial Statements

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2017:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 152,207,069	\$ 891,418	\$ -	\$ 153,098,487
Construction in progress	16,659,747	3,625,851	(12,510,920)	7,774,678
Total capital assets, not being depreciated	<u>168,866,816</u>	<u>4,517,269</u>	<u>(12,510,920)</u>	<u>160,873,165</u>
Capital assets, being depreciated:				
Buildings	123,085,992	656,128	-	123,742,120
Improvements, other than buildings	80,562,176	890,868	-	81,453,044
Machinery and equipment	36,261,632	5,204,528	(1,033,200)	40,432,960
Infrastructure	687,030,699	24,413,889	-	711,444,588
Intangible assets	4,065,600	951,848	-	5,017,448
Total capital assets, being depreciated	<u>931,006,099</u>	<u>32,117,261</u>	<u>(1,033,200)</u>	<u>962,090,160</u>
Less accumulated depreciation for:				
Buildings	(34,649,877)	(2,704,104)	-	(37,353,981)
Improvements, other than buildings	(24,072,763)	(3,389,132)	-	(27,461,895)
Machinery and equipment	(23,227,587)	(2,966,044)	965,006	(25,228,625)
Infrastructure	(227,097,330)	(14,548,755)	-	(241,646,085)
Intangible assets	(1,820,869)	(588,873)	-	(2,409,742)
Total accumulated depreciation	<u>(310,868,426)</u>	<u>(24,196,908)</u>	<u>965,006</u>	<u>(334,100,328)</u>
Total capital assets being depreciated, net	<u>620,137,673</u>	<u>7,920,353</u>	<u>(68,194)</u>	<u>627,989,832</u>
Governmental activities capital assets, net	<u>\$ 789,004,489</u>	<u>\$ 12,437,622</u>	<u>\$ (12,579,114)</u>	<u>\$ 788,862,997</u>



Notes to the Financial Statements

Note 6. Capital Assets (continued)

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,375,975	\$ -	\$ -	\$ 9,375,975
Construction in progress	27,554,662	17,838,022	(1,162,920)	44,229,764
Total capital assets, not being depreciated	<u>36,930,637</u>	<u>17,838,022</u>	<u>(1,162,920)</u>	<u>53,605,739</u>
Capital assets, being depreciated:				
Buildings	40,673,540	31,541	-	40,705,081
Improvements, other than buildings	51,121,786	-	-	51,121,786
Machinery and equipment	3,471,210	801,198	(561,256)	3,711,152
Infrastructure	329,986,540	4,939,018	-	334,925,558
Wastewater treatment facility	57,295,227	226,435	-	57,521,662
Total capital assets, being depreciated	<u>482,548,303</u>	<u>5,998,192</u>	<u>(561,256)</u>	<u>487,985,239</u>
Less accumulated depreciation for:				
Buildings	(8,704,417)	(699,499)	-	(9,403,916)
Improvements, other than buildings	(28,069,320)	(3,220,880)	-	(31,290,200)
Machinery and equipment	(2,933,670)	(286,841)	561,256	(2,659,255)
Infrastructure	(95,799,809)	(6,543,091)	-	(102,342,900)
Wastewater treatment facility	(33,715,787)	(1,441,574)	-	(35,157,361)
Total accumulated depreciation	<u>(169,223,003)</u>	<u>(12,191,885)</u>	<u>561,256</u>	<u>(180,853,632)</u>
Total capital assets being depreciated, net	<u>313,325,300</u>	<u>(6,193,693)</u>	<u>-</u>	<u>307,131,607</u>
Business-type activities capital assets, net	<u>\$ 350,255,937</u>	<u>\$ 11,644,329</u>	<u>\$ (1,162,920)</u>	<u>\$ 360,737,346</u>



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	\$ 1,216,612
Community development	294,688
Public safety	1,408,449
Community services	4,091,493
Public works	14,979,994
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>2,205,672</u>
Total depreciation expense - governmental activities	<u><u>\$ 24,196,908</u></u>
Business-type activities:	
Carlsbad Municipal Water District	\$ 4,785,644
Wastewater	3,918,867
Golf course	<u>3,487,374</u>
Total depreciation expense - business-type activities	<u><u>\$ 12,191,885</u></u>

Note 7. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2017:

	Principal Balance at July 1, 2016	Increases	Decreases	Principal Balance at June 30, 2017	Due Within One Year
Governmental activities:					
Obligations under capital lease	\$ 969,927	\$ -	\$ 185,378	\$ 784,549	\$ 196,969
Total governmental activities	<u>\$ 969,927</u>	<u>\$ -</u>	<u>\$ 185,378</u>	<u>\$ 784,549</u>	<u>\$ 196,969</u>
Business-type activities:					
Bonds	\$ 15,855,000	\$ -	\$ 15,855,000	\$ -	\$ -
Loans payable	17,670,403	166,025	1,935,365	15,901,063	1,510,433
	33,525,403	166,025	17,790,365	15,901,063	1,510,433
Plus premiums	202,583	-	202,583	-	-
Total business type activities	<u>\$ 33,727,986</u>	<u>\$ 166,025</u>	<u>\$ 17,992,948</u>	<u>\$ 15,901,063</u>	<u>\$ 1,510,433</u>



Notes to the Financial Statements

Note 7. Long-term Debt (continued)

Long-term debt at June 30, 2017 is comprised of the following issues:

	Balance at June 30, 2017
<u>Governmental long-term debt</u>	
The city has entered into several office equipment lease-purchase agreements. As of June 30, 2017 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%	\$ 784,549
Sub-total governmental long-term debt	<u>784,549</u>
Less current portion	<u>(196,969)</u>
Total long-term portion of governmental debt	<u><u>\$ 587,580</u></u>
	Balance at June 30, 2017
<u>Business-type long-term debt</u>	
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 \$530,908 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.	\$ 4,638,071
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 \$979,525 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.	10,873,812
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.	<u>389,180</u>
Subtotal business-type long-term debt	15,901,063
Less current portion	<u>(1,510,433)</u>
Total long-term portion of business-type debt	<u><u>\$ 14,390,630</u></u>



Notes to the Financial Statements

Note 7. Long-term Debt (continued)

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

Year ended June 30:	Governmental Activities	
	Principal	Interest
2018	\$ 196,969	\$ 42,281
2019	209,285	29,965
2020	222,373	16,877
2021	155,922	3,578
	<u>\$ 784,549</u>	<u>\$ 92,701</u>

Year ended June 30:	Business-type Activities	
	Principal	Interest
2018	\$ 1,510,433	\$ 366,050
2019	1,546,234	330,248
2020	1,582,886	293,595
2021	1,620,408	256,074
2022	1,658,821	217,661
2023-2027	7,593,101	495,591
	<u>\$ 15,511,883</u>	<u>\$ 1,959,219</u>

The aggregate maturities for the business-type activities do not reflect a \$389,180 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 8. Rate Covenants and Pledged Revenue

Rate covenants

The 2005 CMWD loan agreement with the State Water Resources Control Board requires that CMWD 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 CMWD, excluding depreciation) of at least one times debt service for that year. All of the revenues of CMWD are pledged to meet these rate covenants and to secure related debt. All rate covenants requirements were met for the fiscal year ended June, 30, 2017.



Notes to the Financial Statements

Note 8. Rate Covenants and Pledged Revenue (continued)

Pledged revenue

The city has 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
Recycled water revenues	\$ 3,508,413	\$ 1,876,482	53%

Note 9. 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, 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, 2017, the city has three series of assessment district bonds outstanding in the amount of \$39,185,000. 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, 2017, the city has two series CFD bonds outstanding in the amount of \$21,305,000. 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, 2017 is \$20,592,457. 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.



Notes to the Financial Statements

Note 10. Fund Balances

The following is a summary of the components of fund balances as of June 30, 2017:

Fund Balances	Governmental Funds			
	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Nonspendable:				
Inventory	\$ 17,546	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-
Loans receivable	69,952	-	-	-
Due from Successor Agency*	6,182,846	-	-	-
Advances to other funds*	47,481,028	-	-	-
Totals	53,751,372	-	-	-
Restricted for:				
Affordable housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	81,809,869	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Totals	-	81,809,869	-	-
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	1,000,000	-	-	-
Assigned to:				
CalPERS stability	5,500,000	-	-	-
General government	18,024,788	-	-	-
Public safety	4,670,438	-	-	-
Community development	2,322,660	-	-	-
Community services	3,563,962	-	-	-
Public works	4,356,811	-	-	-
Capital projects	-	-	47,643,185	99,350,791
Totals	38,438,659	-	47,643,185	99,350,791
Unassigned:				
Unassigned	68,190,763	-	-	-
Economic uncertainty	10,000,000	-	-	-
Totals	78,190,763	-	-	-
Total fund balances	\$ 171,380,794	\$ 81,809,869	\$ 47,643,185	\$ 99,350,791



Notes to the Financial Statements

Governmental Funds		
Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ 17,546
-	1,292	1,292
-	-	69,952
-	-	6,182,846
-	-	47,481,028
-	1,292	53,752,664
-	40,526,232	40,526,232
-	6,526,874	6,526,874
-	1,813,726	1,813,726
37,602,391	63,832,559	183,244,819
-	614,641	614,641
-	450,930	450,930
-	229,902	229,902
-	1,514,219	1,514,219
37,602,391	115,509,083	234,921,343
-	-	1,000,000
-	-	1,000,000
-	-	5,500,000
-	-	18,024,788
-	-	4,670,438
-	-	2,322,660
-	-	3,563,962
-	-	4,356,811
-	-	146,993,976
-	-	185,432,635
-	-	68,190,763
-	-	10,000,000
-	-	78,190,763
<u>\$ 37,602,391</u>	<u>\$ 115,510,375</u>	<u>\$ 553,297,405</u>



Notes to the Financial Statements

Note 10. Fund Balances (continued)

* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of \$13,108,925 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

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 City 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 City 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 City Council, but does not require a formal action like a resolution or ordinance. The City Council has not delegated to any other persons or bodies the authority to assign fund balance to specific purposes. The City 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 – Talent Management initiatives; staff development including training and coaching; citywide fall barbeque; succession planning; continuing the implementation of the new permitting and business license implementation; utility billing system upgrade; Human Capital Management System (HCMS) upgrade; a new Enterprise Resource Planning system; new laptops and office furniture for Human Resources; and new office furniture in the City Clerk's, City Attorney's and City Manager's offices. Communications will be creating a training program for staff on how to communicate effectively with the public and testing new methodology for making city information digitally available to the public.
- Public safety – new breathing apparatuses for the Fire Department; the purchase and training of a new K-9 unit; new command post radios, air cards for the license plate recognition cameras, and new audiovisual equipment.



Notes to the Financial Statements

Note 10. Fund Balances (continued)

- Community development – new office furniture; training and coaching for staff; and costs associated with creating desk manuals and process documentation. Housing and Neighborhood Services will be conducting events to address homelessness.
- Community services – the Parks and Recreation Department will be purchasing activity management software and furniture for the Senior Center. The Library and Cultural Arts Department will be purchasing improved signage for all library facilities, and continuing to fund community public arts projects.
- Public works – engineering manual update, succession planning, and implementing a strategic plan.
- Capital projects – citywide infrastructure replacement projects, City Hall exterior refurbishments, open space acquisition, beach access improvements, Safety Center improvements, Fire Station No. 2 replacement, Dove Library 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 City Council.

Note 11. General Fund Balance Policy

It is the policy of the city 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 12. Accumulated Fund Deficits/Negative Net Position

The following funds reported deficits in fund balances or net position as of June 30, 2017:

	Deficit Balance
Enterprise Funds:	
Golf Course	\$ (15,219,864)

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.



Notes to the Financial Statements

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Capital Project Fund	\$ 10,000
Capital Project Funds:		
General Capital Construction	General Fund	10,500,000
Infrastructure Replacement	General Fund	9,460,000
Sales Tax/TransNet	Gas Tax Capital Project Fund	204,871
Enterprise Funds:		
Golf Course	General Fund	14,811,100
Storm Water Protection	General Fund	255,862
Internal Service Funds:		
Fleet Management	General Fund	197,000
Workers' Compensation	General Fund	1,500,000
Special Revenue Funds:		
Affordable Housing	Tyler Court Apartments	174,045
Financing Districts	General Fund	500,000
		<u>\$ 37,612,878</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; (4) defease golf course bonds; and (5) move excess cash collected for future capital replacement in accordance with Council authorization.

Note 14. Risk Management

The city is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The city uses a Risk Management Self-Insurance Fund, a Self-Insured Benefits Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All 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, 2017, the unrestricted fund equity for the Risk Management Self-Insurance Fund was \$1,149,760. Funds used by the Risk Management Fund to liquidate the claims liability predominantly come from the General Fund (84.54%), the Water funds (7.02%) and the Wastewater funds (3.12%).



Notes to the Financial Statements

Note 14. Risk Management (continued)

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 SIR of \$1,000,000 per claim for police and fire employees, and \$750,000 for all other employees. At June 30, 2017, the unrestricted fund equity for the Workers’ Compensation Self-Insurance Fund was \$2,185,709. Funds used by the Workers’ Compensation Fund to liquidate the claims liability predominantly come from the General Fund (91.08%), the Water funds (3.42%) and the Wastewater funds (1.37%).

The estimated claims payable reported at June 30, 2017 is based on the requirements of GASB, 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 2016 and 2017 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:				
2015-16	\$ 97,200	\$ 923,817	\$ 915,679	\$ 105,338
2016-17	105,338	631,465	631,545	105,258
Risk Management Fund:				
2015-16	2,019,176	(340,881)	567,566	1,110,729
2016-17	1,110,729	2,998,566	1,174,654	2,934,641
Workers’ Compensation Fund:				
2015-16	6,983,969	3,963,018	2,627,442	8,319,545
2016-17	8,319,545	1,395,639	2,359,635	7,355,549



Notes to the Financial Statements

Note 15. Joint Ventures

Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the facilities) are wastewater facilities owned jointly by the cities of Carlsbad, Vista and Encinitas and the Leucadia Wastewater 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, 2016, 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%

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 EWA totaled \$2,810 in Fiscal Year 2016. The financial statements of EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at www.enciaajpa.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’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 16. Pension Plan

Plan description

All qualified permanent and probationary employees are eligible to participate in the city’s Safety (sworn police and fire) and Miscellaneous (all other) Plans (the Plans), agent multiple-employer defined benefit pension plans administered by 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 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.



Notes to the Financial Statements

Note 16. 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, 2017, 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	28.857%	28.857%	28.857%

	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	40.581%	40.581%	40.581%

Employees Covered

As of June 30, 2015, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	461	207
Inactive employees or beneficiaries currently not yet receiving benefits	420	86
Active employees	474	184
Total	1,355	477



Notes to the Financial Statements

Note 16. Pension Plan (continued)

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 the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ending June 30, 2016 (the measurement date), the average active employee contribution rate ranged from 6.75 percent to 8.0 percent of annual pay for miscellaneous employees and 9.0 percent to 12.0 percent of annual pay for safety employees, and the average employer’s contribution rate is 28.857 percent of annual payroll for miscellaneous employees and 40.581 percent of annual payroll for safety employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements are classified as plan member contributions.

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2016 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability determined in the June 30, 2015 actuarial accounting valuation. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal
Asset valuation method	Market value of assets
Actuarial assumptions	
Discount rate	7.65%*
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.5% net of pension plan investment and administration 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

* the net discount rate after administrative expenses is 7.50%

All other actuarial assumptions used in the June 30, 2015 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 at www.calpers.ca.gov under Forms and Publications.

Change of Assumption

There were no changes of assumptions.



Notes to the Financial Statements

Note 16. Pension Plan (continued)

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. The tests 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 (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' (PERF) asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) 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 PERF 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 equal 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. The target allocation shown was adopted by the Board effective on July 1, 2015.

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	20.0	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	1.0	(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.



Notes to the Financial Statements

Note 16. Pension Plan (continued)

Pension Plan Fiduciary Net Position

The plan fiduciary net position 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.

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	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015	\$ 322,606,958	\$ 242,447,633	\$ 80,159,325
Changes Recognized for the Measurement Period:			
• Service cost	6,836,445	-	6,836,445
• Interest on the Total Pension Liability	24,192,948	-	24,192,948
• Changes of benefit terms	-	-	-
• Differences between expected and actual experience	(2,605,228)	-	(2,605,228)
• Changes of assumptions	-	-	-
• Plan to plan resource movement	-	-	-
• Contributions from the employer	-	9,562,926	(9,562,926)
• Contributions from employees	-	2,833,466	(2,833,466)
• Net investment income	-	1,330,196	(1,330,196)
• Benefit payments, including refunds of employee contributions	(14,344,528)	(14,344,528)	-
• Administrative expense	-	(147,759)	147,759
Net Changes during 2015-16	<u>14,079,637</u>	<u>(765,699)</u>	<u>14,845,336</u>
Balance at 6/30/2016	<u>\$ 336,686,595</u>	<u>\$ 241,681,934</u>	<u>\$ 95,004,661</u>



Notes to the Financial Statements

Note 16. Pension Plan (continued)

Safety Plan	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2015	\$ 247,020,357	\$ 187,329,833	\$ 59,690,524
Changes Recognized for the Measurement Period:			
• Service cost	5,209,900	-	5,209,900
• Interest on the Total Pension Liability	18,557,781	-	18,557,781
• Changes of benefit terms	-	-	-
• Differences between expected and actual experience	(941,378)	-	(941,378)
• Changes of assumptions	-	-	-
• Plan to plan resource movement	-	-	-
• Contributions from the employer	-	6,836,098	(6,836,098)
• Contributions from employees	-	1,933,363	(1,933,363)
• Net investment income	-	990,545	(990,545)
• Benefit payments, including refunds of employee contributions	(12,197,119)	(12,197,119)	-
• Administrative expense	-	(114,168)	114,168
Net Changes during 2015-16	10,629,184	(2,551,281)	13,180,465
Balance at 6/30/2016	\$ 257,649,541	\$ 184,778,552	\$ 72,870,989

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	\$ 140,143,103	\$ 95,004,661	\$ 57,684,355
Plan's Net Pension Liability - Safety	\$ 108,509,751	\$ 72,870,989	\$ 43,691,612

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 of resources related to pensions and are to be recognized in future pension expense.



Notes to the Financial Statements

Note 16. Pension Plan (continued)

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 lifetime (EARSL) 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, 2016 measurement date is 3.1 years, which was obtained by dividing the total service years of 4,157 (the sum of remaining service lifetimes of the active employees) by 1,355 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to zero. 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, 2016 measurement date is 4.6 years, which was obtained by dividing the total service years of 2,186 (the sum of remaining service lifetimes of the active employees) by 477 (the total number of participants: active, inactive, and retired). Note that inactive employees and retirees have remaining service lifetimes equal to zero. 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, 2016 (the measurement date), the city recognized a pension expense of \$17,777,299 for the Plans.

As of June 30, 2016, the city reports other amounts for the Miscellaneous Plan 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	\$ 14,680,998	\$ -
Difference between expected and actual experience	461,474	(1,764,832)
Change in allocation between programs	228,451	(228,451)
Changes of assumptions	-	(2,035,992)
Net difference between projected and actual earnings on pension plan investments	13,238,760	-
Total	<u>\$ 28,609,683</u>	<u>\$ (4,029,275)</u>



Notes to the Financial Statements

Note 16. Pension Plan (continued)

As of June 30, 2016, the city reports other amounts for the Safety Plan as deferred outflows and deferred inflows of resources related to pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,380,267	\$ -
Difference between expected and actual experience	366,962	(736,731)
Changes of assumptions	-	(2,595,265)
Net difference between projected and actual earnings on pension plan investments	<u>10,132,557</u>	<u>-</u>
Total	<u><u>\$ 22,879,786</u></u>	<u><u>\$ (3,331,996)</u></u>

For the Miscellaneous Plan, \$14,680,998 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date, and for the Safety Plan, \$12,380,267 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ (349,986)
2018	938,254
2019	5,893,641
2020	3,417,501
2021	-
Thereafter	-

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Safety Plan pensions will be recognized as pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/(Inflows) of Resources
2017	\$ 405,533
2018	405,534
2019	3,846,812
2020	2,509,644
2021	-
Thereafter	-

Note 17. Postretirement Healthcare

The city and former employees of CMWD are offered other postemployment benefits (OPEB) in the form of health benefits. The majority of city employees are under the city defined contribution plan. CMWD has a defined benefit plan.



Notes to the Financial Statements

Note 17. Postretirement Healthcare (continued)

Plan descriptions

Carlsbad Municipal Water District

The first plan is for active and retired employees who were employed with CMWD at the time CMWD was acquired by the city. Per Resolution No. 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 17 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 employees are offered health insurance coverage under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by 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 2015	\$122.00
Calendar Year 2016	125.00
Calendar Year 2017	128.00

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

California Public Employer's Retiree Benefit Trust Program

The city is participating in the California Employer's Retiree Benefit Trust Program (CERBT) through irrevocable trust agreements for both plans. CERBT, an agent multiple-employer plan, is administered by 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 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 PEMCHA, 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.



Notes to the Financial Statements

Note 17. Postretirement Healthcare (continued)

Employees are not required to contribute to the plan. The city and CMWD are required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB. 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>
2016-17 Annual Required Contribution (ARC)	\$ 133,108	\$ 606,343
2016-17 Recognized Implicit Rate Subsidy	(30,127)	(345,482)
2016-17 Contributions Made	<u>(102,981)</u>	<u>(260,861)</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, 2017 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>	
6/30/15	\$ 196,864	100.0%	\$ -
6/30/16	133,108	100.0%	-
6/30/17	133,108	100.0%	-

Three-year trend information for OPEB (city)

Year	Annual	Percentage of	Net OPEB
<u>Ended</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
6/30/15	\$ 257,995	100.0%	\$ -
6/30/16	606,343	100.0%	-
6/30/17	606,343	100.0%	-



Notes to the Financial Statements

Note 17. Postretirement Healthcare (continued)

Funded status and funding progress

The funded status of the plans as of the actuarial report dated June 30, 2015 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>\$ 235,235</u>	<u>\$ 51,752,862</u>
UAAL as a percentage of Covered Payroll	<u>401.3%</u>	<u>3.8%</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 23 years remaining as of June 30, 2017.

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 city and CMWD plan included a seven percent investment rate of return (net of administrative expenses) and a medical inflation rate of between 5.75 percent per annum and 5.75 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.



Notes to the Financial Statements

Note 17. 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 18. Commitments and Contingencies

Operating leases

The city has two parking lot leases with North County Transit District. On June 15, 1976, the city 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 \$1,386 per month and payable monthly. On September 1, 1988, the city 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 \$2,270 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 on the following page and is based on the actual amount used:



Notes to the Financial Statements

Note 18. Commitments and Contingencies (continued)

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

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, 2017 is \$1,627,184.

As of June 30, 2017, city commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) by major governmental fund and nonmajor funds in the aggregate are as follows:

	Outstanding Encumbrances
General Fund	\$ 8,016,344
Community Facilities District No. 1	495,805
General Capital Construction	1,112,037
Infrastructure Replacement	1,749,862
Public Facilities Construction	8,747,674
Nonmajor Governmental Funds in the Aggregate	3,791,893
Total	<u>\$ 23,913,615</u>

Note 19. 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 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 No. 2012-013 and Housing and Redevelopment Commission Resolution No. 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).



Notes to the Financial Statements

Note 19. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)

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 received notice from the California Department of Finance that the loans previously made by the city 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).

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, 2017:

	Principal			Principal	
	Balance at			Balance at	Due Within
	July 1, 2016	Increases	Decreases	June 30, 2017	One Year
Bonds	\$ 6,730,000	\$ -	\$ 700,000	\$ 6,030,000	\$ 735,000
Due to the City of Carlsbad	11,603,382	212,085	954,660	10,860,807	-
	<u>\$ 18,333,382</u>	<u>\$ 212,085</u>	<u>\$ 1,654,660</u>	<u>\$ 16,890,807</u>	<u>\$ 735,000</u>

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$735,000 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.

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

Year ended June 30:	Principal	Interest
2018	\$ 735,000	\$ 299,134
2019	775,000	259,496
2020	815,000	217,759
2021	855,000	173,707
2022	900,000	127,200
2023-2024	1,950,000	104,675
	<u>\$ 6,030,000</u>	<u>\$ 1,181,971</u>



Notes to the Financial Statements

Note 19. Successor Agency Trust for Assets of Former Redevelopment Agency (continued)

Pledged Revenue

The Successor Agency has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented 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)	\$ 2,462,720	\$ 1,036,803	42%

Note 20. Subsequent Events

In December 2016, the CalPERS Board of Administration voted to lower the discount rate from 7.5 percent to 7.0 percent over the next three years. For public agencies, the discount rate changed approved by the Board for the next three fiscal years ending June 30, 2019, 2020, and 2021 are 7.375 percent, 7.25 percent, and 7.00 percent, respectively.

Required Supplementary Information



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	-
2015-16	322,606,958	6,836,445	24,192,948	-

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	-
2015-16	247,020,357	5,209,900	18,557,781	-

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
2015-16	242,447,633	9,562,926	2,833,466	1,330,196

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
2015-16	187,329,833	6,836,098	1,933,363	990,545



Required Supplementary Information

Difference Between Expected and Actual Experience	Changes of Assumptions	Benefit Payments, Including Refunds of Employee Contributions	Net Change in Total Pension Liability	Total Pension Liability - Ending (a)
\$ -	\$ -	\$ (11,614,664)	\$ 17,086,983	\$ 310,018,027
1,300,520	(5,737,798)	(12,791,734)	12,588,931	322,606,958
(2,605,228)	-	(14,344,528)	14,079,637	336,686,595
\$ -	\$ -	\$ (10,529,479)	\$ 11,772,166	\$ 239,340,454
638,786	(4,517,683)	(11,264,768)	7,679,903	247,020,357
(941,378)	-	(12,197,119)	10,629,184	257,649,541

Benefit Payments, Including Refunds of Employee Contributions	Other Changes In Fiduciary Net Position	Net Change in Fiduciary Net Position	Plan Fiduciary Net Position Ending (b)	Plan Net Pension Liability/(Asset) Ending (a) - (b)
\$ (11,614,664)	\$ -	\$ 34,955,600	\$ 239,310,294	\$ 70,707,733
(12,791,734)	(572,277)	3,137,339	242,447,633	80,159,325
(14,344,528)	(147,759)	(765,699)	241,681,934	95,004,661
\$ (10,529,479)	\$ -	\$ 25,371,148	\$ 186,479,563	\$ 52,860,891
(11,264,768)	(210,908)	850,270	187,329,833	59,690,524
(12,197,119)	(114,168)	(2,551,281)	184,778,552	72,870,989



Required Supplementary Information

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

	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
Miscellaneous Plan	2013–14 ¹	77.19%	\$ 32,856,020	215.20%
	2014–15 ¹	75.15%	33,730,770	237.64%
	2015–16 ¹	71.78%	35,303,101	269.11%
Safety Plan	2013–14 ¹	77.91%	\$ 18,629,989	283.74%
	2014–15 ¹	75.84%	18,020,162	331.24%
	2015–16 ¹	71.72%	18,658,097	390.56%

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, 2015 valuation date. 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: In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.



Required Supplementary Information

Schedule of Plan Contributions¹

Miscellaneous Plan		Contributions in Relation to the Actuarially Determined Contribution			Covered - Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
Fiscal Year Ending	Actuarially Determined Contribution	the Actuarially Determined Contribution	Contribution Deficiency (Excess)			
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		25.01%
06/30/16	9,562,926	(9,562,926)	-	35,303,101		27.09%
06/30/17	10,342,213	(10,342,213)	-	35,845,774		28.85%
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		36.03%
06/30/16	6,836,098	(6,836,098)	-	18,658,097		36.64%
06/30/17	7,696,221	(7,696,221)	-	18,965,085		40.58%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were derived from the June 30, 2014 funding valuation reports.

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.



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Combining and Individual Fund Statements and Schedules



City of Carlsbad

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Funds		
	Affordable	Community	Donations
	Housing	Development Block Grant	
ASSETS			
Cash and investments	\$ 14,984,903	\$ 45,986	\$ 2,468,141
Receivables:			
Interest	51,376	158	8,463
Other	-	-	-
Due from other governments	-	89,332	-
Prepaid items	-	-	-
Loan receivables, net of allowances	24,674,803	224,404	-
Total assets	\$ 39,711,082	\$ 359,880	\$ 2,476,604
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accrued liabilities	\$ 11,072	\$ 129,978	\$ 18,728
Deposits payable	-	-	-
Advances from other funds	-	-	-
Unearned revenue	-	-	-
Total liabilities	11,072	129,978	18,728
Deferred inflows of resources:			
Unavailable revenue - grants	-	-	-
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Affordable housing	39,700,010	-	-
Lighting and landscaping districts	-	-	-
Habitat and agricultural mitigation/preservation	-	-	943,657
Capital projects	-	-	-
General government	-	-	-
Public safety	-	-	-
Community development	-	229,902	-
Community services	-	-	1,514,219
Total fund balances	39,700,010	229,902	2,457,876
Total liabilities, deferred inflows of resources and fund balances	\$ 39,711,082	\$ 359,880	\$ 2,476,604

Special Revenue Funds

Financing Districts	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 6,635,357	\$ 1,142,786	\$ 560,646	\$ 455,229	\$ 446,490	\$ 427,833	\$ 27,167,371
20,984	4,403	1,922	1,833	1	-	89,140
14,995	-	79,977	-	-	21	94,993
-	-	-	107,949	-	-	197,281
-	-	-	-	-	1,292	1,292
-	-	-	-	-	-	24,899,207
<u>\$ 6,671,336</u>	<u>\$ 1,147,189</u>	<u>\$ 642,545</u>	<u>\$ 565,011</u>	<u>\$ 446,491</u>	<u>\$ 429,146</u>	<u>\$ 52,449,284</u>
\$ 144,462	\$ -	\$ 27,904	\$ 17,975	\$ 11,100	\$ 3,305	\$ 364,524
-	-	-	-	8,208	25,510	33,718
-	277,120	-	-	-	-	277,120
-	-	-	-	-	-	-
<u>144,462</u>	<u>277,120</u>	<u>27,904</u>	<u>17,975</u>	<u>19,308</u>	<u>28,815</u>	<u>675,362</u>
-	-	-	96,106	-	-	96,106
-	-	-	-	-	1,292	1,292
-	-	-	-	427,183	399,039	40,526,232
6,526,874	-	-	-	-	-	6,526,874
-	870,069	-	-	-	-	1,813,726
-	-	-	-	-	-	-
-	-	614,641	-	-	-	614,641
-	-	-	450,930	-	-	450,930
-	-	-	-	-	-	229,902
-	-	-	-	-	-	1,514,219
<u>6,526,874</u>	<u>870,069</u>	<u>614,641</u>	<u>450,930</u>	<u>427,183</u>	<u>400,331</u>	<u>51,677,816</u>
<u>\$ 6,671,336</u>	<u>\$ 1,147,189</u>	<u>\$ 642,545</u>	<u>\$ 565,011</u>	<u>\$ 446,491</u>	<u>\$ 429,146</u>	<u>\$ 52,449,284</u>

(Continued)



**City of
Carlsbad**
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2017

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
ASSETS				
Cash and investments	\$ 3,570,079	\$ 11,790,407	\$ 13,096,198	\$ 1,329,916
Receivables:				
Interest	7,945	40,428	44,854	4,699
Other	-	-	-	-
Due from other governments	-	-	-	33,874
Prepaid items	-	-	-	-
Loan receivables, net of allowances	-	-	-	-
Total assets	\$ 3,578,024	\$ 11,830,835	\$ 13,141,052	\$ 1,368,489
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ -	\$ -	\$ 159,346	\$ 1,225
Deposits payable	426,179	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	350,000	-
Total liabilities	426,179	-	509,346	1,225
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	32,145
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	3,151,845	11,830,835	12,631,706	1,335,119
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Total fund balances	3,151,845	11,830,835	12,631,706	1,335,119
Total liabilities, deferred inflows of resources and fund balances	\$ 3,578,024	\$ 11,830,835	\$ 13,141,052	\$ 1,368,489

Capital Project Funds

Park Development	Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 13,220,919	\$ 6,617,912	\$ 6,331,984	\$ 18,220,773	\$ 74,178,188	\$ 101,345,559
45,333	22,693	21,717	62,795	250,464	339,604
-	-	97,026	-	97,026	192,019
-	-	-	-	33,874	231,155
-	-	-	-	-	1,292
-	-	-	-	-	24,899,207
<u>\$ 13,266,252</u>	<u>\$ 6,640,605</u>	<u>\$ 6,450,727</u>	<u>\$ 18,283,568</u>	<u>\$ 74,559,552</u>	<u>\$ 127,008,836</u>
\$ 646,067	\$ 11,225	\$ 416,956	\$ 162,892	\$ 1,397,711	\$ 1,762,235
-	-	-	-	426,179	459,897
6,450,000	-	-	2,070,958	8,520,958	8,798,078
-	-	-	-	350,000	350,000
<u>7,096,067</u>	<u>11,225</u>	<u>416,956</u>	<u>2,233,850</u>	<u>10,694,848</u>	<u>11,370,210</u>
-	-	-	-	32,145	128,251
-	-	-	-	-	1,292
-	-	-	-	-	40,526,232
-	-	-	-	-	6,526,874
-	-	-	-	-	1,813,726
6,170,185	6,629,380	6,033,771	16,049,718	63,832,559	63,832,559
-	-	-	-	-	614,641
-	-	-	-	-	450,930
-	-	-	-	-	229,902
-	-	-	-	-	1,514,219
<u>6,170,185</u>	<u>6,629,380</u>	<u>6,033,771</u>	<u>16,049,718</u>	<u>63,832,559</u>	<u>115,510,375</u>
<u>\$ 13,266,252</u>	<u>\$ 6,640,605</u>	<u>\$ 6,450,727</u>	<u>\$ 18,283,568</u>	<u>\$ 74,559,552</u>	<u>\$ 127,008,836</u>



Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	870,446	-	-
Charges for services	60,647	-	-	2,345,137
Fines and forfeitures	-	-	-	-
Income from property and investments	212,680	188,023	5,848	15,656
Contributions from property owners	127,165	-	-	-
Donations	-	-	349,452	-
Miscellaneous	238,665	-	15,070	57,577
Total revenues	639,157	1,058,469	370,370	2,418,370
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	552,586	750,523	-	-
Community services	-	-	438,530	1,580,929
Public works	-	-	-	730,120
Capital outlay	-	308,112	44,784	1,244
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	552,586	1,058,635	483,314	2,312,293
Excess (deficiency) of revenues over (under) expenditures	86,571	(166)	(112,944)	106,077
Other financing sources (uses):				
Transfers in	174,045	-	-	500,000
Transfers out	-	-	-	-
Total other financing sources (uses)	174,045	-	-	500,000
Net change in fund balances	260,616	(166)	(112,944)	606,077
Fund balances at beginning of year	39,439,394	230,068	2,570,820	5,920,797
Fund balances at end of year	\$ 39,700,010	\$ 229,902	\$ 2,457,876	\$ 6,526,874

Special Revenue Funds

Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	355,578	6,658,528	-	7,884,552
-	-	-	-	532,830	2,938,614
-	-	43,129	-	-	43,129
1,949	-	2,066	214	449	426,885
190,730	341,095	-	-	-	658,990
-	-	-	-	-	349,452
-	-	-	50,754	-	362,066
<u>192,679</u>	<u>341,095</u>	<u>400,773</u>	<u>6,709,496</u>	<u>533,279</u>	<u>12,663,688</u>
-	143,075	-	-	-	143,075
-	-	351,934	-	-	351,934
140,130	-	-	6,877,238	306,470	8,626,947
-	-	-	-	-	2,019,459
-	-	-	-	-	730,120
-	199,203	64,707	-	8,459	626,509
5,161	-	-	-	-	5,161
<u>145,291</u>	<u>342,278</u>	<u>416,641</u>	<u>6,877,238</u>	<u>314,929</u>	<u>12,503,205</u>
<u>47,388</u>	<u>(1,183)</u>	<u>(15,868)</u>	<u>(167,742)</u>	<u>218,350</u>	<u>160,483</u>
-	-	-	-	-	674,045
-	-	-	-	(174,045)	(174,045)
-	-	-	-	(174,045)	500,000
47,388	(1,183)	(15,868)	(167,742)	44,305	660,483
<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>\$ 870,069</u>	<u>\$ 614,641</u>	<u>\$ 450,930</u>	<u>\$ 427,183</u>	<u>\$ 400,331</u>	<u>\$ 51,677,816</u>

(Continued)



**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2017**

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 2,170,007	\$ -
Intergovernmental	-	-	-	79,777
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	12,817	30,163	24,390	4,514
Contributions from property owners	-	108,962	-	238,440
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	12,817	139,125	2,194,397	322,731
Expenditures:				
Current:				
General government	1,956,021	-	-	43,871
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	600,000	-
Capital outlay	-	37,636	2,177,226	111,475
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	1,956,021	37,636	2,777,226	155,346
Excess (deficiency) of revenues over (under) expenditures	(1,943,204)	101,489	(582,829)	167,385
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(214,871)	-
Total other financing sources (uses)	-	-	(214,871)	-
Net change in fund balances	(1,943,204)	101,489	(797,700)	167,385
Fund balances at beginning of year	5,095,049	11,729,346	13,429,406	1,167,734
Fund balances at end of year	\$ 3,151,845	\$ 11,830,835	\$ 12,631,706	\$ 1,335,119

Capital Project Funds

Park Development	Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 2,170,007	\$ 2,170,007
-	-	2,851,872	-	2,931,649	10,816,201
-	-	1,103,257	-	1,103,257	4,041,871
-	-	-	-	-	43,129
35,444	18,020	12,472	38,148	175,968	602,853
1,707,703	425,486	-	3,002,886	5,483,477	6,142,467
-	-	-	-	-	349,452
-	-	-	-	-	362,066
<u>1,743,147</u>	<u>443,506</u>	<u>3,967,601</u>	<u>3,041,034</u>	<u>11,864,358</u>	<u>24,528,046</u>
-	-	11,700	-	2,011,592	2,154,667
-	-	-	-	-	351,934
-	-	-	-	-	8,626,947
-	-	-	-	-	2,019,459
-	-	-	-	600,000	1,330,120
1,201,279	240,999	3,458,364	3,693,452	10,920,431	11,546,940
-	-	-	-	-	-
-	-	-	-	-	5,161
<u>1,201,279</u>	<u>240,999</u>	<u>3,470,064</u>	<u>3,693,452</u>	<u>13,532,023</u>	<u>26,035,228</u>
<u>541,868</u>	<u>202,507</u>	<u>497,537</u>	<u>(652,418)</u>	<u>(1,667,665)</u>	<u>(1,507,182)</u>
-	-	204,871	-	204,871	878,916
-	-	-	-	(214,871)	(388,916)
-	-	204,871	-	(10,000)	490,000
541,868	202,507	702,408	(652,418)	(1,677,665)	(1,017,182)
5,628,317	6,426,873	5,331,363	16,702,136	65,510,224	116,527,557
<u>\$ 6,170,185</u>	<u>\$ 6,629,380</u>	<u>\$ 6,033,771</u>	<u>\$ 16,049,718</u>	<u>\$ 63,832,559</u>	<u>\$ 115,510,375</u>



**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Year Ended June 30, 2017**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 708,700	\$ 776,592	\$ 67,892
Total expenditures	650,967	552,586	(98,381)
Net change in fund balance	57,733	224,006	166,273
Community Development Block Grant			
Total revenues	737,000	1,058,635	321,635
Total expenditures	1,454,854	1,070,116	(384,738)
Net change in fund balance	(717,854)	(11,481)	706,373
Donations			
Total revenues	415,700	393,403	(22,297)
Total expenditures	1,003,494	532,521	(470,973)
Net change in fund balance	(587,794)	(139,118)	448,676
Financing Districts			
Total revenues	2,899,200	2,469,752	(429,448)
Total expenditures	3,519,633	2,581,916	(937,717)
Net change in fund balance	(620,433)	(112,164)	508,269
Habitat and Agricultural Management			
Total revenues	-	205,687	205,687
Total expenditures	545,889	145,291	(400,598)
Net change in fund balance	(545,889)	60,396	606,285
Other Special Revenue Funds			
Total revenues	355,000	347,465	(7,535)
Total expenditures	591,671	466,124	(125,547)
Net change in fund balance	(236,671)	(118,659)	118,012

(Continued)



**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds (Continued)
Year Ended June 30, 2017**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Police Grants and Asset Forfeiture			
Total revenues	\$ 383,544	\$ 405,608	\$ 22,064
Total expenditures	739,463	425,668	(313,795)
Net change in fund balance	<u>(355,919)</u>	<u>(20,060)</u>	<u>335,859</u>
Section 8 Rental Assistance			
Total revenues	6,605,000	6,709,497	104,497
Total expenditures	7,105,474	6,877,238	(228,236)
Net change in fund balance	<u>(500,474)</u>	<u>(167,741)</u>	<u>332,733</u>
Totals			
Total revenues	12,104,144	12,366,639	262,495
Total expenditures	15,611,445	12,651,460	(2,959,985)
Net change in fund balance	<u>\$ (3,507,301)</u>	<u>\$ (284,821)</u>	<u>\$ 3,222,480</u>



**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)**

**Capital Project Funds
Year Ended June 30, 2017**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<hr/>			
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	\$ 247,000	\$ 247,272	\$ 272
Total expenditures	44,288	44,159	(129)
Net change in fund balance	<u>\$ 202,712</u>	<u>\$ 203,113</u>	<u>\$ 401</u>



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**Combining Statement of Net Position
Internal Service Funds
June 30, 2017**

ASSETS	Fleet Management	Self Insured Benefits
Current assets:		
Cash and investments	\$ 18,335,643	\$ 5,938,607
Receivables:		
Interest	62,872	-
Inventories	392,614	-
Total current assets	18,791,129	5,938,607
Noncurrent assets:		
Capital assets:		
Machinery and equipment	20,487,279	-
Intangible assets	-	-
Less accumulated depreciation	(12,753,618)	-
Total capital assets (net of accumulated depreciation)	7,733,661	-
Total noncurrent assets	7,733,661	-
Total assets	26,524,790	5,938,607
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - pension related items	360,259	-
LIABILITIES		
Current liabilities:		
Accrued liabilities	182,684	4,040,568
Estimated claims payable	-	105,258
Current portion of long-term debt	-	-
Total current liabilities	182,684	4,145,826
Noncurrent liabilities:		
Deposits payable	-	-
Net pension liability	1,320,565	-
Capital lease payable	-	-
Total noncurrent liabilities	1,320,565	-
Total liabilities	1,503,249	4,145,826
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - pension related items	33,288	-
NET POSITION		
Net investment in capital assets	7,733,661	-
Unrestricted	17,614,851	1,792,781
Total net position	\$ 25,348,512	\$ 1,792,781

Information Technology	Risk Management	Workers' Compensation	Total
\$ 7,848,421	\$ 4,589,354	\$ 9,672,865	\$ 46,384,890
26,723	15,737	33,167	138,499
-	-	-	392,614
<u>7,875,144</u>	<u>4,605,091</u>	<u>9,706,032</u>	<u>46,916,003</u>
5,090,201	-	-	25,577,480
1,689,637	-	-	1,689,637
<u>(3,702,057)</u>	<u>-</u>	<u>-</u>	<u>(16,455,675)</u>
<u>3,077,781</u>	<u>-</u>	<u>-</u>	<u>10,811,442</u>
<u>3,077,781</u>	<u>-</u>	<u>-</u>	<u>10,811,442</u>
<u>10,952,925</u>	<u>4,605,091</u>	<u>9,706,032</u>	<u>57,727,445</u>
<u>1,331,385</u>	<u>88,227</u>	<u>53,706</u>	<u>1,833,577</u>
592,424	136,582	19,878	4,972,136
-	2,934,641	7,355,549	10,395,448
187,223	-	-	187,223
<u>779,647</u>	<u>3,071,223</u>	<u>7,375,427</u>	<u>15,554,807</u>
-	1,000	-	1,000
5,538,772	465,523	190,009	7,514,869
557,876	-	-	557,876
<u>6,096,648</u>	<u>466,523</u>	<u>190,009</u>	<u>8,073,745</u>
<u>6,876,295</u>	<u>3,537,746</u>	<u>7,565,436</u>	<u>23,628,552</u>
<u>732,333</u>	<u>5,812</u>	<u>8,593</u>	<u>780,026</u>
2,332,682	-	-	10,066,343
<u>2,343,000</u>	<u>1,149,760</u>	<u>2,185,709</u>	<u>25,086,101</u>
<u>\$ 4,675,682</u>	<u>\$ 1,149,760</u>	<u>\$ 2,185,709</u>	<u>\$ 35,152,444</u>



**Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2017**

	Fleet Management	Self Insured Benefits
Operating revenues:		
Other charges for services	\$ 4,972,226	\$ 942,263
Miscellaneous	39,062	-
Total operating revenues	5,011,288	942,263
Operating expenses:		
Depreciation	1,640,545	-
Fuel and supplies	1,236,777	-
Claims and premiums expense	-	865,621
Small equipment purchases	22,559	-
General and administrative	1,227,078	-
Total operating expenses	4,126,959	865,621
Operating income (loss)	884,329	76,642
Nonoperating revenues (expenses):		
Income from property and investments	44,121	-
Interest expense	-	-
Gain (loss) on sale of property	87,797	-
Total nonoperating revenues (expenses)	131,918	-
Income (loss) before transfers and capital contributions	1,016,247	76,642
Transfers in	197,000	-
Capital contributions	289,152	-
Change in net position	1,502,399	76,642
Total net position at beginning of year	23,846,113	1,716,139
Total net position at end of year	\$ 25,348,512	\$ 1,792,781

Information Technology	Risk Management	Workers' Compensation	Totals
\$ 9,149,068	\$ 1,951,580	\$ 2,375,780	\$ 19,390,917
48,350	18,932	-	106,344
9,197,418	1,970,512	2,375,780	19,497,261
565,127	-	-	2,205,672
-	-	-	1,236,777
-	3,547,890	1,736,942	6,150,453
574,704	-	-	597,263
7,612,352	416,224	62,026	9,317,680
8,752,183	3,964,114	1,798,968	19,507,845
445,235	(1,993,602)	576,812	(10,584)
14,815	9,370	32,844	101,150
(50,657)	-	-	(50,657)
-	-	-	87,797
(35,842)	9,370	32,844	138,290
409,393	(1,984,232)	609,656	127,706
-	-	1,500,000	1,697,000
341,054	-	-	630,206
750,447	(1,984,232)	2,109,656	2,454,912
3,925,235	3,133,992	76,053	32,697,532
\$ 4,675,682	\$ 1,149,760	\$ 2,185,709	\$ 35,152,444



**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2017**

	Fleet Management	Self Insured Benefits
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,972,226	\$ 945,409
Payments to suppliers	(1,551,526)	-
Payments to employees	(845,861)	-
Internal activity - payments to other funds	(137,595)	-
Claims and premiums paid	-	(684,159)
Other receipts	49,429	-
Net cash provided by (used in) operating activities	2,486,673	261,250
Cash flows from noncapital financing activities:		
Operating subsidies and transfers (to) from other funds	197,000	-
Cash flows from capital and related financing activities:		
Purchase of capital assets	(1,289,525)	-
Gross proceeds from the sale of capital assets	155,991	-
Principal paid on capital debt	-	-
Interest expense	-	-
Net cash provided by (used in) capital and related financing activities	(1,133,534)	-
Cash flows from investing activities:		
Interest on investments	31,703	-
Net increase (decrease) in cash and cash equivalents	1,581,842	261,250
Cash and cash equivalents at beginning of year	16,753,801	5,677,357
Cash and cash equivalents at end of year	\$ 18,335,643	\$ 5,938,607

Information Technology	Risk Management	Workers' Compensation	Total
\$ 9,149,068	\$ 1,951,580	\$ 2,375,780	\$ 19,394,063
(4,801,644)	(61,456)	-	(6,414,626)
(3,533,114)	(255,502)	(110,649)	(4,745,126)
(39,351)	(21,655)	(1,780)	(200,381)
-	(1,668,042)	(2,689,663)	(5,041,864)
48,350	18,932	-	116,711
823,309	(36,143)	(426,312)	3,108,777
-	-	1,500,000	1,697,000
(305,244)	-	-	(1,594,769)
-	-	-	155,991
(176,311)	-	-	(176,311)
(50,657)	-	-	(50,657)
(532,212)	-	-	(1,665,746)
10,849	7,549	25,553	75,654
301,946	(28,594)	1,099,241	3,215,685
7,546,475	4,617,948	8,573,624	43,169,205
<u>\$ 7,848,421</u>	<u>\$ 4,589,354</u>	<u>\$ 9,672,865</u>	<u>\$ 46,384,890</u>

(Continued)



**Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2017**

	Fleet Management	Self Insured Benefits
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 884,329	\$ 76,642
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,640,545	-
Change in assets and liabilities:		
(Increase) decrease in receivables	10,367	3,146
(Increase) in inventories	43,270	-
(Increase) in prepaid items	-	-
(Increase) in deferred outflows - pension related items	(173,235)	-
Increase (decrease) in accrued liabilities	(19,967)	181,542
Increase (decrease) in estimated claims payable	-	(80)
Increase (decrease) in net pension liability	142,223	-
Increase (decrease) in deferred inflows - pension related items	(40,859)	-
Net cash provided by (used in) operating activities	<u>\$ 2,486,673</u>	<u>\$ 261,250</u>
Noncash capital financing activities:		
Capital assets contributed by other funds	<u>\$ 289,152</u>	<u>\$ -</u>
Unrealized gains (losses)	<u>\$ (156,557)</u>	<u>\$ -</u>

Information Technology	Risk Management	Workers' Compensation	Total
\$ 445,235	\$ (1,993,602)	\$ 576,812	\$ (10,584)
565,127	-	-	2,205,672
-	-	229,322	242,835
-	-	-	43,270
20,638	-	-	20,638
(742,349)	(45,277)	(27,901)	(988,762)
(47,447)	60,155	13,853	188,136
-	1,823,911	(1,193,318)	630,513
1,017,786	136,870	(10,389)	1,286,490
(435,681)	(18,200)	(14,691)	(509,431)
<u>\$ 823,309</u>	<u>\$ (36,143)</u>	<u>\$ (426,312)</u>	<u>\$ 3,108,777</u>
<u>\$ 341,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 630,206</u>
<u>\$ (68,976)</u>	<u>\$ (41,590)</u>	<u>\$ (81,203)</u>	<u>\$ (348,326)</u>



**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017**

Contractors' and Miscellaneous Deposits

ASSETS	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Current assets:				
Cash and investments	\$ 13,757,645	\$ 52,723,318	\$ 53,344,025	\$ 13,136,938
Receivables:				
Interest	37,984	42,100	37,984	42,100
Taxes	-	14	14	-
Other	-	3,544	3,544	-
Prepaid items	5,630	4,129	5,630	4,129
Total current assets	<u>\$ 13,801,259</u>	<u>\$ 52,773,105</u>	<u>\$ 53,391,197</u>	<u>\$ 13,183,167</u>
LIABILITIES				
Accrued liabilities	\$ 1,182,879	\$ 54,861,656	\$ 55,160,206	\$ 884,329
Deposits held for others	12,618,380	4,833,439	5,152,981	12,298,838
Total liabilities	<u>\$ 13,801,259</u>	<u>\$ 59,695,095</u>	<u>\$ 60,313,187</u>	<u>\$ 13,183,167</u>

Assessment Districts

ASSETS	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Current assets:				
Cash and investments	\$ 6,465,092	\$ 21,658,867	\$ 22,191,399	\$ 5,932,560
Receivables:				
Interest	65,105	67,203	65,105	67,203
Taxes	1,319	932	1,319	932
Other	89,161	9,247	89,161	9,247
Total current assets	<u>6,620,677</u>	<u>21,736,249</u>	<u>22,346,984</u>	<u>6,009,942</u>
Restricted assets:				
Cash and investments	5,751,318	-	626,496	5,124,822
Total restricted assets	<u>5,751,318</u>	<u>-</u>	<u>626,496</u>	<u>5,124,822</u>
Total assets	<u>\$ 12,371,995</u>	<u>\$ 21,736,249</u>	<u>\$ 22,973,480</u>	<u>\$ 11,134,764</u>
LIABILITIES				
Accrued liabilities	\$ 41,440	\$ 29,780	\$ 20,538	\$ 50,682
Deposits held for others	12,330,555	20,507,194	21,753,667	11,084,082
Total liabilities	<u>\$ 12,371,995</u>	<u>\$ 20,536,974</u>	<u>\$ 21,774,205</u>	<u>\$ 11,134,764</u>

(continued)



**Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended June 30, 2017**

Total Agency Funds

ASSETS	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Current assets:				
Cash and investments	\$ 20,222,737	\$ 74,382,185	\$ 75,535,424	\$ 19,069,498
Receivables:				
Interest	103,089	109,303	103,089	109,303
Taxes	1,319	946	1,333	932
Other	89,161	12,791	92,705	9,247
Prepaid items	5,630	4,129	5,630	4,129
Total current assets	<u>20,421,936</u>	<u>74,509,354</u>	<u>75,738,181</u>	<u>19,193,109</u>
Restricted assets:				
Cash and investments	5,751,318	-	626,496	5,124,822
Total current assets	<u>5,751,318</u>	<u>-</u>	<u>626,496</u>	<u>5,124,822</u>
Total assets	<u>\$ 26,173,254</u>	<u>\$ 74,509,354</u>	<u>\$ 76,364,677</u>	<u>\$ 24,317,931</u>
LIABILITIES				
Accrued liabilities	\$ 1,224,319	\$ 54,891,436	\$ 55,180,744	\$ 935,011
Deposits held for others	24,948,935	25,340,633	26,906,648	23,382,920
Total liabilities	<u>\$ 26,173,254</u>	<u>\$ 80,232,069</u>	<u>\$ 82,087,392</u>	<u>\$ 24,317,931</u>



**Combining Statement of Fiduciary Net Position by Project Area
Private Purpose Trust Funds
June 30, 2017**

	Redevelopment Obligation Retirement Trust Fund Village Project Area	Redevelopment Obligation Retirement Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
ASSETS			
Current assets:			
Cash and investments	\$ 1,192,773	\$ -	\$ 1,192,773
Receivables:			
Interest	4,107	-	4,107
Total current assets	1,196,880	-	1,196,880
Noncurrent assets:			
Loans receivable	3,750,000	-	3,750,000
Total assets	4,946,880	-	4,946,880
LIABILITIES			
Current liabilities:			
Accrued liabilities	2,699	-	2,699
Accrued interest payable	106,143	-	106,143
Current portion of long-term debt	735,000	-	735,000
Total current liabilities	843,842	-	843,842
Noncurrent liabilities:			
Due to the City of Carlsbad	7,973,560	2,887,247	10,860,807
Tax allocation bonds payable	5,295,000	-	5,295,000
Total noncurrent liabilities	13,268,560	2,887,247	16,155,807
Total liabilities	14,112,402	2,887,247	16,999,649
NET POSITION			
Held in trust for redevelopment obligation retirement purposes	\$ (9,165,522)	\$ (2,887,247)	\$ (12,052,769)



**Combining Statement of Changes in Fiduciary Net Position by Project Area
Private Purpose Trust Funds
For the Year Ended June 30, 2017**

	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	\$ 2,454,954	\$ -	\$ 2,454,954
Income from property and investments	7,766	-	7,766
Total additions	2,462,720	-	2,462,720
DEDUCTIONS			
General and administrative	380,652	-	380,652
Interest expense and fees	469,107	69,896	539,003
Total deductions	849,759	69,896	919,655
Change in net position	1,612,961	(69,896)	1,543,065
Total net position (deficit) at beginning of year	(10,778,483)	(2,817,351)	(13,595,834)
Total net position (deficit) at end of year	\$ (9,165,522)	\$ (2,887,247)	\$ (12,052,769)



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Statistical Section

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

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Financial Trends

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These schedules contain trend information to help the reader understand how the city’s financial performance and well-being have changed over time.

Revenue Capacity

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These schedules contain information to help the reader assess the city’s water and wastewater revenue sources as well as the city’s most significant local revenue source, property taxes.

Debt Capacity

160

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.

Demographic and Economic Information

170

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city’s financial activities take place.

Operating Information

174

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.

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities				
Net investment in capital assets	\$ 713,026	\$ 742,500	\$ 767,719	\$ 774,269
Restricted for:				
Capital assets	189,694	186,597	178,669	184,419
Lighting and landscaping districts	2,152	2,196	2,827	2,133
Affordable housing	33,888	35,330	36,187	40,005
Habitat and agricultural mitigation management	6,949	7,115	6,600	5,377
Other purposes	3,145	2,412	2,710	5,298
Unrestricted	<u>250,835</u>	<u>268,779</u>	<u>279,737</u>	<u>284,825</u>
Total governmental activities net position	<u>\$ 1,199,689</u> (1)	<u>\$ 1,244,929</u> (1)	<u>\$ 1,274,449</u>	<u>\$ 1,296,326</u>
Business-type activities				
Net investment in capital assets	\$ 292,684	\$ 308,440	\$ 317,238	\$ 314,691
Restricted for:				
Capital assets	44,738	43,167	44,241	44,954
Unrestricted	<u>32,600</u>	<u>28,469</u>	<u>34,556</u>	<u>38,278</u>
Total business-type activities net position	<u>\$ 370,022</u> (1)	<u>\$ 380,076</u> (1)	<u>\$ 396,035</u>	<u>\$ 397,923</u>
Total government				
Net investment in capital assets	\$ 1,005,710	\$ 1,050,940	\$ 1,084,957	\$ 1,088,960
Restricted for:				
Capital assets	234,432	229,764	222,910	229,373
Lighting and landscaping districts	2,152	2,196	2,827	2,133
Affordable housing	33,888	35,330	36,187	40,005
Habitat and agricultural mitigation management	6,949	7,115	6,600	5,377
Other purposes	3,145	2,412	2,710	5,298
Unrestricted	<u>283,435</u>	<u>297,248</u>	<u>314,293</u>	<u>323,103</u>
Total net position	<u>\$ 1,569,711</u>	<u>\$ 1,625,005</u>	<u>\$ 1,670,484</u>	<u>\$ 1,694,249</u>


Source: City of Carlsbad Comprehensive Annual Financial Reports

(1) Net position for prior years were restated in FY 2007-08, to reflect the application of GASB 45.

(2) The significant increase in FY 2011-12 is due to the dissolution of the city's Redevelopment Agency which created a large extraordinary gain for the year.

(3) Net position for the prior year was restated in FY 2014-15, to reflect the application of GASB 68.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 780,727	\$ 782,500	\$ 784,210	\$ 783,298	\$ 788,035	\$ 788,078
192,713	182,685	175,468	178,228	176,279	183,245
2,246	2,958	4,703	5,263	5,921	6,527
38,434	37,390	39,317	39,544	40,390	40,528
4,799	2,665	1,713	1,708	1,758	1,805
4,022	3,685	3,774	3,059	2,948	2,818
308,470 (2)	319,317	328,602	223,522	245,078	249,816
<u>\$ 1,331,411</u>	<u>\$ 1,331,200</u>	<u>\$ 1,337,787</u> (3)	<u>\$ 1,234,622</u> (3)	<u>\$ 1,260,409</u>	<u>\$ 1,272,817</u>
\$ 311,392	\$ 307,000	\$ 305,681	\$ 307,122	\$ 317,927	\$ 344,836
45,522	45,990	46,632	47,315	45,950	40,098
47,530	55,758	66,083	69,922	73,285	85,153
<u>\$ 404,444</u>	<u>\$ 408,748</u>	<u>\$ 418,396</u> (3)	<u>\$ 424,359</u> (3)	<u>\$ 437,162</u>	<u>\$ 470,087</u>
\$ 1,092,119	\$ 1,089,500	\$ 1,089,891	\$ 1,090,420	\$ 1,105,962	\$ 1,132,914
238,235	228,675	222,100	225,543	222,229	223,343
2,246	2,958	4,703	5,263	5,921	6,527
38,434	37,390	39,317	39,544	40,390	40,528
4,799	2,665	1,713	1,708	1,758	1,805
4,022	3,685	3,774	3,059	2,948	2,818
356,000	375,075	394,685	293,444	318,363	334,969
<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>	<u>\$ 1,742,904</u>



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

	2008	2009	2010	2011	2012
Expenses					
Governmental activities					
General government	\$ 14,537	\$ 12,859	\$ 23,038 (2)	\$ 16,907	\$ 16,675
Public safety	42,796	44,632	44,371	45,011	45,576
Community development	15,697	16,168	18,920	17,043	17,689
Community services	18,938	20,270	18,755	25,136	25,398
Public works	35,971	35,190	35,383	25,759	28,441
Interest and fiscal charges on long-term debt	666	588	547	453	298
Total governmental activities	<u>128,605</u>	<u>129,707</u>	<u>141,014</u>	<u>130,309</u>	<u>134,077</u>
Business-type activities					
Carlsbad Municipal Water District	28,796	30,134	33,923	34,978	35,985
Golf course	7,347	13,040 (1)	11,927	11,538	11,190
Wastewater	10,400	11,836	10,434	11,751	11,330
Solid waste	2,588	2,580	2,535	2,565	2,922
Total business-type activities	<u>49,131</u>	<u>57,590</u>	<u>58,819</u>	<u>60,832</u>	<u>61,427</u>
Total government	<u>\$ 177,736</u>	<u>\$ 187,297</u>	<u>\$ 199,833</u>	<u>\$ 191,141</u>	<u>\$ 195,504</u>
Program Revenues					
Governmental activities					
Charges for services:					
General government	\$ 2,698	\$ 847	\$ 341	\$ 1,793	\$ 315
Public safety	4,578	4,591	4,358	4,502	4,379
Community development	3,191	2,177	3,110	4,332	3,567
Community services	2,803	3,000	3,089	2,934	2,747
Public works	8,522	3,573	4,196	3,567	3,717
Operating grants and contributions	11,349	12,120	11,445	12,033	11,813
Capital grants and contributions	73,708	27,722	32,459	13,557	15,429
Total governmental activities	<u>106,849</u>	<u>54,030</u>	<u>58,998</u>	<u>42,718</u>	<u>41,967</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	22,894	24,574	29,865	30,715	35,776
Golf course	5,704	5,801	5,625	5,850	6,127
Wastewater	8,151	8,531	9,580	10,053	10,989
Solid waste	2,195	3,032	2,988	3,015	2,961
Operating grants and contributions	1,300	1,824	1,734	1,263	1,201
Capital grants and contributions	30,223	14,612	17,882	5,640	4,560
Total business-type activities	<u>70,467</u>	<u>58,374</u>	<u>67,674</u>	<u>56,536</u>	<u>61,614</u>
Total government	<u>\$ 177,316</u>	<u>\$ 112,404</u>	<u>\$ 126,672</u>	<u>\$ 99,254</u>	<u>\$ 103,581</u>
Net (Expense)/Revenue:					
Governmental activities	\$ (21,756)	\$ (75,677)	\$ (82,016)	\$ (87,591)	\$ (92,110)
Business-type activities	21,336	784	8,855	(4,296)	187
Total government net expense	<u>\$ (420)</u>	<u>\$ (74,893)</u>	<u>\$ (73,161)</u>	<u>\$ (91,887)</u>	<u>\$ (91,923)</u>

2013	2014	2015	2016	2017
\$ 23,574 (5)	\$ 20,187	\$ 16,108	\$ 16,147	\$ 18,374
48,468	48,942	48,856	50,463	55,994
23,061 (6)	16,286	17,201	17,581	19,458
24,839	29,055	31,429	33,610	34,754
36,806	30,314	36,273	37,464	34,317
<u>4</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>3</u>
<u>156,752</u>	<u>144,785</u>	<u>149,867</u>	<u>155,266</u>	<u>162,900</u>
41,626	43,547	40,897	39,458	45,219
10,668	11,032	10,538	10,545	10,211
13,556	12,488	12,629	12,613	12,626
<u>2,918</u>	<u>2,856</u>	<u>2,973</u>	<u>2,997</u>	<u>3,272</u>
<u>68,768</u>	<u>69,923</u>	<u>67,037</u>	<u>65,613</u>	<u>71,328</u>
<u>\$ 225,520</u>	<u>\$ 214,708</u>	<u>\$ 216,904</u>	<u>\$ 220,879</u>	<u>\$ 234,228</u>
\$ 1,469	\$ 289	\$ 1,382	\$ 296	\$ 327
4,025	3,950	4,220	3,980	4,647
4,174	4,378	5,160	5,211	6,350
2,813	4,354	5,374	5,500	5,804
5,073	3,720	4,014	4,152	3,952
13,199	11,919	12,242	11,912	12,630
<u>17,741</u>	<u>16,129</u>	<u>19,105</u>	<u>12,042</u> (9)	<u>22,789</u>
<u>48,494</u>	<u>44,739</u>	<u>51,497</u>	<u>43,093</u>	<u>56,499</u>
44,240 (7)	46,750	47,461	39,854 (10)	44,817
6,278	6,635	6,709	6,988	7,119
12,402	12,896	12,875	12,963	13,467
3,060	3,320	3,245	3,206	3,302
38	90	59	5,646	2,471
<u>2,855</u>	<u>3,198</u>	<u>5,879</u>	<u>2,011</u>	<u>13,322</u>
<u>68,873</u>	<u>72,889</u>	<u>76,228</u>	<u>70,668</u>	<u>84,498</u>
<u>\$ 117,367</u>	<u>\$ 117,628</u>	<u>\$ 127,725</u>	<u>\$ 113,761</u>	<u>\$ 140,997</u>
\$ (108,258)	\$ (100,046)	\$ (98,370)	\$ (112,173)	\$ (106,401)
<u>105</u>	<u>2,966</u>	<u>9,191</u>	<u>5,055</u>	<u>13,170</u>
<u>\$ (108,153)</u>	<u>\$ (97,080)</u>	<u>\$ (89,179)</u>	<u>\$ (107,118)</u>	<u>\$ (93,231)</u>

(Continued)



Changes in Net Position (Continued)

Last Ten Fiscal Years

(dollars in thousands)

	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	\$ 52,705	\$ 55,338	\$ 55,113	\$ 54,049	\$ 51,538
Sales and use taxes	27,031	23,098	23,031	25,660	28,094
Transient occupancy taxes	14,277	12,752	11,490	11,569	12,872
Franchise taxes	4,634	5,274	4,906	4,650	4,852
Business license taxes	3,328	3,422	3,458	3,581	2,695
Real property transfer taxes	951	621	758	911	925
Vehicle license fees	450	353	309	483	53 (3)
Income from property and investments	24,955	19,828	12,523	8,372	6,088
Other general revenues	513	359	391	328	419
Extraordinary gain/(loss)	-	-	-	-	20,477 (4)
Transfers	(2,634)	(127)	(443)	(135)	(1,810)
Total governmental activities	126,210	120,918	111,536	109,468	126,203
Business type activities					
Property taxes	2,711	2,861	2,822	2,779	2,721
Income from property and investments	8,030	5,908	3,686	2,109	2,054
Other general revenues	954	209	153	3,599	106
Transfers	2,634	127	443	135	1,810
Total business-type activities	14,329	9,105	7,104	8,622	6,691
Total government	\$ 140,539	\$ 130,023	\$ 118,640	\$ 118,090	\$ 132,894
Change in Net Position					
Governmental activities	\$ 104,454	\$ 45,241	\$ 29,520	\$ 21,877	\$ 34,093
Business-type activities	35,665	9,889	15,959	4,326	6,878
Total government	\$ 140,119	\$ 55,130	\$ 45,479	\$ 26,203	\$ 40,971

Source: City of Carlsbad Comprehensive Annual Financial Reports

- (1) In FY 2008-09, the city's municipal golf course began making debt service payments and depreciating its assets.
- (2) The large increase in general government expenses in FY 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.
- (3) The State of California ceased sending the city vehicle license fee revenues in FY 2011-12.
- (4) The extraordinary gain in FY 2011-12 resulted from the transfers of the assets and liabilities of the former Redevelopment Agency to Successor Agency trust funds.
- (5) The large increase in FY 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.
- (6) The large increase in FY 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.
- (7) The increase in FY 2012-13 was the result of a combination of a five percent increase in the number of water units sold coupled with an average eight percent increase in water rates charged to customers and a reimbursement from a lawsuit involving a landslide.
- (8) The extraordinary loss in FY 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.
- (9) The decrease in FY 2015-16 was a result of one-time funds received from the federal government in the previous fiscal year for the 2014 Poinsettia Fire, as well as the receipt of retroactive mandated cost reimbursements.
- (10) The decrease in FY 2015-16 was a result of a decrease in water sales during the fiscal year from drought conservation measures.
- (11) The increase in FY 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$	52,861	\$ 52,608	\$ 55,992	\$ 58,945	\$ 63,988
	28,403	30,520	32,146	34,843	33,999
	14,702	17,472	19,713	20,943	22,267
	5,118	4,907	5,427	5,632	5,475
	3,834	4,177	4,548	4,895	4,328
	1,058	1,080	1,406	1,546	1,393
	55	-	-	-	-
	1,792	6,917	4,564	11,910 (11)	1,975
	426	429	609	486	451
	-	(10,289) (8)	-	-	-
	<u>(656)</u>	<u>(1,188)</u>	<u>(1,264)</u>	<u>(1,240)</u>	<u>(15,067)</u>
	<u>107,593</u>	<u>106,633</u>	<u>123,141</u>	<u>137,960</u>	<u>118,809</u>
	2,904	2,897	3,133	3,306	3,569
	555	2,498	1,870	3,163	749
	85	99	623	39	370
	<u>655</u>	<u>1,188</u>	<u>1,264</u>	<u>1,240</u>	<u>15,067</u>
	<u>4,199</u>	<u>6,682</u>	<u>6,890</u>	<u>7,748</u>	<u>19,755</u>
\$	<u>111,792</u>	<u>113,315</u>	<u>130,031</u>	<u>145,708</u>	<u>138,564</u>
\$	(665)	\$ 6,587	\$ 24,771	\$ 25,787	\$ 12,408
	<u>4,304</u>	<u>9,648</u>	<u>16,081</u>	<u>12,803</u>	<u>32,925</u>
\$	<u>3,639</u>	<u>16,235</u>	<u>40,852</u>	<u>38,590</u>	<u>45,333</u>



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

	2008	2009	2010	2011 (2)	2012
General Fund					
Reserved	\$ 56,479	\$ 59,303	\$ 59,586	\$ -	\$ -
Unreserved	64,494	66,302	68,935	-	-
Nonspendable	-	-	-	53,943	54,228
Restricted	-	-	-	-	-
Committed	-	-	-	1,000	1,000
Assigned	-	-	-	23,584	22,955
Unassigned	-	-	-	57,533	61,384
Total General Fund	<u>\$ 120,973</u>	<u>\$ 125,605</u>	<u>\$ 128,521</u>	<u>\$ 136,060</u>	<u>\$ 139,567</u>
All Other Governmental Funds					
Reserved	\$ 38,963	\$ 34,573	\$ 50,617	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	36,277	40,207	41,449	-	-
Debt service funds	(12,095)	(11,150)	(17,824)	-	-
Capital project funds	268,915	276,183	262,612 (1)	-	-
Nonspendable					
Special revenue funds	-	-	-	433	440
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	250	-
Restricted					
Special revenue funds	-	-	-	65,585	64,401
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	171,214	177,372
Committed					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Assigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	123,473	123,465
Unassigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	(18,658)	(3)
Capital project funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 332,060</u>	<u>\$ 339,813</u>	<u>\$ 336,854</u>	<u>\$ 342,297</u>	<u>\$ 365,678</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports

- (1) The large decrease in FY 2009-10 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.
- (2) GASB 54, which requires changes in the reporting categories for fund balances, was implemented in FY 2010-11.
- (3) AB1x26 and AB 1484 were implemented in FY 2011-12. The former Redevelopment Agency debt service funds were transferred to trust funds.
- (4) The large decreases in the restricted fund balance in the capital projects fund is a result of increased expenditures during FY 2012-13 and 2013-14 for the construction of Alga Norte Community Park.
- (5) Beginning in FY 2015-16, the Gas Tax fund balance was reclassified from Special Revenue to Capital Project.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
57,719	56,707	56,381	55,324	53,751
-	-	-	-	-
1,000	1,000	1,000	1,000	1,000
26,200	27,838	40,865	42,692	38,439
69,578	75,615	80,274	94,404	78,191
<u>\$ 154,497</u>	<u>\$ 161,160</u>	<u>\$ 178,520</u>	<u>\$ 193,420</u>	<u>\$ 171,381</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
435	430	3	4	1
-	-	-	-	-
-	-	-	-	-
61,938	66,833	66,300	51,013 (5)	51,677
-	-	-	-	-
167,009 (4)	157,712 (4)	161,499	176,280 (5)	183,245
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
121,861	131,627	136,237	131,939	146,994
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 351,243</u>	<u>\$ 356,602</u>	<u>\$ 364,039</u>	<u>\$ 359,236</u>	<u>\$ 381,917</u>



Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(dollars in thousands)

	2008	2009	2010	2011	2012
Revenues:					
Taxes	\$ 105,724	\$ 103,874	\$ 100,249	\$ 103,660	\$ 105,595
Intergovernmental	19,565	10,029	12,108	12,847	9,603
Licenses and permits	1,991	1,022	1,484	1,590	1,852
Charges for services	11,089	9,616	10,215	9,938	10,092
Fines and forfeitures	1,500	1,402	1,199	1,051	892
Income from property and investments	24,163	19,132	12,719	9,278	6,253
Contributions from property owners	23,850	3,117 (2)	4,580	5,473	9,927
Donations	281	174	203	310	206
Miscellaneous	932	926	1,263	2,521	697
Total revenues	189,095	149,292	144,020	146,668	145,117
Expenditures:					
Current:					
General government	14,433	12,896	22,778	16,937	16,992
Less: Interdepartmental charges	(2,287)	(3,676)	(3,991)	(3,015)	(3,750)
Public safety	43,719	45,003	44,686	44,157	44,915
Community development	15,726	16,294	18,272	16,980	17,587
Community services	17,136	17,517	16,493	22,560	22,815
Public works	24,355	23,851	23,851	13,078	11,773
Capital outlay	39,010	22,097	19,727	20,985	17,367
Debt service:					
Principal retirement	1,140	1,200	490	515	851
Interest and fiscal charges	1,347	1,188	1,016	935	308
Total expenditures	154,579	136,370	143,322	133,132	128,858
Excess (deficiency) of revenues over (under) expenditures	34,516	12,922	698	13,536	16,259
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	-	-
Issuance of debt	-	-	-	581	-
Transfers in	20,390	9,101	21,837	9,802	19,887
Transfers out	(19,948)	(9,637)	(22,578)	(10,937)	(23,097)
Extraordinary gain (loss)	-	-	-	-	12,847 (3)
Total other financing sources (uses)	442	(536)	(741)	(554)	9,637
Net change in fund balances	\$ 34,958	\$ 12,386	\$ (43)	\$ 12,982	\$ 25,896
Debt service as percentage of noncapital expenditures (1)					
	2.08%	2.01%	1.18%	1.26%	0.99%

Source: City of Carlsbad Comprehensive Annual Financial Reports

- (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 FY 2008-09.
- (3) AB1x26 and AB 1484 were implemented in FY 2011-12. The net assets of the former Redevelopment Agency were incorporated into trust funds.
- (4) Increase in taxes in FY 2014-15 due to growth in property and TOT taxes.
- (5) Includes a transfer out to the Golf Course Fund in the amount of \$14.8 million for the defeasance of the golf course construction bonds during FY 2016-17.

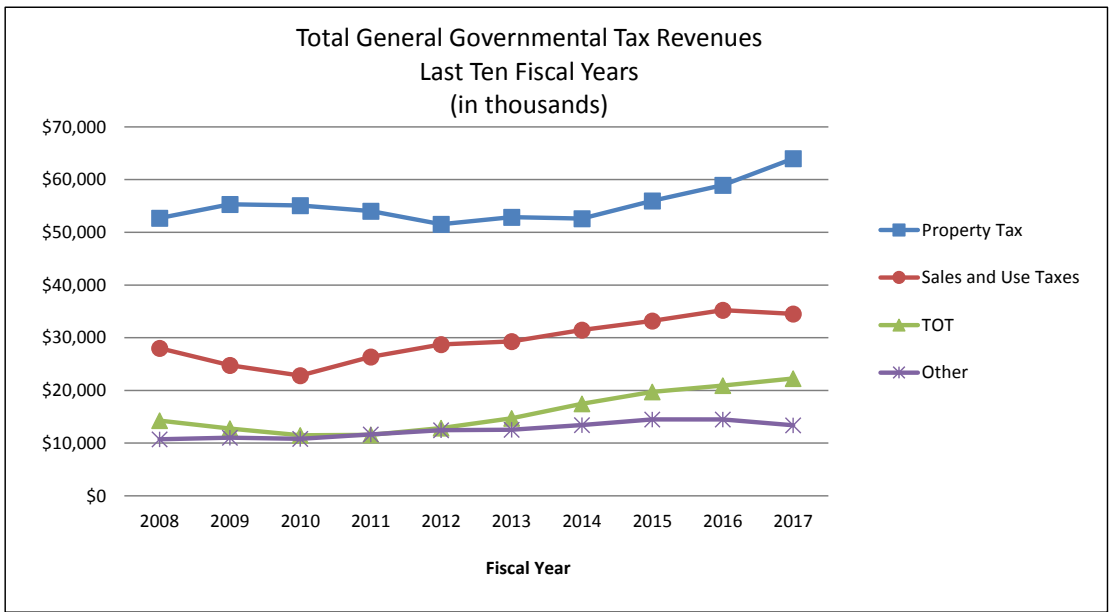
	2013	2014	2015	2016	2017
\$	109,447	\$ 114,996	\$ 123,411	(4) \$ 129,617	\$ 134,165
	11,513	10,602	10,359	11,290	11,963
	2,016	2,184	2,369	2,467	3,034
	10,261	11,278	13,181	12,913	14,309
	861	876	837	854	740
	2,362	7,604	6,442	9,970	3,845
	12,029	9,042	10,688	8,009	13,330
	411	210	440	417	349
	1,969	1,219	2,550	1,503	1,467
	<u>150,869</u>	<u>158,011</u>	<u>170,277</u>	<u>177,040</u>	<u>183,202</u>
	23,072	21,471	17,903	17,221	27,925
	(3,858)	(3,566)	(3,807)	(3,471)	(3,345)
	46,162	47,333	48,915	52,015	57,329
	18,805	15,689	17,363	17,918	19,192
	22,094	25,816	27,138	28,380	29,738
	11,299	15,442	16,350	17,465	17,349
	28,602	18,702	20,050	34,669	17,603
	316	159	-	-	-
	<u>6</u>	<u>5</u>	<u>5</u>	<u>6</u>	<u>5</u>
	<u>146,498</u>	<u>141,051</u>	<u>143,917</u>	<u>164,203</u>	<u>165,796</u>
	4,371	16,960	26,360	12,837	17,406
	-	-	-	-	-
	-	-	-	-	-
	8,087	11,477	14,857	9,970	20,849
	(14,792)	(16,415)	(16,420)	(12,710)	(37,613) (5)
	-	-	-	-	-
	<u>(6,705)</u>	<u>(4,938)</u>	<u>(1,563)</u>	<u>(2,740)</u>	<u>(16,764)</u>
\$	<u>(2,334)</u>	<u>\$ 12,022</u>	<u>\$ 24,797</u>	<u>\$ 10,097</u>	<u>\$ 642</u>
	0.24%	0.13%	0.00%	0.00%	0.00%



General Governmental Tax Revenues by Source
Last Ten Fiscal Years

(dollars 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
2008	\$ 52,704	\$ 28,012	\$ 14,277	\$ 4,634	\$ 3,328	\$ 951	\$ 1,818	\$ 105,724
2009	55,338	24,765 (1)	12,752 (1)	5,274	3,422	621	1,702	103,874
2010	55,113 (1)	22,819	11,490	4,906 (1)	3,458	758	1,704	100,248
2011	54,049	26,386	11,569	4,650	3,581	911	2,514	103,660
2012	51,538 (2)	28,733 (3)	12,872 (3)	4,852	3,669	925	3,006 (4)	105,595
2013	52,888	29,301	14,702 (5)	5,118	3,834	1,058	2,546	109,447
2014	52,607	31,464	17,472 (6)	4,907	4,178	1,080	3,288	114,996
2015	55,992 (7)	33,202	19,713 (8)	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
2017	63,988 (7)	34,543	22,267 (9)	5,475	4,328	1,393	2,171	134,165
Change 2008-2017	21%	23%	56%	18%	30%	46%	19%	27%



Source: City of Carlsbad Comprehensive Annual Financial Reports

* Includes Vehicle License Fees (VLF) in lieu, property tax increment, low/moderate housing, set aside taxes and CFD No. 1 special taxes.

(1) Reflects the impact of the economic recession.

(2) 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 Redevelopment Agency is recorded in the Successor Agency Trust Fund.

(3) Reflects improvement in the economy.

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

(5) The increase in TOT in FY 2012-13 is due to the opening of two new hotels and higher occupancy and room rates throughout the city.

(6) The increase in TOT in FY 2013-14 is due to the opening of one new hotel and higher occupancy and room rates throughout the city.

(7) Reflects improvement in the housing market and new construction.

(8) The increase in TOT in FY 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.

(9) The increase in TOT in FY 2016-17 is due to higher room rates throughout most of the city's hotels and an increase in available rooms.



**City of
Carlsbad**
Water and Wastewater Rates
Last Ten Fiscal Years

Fiscal Year	Water			Wastewater
	Monthly Delivery Charge	Base Price Per Unit (1)		Monthly Base Rate
2008	\$12.12	\$1.76		\$16.20
2009	14.54	2.12		17.65
2010	16.78	2.29	(2)	20.93
2011	18.00	2.70		23.03
2012	19.80	2.97		24.53
2013	21.38	3.20		25.02
2014	20.07	3.19		25.52
2015	21.08	3.35		26.03
2016	22.19	3.53		27.81
2017	24.11	3.84		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 FY 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.

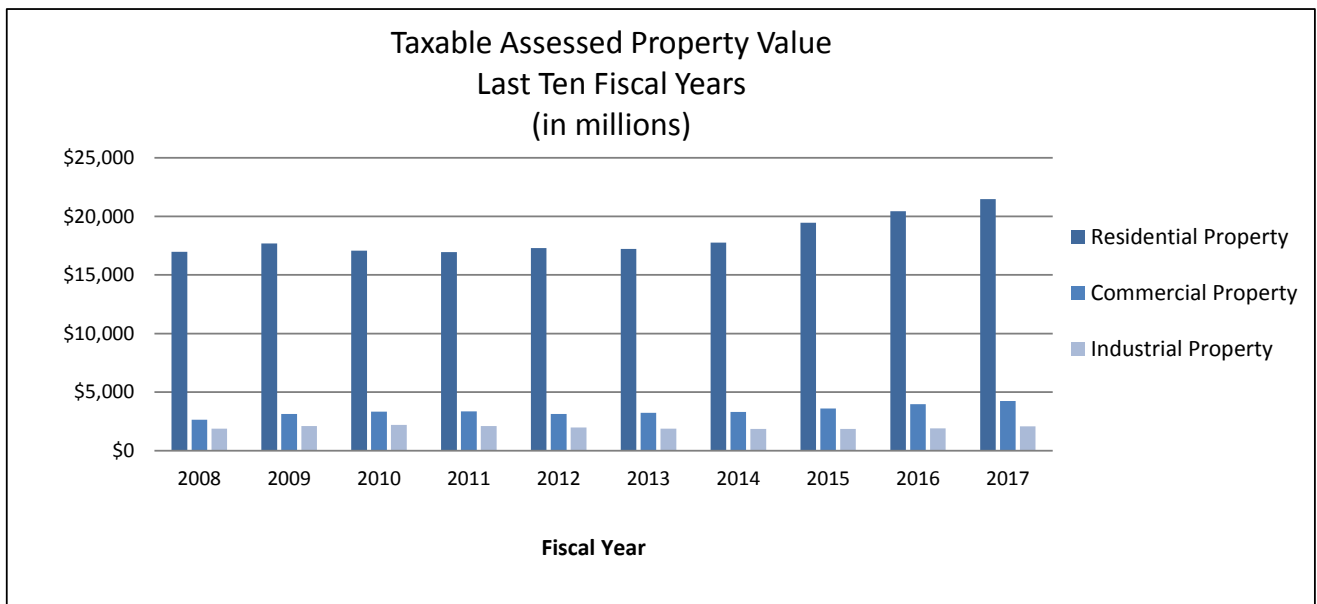


Assessed Value of Taxable Property

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)
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%
2017	21,472	4,238	2,092	622	28,424	5.57%	55	0.1927%



Source: County of San Diego, California Auditor and Controller

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

- (1) Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.
- (2) Estimated property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.
- (3) The total direct tax rate is the city's proportionate share of Proposition 13 property taxes collected within the tax rate area.
- (4) The increase in estimated property tax revenue is due to improvements in the housing market and new construction.



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				
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	
2017	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0563	1.0563	

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. 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 percent).

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.



Direct and Overlapping Property Tax Rates (Continued)

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year 2016-17 Voter Approved Debt Tax Rates for all Rate Areas

Total Tax Rates (2)	County Tax Rate Areas (3)	Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Palomar Comm. College	Palomar Pomerado Hospital	MWD / SDCWA	Total Voter Approved Rates (1)
1.0423	1	-	-	-	-	0.0423%	-	-	-	0.0423%
1.0458	46	-	-	-	-	0.0423	-	-	0.0035	0.0458
1.0528	3	0.0528	-	-	-	-	-	-	-	0.0528
1.0563	58	0.0528	-	-	-	-	-	-	0.0035	0.0563
1.0634	3	-	-	-	-	0.0423	0.01757	-	0.0035	0.0634
1.0730	5	-	-	-	0.05195	-	0.01757	-	0.0035	0.0730
1.0739	3	0.0528	-	-	-	-	0.01757	-	0.0035	0.0739
1.0764	2	-	-	0.0729	-	-	-	-	0.0035	0.0764
1.0798	1	0.0528	-	-	-	-	-	0.0235	0.0035	0.0798
1.0939	29	-	-	0.0729	-	-	0.01757	-	0.0035	0.0939
1.0995	1	-	0.0960	-	-	-	-	-	0.0035	0.0995
1.0999	1	-	-	0.0729	-	-	-	0.0235	0.0035	0.0999
1.1174	11	-	-	0.0729	-	-	0.01757	0.0235	0.0035	0.1174

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

- (1) The majority of voter approved debt is related to various school district bonds.
- (2) The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.
- (3) 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. The table above shows the number of tax rate areas affected by each of the rates.



Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2017			2008		
	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	\$ 286,092,490	1	1.01%	\$ 126,131,849	3	0.57%
La Costa Glen Retirement Community	246,872,105	2	0.87%	160,479,289	1	0.73%
The Forum Shopping Center	190,772,571	3	0.67%	-	-	-
Legoland California, LLC	188,771,482	4	0.66%	116,351,777	4	0.53%
The Shoppes at Carlsbad	160,522,329	5	0.56%	-	-	-
Park Hyatt Aviara Resort	150,750,000	6	0.53%	132,196,556	2	0.60%
La Costa Town Center, LLC	134,282,791	7	0.47%	-	-	-
Carlsbad Premium Outlets	124,045,636	8	0.44%	109,602,750	5	0.50%
Pacific View Apartments	119,907,699	9	0.42%	-	-	-
The Reserve at Carlsbad Apartments	112,000,000	10	0.39%	79,307,037	8	0.36%
Callaway Golf Company	-	-	-	100,856,885	6	0.46%
Borders, Inc.	-	-	-	81,002,094	7	0.37%
H.G. Fenton Company	-	-	-	75,411,647	9	0.34%
Pulte Home Corp	-	-	-	62,467,200	10	0.28%
Total	\$ 1,714,017,103		6.03%	\$ 1,043,807,084		4.74%
Net assessed valuation	\$ 28,423,782,189			\$ 22,040,017,749		

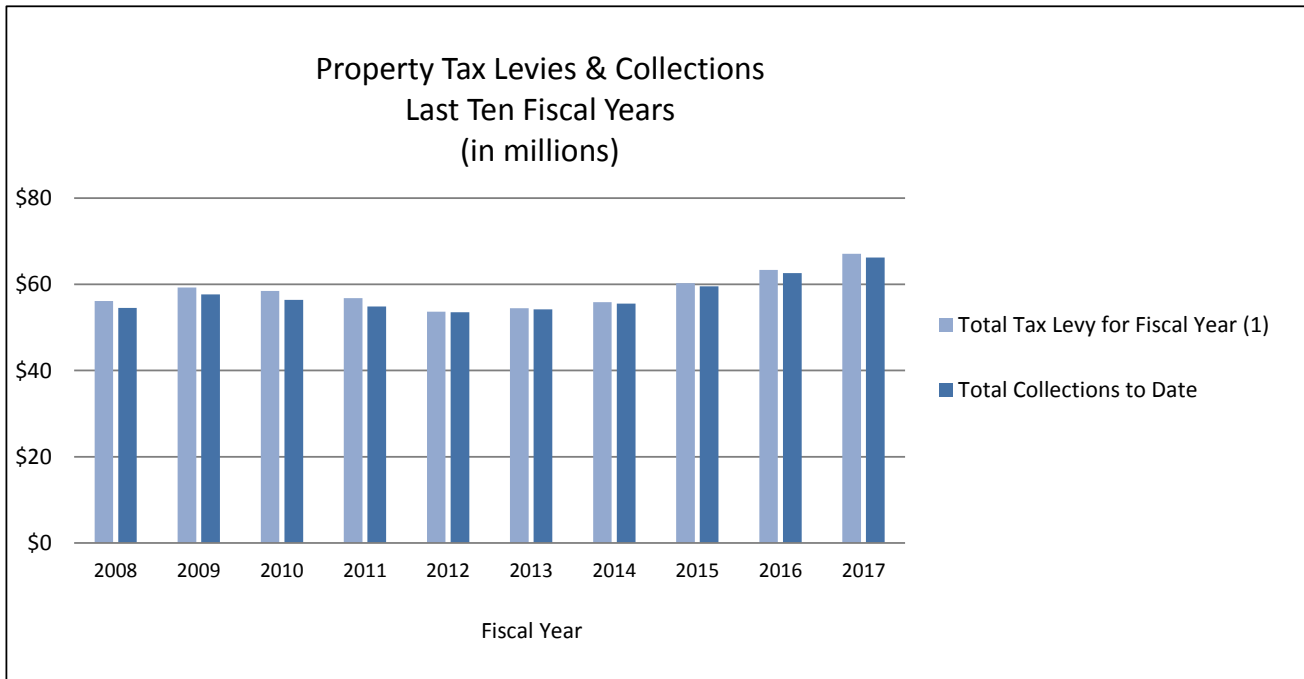
Source: County of San Diego Offices of the Auditor and Controller and County Assessor



Property Tax Levies and Collections

Last Ten Fiscal Years

Fiscal Year	Total Tax Levy for Fiscal Year (1)	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2008	\$56,098,718	\$52,622,619	93.80%	\$1,895,030	\$54,517,649	97.18%
2009	59,297,940	55,759,900	94.03%	1,885,866	57,645,766	97.21%
2010	58,433,851	55,030,915	94.18%	1,348,424	56,379,339	96.48%
2011	56,792,002	53,953,149	95.00%	872,640	54,825,789	96.54%
2012	53,682,809	52,778,359	98.32%	726,856	53,505,215	99.67%
2013	54,469,819	53,677,921	98.55%	544,341	54,222,262	99.55%
2014	55,883,499	55,042,944	98.50%	479,163	55,522,107	99.35%
2015	60,266,230	59,509,285	98.74%	475,659	59,509,285	98.74%
2016	63,363,527	62,595,504	98.79%	355,646	62,595,504	98.79%
2017	67,116,590	66,233,111	98.68%	N/A	66,233,111	98.68%



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, homeowner's exception and supplementary amounts distributed by the county.



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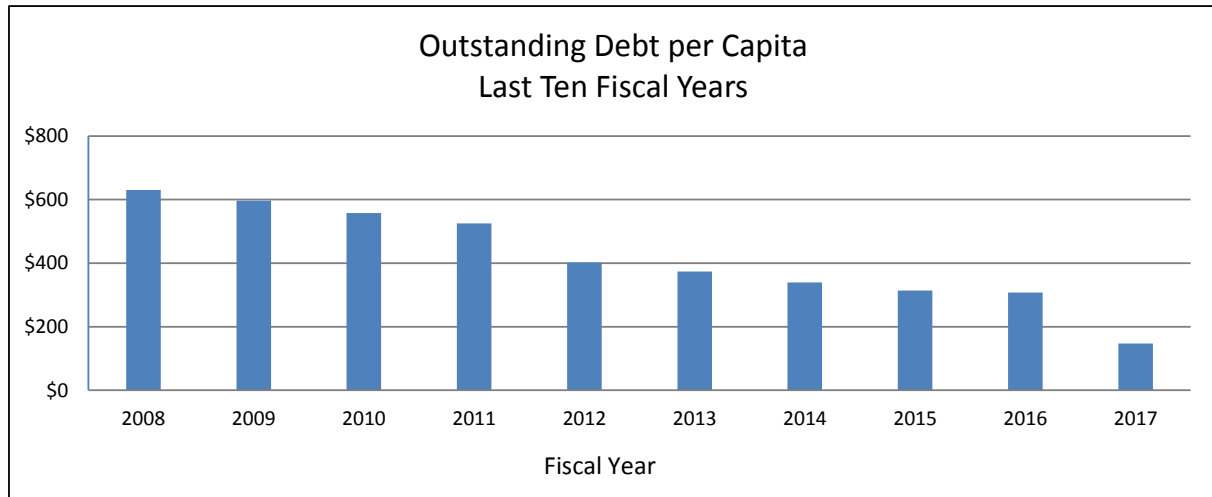


Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(dollars in thousands except per capita)

Governmental Activities				
Fiscal Year	Bonds / Special Debt (4)	Certificates of Participation	Capital Leases	Loans Payable
2008	11,205	735	-	-
2009	10,740	-	-	-
2010	10,250	-	-	-
2011	9,735	-	-	581
2012	-	-	-	475
2013	-	-	-	159
2014	-	-	-	-
2015	-	-	-	-
2016 (5)	-	-	970	-
2017	-	-	784	-



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

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

- (1) During FY 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 FY 2005-06, and \$19.4 million in FY 2006-07. An additional loan of \$29.5 million was authorized in FY 2015-16, of which \$389,180 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 Redevelopment Agency in FY 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.
- (6) The Carlsbad Municipal Golf Course Revenue Bonds were defeased during the FY 2016-17

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	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
16,058	-	17,670	-	34,698	0.60%	307.25
- (6)	-	15,901	-	16,685	0.28%	146.71

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

Fiscal Year 2016-17 Assessed Valuation:	\$ 29,373,751,955
Redevelopment Incremental Valuation:	949,969,766
Adjusted Assessed Valuation:	<u>\$ 28,423,782,189</u>

	Total Debt 06/30/17	Percent Applicable (1)	City's Share of Debt 6/30/17
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 74,905,000	1.143%	\$ 856,164
Palomar Community College District	639,550,855	2.749%	17,581,253
Carlsbad Unified School District	168,548,765	98.084%	165,319,371
Oceanside Unified School District	234,822,525	0.005%	11,741
Vista Unified School District	96,229,882	0.716%	689,006
Encinitas Union School District	49,961,066	31.331%	15,653,302
San Marcos Unified School District	275,461,541	18.544%	51,081,588
San Marcos Unified School District School Facility Improvement District	2,819,069	20.156%	568,212
San Marcos Unified School District CFD No. 4	17,275,000	32.779%	5,662,572
San Marcos Unified School District CFD No. 5	16,075,000	100.000%	16,075,000
San Dieguito Union High School District	316,250,000	9.265%	29,300,563
San Dieguito Union HS District CFD No. 94-1	79,107	100.000%	79,107
San Dieguito Union HS District CFD No. 94-2	28,460,289	98.160%	27,936,620
San Dieguito Union HS District CFD No. 95-2	3,674,857	13.293%	488,499
Palomar Health District	443,465,867	1.651%	7,321,621
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	11,675,000	22.264%	2,599,322
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	21,305,000	100.000%	21,305,000
City of Carlsbad 1915 Act Bonds	<u>39,185,000</u>	100.000%	<u>39,185,000</u>
Total Overlapping Tax and Assessment Debt	\$ 2,439,743,823		\$ 401,713,941
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 291,180,000	6.322%	\$ 18,408,400
San Diego County Pension Obligations	605,520,000	6.322%	38,280,974
San Diego County Superintendent of Schools General Fund Obligations	11,460,000	6.322%	724,501
Mira Costa Community College District Certificates of Participation	12,265,000	27.680%	3,394,952
Palomar Community College District General Fund Obligations	3,280,000	2.749%	90,167
Carlsbad Unified School District General Fund Obligations	46,295,000	98.084%	45,407,988
San Marcos Unified School District General Fund Obligations	57,876,115	18.544%	10,732,547
Vista Unified School District Certificates of Participation	2,710,000	0.716%	19,404
San Dieguito Union High School District General Fund Obligations	<u>12,730,000</u>	9.265%	<u>1,179,435</u>
Total Overlapping General Fund Obligation Debt	\$ 1,043,316,115		\$ 118,238,368
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	6,030,000	100.000%	6,030,000 (3)
Total Overlapping Debt:	\$ 3,489,089,938		\$ 525,982,309
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	\$ -	0.000%	\$ -
Total City of Carlsbad Direct Debt	\$ -		\$ -
Combined Total Debt	<u>\$ 3,489,089,938</u>		<u>\$ 525,982,309</u> (2)

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

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

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. non-bonded capital lease obligations.

Ratios to FY 2016-17 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.37%

Ratios to Adjusted Assessed Valuation:

Governmental Activities Direct Debt 0.00%

Combined Total Debt 1.85%

(3) Created by the dissolution of the Redevelopment Agency in FY 2011-12 per AB1x26 and AB1484.



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City of Carlsbad
Direct and Overlapping Debt
Last Ten Fiscal Years

(rate per \$1,000 of assessed value)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 0.187	\$ 0.160	\$ 0.147
Palomar Community College District	0.224	0.208	0.207
Carlsbad Unified School District	2.521	5.513	5.401
Carlsbad Unified School District CFD No. 1	0.318	0.263	0.230
Oceanside Unified School District	-	-	0.001
Vista Unified School District	0.029	0.033	0.043
Encinitas Union School District	0.270	0.228	0.205
San Marcos Unified School District	-	-	-
San Marcos Unified School District School Facility Improvement District	0.282	0.250	0.227
Palomar Health District	0.303	0.389	0.383
Leucadia County Water District and I.D. No. 1	-	-	-
San Marcos Unified School District CFD No. 4	0.270	0.248	0.245
San Marcos Unified School District CFD No. 5	1.114	1.016	1.000
San Dieguito Union High School District	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.012	0.011	0.004
San Dieguito Union HS District CFD No. 94-2	0.867	0.793	1.105
San Dieguito Union HS District CFD No. 95-2	0.004	0.004	0.022
San Dieguito Union HS District combined CFD	0.668	0.626	0.218
Olivehain Municipal Water District, Assess. Dist. No. 96-1	0.177	0.157	0.151
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	1.338	1.246	1.244
City of Carlsbad 1915 Act Bonds	<u>3.091</u>	<u>2.806</u>	<u>2.685</u>
Total Overlapping Tax and Assessment Debt	\$ 11.675	\$ 13.951	\$ 13.518
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 1.051	\$ 1.304	\$ 1.201
San Diego County Pension Obligations	3.094	2.782	2.470
San Diego City Superintendent of Schools General Fund Obligations	0.051	0.046	0.061
Mira Costa Community College District Certificates of Participation	0.052	0.046	0.043
Palomar Community College District General Fund Obligations	0.011	0.010	0.010
Carlsbad Unified School District General Fund Obligations	2.404	2.206	2.132
San Marcos Unified School District General Fund Obligations	0.082	0.076	0.834
Vista Unified School District Certificates of Participation	-	-	-
Encinitas Union School District Certificates of Participation	0.013	0.008	0.004
San Dieguito Union High School District General Fund Obligations	-	-	0.048
Other Unified School District Certificates of Participation	<u>0.001</u>	<u>0.002</u>	<u>0.002</u>
Total Overlapping General Fund Obligation Debt	\$ 6.759	\$ 6.480	\$ 6.805
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	\$ -	\$ -	\$ -
Total Overlapping Debt:	18.434	20.431	20.323
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	<u>0.033</u>	<u>-</u>	<u>-</u>
Total City of Carlsbad Direct Debt	\$ 0.033	\$ -	\$ -
Combined Total Debt	\$ 18.467	\$ 20.431	\$ 20.323

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

	2011	2012	2013	2014	2015	2016	2017
\$	0.129	\$ 0.110	\$ 0.080	\$ 0.062	\$ 0.049	\$ 0.039	\$ 0.030
	0.447	0.448	0.375	0.361	0.562	0.520	0.619
	8.660	8.527	8.312	7.921	7.073	6.370	5.816
	0.192	0.149	0.103	0.052	-	-	-
	0.001	0.001	0.001	-	-	-	-
	0.039	0.038	0.031	0.028	0.025	0.022	0.024
	0.357	0.338	0.454	0.426	0.385	0.515	0.551
	-	3.103	1.711	2.248	2.087	1.922	1.797
	0.202	0.176	0.076	0.057	0.035	0.027	0.020
	0.444	0.434	0.353	0.336	0.308	0.285	0.258
	-	-	-	-	-	-	-
	0.241	0.236	0.230	0.292	0.254	0.232	0.199
	0.979	0.950	0.918	0.864	0.690	0.626	0.566
	-	-	0.621	0.607	0.967	0.906	1.031
	0.004	0.004	0.004	0.004	0.003	0.003	0.003
	1.093	1.106	1.082	1.032	0.928	0.855	0.983
	0.022	0.022	0.022	0.023	0.021	0.019	0.017
	0.215	-	-	-	-	-	-
	0.147	0.142	0.138	0.139	0.031	0.102	0.091
	1.080	1.063	1.045	1.000	0.903	0.836	0.750
	2.640	2.569	2.107	2.018	1.727	1.564	1.379
\$	16.892	\$ 19.416	\$ 17.663	\$ 17.470	\$ 16.048	\$ 14.843	\$ 14.134
\$	1.133	\$ 1.155	\$ 1.070	\$ 0.983	\$ 0.857	\$ 0.709	\$ 0.648
	2.410	2.300	2.017	1.865	1.664	1.497	1.347
	0.059	0.055	0.047	0.042	0.036	0.031	0.025
	0.036	0.032	0.028	0.023	0.018	0.014	0.119
	0.009	0.008	0.006	0.006	0.005	0.004	0.003
	2.089	2.028	1.967	2.086	1.846	1.692	1.598
	0.831	0.837	0.458	0.441	0.407	0.376	0.378
	-	-	0.001	0.001	0.001	0.001	0.001
	-	-	-	-	-	-	-
	0.049	0.059	0.051	0.049	0.047	0.044	0.041
	0.002	0.002	-	-	-	-	-
\$	6.618	\$ 6.476	\$ 5.645	\$ 5.496	\$ 4.881	\$ 4.368	\$ 4.160
\$	-	\$ -	\$ 0.376	\$ 0.341	\$ 0.290	0.250	0.212
	23.510	25.892	23.684	23.307	21.219	19.461	18.506
	0.025	0.021	0.007	-	-	-	-
\$	0.025	\$ 0.021	\$ 0.007	\$ -	\$ -	\$ -	\$ -
\$	23.535	\$ 25.913	\$ 23.691	\$ 23.307	\$ 21.219	\$ 19.461	\$ 18.506

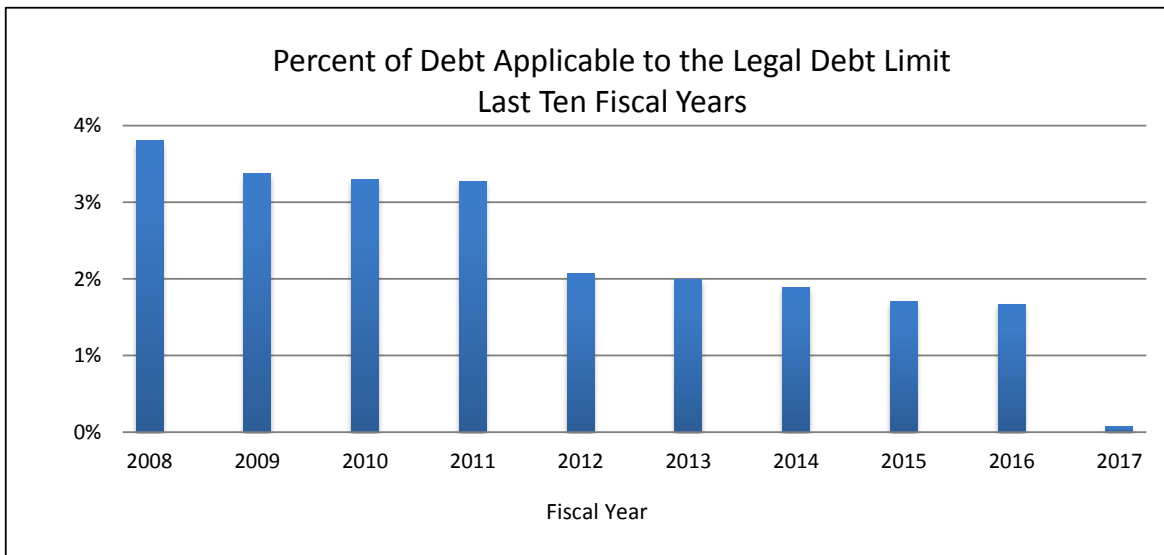


Legal Debt Margin Information

Last Ten Fiscal Years

(dollars in thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net assessed valuation	\$ 22,040,018	\$ 23,517,153	\$ 23,234,948	\$ 23,012,997	\$ 22,982,172
Debt limit (25% x 15%)	826,501	881,893	871,311	862,987	861,831
Less amount of debt applicable to limit:					
Bonded debt	29,745	29,005	28,225	27,405	17,345 (1)
Certificates of participation	735	-	-	-	-
Loan payable	-	-	-	581	475
Obligations under capital leases	<u>958</u>	<u>736</u>	<u>502</u>	<u>256</u>	<u>14</u>
Total net debt applicable to limit	31,438	29,741	28,727	28,242	17,834
Legal debt margin	<u>\$ 795,063</u>	<u>\$ 852,152</u>	<u>\$ 842,584</u>	<u>\$ 834,745</u>	<u>\$ 843,997</u>
Total net debt applicable to the limit as a percentage of debt limit	3.80%	3.37%	3.30%	3.27%	2.07%



Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15 percent (as adjusted by 25 percent 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) The 1993 Carlsbad Housing & Redevelopment Commission Tax Allocation Bonds were transferred to a trust fund due to the dissolution of the Redevelopment Agency in FY 2011-12, per AB1x26 and AB1484.

(2) The golf course bonds were defeased during FY 2016-17.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 22,956,650	\$ 23,522,746	\$ 25,489,468	\$ 26,924,891	\$ 28,423,782
860,874	882,103	955,855	1,009,683	1,065,892
17,005	16,645	16,260	15,855	- (2)
-	-	-	-	-
159	-	-	-	-
-	-	-	970	785
<u>17,164</u>	<u>16,645</u>	<u>16,260</u>	<u>16,825</u>	<u>785</u>
<u>\$ 843,710</u>	<u>\$ 865,458</u>	<u>\$ 939,595</u>	<u>\$ 992,858</u>	<u>\$ 1,065,107</u>
1.99%	1.89%	1.70%	1.67%	0.07%



**City of
Carlsbad**
Pledged-Revenue Coverage
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Wastewater Revenue Bonds					
Gross revenues (1), (7)	\$ 11,134,290	\$ 10,551,005	\$ 10,837,232	\$ 11,564,398	\$ 12,391,225
Less expenses (2), (7)	<u>6,645,724</u>	<u>7,523,300</u>	<u>6,197,845</u>	<u>6,060,142</u>	<u>6,645,436</u>
Net available revenue	<u>\$ 4,488,566</u>	<u>\$ 3,027,705</u>	<u>\$ 4,639,387</u>	<u>\$ 5,504,256</u>	<u>\$ 5,745,789</u>
Debt service					
Principal (7)	\$ 640,000	\$ 675,000	\$ 705,000	\$ 740,000	\$ 780,000
Interest (7)	<u>295,506</u>	<u>262,169</u>	<u>228,006</u>	<u>191,419</u>	<u>152,468</u>
Total debt service	<u>\$ 935,506</u>	<u>\$ 937,169</u>	<u>\$ 933,006</u>	<u>\$ 931,419</u>	<u>\$ 932,468</u>
Coverage	4.80	3.23	4.97	5.91	6.16
Recycled Water Loans					
Gross revenues (3)	\$ 4,714,098	\$ 5,749,477	\$ 6,635,220	\$ 5,942,531	\$ 7,002,009
Less expenses (4)	<u>2,484,843</u>	<u>2,925,479</u>	<u>3,300,263</u>	<u>3,629,787</u>	<u>4,133,530</u>
Net available revenue	<u>\$ 2,229,255</u>	<u>\$ 2,823,998</u>	<u>\$ 3,334,957</u>	<u>\$ 2,312,744</u>	<u>\$ 2,868,479</u>
Debt service					
Principal (5)	\$ 1,041,202	\$ 1,223,781	\$ 1,252,343	\$ 1,282,018	\$ 1,312,398
Interest	<u>799,759</u>	<u>652,702</u>	<u>624,140</u>	<u>594,463</u>	<u>564,084</u>
Total debt service	<u>\$ 1,840,961</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>
Coverage	1.21	1.50	1.78	1.23	1.53
Golf Course Revenue Bonds					
Gross revenues (1), (8)	\$ 6,614,579	\$ 7,680,342	\$ 7,080,711	\$ 7,582,458	\$ 7,863,951
Less expenses (2), (8)	<u>6,312,031</u>	<u>6,848,161</u>	<u>6,426,412</u>	<u>6,356,592</u>	<u>6,177,438</u>
Net available revenue	<u>\$ 302,548</u>	<u>\$ 832,181</u>	<u>\$ 654,299</u>	<u>\$ 1,225,866</u>	<u>\$ 1,686,513</u>
Debt service					
Principal (6), (8)	\$ -	\$ 275,000	\$ 290,000	\$ 305,000	\$ 325,000
Interest (8)	<u>827,050</u>	<u>821,550</u>	<u>810,250</u>	<u>798,350</u>	<u>785,750</u>
Total debt service	<u>\$ 827,050</u>	<u>\$ 1,096,550</u>	<u>\$ 1,100,250</u>	<u>\$ 1,103,350</u>	<u>\$ 1,110,750</u>
Coverage	0.37	0.76	0.59	1.11	1.52

Source: City of Carlsbad Comprehensive Annual Financial Reports

- (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) FY 2006-07 is the first year loan payments were made.
- (6) FY 2008-09 is the first year for principal payment.
- (7) Debt service was completed during FY 2015-16.
- (8) The golf course bonds were defeased during FY 2016-17.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 12,599,601	\$ 13,699,286	\$ 13,723,835	\$ 13,723,835	\$ -
<u>7,094,310</u>	<u>6,989,194</u>	<u>7,249,798</u>	<u>7,249,798</u>	<u>-</u>
<u>\$ 5,505,291</u>	<u>\$ 6,710,092</u>	<u>\$ 6,474,037</u>	<u>\$ 6,474,037</u>	<u>\$ -</u>
\$ 820,000	\$ 860,000	\$ 905,000	\$ 905,000	\$ -
<u>111,469</u>	<u>68,419</u>	<u>23,191</u>	<u>-</u>	<u>-</u>
<u>\$ 931,469</u>	<u>\$ 928,419</u>	<u>\$ 928,191</u>	<u>\$ 905,000</u>	<u>\$ -</u>
5.91	7.23	6.97	7.15	n/a
\$ 8,160,109	\$ 9,392,061	\$ 9,210,258	\$ 8,216,362	\$ 8,371,467
<u>4,019,176</u>	<u>3,640,786</u>	<u>3,826,699</u>	<u>4,679,706</u>	<u>4,863,054</u>
<u>\$ 4,140,933</u>	<u>\$ 5,751,275</u>	<u>\$ 5,383,559</u>	<u>\$ 3,536,656</u>	<u>\$ 3,508,413</u>
\$ 1,343,498	\$ 1,375,337	\$ 1,407,932	\$ 1,441,301	\$ 1,475,461
<u>532,983</u>	<u>501,144</u>	<u>468,550</u>	<u>435,182</u>	<u>401,021</u>
<u>\$ 1,876,481</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,482</u>
2.21	3.06	2.87	1.88	1.87
\$ 6,777,292	\$ 7,747,116	\$ 8,428,375	\$ 8,196,853	\$ -
<u>5,954,896</u>	<u>6,125,159</u>	<u>6,302,019</u>	<u>6,273,320</u>	<u>-</u>
<u>\$ 822,396</u>	<u>\$ 1,621,957</u>	<u>\$ 2,126,356</u>	<u>\$ 1,923,533</u>	<u>\$ -</u>
\$ 340,000	\$ 360,000	\$ 385,000	\$ 405,000	\$ -
<u>771,600</u>	<u>755,850</u>	<u>739,088</u>	<u>721,313</u>	<u>-</u>
<u>\$ 1,111,600</u>	<u>\$ 1,115,850</u>	<u>\$ 1,124,088</u>	<u>\$ 1,126,313</u>	<u>\$ -</u>
0.74	1.45	1.89	1.71	n/a



**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>
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	2.68
2017	113,725	3.43%	0.70%	41.9	2.58

Sources: MuniServices, LLC

Population projections are from the California Department of Finance

Household and demographic characteristics estimates are from the United States Census Data Sets Tables.

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

(1) Personal income is the estimated total aggregate income for the total population.

(2) Per Capita Personal Income is reported starting in FY 2010-11; prior amounts are Median Household Income, adjusted for inflation.

Educational Attainment

<u>% High School Graduate</u>	<u>% Bachelor's Degree or Higher</u>	<u>Personal Income (1) (millions)</u>	<u>Per Capita Personal Income (2)</u>	<u>City Unemployment Rate</u>
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	\$ 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%
95.8%	54.2%	\$ 6,060	\$ 53,285	4.20%



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

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Manufacturing						
Life Technologies	1,982	1	2.87%	3,716	1	6.69%
Genoptix, Inc.	613	2	0.89%	-	-	-
Nordson Asymtek	600	3	0.87%	-	-	-
Taylor Made Golf Company, Inc.	554	4	0.80%	2,075	2	3.74%
Zimmer Dental Inc.	472	5	0.68%	332	8	0.60%
Callaway Golf Company	429	6	0.62%	1,637	3	2.95%
Ionis Pharmaceuticals	342	7	0.50%	-	-	-
Titleist and Foot-Joy Worldwide	322	8	0.47%	400	6	0.72%
Systems, Machines Automation	300	9	0.43%	294	9	0.53%
Upper Deck	293	10	0.42%	364	7	0.66%
Crestone Group Baking Co.	-	-	-	575	4	1.04%
Asymtek	-	-	-	492	5	0.89%
Acushnet Golf	-	-	-	400	6	0.72%
Astec America	-	-	-	291	10	0.52%
Non-Manufacturing						
Legoland California, LLC	2,302	1	3.33%	986	3	1.78%
ViaSat, Inc.	1,565	2	2.27%	1,837	1	3.31%
Omni La Costa Resort & Spa	1,175	3	1.70%	1,087	2	1.96%
Carlsbad Unified School District	988	4	1.43%	950	4	1.71%
Gemological Institute of America, Inc.	846	5	1.23%	587	7	1.06%
OptumRX, Inc.	787	6	1.14%	-	-	-
City of Carlsbad	683	7	0.99%	851	5	1.53%
Glenbrook at Home, LLC	661	8	0.96%	-	-	-
Park Hyatt Aviara Resort	616	9	0.89%	709	6	1.28%
24-Hour Fitness, USA	553	10	0.80%	430	10	0.77%
Grand Pacific Resorts				540	8	0.97%
Macy's				496	9	0.89%
Subtotal Employers	16,083		23.29%	19,049		34.30%
Total Employees (estimate)	69,053			55,538		

Source: Carlsbad Business License Data



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

<u>Program Area</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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	8.00	8.00	8.00	7.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
Communications	3.75	3.75	3.75	2.75	2.75
Records Management	8.00	8.00	8.00	8.00	6.25
Administrative Services					
Finance and Risk Management	32.00	32.00	31.00	30.50	30.50
Human Resources and Workers' Comp	10.00	10.00	10.00	9.00	9.00
Information Technology	19.00	19.50	19.00	22.50 (2)	22.50
Public Safety					
Police	162.00	162.00	162.00	162.00	162.00
Fire	88.75	88.75	88.75	88.75	87.75
Community Development					
Community and Economic Development	50.00	50.00	50.00	54.00 (2)	50.00
Housing and Neighborhood Services	10.00	10.00	10.00	11.00 (2)	13.00
Community Services					
Library and Arts	53.00	53.00	53.00	52.25	51.25
Parks and Recreation	30.50	30.50	72.10 (1)	71.95	70.95
Public Works					
Environmental Management	-	-	-	-	-
General Services, Engineering, Environmental	173.05	174.80	133.00 (1)	- (2)	-
General Services	-	-	-	-	-
Property and Fleet	-	-	-	41.60 (2)	39.60
Public Works Administration	-	-	-	-	-
Transportation	-	-	-	58.40 (2)	54.40
Utilities	55.45	55.20	55.40	69.55 (2)	68.55
Full and 3/4 Time Authorized Employees	711.25	714.25	712.75	699.00	684.25
Net Increase/(decrease) over prior year	21.00	3.00	(1.50)	(13.75)	(14.75)

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 FY 2009-10, the Parks Department was moved from Public Works to Parks and Recreation.

(2) During FY 2010-11, the Community Services, Public Works and Information Technology groups were reorganized to better reflect the needs of the city.

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

(4) During FY 2015-16 and FY 2016-17, the Public Works group restructured divisions to better reflect the future needs of the city.

2013	2014	2015	2016	2017
7.00	7.00	7.00	7.00	6.00
-	-	3.00 (3)	3.00	3.00
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	7.00	8.00
0.75	0.75	0.75	0.75	0.75
2.75	2.75	4.75 (3)	5.00	5.00
6.00	5.00	2.00 (3)	2.00	2.00
30.50	31.50	31.50	32.50	33.00
9.00	9.00	11.00	11.00	11.00
22.50	22.50	22.50	19.50	20.00
161.00	161.00	162.00	168.00	168.00
87.75	88.00	89.00	89.00	90.00
47.00	44.00	44.00	44.00	44.00
10.00	10.00	12.00	13.00	13.00
51.25	51.25	50.25 (3)	50.50	50.50
68.40	67.60	61.60 (3)	58.15	57.15
-	-	-	8.50 (4)	9.50
-	-	-	-	-
-	-	-	-	-
40.55	40.60	39.90	28.10 (4)	51.30 (4)
-	-	-	8.05 (4)	9.85
54.40	53.40	55.90	57.35	33.00 (4)
67.65	65.40	64.60	60.85 (4)	60.20
674.50	667.75	669.75	674.25	676.25
(9.75)	(6.75)	2.00	4.50	2.00



Operating Indicators by Function/Program
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government					
Number of recruitments processed	54	39	44	31	35
Number of new hires	118	75	61	39	22
Business licenses processed	9,405	9,029	9,173	9,539	9,303
Number of payments processed	41,991	41,381	40,310	41,344	39,075
Public Safety					
Police					
Calls for service	94,126	94,492	94,678	97,414	93,248
Average priority one response (minutes)	6.0	5.9	6.0	5.5	5.9
Cases	11,259	10,309	8,826	8,188	7,963
Fire					
Emergency responses	6,705	7,853	9,503	9,084	9,106
Response time: arrivals on scene within goal standard	89%	85%	74%	71%	72%
Community Development					
Affordable housing units completed	168	90	6	5	-
Financial assistance to affordable housing projects	\$ 1,932,000	\$ 1,014,000	\$ 3,750,000	\$ 525,000	\$ 780,000
Building permits issued	n/a	n/a	n/a	2,600	1,400
Building inspections conducted	35,000	15,000	15,500	19,500	19,000
Final inspections (residential dwelling units)	700	200	300	260	271
Final inspections (commercial square feet)	n/a	n/a	n/a	n/a	n/a
Code enforcement actions	5,500	4,484	3,400	4,320	3,827
Community Services					
Library - total material circulation	1,291,611	1,334,875	1,365,127	1,362,700	1,358,839
Library - patron visits	662,794	670,932	749,514	858,788	858,422
Arts - number of events	62	58	54	44	50
Arts - attendance of events	76,000	80,000	80,000	80,000	75,000
Recreation - youth sports participants	1,200	1,200	1,200	1,200	1,200
Recreation - adult sports participants	5,400	5,400	5,400	5,400	5,450
Recreation - enrichment class enrollees	15,000	13,539	13,075	13,300	12,650
Recreation - special events participants	6,400	10,700	12,000	9,000	10,000
Recreation - aquatics classes conducted	271	350	368	470	557
Trees trimmed	1,808	1,820	1,816	2,221	1,863
Public Works					
Streets					
Road miles resurfaced- overlay or slurry seal	11.9	4.7	15.3	3.8	25.2
Carlsbad Municipal Water District					
Average consumption (millions of gallons per day)	18.1	17.7	15.3 (1)	14.1 (1)	14.4
Annual water deliveries (acre feet)	20,271	19,867	17,142 (1)	15,786 (1)	16,104
Water connections	27,770	27,890	27,910	27,978	28,379
Wastewater					
Sewage pumped (millions of gallons per day)	7.96	7.11	7.10	7.57	6.92
Annual flow (millions of gallons)	2,906	2,595	2,590	2,762	2,524
Wastewater connections	22,200	22,331	22,335	22,342	22,631

Source: City of Carlsbad

- (1) Water deliveries and consumption decreased significantly in FY 2008-09 through 2010-11 as a result of conservation efforts.
- (2) Increases in the number of participants is the result of the opening of the Alga Norte Community Park in FY 2013-14.
- (3) Increases in the number 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.
- (4) The decrease in patron visits is due to the temporary closures of library facilities for remodeling during the year.
- (5) The decrease is due to the time involved with the implementation of a new licensing system during FY 2016-17.
- (6) Reporting of information is delayed due to the implementation of a new permitting system during FY 2016-17.

2013	2014	2015	2016	2017
93	117	102	77	122
43	82	59	96	301
9,422	10,327	10,735	11,449	8,142 (5)
38,441	39,310	40,663	41,398	41,304
90,122	87,976	91,314	92,061	84,858
5.8	5.8	6.5	6.1	5.9
8,314	8,296	8,349	9,253	8,884
10,755	9,925	9,830	11,455	12,515
71%	63%	63%	64%	64%
59	-	-	-	-
\$ 7,408,000	\$ -	\$ 2,646,000	\$ -	\$ 1,280,000
1,500	1,400	1,600	3,000	4,500
24,000	19,000	21,000	23,000	27,000
440	190	200	200	600
n/a	45,000	60,000	60,000	95,000
4,943	4,794	5,389	10,994	n/a (6)
1,348,333	1,369,369	1,293,282	1,103,090	1,243,228
821,045	791,533	804,003	609,679 (4)	720,205
50	62	80	88	n/a
80,000	75,000	87,000	85,000	n/a
1,200	2,292 (2)	1,000	1,000	968
5,200	5,600	6,150	5,600	4,500
12,200	10,350	19,030 (3)	19,632	17,402
13,000	13,600	17,841 (3)	19,474	12,150
575	1,018 (2)	1,224	684	733
1,936	1,920	2,018	1,965	1,971
24.3	14.8	18.1	20.0	23.8
15.4	15.9	14.6	12.1	11.0
17,248	17,801	16,368	13,578	12,324
28,947	29,045	29,190	29,190	29,782
6.65	5.89	6.17	5.82	5.90
2,426	2,151	2,252	2,125	2,153
22,955	23,282	23,431	23,431	23,747



**City of
Carlsbad**
Capital Asset Statistics
Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</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	790	790	790	790	790
Miles of trails	35	38	47	47	47
Number of pools	1	1	1	1	1
Number of community centers	4	4	4	4	4
Number of libraries	2	3	3	3	3
Number of records in library catalog	373,592	367,161	365,371	370,228	370,034
Public Safety					
Fire Protection					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	12
Number of ambulances	5	5	5	5	5
Number of other fire vehicles	14	14	14	14	15
Police Protection					
Number of patrol and other vehicles	93	91	91	90	90
Number of motorcycles	17	18	15	11	11
Public Works					
Carlsbad Municipal Water District					
Miles of lines and mains	442	447	447	518	527 (1)
Wastewater					
Miles of sewers	265	269	282	284	288
Streets					
Miles of streets	338	340	340	340	340
Number of street lights	7,066	7,100	7,113	7,126	7,142
Number of traffic signals	164	168	172	172	172

Source: City of Carlsbad

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

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
31	33	33	33	33
183	281	319	319	319
755	728	728	728	728
47	47	47	47	47
1	3	3	3	3
4	4	4	4	4
3	3	3	3	3
373,010	361,507	357,862	341,745	341,122
6	6	6	6	6
12	13	12	12	12
6	8	7	6	5
15	16	15	18	20
88	114	114	106	106
13	13	14	15	12
534	534	534	559	559
288	288	288	288	288
343	346	347	348	350
7,179	7,236	7,262	7,265	7,334
174	174	177	177	177



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