

# Comprehensive Annual Financial Report



FISCAL YEAR ENDED  
**June 30, 2018**





Fiscal Year Ended June XXXXX  
Comprehensive Annual Financial Report

# Comprehensive Annual Financial Report

Fiscal Year Ended  
June 30, 2018

*Prepared by the*



Finance Department  
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**CITY OF CARLSBAD**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2018**

**Table of Contents**

	<b>Page</b>
<b>Introductory Section:</b>	
Letter of Transmittal	1
City Council’s FY 2017-18 Strategic Goals	4
Certificate of Achievement for Excellence in Financial Reporting, Government Finance Officers Association	15
Location Map	16
List of City Officials	17
Organization Chart	18
<b>Financial Section:</b>	
Independent Auditor’s Report	19
Management’s Discussion and Analysis	22
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	42
Statement of Activities	44
Fund Financial Statements:	
Balance Sheet – Governmental Funds	46
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	48
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	50
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	52
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	53
Statement of Net Position – Proprietary Funds	56
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	60
Statement of Cash Flows – Proprietary Funds	62
Statement of Net Position – Fiduciary Funds	66
Statement of Changes in Net Position – Fiduciary Funds	67
Notes to the Financial Statements	68
Required Supplementary Information	
Schedule of Changes in Net Position Liability and Related Ratios During Measurement Period	114
Schedule of Plan Contributions	117
Schedule of Changes in Net OPEB Liability and Related Rations During Measurement Period	118
Schedule of Plan Contributions	121



**TABLE OF CONTENTS (CONTINUED)**

	<b>Page</b>
Combining and Individual Fund Financial Statements and Schedules	
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	124
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	128
Combining Schedule of Revenues and Expenditures – Budget and Actual (Budgetary Basis) – Special Revenue Funds	132
Combining Schedule of Revenue and Expenditures – Budget and Actual (Budgetary Basis) – Capital Project Funds	134
Combining Statement of Net Position – Internal Service Funds	136
Combining Statement of Revenues, Expenses and Changes in Net Position – Internal Service Funds	138
Combining Statement of Cash Flows – Internal Service Funds	140
Combining Statement of Changes in Assets and Liabilities – Agency Funds	144
Statement of Fiduciary Net Position – Private Purpose Trust Fund	146
Changes in Fiduciary Net Position – Private Purpose Trust Fund	147
<b>Statistical Section:</b>	
Financial Trends:	
Net Position by Component – Last Ten Fiscal Years	150
Changes in Net Position – Last Ten Fiscal Years	152
Fund Balances of Governmental Funds – Last Ten Fiscal Years	156
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years	158
General Governmental Tax Revenues by Source – Last Ten Fiscal Years	160
Revenue Capacity:	
Water and Wastewater Rates – Last Ten Fiscal Years	161
Assessed Value of Taxable Property – Last Ten Fiscal Years	162
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	163
Principal Property Taxpayers – Current Year and Nine Years Ago	165
Property Tax Levies and Collections – Last Ten Fiscal Years	166
Debt Capacity:	
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	168
Schedule of Direct and Overlapping Bonded Debt – Current Fiscal Year	170
Direct and Overlapping Debt – Last Ten Fiscal Years	172
Legal Debt Margin Information – Last Ten Fiscal Years	174
Pledged-Revenue Coverage – Last Ten Fiscal Years	176
Demographic and Economic Information:	
Demographic and Economic Statistics – Last Ten Fiscal Years	178
Principal Employers – Current Year and Nine Years Ago	180
Operating Information:	
Authorized Full and ¾ Time City Government Employees by Program Area –Last Ten Fiscal Years	182
Operating Indicators by Function/Program – Last Ten Fiscal Years	184
Capital Asset Statistics – Last Ten Fiscal Years	186







December 10, 2018

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

**LETTER OF TRANSMITTAL  
2017-18 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Citizens:

I am pleased to present the Fiscal Year 2017-18 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, 2018.

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, Davis Farr LLP, has issued an unmodified ("clean") opinion on the city's financial statements for the year ended June 30, 2018. 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, 2018 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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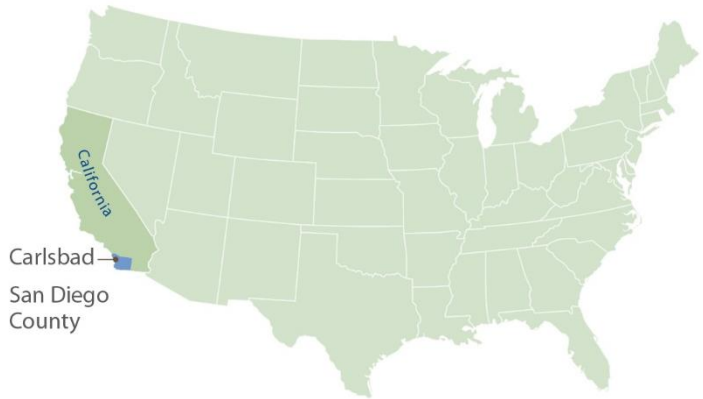
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is governed by a five-member City Council under the Council Manager form of government. The City Council is elected by district, on a staggered basis, for a term of four years. The city currently has four districts; however, the mayor is elected at large. 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 114,622, with an expected built out population of 120,000 residents. Commercial activities in the city include: a major regional shopping center, a specialty outlet center, a commercial center with upscale retail shops, 38 hotels offering 4,623 rooms, 236 short-term vacation rentals and 668 timeshares for tourist lodging, over 24 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 residents and businesses. The city’s Housing Authority administers federal housing assistance to 570 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 on the next page). 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 will be pursued through the continuation of ongoing programs and as new opportunities arise, and as such, no specific Fiscal Year 2017-18 Work Plan is proposed. Future status reporting will be provided on an as needed basis.



### **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



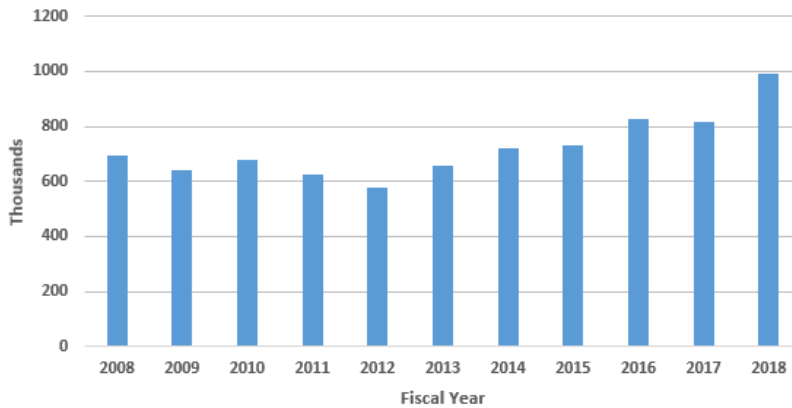
The University of San Diego (USD) monitors the health of the San Diego economy through its Index of Leading Economic Indicators. The chart to the left reflects historical movement in the USD's Leading Economic Indicators. The index, which measures local stock prices, help wanted advertising, and other pertinent metrics, fell 0.2 percent in May. The biggest contributor to the drop was a big decrease in online help wanted advertising. Initial claims for unemployment insurance were also moderately negative while there was a small decline in residential units

authorized by building permits. On the positive side, local stock prices were up moderately, but consumer confidence and the outlook for the national economy were up only slightly. Although the number of components up and those down were even at three apiece, the negatives outweighed the positive to push the USD Index to its second straight loss.

The **Carlsbad economy** generally moves in line with the county and the state. Property taxes for this year, Fiscal Year 2017-18, increased by almost 4.6 percent compared to the previous year, as assessed values remain strong in real estate and some additional development has entered the inventory. Transient Occupancy tax (TOT) paid by hotel guests, increased by 8.8 percent for the same period, which is being driven primarily by an increase in the average daily rate (ADR) that hotel guests are paying, the opening of the new LEGOLAND Hotel, a higher occupancy rate, and additional short-term vacation rentals. Sales tax revenues ended Fiscal Year 2017-18 at \$35 million, an improvement of 1.2 percent, as we continue to see strength in restaurants, new auto sales, department stores, and some additional occupancy at the Shoppes at Carlsbad. Overall, General Fund revenues ended the current year up 4.6 percent as some smaller revenue sources, such as those related to development, have fallen slightly during the year.

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 Westin, Carlsbad Oaks, and the expansion of the ViaSat campus. Commercial office space vacancy has witnessed a decline over the past several years, falling from over 30 percent in the last quarter of 2009 to 19.3 percent in April 2018. Industrial vacancy is 7.5 percent (9.1 percent, last year) and retail vacancy remains relatively stable at 2.7 percent (2.4 percent, last year), according to data from CoStar.

### Median Single Family Residence Home Prices



Housing prices in Carlsbad have accelerated in the past year, shown in the accompanying graph. According to data from CoreLogic, the median price of a single-family residence (SFR) being resold is \$989,000, an increase of over 21 percent compared to this time, last year. Price increases for resale SFRs are positive in all quadrants, although both 92008 (northwest

quadrant) and 92009 (southwest quadrant) saw double digit growth. Condominiums have also seen large increases citywide, and now top a median sales price of \$600,000. According to data from Movoto, inventories are up 17 percent over last year and homes are staying on the market for 29 days. Total assessed property values in Carlsbad are \$29.4 billion for the current fiscal year, an increase of almost six percent. The city is expected to add almost 1,700 new residential units over 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 new Lowe’s opened in fall 2013 and La Costa Town Square opened in Fiscal Year 2014-15.

Development has also enhanced Carlsbad’s reputation as a destination resort for tourism. The city is host to a major family theme park, LEGOLAND, and has two luxury resorts available for its visitors, the Park Hyatt at Aviara and the Omni La Costa Resort & Spa. There are several 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. New rooms will be added to the inventory in Fiscal Year 2018-19 at the Sheraton, with over 70 of those rooms under the Westin brand.

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

Overall, for Fiscal Year 2018-19, General Fund revenue is projected to increase by 4.4 percent from the previous year. Most major sources of tax revenue are expected to increase in Fiscal Year 2018-19, including property tax, which is expected to grow by 5.4 percent. Sales tax is projected to increase 3.4 percent and TOT revenues are projected to increase by almost 11 percent as occupancy, average daily rates (ADR) and the number of available rooms increase. The forecast captures additional room inventory from the Westin and LEGOLAND hotels in Fiscal Year 2018-19. Property values continue to appreciate, as discussed earlier. Development related revenues are forecast to decrease by over 35 percent in Fiscal Year 2018-19, compared to the previous year, a trend that is expected to continue as buildout is approached.





**State of California** – In January 2018, Governor Jerry Brown submitted the proposed budget to the legislature. He continues to call for fiscal vigilance and caution as he expects the state to experience another recession at some point in the near future. Although he maintains committed to spending for schools, infrastructure, and health and welfare programs, he also cites the importance of addressing staggering liabilities and maintain the Rainy Day Fund.

The Fiscal Year 2018-19 state budget proposal recognizes that spending has increased markedly in the past five years, as California legislated an increase in the minimum wage that will ultimately see \$15 per hour, and the expansion of health care for millions of Californians. The budget does not capture the effect of federal tax legislation passed in December 2017, that will likely have an impact on the state as Californians lose the ability to deduct state taxes on their federal income tax returns. The Governor's May budget revision assumes that the federal tax changes will provide a temporary boost to the national economy and provide fiscal gains to many Americans, however the full implications for the state's taxpayers will not be known for many years. The budget also acknowledges the risks to the state's financial position from challenges to the Affordable Care Act. If this legislation is overturned by Congress, it would cost California tens of billions from the General Fund, assuming the state would backfill lost federal funding for these benefits. The budget continues to increase funding for K-12 education and for the California university systems and community colleges. Due to the recent increase in the Gas Tax, the budget proposed \$55 billion in spending over the next decade on transportation projects ranging from neighborhood roads to passenger rail improvements.

The governor's budget does not account for the recession he predicts, but he notes that even a moderate recession could impact the states' revenues by \$20 billion. To prepare for this eventuality, the budget proposes to increase the Rainy Day Fund to its full reserve requirement in Fiscal Year 2018-19 of \$13.5 billion, an increase of \$5.1 billion over the current level. Additionally, the budget addresses the staggering liabilities that plague the state. Of the unfunded liability of \$275 billion, \$272 billion are related to the pension costs associated with state and University of California employees. The state paid an additional \$6 billion to CalPERS in 2017 in an effort to mitigate this ongoing issue.

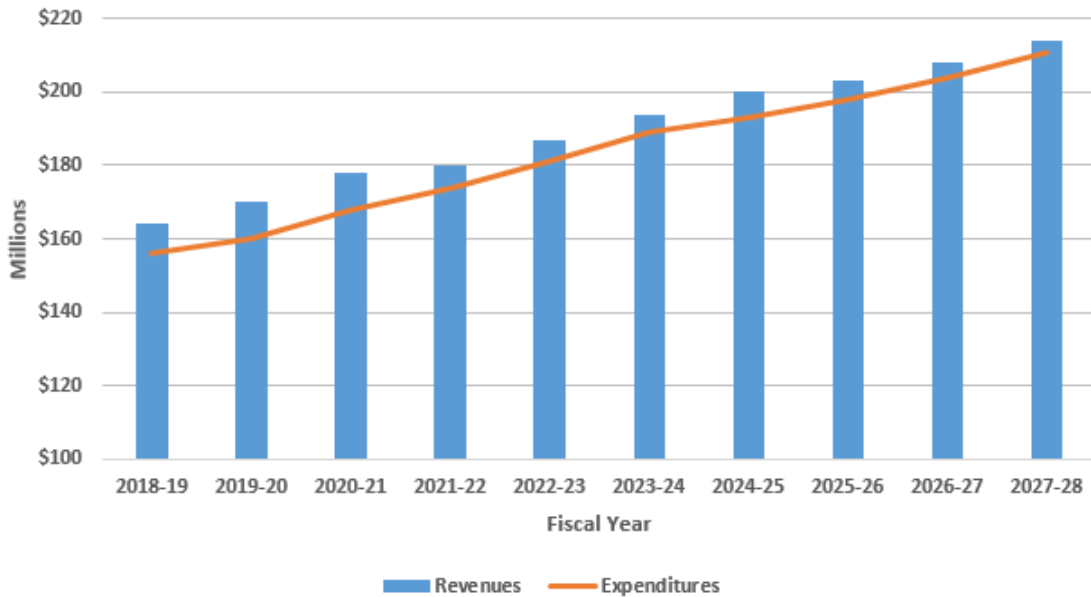
### **Long-Term Financial Planning**

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 remove risk from their investment portfolio. The city is taking steps to adjust to these increases and provide ongoing resources to continue providing service levels expected by residents.

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 Crossings at Carlsbad Golf Course ceased last 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 Community Center, are also captured in the forecast. Economic conditions at the national, state, and local level are expected to continue to improve at a modest rate and to provide a boost to most of the major revenue sources. Home prices, which saw large decreases during the recession, continue to recover and are providing support to city’s property tax revenues in the following years, and it appears that trend is continuing. 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 4.4 percent in Fiscal Year 2018-19, as economic conditions continue to improve, bolstering revenues from the property tax, sales tax, 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 will increase by 5.25 percent in FY 2018-19 and will increase over the forecast period to 6.5 percent in future years. CalPERS, the administrator of the city’s employee pension plan, continues with their risk mitigation strategy, which involves lowering the assumed rate of return on pension assets from 7.5 percent to 7.0 percent over a three-year period. The results of this drop in assumed rate of return on the mature pension plan will increase pension costs to the city in future years. Fiscal Year 2018-19 will be the first year in which the rate decreases, but the effects do not materialize in the forecast until Fiscal Year 2019-20, when there is a 15 percent increase in the city’s annual required contribution (ARC). Annual pension costs after Fiscal Year 2019-20 are less severe and are assumed to normalize at an annual increase of three percent. The City Council took action to pay off approximately \$9 million in the unfunded actuarial liability during the budget adoption process for Fiscal Year 2017-18; and if similar actions are taken in future years, this will continue to decrease the city’s ARC, holding all other variables that affect annual costs, such as investment returns, constant. CalPERS may take other actions in the future, to continue to make the statewide pension fund more fiscally sustainable, and

such action will be captured in future forecasts. The state wide funded status for CalPERS hovers around 70 percent. The forecast does not consider increases in staffing levels beyond Fiscal Year 2018-19, 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 Fiscal Year 2018-19 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 threats, responsible fiduciary stewardship and planning have placed the city in a position to benefit from even modest improvements in the economic environment.

### **Major Initiatives and Projects**

In the city's Fiscal Year 2018-19 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 several park projects, as 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 and 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 \$3.9 million.

Leo Carrillo Phase III – This historic park is in the southeast quadrant of the city. Expenditures include a new restroom building, 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, and native people and plants. Also included is visitor way-finding signage and additional lighting. The total estimated cost is \$3.0 million.

Calavera Hills Community Park Gateway Improvements – Located at the northeast corner of Calavera Hills Community Park, this lot will be developed into an aesthetically pleasing gateway with passive recreational uses, at an estimated total cost of \$872,000.

Poinsettia Community Park and Dog Park – 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 \$5.3 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 was previously appropriated for the development of a master plan.

Veterans Park Master Plan – This 92-acre site is located on the east side of Faraday Avenue, just south of Cannon Road, across from The Crossings at Carlsbad Golf Course. An appropriation of \$200,000 will fund the initial phase, to include conducting public outreach and 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 repair, maintenance, and replacement of those facilities.

New City Hall – One of the five City Council goals is breaking ground on a new city hall at a site designated for a future civic center complex by the year 2023. Initial efforts will include site location and public outreach.



Orion Center – This city facility will bring together offices, the fleet maintenance yard, a warehouse, and parking to accommodate the various work groups at one location, on a site near the existing Safety Center and Fleet yard. The total estimated project cost is \$38.4 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 per year. 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 residents at a cost not-to-exceed \$10.5 million.

Monroe Street Pool Replacement – The Monroe Street Pool is located on Monroe Street, adjacent to Carlsbad High School. This project will ultimately replace the pool, decking, gutters, mechanical building, restrooms/lockers/shower facilities and administrative areas. The current estimated cost is \$5.1 million.

Stagecoach Park Synthetic Turf Replacement – The Stagecoach Park athletic field is scheduled for synthetic turf replacement at a cost of \$1.8 million.

Other Facilities Maintenance Projects – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. In the next five years, an additional \$6.5 million has been allocated to projects, including the following:

- Cannon Park Restroom
- City Facility Accessibility Upgrades
- Faraday Administrative Facility Upgrades
- Fire Station No. 4 Expansion
- Fleet Maintenance Facility Refurbishment
- Safety Center Facility Improvements



## 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. This includes modernizing roads and traffic systems and investing in programs to make it easier to get around town, whether by car, on a bike, by foot, or via public transit. 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.

Adaptive Traffic Signal Program – This citywide program will implement adaptive signal coordination systems at approximately 150 traffic signal and intersection locations, to improve the flow of traffic throughout the city. An additional \$950,000 in funding will be added in Fiscal Year 2018-19 to the existing program budget of \$1.9 million. This phase of the Adaptive Traffic Signal Program will complete the upgrade of the traffic signal equipment throughout the city, including the purchase and installation of equipment that will use real-time data to “adapt” traffic signal operations to changing traffic patterns. The new equipment will also monitor signal operations and send alarms alerting staff of potential equipment malfunctions.

Avenida Encinas Widening – Street widening to full secondary arterial standards along Avenida Encinas from Palomar Airport Road to just south of Embarcadero Lane is scheduled for design in Fiscal Year 2019-20. The CIP includes \$5.3 million to fund the project in the next few years.

Beach Access Repair/Upgrades – Tamarack Avenue to Pine Avenue – Funding of \$5.8 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 relatively new program designed to perform preventative maintenance activities on bridges throughout the city, at a total cost of \$1.6 million.

Carlsbad Village Drive and Grand Avenue Pedestrian Improvements – This project is estimated at \$1.3 million and will improve pedestrian features, roadway and sidewalk improvements and safety barriers. Funding is scheduled in the CIP in Fiscal Year 2020-21.

Chestnut Avenue Complete Street Project – This project will reconfigure Chestnut Avenue to create a complete street with high visibility crosswalks, curb extensions, bike lanes and bicycle and pedestrian way finding signs, at a total cost of \$1.1 million. Funding is scheduled in the CIP in Fiscal Year 2019-20.

Concrete Repair and Maintenance – The proposed spending plan includes \$1.3 million in the next five years for repairs to sidewalks, curb and gutter, pedestrian ramps, driveway approaches and cross gutters.

El Camino Real Widening from Arenal Road to La Costa Avenue – This project will add a southbound lane to widen the road to full prime arterial standards, at an estimated cost of \$2.5 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. Funding of \$18.5 million is 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 (previously appropriated).

Railroad Double Tracking – It is a City Council Goal to break ground on lowering the railroad tracks in a trench through the Village to improve safety, community connectivity, quality of life and economic value. To begin this effort, funding in the amount of \$2.0 million has been included in the Fiscal Year 2018-19 CIP.



Road Diet and Traffic Calming Projects along Valley Street and Kelly Drive – Projects are planned in the next five years to provide complete street solutions so that the varied user of these roads, including pedestrians and bicyclists, are provided for in a balanced and equitable manner. The total cost is estimated at \$3.2 million.

Terramar Coastal Improvement – The project will ultimately improve the public right of way along Carlsbad Boulevard and Cannon Road to provide a complete street, including pedestrian/non-vehicular facilities, and along the bluff, to enhance the quality of the open space and beach access. Funding of \$6.7 million has been previously allocated to this project.

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

- Camino De Los Coches and La Costa Avenue
- El Fuerte and Rancho Pancho
- 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 are planned at a total cost of \$1.5 million.

Village Intelligent Parking – Following the recommendations of the Village Parking Plan, this project will install vehicle occupancy detectors in various locations in the Village using a ‘Park Once’ smart phone application, and decrease congestion in the Village caused by cars searching for parking. The initial cost estimate is \$300,000.

## WATER/WASTEWATER PROJECTS

The city's water and wastewater projects are vital to the continued health and welfare of its citizens. Most new lines are built and paid with impact fees collected with new development. As the city ages, it will become necessary to repair and replace the lines that already exist, and an increase in these projects is anticipated in future years. In the next five years, an additional \$68.8 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 these projects totals \$64.4 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
- Las Palmas Trunk Sewer
- Villas Sewer Lift Station Replacement

In total, the new construction, replacement projects, ongoing condition assessments, repairs and upgrades to the city's wastewater facilities are expected to cost \$39.3 million in the next five years.

### Water Lines

Major water facilities scheduled for construction, maintenance or replacement within the next five years are estimated at \$9.5 million, and include the following locations:

- Aviara Parkway and Plum Tree
- El Fuerte and Corintia Street Pressure Reducing Station
- Fire Flow System Improvements
- Hydroelectric Generator at Desal Flow Control Facility No. 5
- Maerkle Reservoir Floating Cover Replacement
- Palomar Airport Waterline Realignment
- San Dieguito Water Intertie and Pipeline Extension
- Santa Fe II Inlet Pipeline

In addition, \$18.7 million is included in the next five years for miscellaneous pipeline replacements, repair and maintenance projects, a condition assessment program, and a water valve repair and replacement program.

### Recycled Water Expansion

Expansion to the Carlsbad Water Recycling Facility, including construction of additional pipelines and a reservoir, is anticipated to cost \$34.5 million (previously appropriated). These facilities are expected to meet the 76 percent increase in future recycled water demand. The expansion is expected to increase the recycled water supply from 4 to up to 8 million gallons per day (mgd). With diminishing potable water resources available, alternative supplies such as recycled and desalinated water become increasingly important in supplementing the total water supply.

## DRAINAGE PROJECTS

The city's drainage infrastructure plays an important role in handling storm water runoff flows, as well as maintaining the water quality of the city's creeks, lagoons and ocean. Carlsbad supports programs that will ensure that all water bodies within the city are safe and clean and, where possible, open to the public at all times. The system consists of drainage pipes 30-inches or larger in diameter, large concrete and rock lined channels, permanent sedimentation basins and miscellaneous large facilities. As the city continues to age, it will become necessary to repair and replace the lines that already exist. An additional \$7.3 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, 2017. This was the 20th consecutive year that the city has achieved this prestigious award. 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 Aaron Beanan, Finance Manager. 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,



**Kevin Branca**  
Finance 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, 2017**

*Christopher P. Morrill*

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**

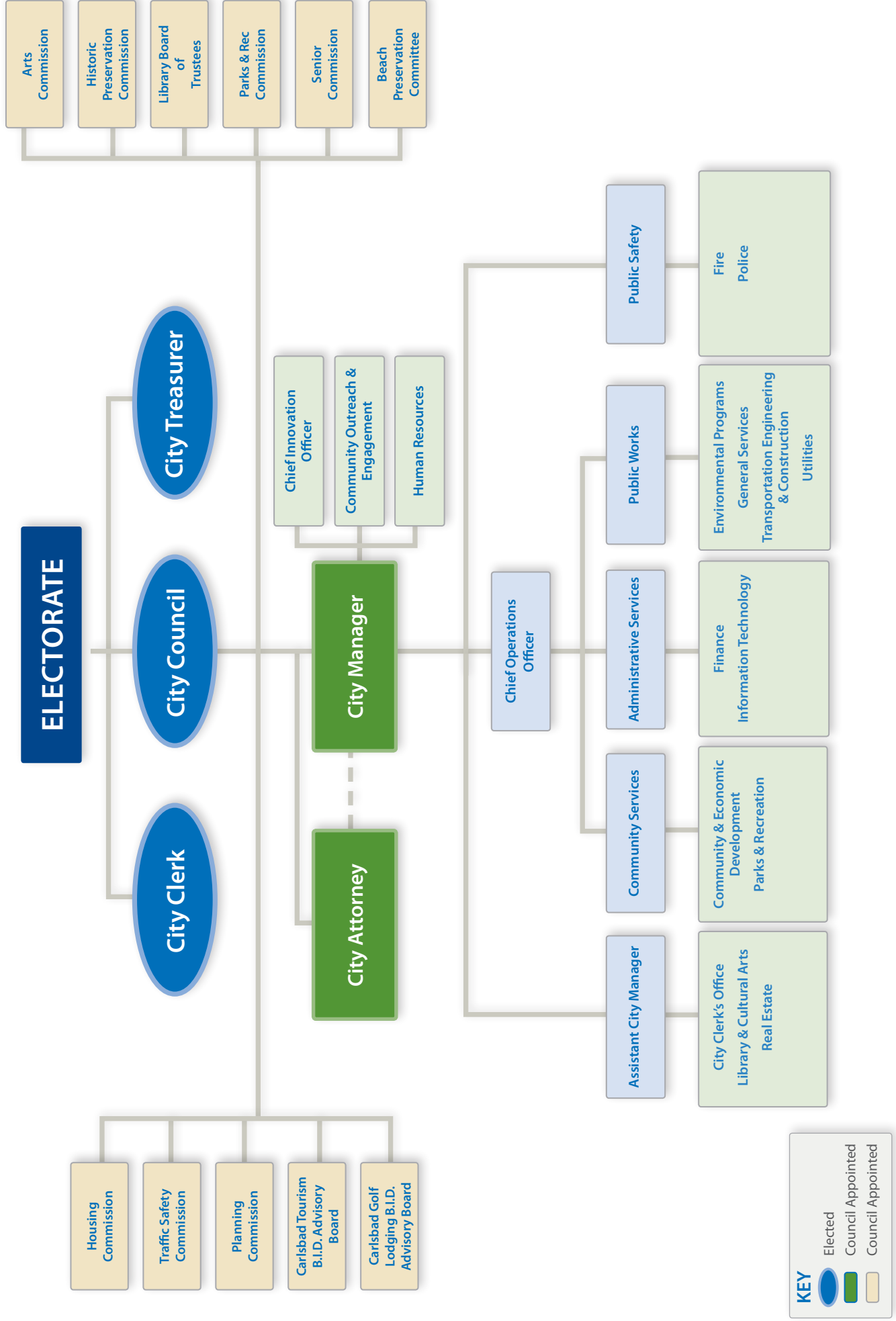
Scott Chadwick, City Manager  
Celia Brewer, City Attorney  
Elaine Lukey, Chief Operations Officer

Gary Barberio, Assistant City Manager  
Chris Hazeltine, Parks & Recreation Director  
Laura Rocha, Administrative Services Director  
Paz Gomez, Public Works Director  
Debbie Fountain, 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 Calderwood, Fire Chief  
Morgen Fry, Secretary to the City Manager  
Neil Gallucci, Police Chief  
Maria Callander, Information Technology Director  
Sheila Cobian, City Clerk Services Manager  
Vicki Quiram, Utilities Director

## **Boards and Commission Chairs**

Cathy Breslaw, Arts Commission  
Linda Petrucci, Beach Preservation Committee  
Timothy Stripe, Carlsbad Golf Lodging Business Improvement District  
Timothy Stripe, Carlsbad Tourism Business Improvement District Board  
Laurie Boone, Historic Preservation Commission  
Alan Newman, Housing Commission  
Sherman DeForest, Library Board of Trustees  
Matt Simons, Parks & Recreation Commission  
Marty Montgomery, Planning Commission  
Ray Pearson, Senior Commission  
Chuck Hunter, Traffic Safety Commission  
Vacant, Underground Utility Advisory Committee

# Organization Chart





**Financial Section**



**Financial Section**

City Council  
City of Carlsbad  
Carlsbad, California

## **INDEPENDENT AUDITORS' REPORT**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the City of Carlsbad, California, as of and for the year ended June 30, 2018, 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 City'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 City'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, 2018, 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described further in note 20 to the financial statements, during the year ended June 30, 2018, the City implemented Governmental Accounting Standards Board (GASB) Statements No. 75 and No. 89. The implementation of GASB No. 75 resulted in a prior period adjustment. Our opinion is not modified with respect to these matters.

### ***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, Schedule of Pension Plan Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios During Measurement Period and Schedule of OPEB 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 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" followed by a stylized flourish.

Irvine, California  
December 10, 2018



## 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, 2018. 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, 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).

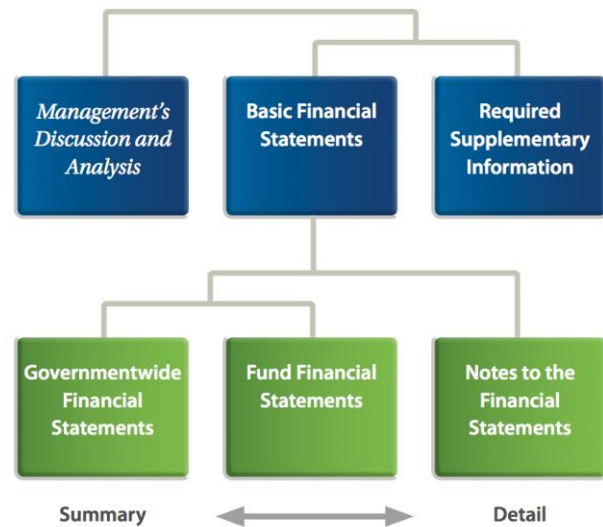
The city has three kinds of funds:

- *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 service funds:

- *Enterprise funds are used to report activities that provide business-type services, generally to external customers – such as water, wastewater, solid waste, and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.*
- *Internal service funds are used to report activities that provide services and supplies for the city’s other programs and activities – such as fleet, workers’ compensation, risk / liability, 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, 2018, as shown below, was \$1.769 billion. The city’s net position increased by \$28.6 million as compared to the prior fiscal year. This increase was derived in large part due to a significant increase in capital assets (a large amount of developer donated assets from the developers of La Costa Town Square, the Hilton Beach Resort, Tabata 10, and Fair Oaks Valley, as well as the completion of the Pine Avenue Park Community Center) deferred outflows related to pension costs and other post-employment benefits (OPEB) as well as revenues exceeding expenses for the year. Current and other assets were impacted by revenues exceeding expenses by \$28.6 million, leading to an increase in cash and investments of \$25.9 million. The increase in revenues is due to 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, and increased the pension liability for the year. This GASB pronouncement required the city to put the net pension liability on the books. Other liabilities increased due to higher year-end accruals from vendor invoices.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2017	2018	2017	2018	2017	2018	2017-18
Current and other assets	\$623.3	\$640.2	\$152.2	\$155.2	\$775.5	\$795.4	2.6%
Capital assets	788.9	793.7	360.7	364.5	1,149.6	1,158.2	0.7%
<b>Total assets</b>	<b>1,412.2</b>	<b>1,433.9</b>	<b>512.9</b>	<b>519.7</b>	<b>1,925.1</b>	<b>1,953.6</b>	<b>1.5%</b>
<b>Deferred outflows</b>	<b>48.1</b>	<b>60.3</b>	<b>3.5</b>	<b>5.6</b>	<b>51.6</b>	<b>65.9</b>	<b>27.7%</b>
Other liabilities	24.5	27.7	17.3	17.1	41.8	44.8	7.2%
Net OPEB liability	0.0	1.5	0.0	1.0	0.0	2.5	100.0%
Net pension liability	155.2	167.4	12.7	14.0	167.9	181.4	8.0%
Long-term debt outstanding	0.8	0.6	15.9	14.9	16.7	15.5	-7.2%
<b>Total liabilities</b>	<b>180.5</b>	<b>197.2</b>	<b>45.9</b>	<b>47.0</b>	<b>226.4</b>	<b>244.2</b>	<b>7.9%</b>
<b>Deferred inflows</b>	<b>7.0</b>	<b>5.8</b>	<b>0.4</b>	<b>0.7</b>	<b>7.4</b>	<b>6.5</b>	<b>-12.2%</b>
Net position							
Net investment in capital assets	788.1	793.1	344.8	349.5	1,132.9	1,142.6	0.9%
Restricted	234.9	236.1	40.1	39.5	275.0	275.6	0.2%
Unrestricted	249.8	262.0	85.2	88.6	335.0	350.6	4.7%
<b>Total net position</b>	<b>\$1,272.8</b>	<b>\$1,291.2</b>	<b>\$470.1</b>	<b>\$477.6</b>	<b>\$1,742.9</b>	<b>\$1,768.8</b>	<b>1.5%</b>

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 \$1.769 billion at the close of the most recent fiscal year.



A large portion of the city's net position (64.6 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 (15.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$350.6 million) may be used to meet the government's ongoing obligations to citizens and creditors.

Just under 33 percent of the \$262 million in unrestricted governmental activities net position is attributable to the General Fund. This is an increase from the previous fiscal year, due to strong revenue growth, primarily in property, sales transient occupancy (TOT), franchise and business license taxes. In addition, the yield on Treasurer's portfolio continues to increase, creating additional income from property and investments. Another factor affecting the growth in the unrestricted governmental activities net position was a reduction in transfers out. In the previous fiscal year, transfers were made by the General Fund to pay off the golf course bonds and to fund the relocation of Fire Station No. 2. The net investment in capital assets for the city increased moderately during FY 2017-18, due primarily to developer donated assets (streets, sidewalks, streetlights, water and wastewater lines) and the completion of the Pine Avenue Park community center. A portion of business-type net position represents the city's municipal golf course. At the end of FY 2017-18, 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 \$28.6 million during the year. This increase occurs when spending is less than the revenues received. There were several reasons for the increase in net position: \$29.3 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 continuing 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

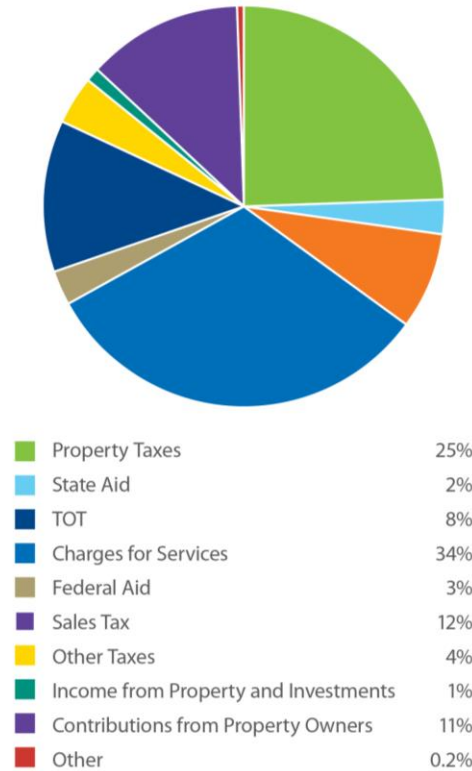
**CITY OF CARLSBAD'S CHANGES IN NET POSITION**  
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017-18</u>
<b>Revenues</b>							
Program revenues							
Charges for services	\$21.1	\$21.0	\$68.7	\$75.4	\$89.8	\$96.4	7.3%
Operating grants and contributions	12.6	13.1	2.5	1.6	15.1	14.7	-2.6%
Capital grants and contributions	22.8	23.0	13.3	5.5	36.1	28.5	-21.1%
General revenues							
Property taxes	64.0	66.5	3.6	3.7	67.6	70.2	3.8%
Sales and use taxes	34.0	33.7	-	-	34.0	33.7	-0.9%
Other taxes	33.5	36.5	-	-	33.5	36.5	9.0%
Income from property and investments	2.0	2.5	0.7	1.0	2.7	3.5	29.6%
Other	0.4	0.5	0.3	-	0.7	0.5	-28.6%
<b>Total revenues</b>	<b>190.4</b>	<b>196.8</b>	<b>89.1</b>	<b>87.2</b>	<b>279.5</b>	<b>284.0</b>	<b>1.6%</b>
<b>Expenses</b>							
General government	18.4	25.2	-	-	18.4	25.2	37.0%
Public safety	56.0	62.6	-	-	56.0	62.6	11.8%
Community services	54.2	51.9	-	-	54.2	51.9	-4.2%
Public works	34.3	36.9	-	-	34.3	36.9	7.6%
Carlsbad Municipal Water District	-	-	45.2	51.7	45.2	51.7	14.4%
Golf course	-	-	10.2	10.5	10.2	10.5	2.9%
Wastewater	-	-	12.6	13.5	12.6	13.5	7.1%
Solid waste	-	-	3.3	3.1	3.3	3.1	-6.1%
<b>Total expenses</b>	<b>162.9</b>	<b>176.6</b>	<b>71.3</b>	<b>78.8</b>	<b>234.2</b>	<b>255.4</b>	<b>9.1%</b>
Excess (deficiency) before transfers	27.5	20.2	17.8	8.4	45.3	28.6	-36.9%
Transfers	(15.1)	(0.1)	15.1	0.1	-	-	0.0%
<b>Increase (decrease) in net position</b>	<b>12.4</b>	<b>20.1</b>	<b>32.9</b>	<b>8.5</b>	<b>45.3</b>	<b>28.6</b>	<b>-36.9%</b>
Beginning position, as restated	1,258.7	1,271.1	436.2	469.1	1,694.9	1,740.2	2.7%
<b>Ending net position</b>	<b>\$1,271.1</b>	<b>\$1,291.2</b>	<b>\$469.1</b>	<b>\$477.6</b>	<b>\$1,740.2</b>	<b>\$1,768.8</b>	<b>1.6%</b>

Approximately 69.5 percent of the revenues of the city's governmental funds are generated through taxes collected (property, sales, transient occupancy, etc.), and approximately 86.5 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 2017-18  
\$284 Million

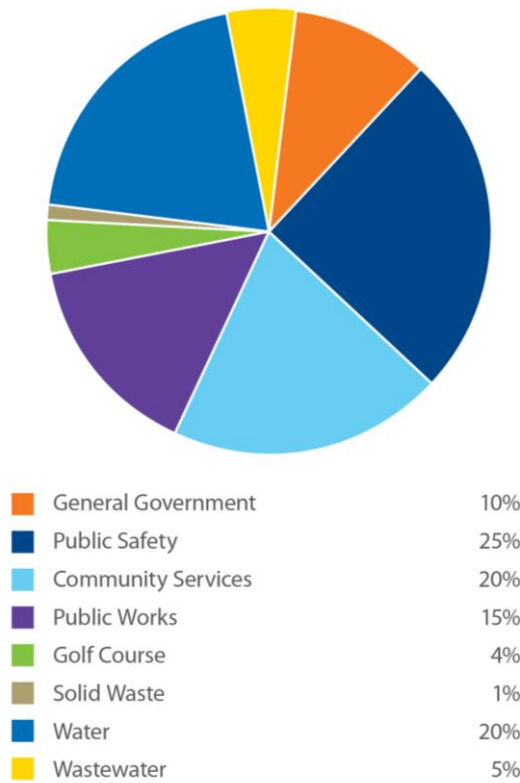


The city’s revenues have continued to remain strong during this exceptionally long economic expansion since the “Great Recession.” The city’s “big three” revenue sources are sales, property, and transient occupancy taxes (TOT). TOT continues to grow through increased occupancy, average daily rates (ADR) and new hotel rooms. In the most recent three 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 5.36 percent) led to higher property tax revenues. This was the third 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 (residential, commercial and industrial). Higher room and occupancy rates throughout the city, as well as the additional of two new hotels (the second LEGOLAND Hotel and the Westin Hotel) led to higher TOT for the year. Sales tax revenues were up for the year, but only slightly. The state recently implemented a new system that impacted the timing of sales tax revenues for the year. This timing difference should correct itself in FY 2018-19. The city implemented a new business license system in November 2016, creating timing differences in the receipt of license revenues. FY 2017-18 saw the first full year using the new system, generating additional revenues for the fiscal year as compared to the prior fiscal year. As expected, development slowed down during FY 2017-18, but remained strong for the year. 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, 2018 (as required by GASB) and an increase in the average yield on the Treasurer’s portfolio for the year (an increase in the yield from 1.248 percent last fiscal year to 1.572 percent in the current fiscal year). These two factors netted against each other to create a moderate increase in income from property and investments. The end of statewide drought mandated conservation measures and an increase in water rates led to an increase in water sales (charges for services) for the year. A decrease in the donation of developer constructed assets (roads, pipelines, sidewalks, etc.) and a reduction in recycled water grants led to the decrease in capital grants and contributions.

The total cost of all programs and services was just over \$255.4 million in FY 2017-18. This was moderately higher than the FY 2016-17 figure of \$234.2 million. General government expenses were higher from a supplementary CalPERS payment made (\$1 million more than FY 2016-17), additional legal and expert costs associated with the county airport

expansion and the Safety Training Center lawsuit, and higher personnel costs due to personnel increases. Other factors in the personnel increase were: higher public safety expenses created by the addition of two police ranger patrol positions and two additional police officer positions, higher mutual aid costs, normal salary and benefit increases, and the filling of prior year vacancies. During the fiscal year, the city combined community services and community development into one line. Now, community services includes: parks and recreation, library and cultural arts, and community and economic development activities. The increase in purchased water costs, due to decreased drought conservation efforts, and the purchase of costlier desalinated water in the Water Fund, created the increase in expenses for the year in business-type activities.

### Functional Expenses for Fiscal Year 2017-18 \$255.4 Million



- General Government (10 percent)

This segment of the city is divided into three major groups: Policy and Leadership, Administrative Services 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 (25 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 Services (20 percent)

Community Services consists of Library and Cultural Arts, Parks and Recreation, and Community and Economic Development. Library and Cultural Arts 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. Parks and Recreation offers comprehensive opportunities for meeting the recreational and social needs and interests of the community by providing programs for all segments of the population. 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 and Economic Development encompasses Land Use Planning, Economic Development, the Hiring Center, Housing and Neighborhood Services, Land Development Engineering, and Building.

- Public Works (15 percent)

Public Works is responsible for building and maintaining all the infrastructure assets of the city. This service area includes Transportation, Construction Management and Inspection, Storm Drain Engineering, Asset Management, the Buena Vista Channel, Street Lighting, Traffic Operations, Planning and Signal Maintenance programs, Property and 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 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 (20 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 (5 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.

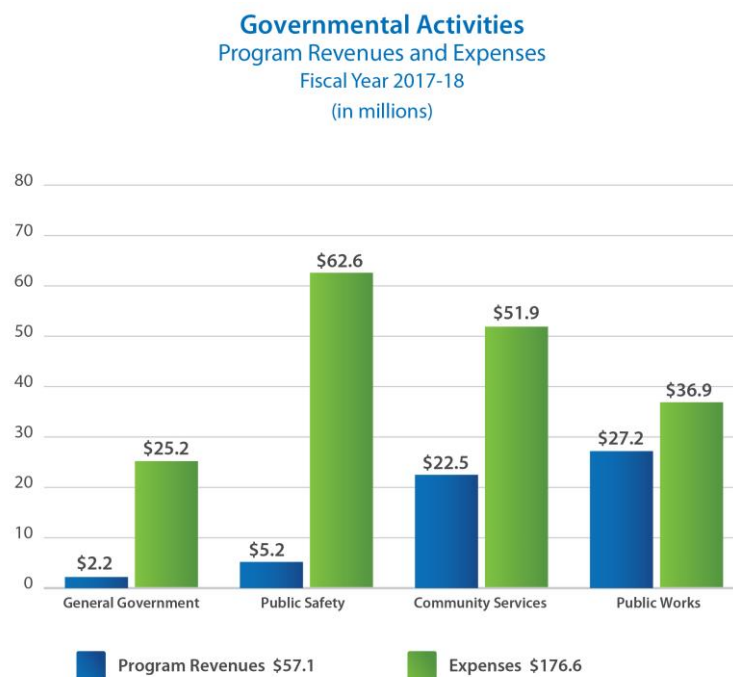


The following sections will provide information about the operations of the governmental and business-type activities separately.

### Governmental Activities

The increase in net position for governmental activities was \$20.1 million. This increase was generated by total revenues of governmental activities of \$196.8 million (\$57.1 million in program revenues and \$139.7 million in general revenues) offset by \$176.6 million in total costs of governmental activities, and \$100,000 in transfers to the Solid Waste Fund.

The table below presents the total cost of each of the city’s major programs, as well as each program’s 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 programs (costs covered by general revenues).



Revenues are generated through several sources to cover the cost of the city’s programs. These revenues include fees and charges paid by those who directly benefit from the programs (\$21 million), grants and contributions from other governments and organizations which subsidize certain programs (\$36.1 million), and taxes and other revenues (such as income from property and investments) received by the city to pay for the “public benefit” portion, totaling \$139.7 million.

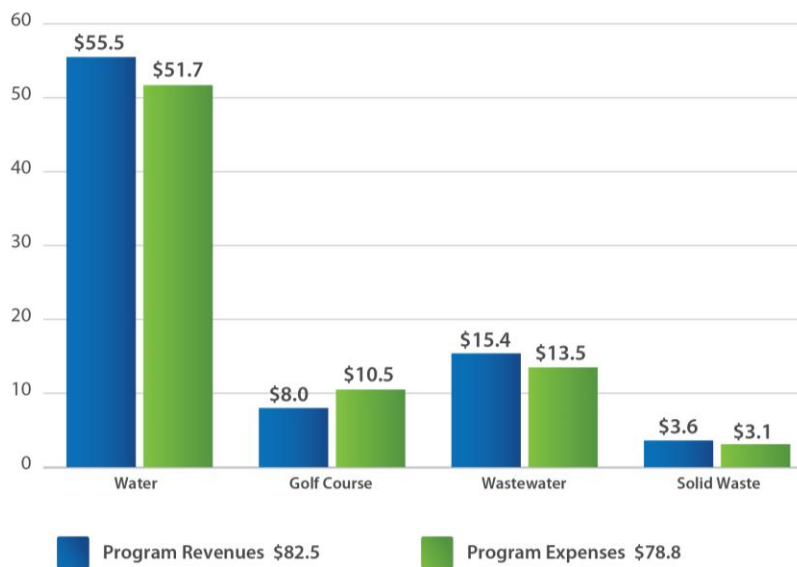
Community Services revenues are derived from development activities throughout the city, housing assistance programs, parks and recreation fees, and library fees. A large portion of Community Services revenues is comprised of housing assistance programs (Section 8 Rental Assistance, affordable housing loan repayments, and developers paying into the Affordable Housing Trust Fund) as well as charges for development related services. Although development activity was strong during FY 2017-18, offsetting a portion of the program expenses, development activity actually decreased from the prior fiscal year, as expected.

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 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. 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. There are still some master planned communities that were recently completed or are near completion, including the La Costa Oaks Industrial Park and Robertson Ranch, the developers of these communities dedicated infrastructure to the city, a requirement for development.

Business-type Activities

**Business-Type Activities**  
 Program Revenues and Expenses  
 Fiscal Year 2017-18  
 (in millions)



Program revenues for the city’s business-type activities totaled \$82.5 million for the year, while program expenses equaled \$78.8 million.

Water program revenues are higher than program expenses, primarily due to increased demand for potable and recycled water. Revenues from water sales are higher than the previous fiscal year due to the net effect of an average 2.5 percent increase in water rates (water and delivery charges) that went into effect in January 2018, a 4.85 percent rate increase that went into effect in January 2017, and the elimination of state mandated drought conservation efforts which led to an 11 percent increase in sales during the fiscal year.

Wastewater program revenues exceeded program expenses due to personnel vacancies and higher than budgeted revenues. The higher revenues were due to increased development, which added more homes to the system and 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 are not reflected as an expense in the year acquired.

The city’s golf course enterprise was in its eleventh 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 \$2.5 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 compliance with finance related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), the implementation of a prior Governmental Account Standards Board (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. This 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, 2018**  
**\$566.4 Million**



<span style="color: orange;">■</span>	Nonspendable (\$51.6 Million)	9%
<span style="color: green;">■</span>	Restricted Purposes (\$236 Million)	42%
<span style="color: blue;">■</span>	Assigned (\$195.2 Million)	34%
<span style="color: yellow;">■</span>	Unassigned (\$82.6 Million)	15%
	Committed (\$1 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 \$566.4 million, up \$13.1 million from the year before. Approximately 9 percent (\$51.6 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 (\$236 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 (\$195.2 million) of the city's fund balance. Approximately 15 percent (\$82.6 million) of the fund balance is unassigned, which is available for spending





at the city council’s discretion. Of the \$82.6 million unassigned fund balance, the City Council has set aside \$10 million for economic uncertainty purposes. However, accounting standards require that the \$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)

	<u>Total</u>		<u>Increase</u>	<u>Total</u>
	<u>2017</u>	<u>2018</u>	<u>(Decrease)</u>	<u>Percentage</u>
			<u>2017-18</u>	<u>Change</u>
<b>Revenues</b>				
Taxes	\$129.9	\$136.2	\$6.3	4.8%
Intergovernmental	1.2	1.3	0.1	8.3%
Licenses and permits	3.0	3.0	0.0	0.0%
Charges for services	10.3	10.0	(0.3)	-2.9%
Fines and forfeitures	0.7	0.7	0.0	0.0%
Income from property and investments	2.6	3.0	0.4	15.4%
Miscellaneous	1.1	1.4	0.3	27.3%
<b>Total revenues</b>	<b>148.8</b>	<b>155.6</b>	<b>6.8</b>	<b>4.6%</b>
<b>Expenditures</b>				
General government	25.7	25.9	0.2	0.8%
Interdepartmental charges	(3.4)	(3.2)	0.2	-5.9%
Public safety	57.0	58.0	1.0	1.8%
Community services	38.3	38.6	0.3	0.8%
Public works	16.0	15.9	(0.1)	-0.6%
<b>Total expenses</b>	<b>133.6</b>	<b>135.2</b>	<b>1.6</b>	<b>1.2%</b>
Excess (deficiency) before transfers	15.2	20.4		
Transfers in	0.0	0.2		
Transfers out	(37.2)	(12.9)		
<b>Increase (decrease) in fund balance</b>	<b>(22.0)</b>	<b>7.7</b>		
Beginning fund balance	193.4	171.4		
<b>Ending fund balance</b>	<b>\$171.4</b>	<b>\$179.1</b>		

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 \$179.1 million, an increase of \$7.7 million. The unassigned fund balance portion of the General Fund was \$82.6 million, an increase of \$4.4 million from last fiscal year. During the previous fiscal 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, in the previous fiscal year, 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. In the current fiscal year, the city made an additional payment to CalPERS to assist in the stabilization of future retirement costs. Of the \$11 million additional payment made to CalPERS, \$9.7 million was charged to the General Fund and the remaining \$1.3 million was charged to the Water and Wastewater Enterprises. These additional expenditures were heavily offset by the growth in several key revenues during the year: property taxes, TOT, sales tax, business license taxes, franchise fees, income from property and investments, contributions from property owners for special studies, and miscellaneous reimbursed expenditures. The economy continues to remain strong. This was evident as all the tax revenues in the city saw moderate to significant growth during the year. Development activity within the city saw a small decrease (charges for services and licenses and



fees), after an extremely strong 2016-17 fiscal year, and was expected. As the city approaches buildout, several of the remaining large residential master planned communities and industrial/commercial parks saw a reduction in construction activity as they neared completion, leaving only a small portion of the city undeveloped. This slower pace is projected to continue for the foreseeable future as the city approaches buildout.

In the city's FY 2017-18 budget, expenditures were expected to increase 2.8 percent over the FY 2016-17 budget to \$145.7 million. The total personnel budget for FY 2017-18 was \$90.4 million, which was 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 was \$42.7 million, which was 1.5 percent higher than the previous year's budget of \$42.1 million. The increase in personnel budgets was based on previously negotiated salary and benefit increases, the net addition of 27.33 new staff members (10.0 full-time, 1.0 limited-term, and 16.33 part-time staff), and projected retirement rate increases. Smaller increases were projected for health insurance and workers' compensation. Despite giving a 2.0 percent M&O escalator to all General Fund departments, the FY 2017-18 budget was offset by decreases in one-time expenditures from the previous fiscal year, and decreases in internal service charges. In addition to the 2.0 percent escalator and the reduction in one-time costs from the prior fiscal year, the FY 2017-18 M&O budget included higher bank card fees, increases in legal professional services, higher citywide training and development costs, additional costs associated with nuisance abatement, consulting services to assist with the documentation of business process and procedures related to the new permitting system, operating costs associated with several new park facilities, fire engine equipment, 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 were budgeted at \$12.5 million, an \$800,000 increase from the prior fiscal year. This increase was 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 was carried over to FY 2017-18, and there were \$8 million in open encumbrances as of June 30, 2017.

The Community Facilities District (CFD) Number 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, finish the Dove Library remodeling project, the redesign of fire station #2.

The fund balance in the Infrastructure Replacement Fund (IRF) increased, as the city continued the annual transfer of funds from the General Fund for the future replacement of existing infrastructure and facilities. During the year, several projects were funded within the IRF, including city hall refurbishments and public beach access improvements.

The Park Development Fund and the Public Facilities Construction Fund (PFF) used a portion of their existing fund balances for the completion Phase II of the Pine Avenue Park Community Center and Phase II of the Leo Carrillo Park improvements.

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 \$345 thousand for the year. Operating revenues were approximately \$51.5 million and operating expenses were approximately \$51.1 million. One of the larger factors in the operating gain was the result of higher water sales. Water revenues increased due to a growth in water sales; a direct



correlation with reduced drought conservation measures. CMWD saw an 11 percent increase in water sales over the prior fiscal year when Governor Brown eliminated the mandatory water reduction measures. The increase in sales, coupled with the approval of water rate increases (5.25 percent in January 2016 and approximately 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, consequently, 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 costlier desalinated water led to the \$6 million increase in operating expenses. Increases in operating expenses from purchased water reduced the operating gain, resulting in income before transfers and capital contributions of \$4.2 million.

In the eleventh year of operation, the Golf Course Fund had an operating loss of \$2.6 million, primarily due to depreciating the enterprise's assets (\$3.6 million). If golf course operating revenues are not sufficient to cover golf course operating expenses (excluding depreciation), the General Fund will make contributions in the form of lease payments to pay for the shortfall. Since the General Fund advanced sufficient funds to the Golf Course in the prior fiscal year to pay off their outstanding construction bonds, the General Fund did not need to make any lease payment to the fund in the current fiscal year. In addition, food and beverage sales at the golf course restaurant (The Canyons) along with golf revenues helped drive an \$402,000 increase in operating revenues.

The Wastewater Funds had an annual operating gain of \$370,000 for the fiscal year. Total revenues from operations were up by \$203,000. This was the net effect of an increase in charges for wastewater services partially offset by a decrease in staff time charged to capital projects. The increase 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 \$167,000 added to the operating income, resulting in a net gain of \$537,000 before transfers and capital contributions.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports, and showed a net operating income of \$482,000 for the year. Revenues and expenses were essentially the same as the previous fiscal year. Expenses for the year were also essentially the same as the previous fiscal year.

The unrestricted net position for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to \$87.8 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 \$39.5 million, or 8 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 2017-18**

Management monitors revenues during the year and updates estimated revenue figures when new information is received. General Fund revenue estimates were revised moderately during the year, as compared to the originally budgeted estimates. Some of the factors that led to the \$5.1 million increase in revenue estimates included:

- several new federal and state grants were applied for and received during the year;
- increased sales tax revenues due to the reconstruction of the Shoppes at Carlsbad;
- increased transient occupancy taxes from the early opening on several new hotels in the city;
- additional development funded studies (miscellaneous revenues); 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 \$12.2 million primarily due to:

- the appropriation of grant money received;
- sales tax audit expenses;
- developer funded studies;
- the appropriation of mutual aid response overtime reimbursements received;
- Fire labor negotiations;
- additional unfunded litigation and expert expenses related to the Safety Training Center and the regional airport environmental impact report;
- a mid-year budget transfer for costs associated with the General Fund's share of storm drain maintenance; and supplemental large payments made to CalPERS to help stabilize future retirement costs.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of \$33.6 million can be generally summarized as follows:

- Interdepartmental charges were \$11,000 below estimates, which are offset against expenditures for reporting purposes in the financial statements.
- \$31.3 million in savings by 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 \$31.3 million in savings, \$29.3 million will be carried forward into FY 2018-19 and is planned to be used for:
    - ✓ a taser replacement program;
    - ✓ graffiti trackers;
    - ✓ K-9 narcotics training;
    - ✓ police license plate readers;
    - ✓ part-time assistance;
    - ✓ citywide back file conversion scanning, quality control, and uploading of documents into the city's Hewlett Packard Records Management system;
    - ✓ costs associated with new City Council members;
    - ✓ office furniture and reconfigurations;
    - ✓ Smart City initiatives;
    - ✓ office equipment for new employees;
    - ✓ process documentation costs associated with the city's new permitting system;
    - ✓ retail study;
    - ✓ website enhancements;
    - ✓ Wi-Fi services for Calavera Hills and Stagecoach Community Centers;
    - ✓ a pilot program associated with short-term vacation rentals;
    - ✓ professional services related to a citywide employee engagement survey;
    - ✓ implementation and maintenance of a learning management system;
    - ✓ library facility improvements;
    - ✓ technology updates;
    - ✓ cultural arts performance venue feasibility study;
    - ✓ Poinsettia 61 traffic study outreach contracts;
    - ✓ Engineering manual update;
    - ✓ Public Works strategic plan;
    - ✓ Public Works succession plan;
    - ✓ Safety Training Center retrofitting and upgrades;
    - ✓ utility billing system upgrade;
    - ✓ timekeeping system upgrade;



- ✓ cashiering system upgrade;
- ✓ a new Enterprise Resource Planning system;
- ✓ continuing the implementation of the new permitting and business license system;
- ✓ 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		Total Percentage	
	Activities		Activities				Change	Change
	2017	2018	2017	2018	2017	2018	2017-18	2017-18
Land	\$153.1	\$153.2	\$9.4	\$9.4	\$162.5	\$162.6	\$0.1	0.1%
Construction in progress	7.8	10.0	44.2	41.6	52.0	51.6	(0.4)	-0.8%
Buildings and other structures	123.7	135.9	40.7	41.0	164.4	176.9	12.5	7.6%
Improvements other than buildings	81.5	81.5	51.1	52.3	132.6	133.8	1.2	0.9%
Machinery and equipment	40.5	43.4	3.7	12.6	44.2	56.0	11.8	26.7%
Infrastructure	711.4	721.9	334.9	342.2	1,046.3	1,064.1	17.8	1.7%
Wastewater treatment facility	-	-	57.5	57.8	57.5	57.8	0.3	0.5%
Intangibles	5.0	5.0	-	-	5.0	5.0	-	0.0%
	1,123.0	1,150.9	541.5	556.9	1,664.5	1,707.8	43.3	2.6%
Accumulated depreciation	(334.1)	(357.2)	(180.8)	(192.4)	(514.9)	(549.6)	(34.7)	6.7%
<b>Total</b>	<b>\$788.9</b>	<b>\$793.7</b>	<b>\$360.7</b>	<b>\$364.5</b>	<b>\$1,149.6</b>	<b>\$1,158.2</b>	<b>\$8.6</b>	<b>0.7%</b>

At the end of Fiscal Year 2017-18, 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:

- completion of the Pine Avenue Community Park facility and garden areas;
- installation of protective concrete barriers on the Carlsbad Blvd. bridge over the power plant discharge channel;
- improvements to public beach access along Ocean Street;
- completion of the city hall refurbishment project;
- completion of various ADA (Americans with Disabilities Act) improvement projects including accessibility improvements to sidewalks, curb ramps and pedestrian signals;
- expansion of the recycled water facility;
- Hilton Carlsbad Beach Resort donated assets (streets, waterlines, storm drains and street lighting);
- La Costa Town Square residential donated assets (streets, storm drains, sidewalks and street lighting);
- Tabata 10 donated assets (streets, wastewater and waterlines, sidewalks and street lighting);
- Fair Oaks Valley donated assets (streets storm drains, sidewalks and street lighting);
- 21 vehicles;
- a Police mobile command center;



- one GapVax Combination JetVac vehicle;
- one dump truck;
- two pieces of fire apparatus;
- three ambulances;
- several waterline projects; and
- several storm drain projects.

In addition to carrying forward appropriations of \$198.6 million for previously budgeted projects, the city’s FY 2018-19 capital improvement budget appropriates an additional \$66.2 million for capital projects.

These additional appropriations are principally for the following projects: beach access repair/upgrade from Pine Avenue to Tamarack; widening of El Camino Real between Cassia Road and Camino Vida Roble and from Arenal Road to La Costa Avenue; rehabilitation work at the Faraday Center; Safety Center building improvements; replacement of Fire Station No. 2 and the Monroe Street Pool; synthetic turf at Stagecoach Park; the ongoing pavement management program; analysis and conceptual alignments for two double-track railroad trench alternatives through the village area; continuing the implementation of an adaptive traffic signal program and street lighting replacement program; traffic calming measures and multiuse trail along Kelly Drive and Park Drive; additional water and recycled water lines; continuation of the water valve repair/replacement program and the northwest quadrant storm drain improvement program; Park Drive drainage and street improvements; improvements at the Encina Water Pollution Control Facility; access road improvements at the Buena Interceptor Sewer; and wastewater line refurbishments/replacements at various locations throughout the city.

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 or found on the city’s website.

### Long Term Debt

**CITY OF CARLSBAD'S OUTSTANDING DEBT**  
(in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 2017-18
	2017	2018	2017	2018	2017	2018	
Loans	\$0.0	\$0.0	\$15.9	\$14.9	\$15.9	\$14.9	-6.3%
Capital leases	0.8	0.6	-	-	0.8	0.6	-25.0%
<b>Total</b>	<b>\$0.8</b>	<b>\$0.6</b>	<b>\$15.9</b>	<b>\$14.9</b>	<b>\$16.7</b>	<b>\$15.5</b>	<b>-7.2%</b>

At year-end, the city had \$15.5 million in capital leases and loans, a decrease of \$1.2 million from last year, as shown in the table above. Regular payments were made on all the city’s outstanding capital leases and loans, and the city made a small additional draw on the loan with the State Water Resources Control Board. 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 2018-19

- The State of California adopted its FY 2018-19 Annual Budget with the following provisions affecting the city:
  - Governor Brown signed a balanced state budget in June 2018 for FY 2018-19 using projected revenues of \$133.3 billion to cover \$138.7 billion in expenditures, using their \$8.5 billion fund balance to bridge the difference. The budget also includes increasing the state's "rainy day" fund by \$4.4 billion.
  - 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. This set aside is also referred to the "rainy day" fund.
  - The budget recognizes that spending has increased markedly in the past five years, as California legislated an increase in the minimum wage that will ultimately see \$15 per hour and the expansion of healthcare for millions of Californians.
  - The budget does not capture the effect of federal tax legislation passed in December 2017, that will likely have an impact on the state as Californians lose the ability to fully deduct state taxes on their federal income tax returns.
  - California voters approved to make permanent the income tax increases under Prop 30.
  - Pension costs at the state level continue to escalate on an annual basis. To help mitigate this growing expense, the state made a supplemental payment to CalPERS of \$6 billion in FY 2017-18.
- Net assessed values in the city stand at over \$33 billion, a 6.8 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 3.4 percent. A factor in the projected increase in sales tax revenues are the newly renovated 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.
- The new LEGOLAND Hotel opened in May 2018, with 250 rooms. The Westin Hotel was projected to open in August 2018 with 141 new rooms, impacting transient occupancy revenues for the year.
- 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 2018-19 budget is a citywide increase in pension costs of 2.3 percent.
- Median home prices for single-family residences in Carlsbad have increased by 21 percent from the first quarter of 2017 (\$814,000) to the first quarter of 2018 (\$989,000).
- City departments were given maximum increases of 2.5 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, 3.5 part-time positions, eliminated 0.22 part-time positions, 3.0 limited-term positions, and eliminated two full-time positions 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 3.0 percent raise pool on January 1, 2019.
  - Fire and General Management employees will receive an allocated share of a 3.0 percent raise pool on January 1, 2019.
  - Police Management employees will receive an allocated share of a 2.0 percent base raise on December 31, 2018.
  - The Carlsbad Firefighters Association (CFA) will receive a 2.0 percent base raise on December 31, 2018.
  - The Carlsbad Police Officers Association (CPOA) will receive a 3.8 percent raise on December 31, 2018.

These factors were considered when preparing the city's General Fund budget for FY 2018-19. Budgeted expenditures are expected to increase 6.9 percent to \$155.8 million. The total personnel budget for FY 2018-19 is \$92.9 million, which is 2.7 percent more than the previous year's personnel budget of \$90.4 million. The total maintenance and operations (M&O) budget for FY 2017-18 is \$49.5 million, which is 15.9 percent higher than the previous year's budget of \$42.7 million. The increase in personnel budgets is based on previously negotiated salary and benefit increases, and the net addition of 8.0 full-time and 3.28 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. In addition to the 2.5 percent escalator provided for M&O costs, the FY 2018-19 budget included appropriations for an enhanced employee



engagement program, new operating costs for the Pine Avenue Community Center, the implementation of an integrated pest management plan, an accounting change in capturing the utility billing costs incurred by the Finance department, additional North County Dispatch costs, and increased construction and inspection management costs associated with anticipated residential and commercial development projects. Transfers out of the General Fund are budgeted at \$13.2 million, a \$700,000 increase from the prior fiscal year. This increase is due primarily to increases in the transfers from the General Fund to the IRF. Adding to the adopted budget of \$155.8 million for the General Fund, approximately \$29.3 million in unspent FY 2017-18 budgeted expenditures will be carried over to FY 2018-19, as well as \$9.1 million in open encumbrances as of June 30, 2018.

During the current fiscal year, the unassigned fund balance in the General Fund increased by \$4.4 million to \$82.6 million. Although originally projected to grow by \$9.2 million according to the FY 2017-18 adopted budget, the city made an additional \$11 million payment to CalPERS to help stabilize future retirement costs, of which \$9.7 million was paid for by the General Fund. This additional expenditure was completely offset by savings achieved in the General Fund due to fiscal discipline, a large increase in assessed values (higher property taxes), the revamping of the Shoppes at Carlsbad shopping center (higher sales taxes), a strong tourism season and two new hotels (increased TOT revenues), and higher than anticipated development within the city (increased development related services and building permit revenues). Based on FY 2018-19 projections, the unassigned General Fund balance is expected to grow by approximately \$9.5 million.

The city took an additional step in FY 2014-15 to prepare 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 2018-19 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 0.9 percent in total for FY 2018-19, the smallest increase in years. The San Diego Water Authority's actions, coupled with Carlsbad Municipal Water District reserves and demand patters, have enabled the Carlsbad Municipal Water District to hold rates flat during FY 2018-19.
- No wastewater rate increases are proposed for calendar year 2019. Better than anticipated financial results in FY 2017-18 mitigated the need for a rate increase.
- The golf course bonds were paid off in September 2016. As a result, the operation will continue to 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](http://www.carlsbadca.gov).





**Statement of Net Position**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 538,686,795	\$ 190,481,503	\$ 729,168,298
Receivables:			
Interest	2,356,393	831,798	3,188,191
Taxes	10,152,551	33,539	10,186,090
Other	1,178,606	921,193	2,099,799
Accounts, net of allowances	136,491	11,217,301	11,353,792
Due from other governments	1,441,804	5,520,274	6,962,078
Inventories	414,066	808,530	1,222,596
Prepaid items	1,454	48,331	49,785
Loan and reimbursement receivables, net of allowances	21,987,153	-	21,987,153
Due from Successor Agency	9,103,922	-	9,103,922
Deposits	25,000	-	25,000
Internal balances	54,701,111	(54,701,111)	-
Subtotal	<u>640,185,346</u>	<u>155,161,358</u>	<u>795,346,704</u>
Capital assets:			
Land	153,172,352	9,375,975	162,548,327
Construction in progress	10,042,054	41,621,369	51,663,423
Buildings and other structures	135,956,852	40,933,226	176,890,078
Improvements other than buildings	81,453,044	52,278,030	133,731,074
Machinery and equipment	43,364,968	12,648,604	56,013,572
Infrastructure	721,892,857	342,229,972	1,064,122,829
Wastewater treatment facility	-	57,806,075	57,806,075
Intangible assets	5,017,448	-	5,017,448
Less accumulated depreciation	(357,222,349)	(192,401,577)	(549,623,926)
Total capital assets	<u>793,677,226</u>	<u>364,491,674</u>	<u>1,158,168,900</u>
<b>Total assets</b>	<u>1,433,862,572</u>	<u>519,653,032</u>	<u>1,953,515,604</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - OPEB related items	507,114	353,780	860,894
Deferred outflows of resources - pension related items	59,828,935	5,287,447	65,116,382
<b>Total deferred outflows of resources</b>	<u>60,336,049</u>	<u>5,641,227</u>	<u>65,977,276</u>

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



**Statement of Net Position (Continued)**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accrued liabilities	\$ 14,855,090	\$ 4,636,174	\$ 19,491,264
Accrued interest payable	-	65,449	65,449
Due to other governments	701	8,983,519	8,984,220
Estimated claims payable	10,865,432	-	10,865,432
Deposits payable	528,441	3,332,289	3,860,730
Unearned revenue	1,461,483	76,178	1,537,661
Noncurrent liabilities:			
Net OPEB liability	1,511,001	980,620	2,491,621
Net pension liability	167,367,726	13,977,806	181,345,532
Due within one year	209,285	1,546,234	1,755,519
Due in more than one year	378,296	13,397,697	13,775,993
<b>Total liabilities</b>	<b>197,177,455</b>	<b>46,995,966</b>	<b>244,173,421</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB related items	231,881	120,052	351,933
Deferred inflows of resources - pension related items	5,618,003	531,836	6,149,839
<b>Total deferred inflows of resources</b>	<b>5,849,884</b>	<b>651,888</b>	<b>6,501,772</b>
<b>NET POSITION</b>			
Net investment in capital assets	793,089,645	349,547,743	1,142,637,388
Restricted for:			
Capital assets	182,811,642	39,522,358	222,334,000
Lighting and landscaping districts	7,306,710	-	7,306,710
Affordable housing	41,500,601	-	41,500,601
Habitat and agricultural mitigation management	1,639,808	-	1,639,808
Other purposes	2,799,733	-	2,799,733
Unrestricted	262,023,143	88,576,304	350,599,447
<b>Total net position</b>	<b>\$ 1,291,171,282</b>	<b>\$ 477,646,405</b>	<b>\$ 1,768,817,687</b>

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



**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 25,189,484	\$ 815,665	\$ 1,331,705	\$ 563
Public safety	62,629,764	4,804,953	402,843	-
Community services	51,897,194	11,588,119	8,215,026	2,649,177
Public works	36,874,639	3,768,308	3,103,860	20,343,328
Interest and fiscal charges on long-term debt	5,072	-	-	-
<b>Total governmental activities</b>	<b>176,596,153</b>	<b>20,977,045</b>	<b>13,053,434</b>	<b>22,993,068</b>
Business-type activities:				
Carlsbad Municipal Water District	51,658,312	50,094,530	1,393,114	4,016,478
Golf course	10,559,709	7,973,024	-	-
Wastewater	13,494,856	13,885,284	63,268	1,467,585
Solid waste	3,089,166	3,427,083	154,948	-
<b>Total business-type activities</b>	<b>78,802,043</b>	<b>75,379,921</b>	<b>1,611,330</b>	<b>5,484,063</b>
<b>Total primary government</b>	<b>\$ 255,398,196</b>	<b>\$ 96,356,966</b>	<b>\$ 14,664,764</b>	<b>\$ 28,477,131</b>

General revenues:

- Property taxes
- Sales and use taxes
- Transient occupancy taxes
- Franchise taxes
- Business license taxes
- Real property transfer taxes
- Income from property and investments
- Other general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, as restated

Net position at end of year

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

Net Revenue (Expense) and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (23,041,551)	\$ -	\$ (23,041,551)
(57,421,968)	-	(57,421,968)
(29,444,872)	-	(29,444,872)
(9,659,143)	-	(9,659,143)
(5,072)	-	(5,072)
<u>(119,572,606)</u>	<u>-</u>	<u>(119,572,606)</u>
-	3,845,810	3,845,810
-	(2,586,685)	(2,586,685)
-	1,921,281	1,921,281
-	492,865	492,865
-	<u>3,673,271</u>	<u>3,673,271</u>
<u>(119,572,606)</u>	<u>3,673,271</u>	<u>(115,899,335)</u>
66,523,809	3,742,902	70,266,711
33,674,164	-	33,674,164
24,233,536	-	24,233,536
5,812,542	-	5,812,542
5,025,692	-	5,025,692
1,463,148	-	1,463,148
2,551,347	985,844	3,537,191
518,650	2,568	521,218
(136,511)	136,511	-
<u>139,666,377</u>	<u>4,867,825</u>	<u>144,534,202</u>
20,093,771	8,541,096	28,634,867
1,271,077,511	469,105,309	1,740,182,820
<u>\$ 1,291,171,282</u>	<u>\$ 477,646,405</u>	<u>\$ 1,768,817,687</u>





**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Community Facilities District No. 1	General Capital Construction
<b>ASSETS</b>			
Cash and investments	\$ 123,268,115	\$ 81,926,931	\$ 45,497,174
Receivables:			
Interest	760,293	359,751	-
Taxes	10,150,206	2,345	-
Other	987,207	-	-
Accounts, net of allowances	119,311	-	-
Due from other governments	118,269	-	-
Inventories	17,644	-	-
Prepaid items	-	-	-
Loans receivable, net of allowances	85,542	-	-
Deposits	25,000	-	-
Due from Successor Agency	9,103,922	-	-
Advances to other funds	55,712,190	1,973,013	-
<b>Total assets</b>	<b>\$ 200,347,699</b>	<b>\$ 84,262,040</b>	<b>\$ 45,497,174</b>
<b>LIABILITIES</b>			
Accrued liabilities	\$ 5,501,539	\$ 41,429	\$ 553,060
Deposits payable	63,047	-	-
Due to other governments	451	-	-
Advances from other funds	-	-	-
Unearned revenue	1,243,110	-	-
<b>Total liabilities</b>	<b>6,808,147</b>	<b>41,429</b>	<b>553,060</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - sales tax	1,161,508	-	-
Unavailable revenue - grants	33,124	-	-
Unavailable revenue - interest on advances	13,291,466	-	-
<b>Total deferred inflows of resources</b>	<b>14,486,098</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	51,627,832	-	-
Restricted	-	84,220,611	-
Committed	1,000,000	-	-
Assigned	43,855,106	-	44,944,114
Unassigned	82,570,516	-	-
<b>Total fund balances</b>	<b>179,053,454</b>	<b>84,220,611</b>	<b>44,944,114</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 200,347,699</b>	<b>\$ 84,262,040</b>	<b>\$ 45,497,174</b>

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

Infrastructure Replacement	Park Development	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 106,259,223	\$ 11,379,252	\$ 28,769,103	\$ 95,184,223	\$ 492,284,021
466,937	54,517	121,854	415,913	2,179,265
-	-	-	-	10,152,551
-	-	-	191,399	1,178,606
-	-	5,657	-	124,968
-	-	-	1,323,535	1,441,804
-	-	-	-	17,644
-	-	-	1,454	1,454
-	-	-	21,901,611	21,987,153
-	-	-	-	25,000
-	-	-	-	9,103,922
-	-	5,650,000	-	63,335,203
<u>\$ 106,726,160</u>	<u>\$ 11,433,769</u>	<u>\$ 34,546,614</u>	<u>\$ 119,018,135</u>	<u>\$ 601,831,591</u>
\$ 363,762	\$ 83,382	\$ 396,361	\$ 3,051,136	\$ 9,990,669
-	-	-	464,394	527,441
-	-	-	250	701
-	5,650,000	-	2,158,295	7,808,295
-	-	-	218,373	1,461,483
<u>363,762</u>	<u>5,733,382</u>	<u>396,361</u>	<u>5,892,448</u>	<u>19,788,589</u>
-	-	-	-	1,161,508
-	-	-	1,138,444	1,171,568
-	-	-	-	13,291,466
-	-	-	1,138,444	15,624,542
-	-	-	1,454	51,629,286
-	5,700,387	34,150,253	111,985,789	236,057,040
-	-	-	-	1,000,000
106,362,398	-	-	-	195,161,618
-	-	-	-	82,570,516
<u>106,362,398</u>	<u>5,700,387</u>	<u>34,150,253</u>	<u>111,987,243</u>	<u>566,418,460</u>
<u>\$ 106,726,160</u>	<u>\$ 11,433,769</u>	<u>\$ 34,546,614</u>	<u>\$ 119,018,135</u>	<u>\$ 601,831,591</u>



**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2018**

Total fund balances - governmental funds.	\$ 566,418,460
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	780,830,840
Internal service funds	12,846,386
Total capital assets	<u>793,677,226</u>
Deferred outflows are not an available resource and therefore, are not reported in the funds.	
Governmental funds	57,974,702
Internal service funds	2,361,347
Total deferred outflows	<u>60,336,049</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	37,401,893
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(825,797)
Internal service fund net position included as part of total capital assets	(12,846,386)
Internal service fund net position included as part of deferred outflows	(2,361,347)
Internal service fund net position included as part of long-term liabilities	8,548,937
Internal service fund net position included as part of deferred inflows	513,897
Net internal service fund net position	<u>30,431,197</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.	13,291,466
A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	1,161,508
A portion of deferred grant revenues and contributions from property owners are not available to pay for current-period expenditures and therefore, are not recognized in the funds.	1,171,568
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	(160,917,371)
Internal service funds	(8,548,937)
Total long-term liabilities	<u>(169,466,308)</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	(5,335,987)
Internal service funds	(513,897)
Total deferred inflows	<u>(5,849,884)</u>
Net position of governmental activities.	<u>\$ 1,291,171,282</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, 2018**

	General Fund	Community Facilities District No. 1	General Capital Construction
<b>Revenues:</b>			
Taxes	\$ 136,256,971	\$ 1,773,402	\$ -
Intergovernmental	1,307,393	-	-
Licenses and permits	2,999,177	-	-
Charges for services	10,032,388	-	-
Fines and forfeitures	671,641	-	-
Income from property and investments	3,009,718	247,825	-
Contributions from property owners	-	773,985	423,659
Donations	-	-	-
Miscellaneous	1,366,125	-	-
<b>Total revenues</b>	<b>155,643,413</b>	<b>2,795,212</b>	<b>423,659</b>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	25,876,832	88,581	-
Less: interdepartmental charges	(3,159,562)	-	-
Public safety	58,046,347	-	-
Community services	38,597,637	-	-
Public works	15,884,890	-	-
Capital outlay	-	295,889	3,122,730
<b>Debt service:</b>			
Principal retirement	9,746	-	-
Interest and fiscal charges	2,536	-	-
<b>Total expenditures</b>	<b>135,258,426</b>	<b>384,470</b>	<b>3,122,730</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>20,384,987</b>	<b>2,410,742</b>	<b>(2,699,071)</b>
<b>Other financing sources (uses):</b>			
Transfers in	184,400	-	-
Transfers out	(12,896,727)	-	-
<b>Total other financing sources (uses)</b>	<b>(12,712,327)</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>7,672,660</b>	<b>2,410,742</b>	<b>(2,699,071)</b>
Fund balances at beginning of year	171,380,794	81,809,869	47,643,185
Fund balances at end of year	<u>\$ 179,053,454</u>	<u>\$ 84,220,611</u>	<u>\$ 44,944,114</u>

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

Infrastructure Replacement	Park Development	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 3,087,527	\$ 141,117,900
-	-	-	10,300,591	11,607,984
-	-	-	-	2,999,177
-	-	-	4,112,643	14,145,031
-	-	-	7,364	679,005
388,061	42,380	240,204	693,867	4,622,055
-	1,377,792	5,128,305	5,194,269	12,898,010
-	-	-	331,882	331,882
-	-	-	624,918	1,991,043
<u>388,061</u>	<u>1,420,172</u>	<u>5,368,509</u>	<u>24,353,061</u>	<u>190,392,087</u>
-	-	-	660,050	26,625,463
-	-	-	-	(3,159,562)
-	-	-	521,303	58,567,650
-	-	-	10,441,023	49,038,660
-	-	-	1,335,213	17,220,103
3,346,454	1,889,970	8,820,647	9,409,665	26,885,355
-	-	-	-	9,746
-	-	-	4,356	6,892
<u>3,346,454</u>	<u>1,889,970</u>	<u>8,820,647</u>	<u>22,371,610</u>	<u>175,194,307</u>
<u>(2,958,393)</u>	<u>(469,798)</u>	<u>(3,452,138)</u>	<u>1,981,451</u>	<u>15,197,780</u>
9,970,000	-	-	1,359,249	11,513,649
-	-	-	(693,649)	(13,590,376)
<u>9,970,000</u>	<u>-</u>	<u>-</u>	<u>665,600</u>	<u>(2,076,727)</u>
7,011,607	(469,798)	(3,452,138)	2,647,051	13,121,053
<u>99,350,791</u>	<u>6,170,185</u>	<u>37,602,391</u>	<u>109,340,192</u>	<u>553,297,407</u>
<u>\$ 106,362,398</u>	<u>\$ 5,700,387</u>	<u>\$ 34,150,253</u>	<u>\$ 111,987,243</u>	<u>\$ 566,418,460</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, 2018**

Net change in fund balances - total governmental funds.	\$ 13,121,053
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	18,987,136
Depreciation expense	(22,318,233)
Governmental funds do not reflect the donation of capital assets as revenues.	6,110,382
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	182,541
A portion of the sales tax receivable and grant revenues are not available to pay for current-period to pay for current-period expenditures and therefore, are not recognized in the funds.	745,781
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.	9,746
The net revenue of activities of internal service funds is reported with governmental activities.	2,314,819
Adjustments made to the net pension and net OPEB liabilities do not use current financial resources and therefore, are not recognized in the funds.	1,094,810
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(154,264)
Change in net position of governmental activities.	<u>\$ 20,093,771</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, 2018**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget - Over (Under)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 133,113,000	\$ 136,370,000	\$ 136,256,971	\$ (113,029)
Intergovernmental	908,280	967,000	1,307,393	340,393
Licenses and permits	2,216,000	3,144,000	2,999,177	(144,823)
Charges for services	8,334,000	9,109,000	10,032,388	923,388
Fines and forfeitures	736,000	600,000	671,641	71,641
Income from property and investments	4,144,000	4,147,000	4,979,128	832,128
Miscellaneous	881,000	1,057,000	1,366,125	309,125
<b>Total revenues</b>	<b>150,332,280</b>	<b>155,394,000</b>	<b>157,612,823</b>	<b>2,218,823</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	37,159,625	46,306,550	28,382,912	(17,923,638)
Less: interdepartmental charges	(3,149,359)	(3,149,000)	(3,159,562)	(10,562)
Public safety	61,874,234	63,540,155	58,730,131	(4,810,024)
Community services	45,769,327	46,895,157	41,983,036	(4,912,121)
Public works	21,852,924	22,092,710	18,413,896	(3,678,814)
<b>Total expenditures</b>	<b>163,506,751</b>	<b>175,685,572</b>	<b>144,350,413</b>	<b>(31,335,159)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(13,174,471)</b>	<b>(20,291,572)</b>	<b>13,262,410</b>	<b>33,553,982</b>
<b>Other financing sources (uses):</b>				
Transfers in	10,000	184,400	184,400	-
Transfers out	(12,455,000)	(12,896,727)	(12,896,727)	-
<b>Total other financing sources (uses)</b>	<b>(12,445,000)</b>	<b>(12,712,327)</b>	<b>(12,712,327)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(25,619,471)</b>	<b>(33,003,899)</b>	<b>550,083</b>	<b>\$ 33,553,982</b>
Fund balance at beginning of year	171,380,794	171,380,794	171,380,794	
Fund balance at end of year	<u>\$ 145,761,323</u>	<u>\$ 138,376,895</u>	<u>\$ 171,930,877</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, 2018**

**BUDGET-TO-GAAP RECONCILIATION**

Actual Amounts  
(Budgetary Basis)

**Revenues**

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page). \$ 157,612,823

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. (1,969,410)

\$ 155,643,413

**Expenditures**

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page). \$ 144,350,413

Differences - budget to GAAP:

Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes. (9,091,987)

\$ 135,258,426

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, 2018**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 127,353,647	\$ 2,304,518	\$ 47,015,402
Receivables:			
Interest	559,739	4,795	206,514
Taxes	33,539	-	-
Other	-	337,524	715
Accounts, net of allowances	8,299,981	-	2,107,455
Due from other governments	351,060	2,012	5,167,202
Inventories	609,891	186,693	11,946
Prepaid items	23,881	24,450	-
<b>Total current assets</b>	<b>137,231,738</b>	<b>2,859,992</b>	<b>54,509,234</b>
Capital assets:			
Land	1,905,206	4,841,667	2,629,102
Construction in progress	11,364,486	-	30,256,883
Buildings and other structures	20,762,775	20,170,451	-
Improvements other than buildings	2,322,549	42,820,657	7,134,824
Machinery and equipment	10,841,423	1,475,225	331,956
Infrastructure	229,096,526	-	113,133,446
Wastewater treatment facility	-	-	57,806,075
Intangible assets	-	-	-
Less accumulated depreciation	(78,846,938)	(33,199,856)	(80,354,783)
Total capital assets (net of accumulated depreciation)	197,446,027	36,108,144	130,937,503
<b>Total noncurrent assets</b>	<b>197,446,027</b>	<b>36,108,144</b>	<b>130,937,503</b>
<b>Total assets</b>	<b>334,677,765</b>	<b>38,968,136</b>	<b>185,446,737</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - OPEB related items	326,883	-	15,956
Deferred outflows of resources - pension related items	3,299,129	-	1,376,501
<b>Total deferred outflows of resources</b>	<b>3,626,012</b>	<b>-</b>	<b>1,392,457</b>

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
\$ 13,807,936	\$ 190,481,503	\$ 46,402,774
60,750	831,798	177,128
-	33,539	-
582,954	921,193	-
809,865	11,217,301	11,523
-	5,520,274	-
-	808,530	396,422
-	48,331	-
<u>15,261,505</u>	<u>209,862,469</u>	<u>46,987,847</u>
-	9,375,975	-
-	41,621,369	-
-	40,933,226	-
-	52,278,030	-
-	12,648,604	28,431,379
-	342,229,972	-
-	57,806,075	-
-	-	1,689,637
-	(192,401,577)	(17,274,630)
-	<u>364,491,674</u>	<u>12,846,386</u>
-	<u>364,491,674</u>	<u>12,846,386</u>
<u>15,261,505</u>	<u>574,354,143</u>	<u>59,834,233</u>
10,941	353,780	27,125
<u>611,817</u>	<u>5,287,447</u>	<u>2,334,222</u>
<u>622,758</u>	<u>5,641,227</u>	<u>2,361,347</u>

(Continued)



**Statement of Net Position  
Proprietary Funds (Continued)  
June 30, 2018**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
<b>LIABILITIES</b>			
Current liabilities:			
Accrued liabilities	1,947,777	534,700	1,190,242
Accrued interest payable	65,449	-	-
Due to other governments	6,739,584	-	2,243,935
Estimated claims payable	-	-	-
Current portion of long-term debt	1,546,234	-	-
<b>Total current liabilities</b>	<u>10,299,044</u>	<u>534,700</u>	<u>3,434,177</u>
Noncurrent liabilities:			
Deposits payable	147,139	663,061	2,522,089
Advance from other funds	-	55,526,908	-
Unearned revenue	34,623	-	10,000
Net OPEB liability	900,477	-	47,542
Net pension liability	8,327,637	-	3,675,155
Capital lease payable	-	-	-
Loans payable	13,397,697	-	-
<b>Total noncurrent liabilities</b>	<u>22,807,573</u>	<u>56,189,969</u>	<u>6,254,786</u>
<b>Total liabilities</b>	<u>33,106,617</u>	<u>56,724,669</u>	<u>9,688,963</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - OPEB related items	107,753	-	7,296
Deferred inflows of resources - pension related items	289,757	-	179,701
<b>Total deferred inflows of resources</b>	<u>397,510</u>	<u>-</u>	<u>186,997</u>
<b>NET POSITION</b>			
Net investment in capital assets	182,502,096	36,108,144	130,937,503
Restricted for:			
Capital assets	31,805,487	-	7,716,871
Unrestricted	90,492,067	(53,864,677)	38,308,860
<b>Total net position (deficit)</b>	<u>\$ 304,799,650</u>	<u>\$ (17,756,533)</u>	<u>\$ 176,963,234</u>

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
963,455	4,636,174	4,864,421
-	65,449	-
-	8,983,519	-
-	-	10,865,432
-	1,546,234	198,810
<u>963,455</u>	<u>15,231,376</u>	<u>15,928,663</u>
-	3,332,289	1,000
-	55,526,908	-
31,555	76,178	-
32,601	980,620	80,823
1,975,014	13,977,806	7,910,237
-	-	359,067
-	13,397,697	-
<u>2,039,170</u>	<u>87,291,498</u>	<u>8,351,127</u>
<u>3,002,625</u>	<u>102,522,874</u>	<u>24,279,790</u>
5,003	120,052	12,403
62,378	531,836	501,494
<u>67,381</u>	<u>651,888</u>	<u>513,897</u>
-	349,547,743	12,288,509
-	39,522,358	-
12,814,257	87,750,507	25,113,384
<u>\$ 12,814,257</u>	<u>476,820,608</u>	<u>\$ 37,401,893</u>
	<u>825,797</u>	
	<u>\$ 477,646,405</u>	





**Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2018**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 49,340,070	\$ -	\$ -
Wastewater service charges	-	-	13,885,284
Golf course operations	-	7,973,024	-
Other charges for services	754,460	-	-
Miscellaneous	1,393,114	-	63,268
<b>Total operating revenues</b>	<b>51,487,644</b>	<b>7,973,024</b>	<b>13,948,552</b>
Operating expenses:			
Encina plant operations	1,026,920	-	3,551,757
Purchased water	25,926,711	-	-
Golf course operations	-	6,991,761	-
Depreciation	5,160,704	3,566,933	4,002,289
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	19,027,871	-	6,024,561
<b>Total operating expenses</b>	<b>51,142,206</b>	<b>10,558,694</b>	<b>13,578,607</b>
<b>Operating income (loss)</b>	<b>345,438</b>	<b>(2,585,670)</b>	<b>369,945</b>
Nonoperating revenues (expenses):			
Income from property and investments	719,750	48,428	167,316
Miscellaneous	-	515	-
Interest expense and fees	(575,627)	(1,015)	-
Gain (loss) on sale of property	980	1,073	-
Property taxes	3,742,902	-	-
<b>Total nonoperating revenues (expenses)</b>	<b>3,888,005</b>	<b>49,001</b>	<b>167,316</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>4,233,443</b>	<b>(2,536,669)</b>	<b>537,261</b>
Transfers in	-	-	-
Transfers out	-	-	(82,000)
Capital contributions:			
Capital restricted fees and grants	3,188,828	-	1,080,094
Developer constructed assets	827,650	-	387,491
Other	-	-	-
<b>Change in net position</b>	<b>8,249,921</b>	<b>(2,536,669)</b>	<b>1,922,846</b>
Total net position (deficit) at beginning of year, as restated	296,549,729	(15,219,864)	175,040,388
Total net position (deficit) at end of year	<u>\$ 304,799,650</u>	<u>\$ (17,756,533)</u>	<u>\$ 176,963,234</u>

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

Changes in net position of business-type activities

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

Enterprise Funds		Governmental
		Activities -
		Internal
Solid Waste	Totals	Service Funds
\$ -	\$ 49,340,070	\$ -
-	13,885,284	-
-	7,973,024	-
3,427,083	4,181,543	19,257,385
154,948	1,611,330	150,945
<u>3,582,031</u>	<u>76,991,251</u>	<u>19,408,330</u>
-	4,578,677	-
-	25,926,711	-
-	6,991,761	-
-	12,729,926	2,342,286
-	-	1,275,921
-	-	6,601,563
-	-	980,960
3,100,158	28,152,590	9,148,440
<u>3,100,158</u>	<u>78,379,665</u>	<u>20,349,170</u>
<u>481,873</u>	<u>(1,388,414)</u>	<u>(940,840)</u>
50,350	985,844	150,833
-	515	-
-	(576,642)	(39,745)
-	2,053	68,737
-	3,742,902	-
<u>50,350</u>	<u>4,154,672</u>	<u>179,825</u>
532,223	2,766,258	(761,015)
218,511	218,511	1,940,216
-	(82,000)	-
-	4,268,922	-
-	1,215,141	-
-	-	1,135,618
<u>750,734</u>	<u>8,386,832</u>	<u>2,314,819</u>
<u>12,063,523</u>		<u>35,087,074</u>
<u>\$ 12,814,257</u>		<u>\$ 37,401,893</u>
	154,264	
	<u>\$ 8,541,096</u>	



**City of  
Carlsbad**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
<b>Cash flows from operating activities:</b>			
Receipts from customers and users	\$ 49,438,735	\$ 7,792,726	\$ 13,758,837
Payments to suppliers	(36,362,623)	(6,966,029)	(2,674,743)
Payments to employees	(5,708,979)	-	(2,356,683)
Internal activity - payments to other funds	(2,561,852)	-	(1,321,072)
Claims and premiums paid	-	-	-
Other receipts	123,971	66,952	1,052,931
Net cash provided (used) by operating activities	<u>4,929,252</u>	<u>893,649</u>	<u>8,459,270</u>
<b>Cash flows from noncapital financing activities:</b>			
Operating subsidies and transfers from other funds	-	-	-
Insurance reimbursement	-	515	-
Advances to other funds	-	(108,979)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(108,464)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from capital debt	553,302	-	-
Capital restricted fees	1,957,789	-	1,080,094
Purchase of capital assets	(6,448,909)	(329,473)	(9,743,610)
Gross proceeds from the sale of capital assets	980	1,073	-
Principal paid on capital debt	(1,510,433)	-	-
Interest and other fees paid	(366,049)	-	-
Proceeds from state and local grants	1,231,039	-	-
Property taxes received	3,736,673	-	-
Net cash (used in) capital and related financing activities	<u>(845,608)</u>	<u>(328,400)</u>	<u>(8,663,516)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	580,367	47,473	122,316
Net increase (decrease) in cash and cash equivalents	<u>4,664,011</u>	<u>504,258</u>	<u>(81,930)</u>
Cash and cash equivalents at beginning of year	<u>122,689,636</u>	<u>1,800,260</u>	<u>47,097,332</u>
Cash and cash equivalents at end of year	<u>\$ 127,353,647</u>	<u>\$ 2,304,518</u>	<u>\$ 47,015,402</u>

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

Enterprise Funds		Governmental
Solid Waste	Totals	Activities - Internal Service Funds
\$ 3,374,843	\$ 74,365,141	\$ 19,403,891
(1,389,873)	(47,393,268)	(6,691,440)
(1,280,603)	(9,346,265)	(4,915,726)
(639,143)	(4,522,067)	(216,361)
-	-	(6,224,103)
154,948	1,398,802	-
220,172	14,502,343	1,356,261
218,511	218,511	1,940,216
-	515	-
-	(108,979)	-
218,511	110,047	1,940,216
-	553,302	-
-	3,037,883	-
-	(16,521,992)	(3,261,747)
-	2,053	97,917
-	(1,510,433)	(187,223)
-	(366,049)	(39,745)
-	1,231,039	-
-	3,736,673	-
-	(9,837,524)	(3,390,798)
35,210	785,366	112,205
473,893	5,560,232	17,884
13,334,043	184,921,271	46,384,890
\$ 13,807,936	\$ 190,481,503	\$ 46,402,774

(Continued)



**Statement of Cash Flows  
Proprietary Funds (Continued)  
For the Year Ended June 30, 2018**

	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)	\$ 345,438	\$ (2,585,670)	\$ 369,945
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,160,704	3,566,933	4,002,289
Change in assets and liabilities:			
(Increase) decrease in receivables	(655,795)	(180,298)	(126,447)
(Increase) decrease in due from other governments	475,802	-	3,688,115
(Increase) decrease in deposits	-	(2,012)	-
(Increase) decrease in inventories	(61,113)	(23,103)	2,363
(Increase) decrease in prepaid items	(2,711)	(24,450)	-
(Increase) decrease in deferred outflows - OPEB related items	(326,883)	-	(15,956)
(Increase) decrease in deferred outflows - pension related items	(1,157,119)	-	(525,250)
(Decrease) increase in accrued liabilities	(200,628)	75,297	(88,785)
(Decrease) increase in due to other governments	91,509	17,287	(200,185)
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	4,837	49,665	989,663
(Decrease) increase in unearned revenue	-	-	-
(Decrease) increase in net OPEB liability	(16,213)	-	9,089
(Decrease) increase in net pension liability	974,276	-	368,993
(Decrease) increase in deferred inflows - OPEB related items	107,753	-	7,296
(Decrease) increase in deferred inflows - pension related items	189,395	-	(21,860)
Net cash provided by operating activities	<u>\$ 4,929,252</u>	<u>\$ 893,649</u>	<u>\$ 8,459,270</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 827,650</u>	<u>\$ -</u>	<u>\$ 387,491</u>

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

<u>Enterprise Funds</u>		<u>Governmental Activities - Internal Service Funds</u>	
<u>Solid Waste</u>	<u>Totals</u>		
\$ 481,873	\$ (1,388,414)	\$	(940,840)
-	12,729,926		2,342,286
(51,978)	(1,014,518)		(4,439)
-	4,163,917		-
-	(2,012)		-
-	(81,853)		(3,808)
-	(27,161)		-
(10,941)	(353,780)		(27,125)
(166,324)	(1,848,693)		(500,645)
13,329	(200,787)		(123,844)
-	(91,389)		-
-	-		469,984
-	1,044,165		-
(262)	(262)		-
6,234	(890)		15,453
(20,084)	1,323,185		395,368
5,003	120,052		12,403
(36,678)	130,857		(278,532)
<u>\$ 220,172</u>	<u>\$ 14,502,343</u>	<u>\$</u>	<u>1,356,261</u>
<u>\$ -</u>	<u>\$ 1,215,141</u>	<u>\$</u>	<u>1,135,618</u>



**City of  
Carlsbad**  
Statement of Net Position  
Fiduciary Funds  
June 30, 2018

<b>ASSETS</b>	Agency Funds	Private Purpose Trust Funds
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 21,186,985	\$ 1,200,340
Receivables:		
Interest	139,686	13,826
Taxes	4,030	-
Other	34,932	-
Prepaid items	2,639	-
<b>Total current assets</b>	<u>21,368,272</u>	<u>1,214,166</u>
Noncurrent assets:		
Loans receivable	-	3,750,000
Restricted assets:		
Cash and investments	5,124,822	-
<b>Total noncurrent assets</b>	<u>5,124,822</u>	<u>3,750,000</u>
<b>Total assets</b>	<u>\$ 26,493,094</u>	<u>\$ 4,964,166</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued liabilities	\$ 864,483	\$ 2,211
Accrued interest payable	-	93,280
Deposits held for others	25,628,611	-
Current portion of long-term debt	-	775,000
<b>Total current liabilities</b>	<u>26,493,094</u>	<u>870,491</u>
Noncurrent liabilities:		
Due to the City of Carlsbad	-	9,103,922
Tax allocation bonds payable	-	4,520,000
<b>Total noncurrent liabilities</b>	<u>-</u>	<u>13,623,922</u>
<b>Total liabilities</b>	<u>26,493,094</u>	<u>14,494,413</u>
<b>NET POSITION</b>		
Held in trust for redevelopment obligation retirement purposes	<u>\$ -</u>	<u>\$ (9,530,247)</u>

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, 2018**

	Private Purpose Trust Funds
<b>ADDITIONS</b>	
Contributions:	
Tax increment	\$ 3,589,291
Income from property and investments	15,011
<b>Total additions</b>	<u>3,604,302</u>
<b>DEDUCTIONS</b>	
General and administrative	127,988
Community development	484,398
Interest expense and fees	469,394
<b>Total deductions</b>	<u>1,081,780</u>
<b>Change in net position</b>	2,522,522
<b>Total net position (deficit) at beginning of year</b>	<u>(12,052,769)</u>
<b>Total net position (deficit) at end of year</b>	<u>\$ (9,530,247)</u>

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





## Notes to the Financial Statements

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### Note 1. Summary of Significant Accounting Policies

The City of Carlsbad, California (“city”), was incorporated on July 16, 1952. The city was a general law city until 2008, when the citizens in Carlsbad voted and approved the city to become a charter city. The city operates under a Council-Manager form of government and provides the following services: general government, public safety, community 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). The city does not issue separate financial statements for these component units.

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

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### 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

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

- The **Park Development Fund** capital project funds are used to account for receipts of fees charged to developers for park acquisition and development.
- 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

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### 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, 2018, 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

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### 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 and other postemployment benefits related (OPEB) 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

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### 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 taxes 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 and OPEB 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, 2018, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2018, 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, 2018, 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

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### 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, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

#### Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the city's plan (OPEB Plan), the assets of which are held by the California Employers' Retiree Benefit Trust (CERBT), and additions to/deductions from the OPEB Plan's fiduciary net position have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.



## Notes to the Financial Statements

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

Generally accepted accounting principles require that the reported results must pertain to liability and fiduciary net position information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

### Fair Value Measurements

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

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in markets that are inactive;
- Inputs other than quoted prices that are observable for the asset or liability; 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





## Notes to the Financial Statements

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### **Note 2. Budgetary Data (continued)**

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.

### **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, 2018, the LAIF performance report shows a fair value factor of 0.998126869. 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, 2018, 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	\$ 104,292,448	13.9%	2.126
Federal Home Loan Mortgage Corporation	91,137,785	12.2%	2.820
Federal National Mortgage Association	83,706,632	11.2%	1.448
Federal Home Loan Bank	76,494,437	10.2%	2.271
Federal Farm Credit Bank	75,915,863	10.1%	2.204
Federal Agricultural Corporation	14,968,695	2.0%	2.027
Supranational	11,698,326	1.6%	3.268
Refunding Corporation	9,106,473	1.2%	1.029
Financing Corporation	9,065,887	1.2%	1.018
Tennessee Valley Authority	7,264,362	1.0%	1.991
RFCO Strip Principal	2,821,530	0.4%	2.262
Subtotal U.S. agencies	486,472,438	65.0%	2.129
Corporate notes:			
Medium-term corporate notes	156,037,526	20.9%	2.250
Subtotal corporate notes	156,037,526	20.9%	2.250
LAIF	85,606,347	11.4%	-
Certificates of deposit	15,040,784	2.0%	2.297
Cash accounts	4,956,700	0.7%	-
Total Treasurer's Pool	748,113,795	100.0%	1.942
Investments held outside the Treasurer's Pool			
Money market funds	4,528,136		
Guaranteed investment contracts	2,475,412		
Subtotal debt service funds/bond proceeds	7,003,548		
Other deposits	1,550,977		
Petty cash funds	12,125		
Total cash and investments	\$ 756,680,445		
Statement of Net Position, Primary Government			
Cash and investments	\$ 729,168,298		
Statement of Net Position, Fiduciary Funds			
Cash and investments	22,387,325		
Restricted cash and investments	5,124,822		
Total cash and investments	\$ 756,680,445		



## 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, 2018:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
U.S. Treasury Bills & Notes	\$ 104,292,448	\$ -	\$ -	\$ 104,292,448
Refunding Corporation	-	9,106,473	-	9,106,473
Federal Agency securities	-	373,073,517	-	373,073,517
Medium-term corporate notes	-	156,037,526	-	156,037,526
Certificates of Deposit	-	15,040,784	-	15,040,784
<b>Total Investments Reported at Fair Value</b>	<b>104,292,448</b>	<b>553,258,300</b>	<b>-</b>	<b>657,550,748</b>
Cash accounts	-	-	-	4,956,700
LAIF	-	-	-	85,606,347
Money market funds	-	-	-	4,528,136
Guaranteed investment contracts	-	-	-	2,475,412
Other deposits	-	-	-	1,550,977
Petty cash funds	-	-	-	12,125
<b>Total cash and investments</b>	<b>\$ 104,292,448</b>	<b>\$ 553,258,300</b>	<b>\$ -</b>	<b>\$ 756,680,445</b>

#### 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 one major banking institution. 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. 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, 2018, 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, 2018, approximately 2.61 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 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) of the California state code, the city's investment policy, or debt agreements, and the actual rating at June 30, 2018 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	\$ 104,292,448	N/A	\$ 104,292,448	\$ -	\$ -	\$ -	\$ -
Federal agency securities	382,179,990	N/A	-	-	382,179,990	-	-
Medium term notes	156,037,526	AA	-	34,116,273	102,779,552	19,141,701	-
Local Agency Investment Fund (LAIF)	85,606,347	N/A	-	-	-	-	85,606,347
Certificates of deposit	15,040,784	N/A	-	-	-	-	15,040,784
Cash accounts	4,956,700	N/A	-	-	-	-	4,956,700
Other deposits	1,550,977	N/A	-	-	-	-	1,550,977
Petty cash funds	12,125	N/A	-	-	-	-	12,125
Investments with fiscal agent							
Money market funds	4,528,136	AA-m	-	4,528,136	-	-	-
Guaranteed investment contracts	2,475,412	N/A	-	-	-	-	2,475,412
	<u>\$ 756,680,445</u>		<u>\$ 104,292,448</u>	<u>\$ 38,644,409</u>	<u>\$ 484,959,542</u>	<u>\$ 19,141,701</u>	<u>\$ 109,642,345</u>



## Notes to the Financial Statements

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### 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, 2018, the portfolio had a 1.67 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, 2018, the modified duration of the portfolio was 1.911. 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, 2018, maturities within one year exceeded the required minimum of \$171,800 (two-thirds of current year operating budget for the city per the Fiscal Year 2017-18 Operating Budget adopted by the City Council).
3. As of June 30, 2018, the weighted average maturity of the LAIF underlying debt securities was 193 days. As of June 30, 2018, LAIF had a 0.1873 percent loss in market value.
4. As of June 30, 2018, the city's investment portfolio included \$27,351,000 of callable step-up notes at par.

### 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, 2018.



**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, 2018:

Advances From	Advances To	Amount
General Fund	Other Governmental Funds: Habitat Mitigation	\$ 185,282 (1)
General Fund	Enterprise Funds: Golf Course	55,526,908 (2)
Other Governmental Funds: CFD No. 1 Public Facilities Construction	Other Governmental Funds: Traffic Impact Projects Park Development	1,973,013 (3) 5,650,000 (4) <u>\$ 63,335,203</u>
General Fund	Fiduciary Funds: Redevelopment Obligation Retirement Trust Funds	<u>\$ 9,103,922 (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 three 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, 2018:

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 153,098,487	\$ 73,865	\$ -	\$ 153,172,352
Construction in progress	7,774,678	4,988,804	(2,721,428)	10,042,054
Total capital assets, not being depreciated	160,873,165	5,062,669	(2,721,428)	163,214,406
Capital assets, being depreciated:				
Buildings	123,742,120	12,214,732	-	135,956,852
Improvements, other than buildings	81,453,044		-	81,453,044
Machinery and equipment	40,432,960	4,506,770	(1,574,762)	43,364,968
Infrastructure	711,444,588	10,448,269	-	721,892,857
Intangible assets	5,017,448	-	-	5,017,448
Total capital assets, being depreciated	962,090,160	27,169,771	(1,574,762)	987,685,169
Less accumulated depreciation for:				
Buildings	(37,353,981)	(2,730,349)	-	(40,084,330)
Improvements, other than buildings	(27,461,895)	(3,434,548)	-	(30,896,443)
Machinery and equipment	(25,228,625)	(2,927,382)	1,538,497	(26,617,510)
Infrastructure	(241,646,085)	(14,979,365)	-	(256,625,450)
Intangible assets	(2,409,742)	(588,874)	-	(2,998,616)
Total accumulated depreciation	(334,100,328)	(24,660,518)	1,538,497	(357,222,349)
Total capital assets being depreciated, net	627,989,832	2,509,253	(36,265)	630,462,820
Governmental activities capital assets, net	<u>\$ 788,862,997</u>	<u>\$ 7,571,922</u>	<u>\$ (2,757,693)</u>	<u>\$ 793,677,226</u>



## Notes to the Financial Statements

### Note 6. Capital Assets (continued)

	Balance at June 30, 2017	Increases	Decreases	Balance at June 30, 2018
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,375,975	\$ -	\$ -	\$ 9,375,975
Construction in progress	44,229,764	12,192,934	(14,801,329)	41,621,369
Total capital assets, not being depreciated	53,605,739	12,192,934	(14,801,329)	50,997,344
Capital assets, being depreciated:				
Buildings	40,705,081	228,145	-	40,933,226
Improvements, other than buildings	51,121,786	1,156,244	-	52,278,030
Machinery and equipment	3,711,152	10,119,433	(1,181,981)	12,648,604
Infrastructure	334,925,558	7,304,414	-	342,229,972
Wastewater treatment facility	57,521,662	284,413	-	57,806,075
Total capital assets, being depreciated	487,985,239	19,092,649	(1,181,981)	505,895,907
Less accumulated depreciation for:				
Buildings	(9,403,916)	(1,029,841)	-	(10,433,757)
Improvements, other than buildings	(31,290,200)	(3,219,716)	-	(34,509,916)
Machinery and equipment	(2,659,255)	(358,374)	1,181,981	(1,835,648)
Infrastructure	(102,342,900)	(6,631,887)	-	(108,974,787)
Wastewater treatment facility	(35,157,361)	(1,490,108)	-	(36,647,469)
Total accumulated depreciation	(180,853,632)	(12,729,926)	1,181,981	(192,401,577)
Total capital assets being depreciated, net	307,131,607	6,362,723	-	313,494,330
Business-type activities capital assets, net	\$ 360,737,346	\$ 18,555,657	\$ (14,801,329)	\$ 364,491,674





## 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	\$ 1,216,611
Public safety	1,351,348
Community services	4,450,011
Public works	15,300,262
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>2,342,286</u>
Total depreciation expense - governmental activities	<u><u>\$ 24,660,518</u></u>
Business-type activities:	
Carlsbad Municipal Water District	\$ 5,160,704
Wastewater	4,002,289
Golf course	<u>3,566,933</u>
Total depreciation expense - business-type activities	<u><u>\$ 12,729,926</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, 2018:

	Principal Balance at July 1, 2017	Increases	Decreases	Principal Balance at June 30, 2018	Due Within One Year
Governmental activities:					
Obligations under capital lease	\$ 784,549	\$ -	\$ 196,968	\$ 587,581	\$ 209,285
Total governmental activities	<u>\$ 784,549</u>	<u>\$ -</u>	<u>\$ 196,968</u>	<u>\$ 587,581</u>	<u>\$ 209,285</u>
Business-type activities:					
Loans payable	\$ 15,901,063	\$ 553,302	\$ 1,510,434	\$ 14,943,931	\$ 1,546,234
Total business type activities	<u>\$ 15,901,063</u>	<u>\$ 553,302</u>	<u>\$ 1,510,434</u>	<u>\$ 14,943,931</u>	<u>\$ 1,546,234</u>



**Notes to the Financial Statements**

**Note 7. Long-term Debt (continued)**

Long-term debt at June 30, 2018 is comprised of the following issues:

Governmental long-term debt	Balance at June 30, 2018
The city has entered into several office equipment lease-purchase agreements. As of June 30, 2018 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%	\$ 587,581
Sub-total governmental long-term debt	587,581
Less current portion	(209,285)
Total long-term portion of governmental debt	\$ 378,296

Business-type long-term debt	Balance at June 30, 2018
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 \$544,180 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.	\$ 4,107,163
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 \$1,002,054 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.	9,894,287
2014 Carlsbad Municipal Water District loan agreement, as revised, with the State Water Resources Control Board authorized to \$22,150,000. Principal and interest will not be due until December 2021. Interest is payable on December 31 each year at 1.0% per annum. Principal due under the current amortization schedule ranges from \$27,223 to \$36,330. Payable from recycled water user fees.	942,481
Subtotal business-type long-term debt	14,943,931
Less current portion	(1,546,234)
Total long-term portion of business-type debt	\$ 13,397,697



**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
2019	\$ 209,285	\$ 29,965
2020	222,373	16,877
2021	155,923	3,578
	<u>\$ 587,581</u>	<u>\$ 50,420</u>

Year ended June 30:	Business-type Activities	
	Principal	Interest
2019	\$ 1,546,234	\$ 330,248
2020	1,582,886	293,595
2021	1,620,408	256,074
2022	1,686,045	227,131
2023	1,725,642	187,533
2024-2028	6,036,613	359,062
2029-2033	148,884	34,581
2034-2038	156,480	26,986
2039-2043	164,461	19,004
2044-2048	172,850	10,617
2049-2051	103,428	2,165
	<u>\$ 14,943,931</u>	<u>\$ 1,746,996</u>

The aggregate maturities for the business-type activities reflect a new \$942,481 water loan. The city is currently drawing down loan proceeds from an authorized \$22.1 million for the expansion of the recycled water facility. The loan amount will continue to adjust as future draws are made.

**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, 2018.



**Notes to the Financial Statements**

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**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 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	\$ 4,310,449	\$ 1,876,482	44%

**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, 2018, the city has three series of assessment district bonds outstanding in the amount of \$37,195,000. 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, 2018, the city has two series CFD bonds outstanding in the amount of \$20,525,000. 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, 2018 is \$20,191,464. 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, 2018:

Fund Balances	Governmental Funds			
	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
<b>Nonspendable:</b>				
Inventory	\$ 17,644	\$ -	\$ -	\$ -
Prepaid items	-	-	-	-
Loans receivable	85,542	-	-	-
Due from Successor Agency*	4,245,253	-	-	-
Advances to other funds*	47,279,393	-	-	-
<b>Totals</b>	<b>51,627,832</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restricted for:</b>				
Affordable housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	84,220,611	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
<b>Totals</b>	<b>-</b>	<b>84,220,611</b>	<b>-</b>	<b>-</b>
<b>Committed to:</b>				
Community activity grants	1,000,000	-	-	-
<b>Totals</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assigned to:</b>				
CalPERS stability	5,500,000	-	-	-
General government	20,653,756	-	-	-
Public safety	5,864,471	-	-	-
Community services	7,406,149	-	-	-
Public works	4,430,730	-	-	-
Capital projects	-	-	44,944,114	106,362,398
<b>Totals</b>	<b>43,855,106</b>	<b>-</b>	<b>44,944,114</b>	<b>106,362,398</b>
<b>Unassigned:</b>				
Unassigned	72,570,516	-	-	-
Economic uncertainty	10,000,000	-	-	-
<b>Totals</b>	<b>82,570,516</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total fund balances</b>	<b>\$ 179,053,454</b>	<b>\$ 84,220,611</b>	<b>\$ 44,944,114</b>	<b>\$ 106,362,398</b>



Notes to the Financial Statements

Governmental Funds			
Park Development	Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 17,644
-	-	1,454	1,454
-	-	-	85,542
-	-	-	4,245,253
-	-	-	47,279,393
-	-	1,454	51,629,286
-	-	41,499,147	41,499,147
-	-	7,306,710	7,306,710
-	-	1,639,808	1,639,808
5,700,387	34,150,253	58,740,391	182,811,642
-	-	662,443	662,443
-	-	292,594	292,594
-	-	1,844,696	1,844,696
5,700,387	34,150,253	111,985,789	236,057,040
-	-	-	1,000,000
-	-	-	1,000,000
-	-	-	5,500,000
-	-	-	20,653,756
-	-	-	5,864,471
-	-	-	7,406,149
-	-	-	4,430,730
-	-	-	151,306,512
-	-	-	195,161,618
-	-	-	72,570,516
-	-	-	10,000,000
-	-	-	82,570,516
<u>\$ 5,700,387</u>	<u>\$ 34,150,253</u>	<u>\$ 111,987,243</u>	<u>\$ 566,418,460</u>



## Notes to the Financial Statements

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### 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 \$13,291,466 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 – citywide back file conversion scanning, quality control, and uploading of documents into the city's Hewlett packard Records Management system; costs associated with new City Council members; office furniture and reconfigurations; Smart City initiatives; professional services related to a citywide employee engagement survey; implementation and maintenance of a learning management system; Utility billing system upgrade; timekeeping system upgrade; cashiering system upgrade; a new Enterprise Resource Planning system; continuing the implementation of the new permitting and business license system; and additional part-time employees.
- Public safety – a taser replacement program; graffiti trackers; K-9 narcotics training; police license plate readers; new office furniture and space renovations; and additional part-time employees.



**Notes to the Financial Statements**

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**Note 10. Fund Balances (continued)**

- Community services – website enhancements; office furniture and reconfigurations; part-time staff assistance; process documentation costs associated with the city’s new permitting system; a retail study; Wi-Fi Services for Calavera Hills and Stagecoach Community Centers; a pilot program associated with short-term vacation rentals; library facility improvements; technology updates; and a cultural arts performance venue feasibility study.
- Public works – Poinsettia 61 traffic study outreach contracts; Engineering manual update; Public Works strategic plan; Public Works succession plan; Safety Training Center retrofitting and upgrades; minor building renovations at city facilities; and other one-time capital outlay items, as needed throughout the city.
- Capital projects – citywide infrastructure replacement projects, beach access repair/upgrade; widening of El Camino Real; rehabilitation work at the Faraday Center; Safety Center building improvements; replacement of Fire Station No. 2 and the Monroe Stree Pool; synthetic turf at Stagecoach Park; the ongoing pavement management program; analysis and conceptual alignments for two double-track railroad trench alternatives through the village area; continuing the implementation of an adaptive traffic signal program and street lighting replacement program; traffic calming measures and multiuse trail; additional water and recycled water lines; continuation of drainage and street improvements at the Encina Water Pollution Control Facility; access road improvements at the Buena Interceptor Sewer; and wastewater line refurbishments/replacements at various locations throughout the city.

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, 2018:

	Deficit Balance
Enterprise Funds:	
Golf Course	\$ (17,756,533)

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, 2018, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Gas Tax Fund	\$ 10,000
	Bridge and Thoroughfare Districts	174,400
Capital Project Funds:		
Infrastructure Replacement	General Fund	9,970,000
Enterprise Funds:		
Storm Water Protection	General Fund	218,511
Internal Service Funds:		
Fleet Management	General Fund	358,216
Fleet Management	Wastewater Fund	82,000
Workers' Compensation	General Fund	1,500,000
Special Revenue Funds:		
Affordable Housing	Tyler Court Apartments	485,381
Financing Districts	General Fund	850,000
Section 8 Rental Assistance	Affordable Housing	23,868
		<u>\$ 13,672,376</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; and (3) 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, 2018, the unrestricted fund equity for the Risk Management Self-Insurance Fund was \$1,254,338. Funds used by the Risk Management Fund to liquidate the claims liability predominantly come from the General Fund (84.80%), the Water funds (5.79%) and the Wastewater funds (2.62%).



## 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 \$1,250,000 for all employees. At June 30, 2018, the unrestricted fund equity for the Workers' Compensation Self-Insurance Fund was \$2,167,755. Funds used by the Workers' Compensation Fund to liquidate the claims liability predominantly come from the General Fund (91.23%), the Water funds (3.01%) and the Wastewater funds (1.31%).

The estimated claims payable reported at June 30, 2018 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 2017 and 2018 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
<b>Self-Insured Benefits Fund:</b>				
2016-17	\$ 105,338	\$ 631,465	\$ 631,545	\$ 105,258
2017-18	105,258	609,912	613,003	102,167
<b>Risk Management Fund:</b>				
2016-17	1,110,729	2,998,566	1,174,654	2,934,641
2017-18	2,934,641	1,131,031	1,743,555	2,322,117
<b>Workers' Compensation Fund:</b>				
2016-17	8,319,545	1,395,639	2,359,635	7,355,549
2017-18	7,355,549	3,701,351	2,615,752	8,441,148

### 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.



## Notes to the Financial Statements

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### Note 15. Joint Ventures (continued)

As of June 30, 2017, 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 loss (before member billings) for EWA totaled \$5,384 in Fiscal Year 2017. The financial statements of EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at [www.encinajpa.com](http://www.encinajpa.com).

### Encina Financing Joint Powers Authority

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

The Authority is governed by a Board of Directors, which consists of one director appointed by each member. The financial statements of the Authority can be obtained at the city'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, 2018, 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	12.255%	12.255%	12.255%
Required employer payment of unfunded liability:		\$6,649,209	

	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	19.718%	19.718%	19.718%
Required employer payment of unfunded liability:		\$4,564,145	



## Notes to the Financial Statements

### Note 16. Pension Plan (continued)

#### Employees Covered

As of June 30, 2017, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	486	219
Inactive employees or beneficiaries currently not yet receiving benefits	433	89
Active employees	489	185
Total	1,408	493

#### 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, 2017 (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 12.255 percent of annual payroll for miscellaneous employees and 19.718 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, 2017 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2016 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.75%
Salary increases	Varies by entry age and service
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 mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements used Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.



## Notes to the Financial Statements

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### Note 16. Pension Plan (continued)

All other actuarial assumptions used in the June 30, 2016 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](http://www.calpers.ca.gov) under Forms and Publications.

#### Change of Assumption

In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

#### Discount Rate

The discount rate used to measure the total pension liability was 7.15 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 7.15 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 7.15 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 on the next page 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, 2014.



**Notes to the Financial Statements**

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**Note 16. Pension Plan (continued)**

**Discount Rate (continued)**

Asset Class	Current Target Allocation	Real Return Years 1 - 10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global equity	47.0%	4.90%	5.38%
Global debt securities	19.0	0.80	2.27
Inflation assets	6.0	0.60	1.39
Private equity	12.0	6.60	6.63
Real estate	11.0	2.80	5.21
Infrastructure and forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)

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

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

**Pension Plan Fiduciary Net Position**

CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the California Public Employees’ Retirement System website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under forms and publications.



**Notes to the Financial Statements**

**Note 16. Pension Plan (continued)**

**Changes in Net Pension Liability**

	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
Net pension liability	\$ 101,804,851	\$ 79,540,681	\$ 181,345,532
Deferred outflows of resources - pension related items	40,235,500	24,880,882	65,116,382
Deferred inflows of resources - pension related items	(3,431,634)	(2,718,205)	(6,149,839)
Pension expense	16,665,878	12,711,835	29,377,713

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

**Miscellaneous Plan**

	<b>Total Pension Liability (a)</b>	<b>Increase (Decrease) Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability/(Asset) (c) = (a) - (b)</b>
<b>Balance at: 6/30/2016</b>	<b>\$ 336,686,595</b>	<b>\$ 241,681,934</b>	<b>\$ 95,004,661</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service cost	7,836,970	-	7,836,970
• Interest on the Total Pension Liability	25,085,808	-	25,085,808
• Differences between expected and actual experience	(3,079,012)	-	(3,079,012)
• Changes of assumptions	20,988,178	-	20,988,178
• Plan to plan resource movement	-	(2,793)	2,793
• Contributions from the employer	-	14,677,334	(14,677,334)
• Contributions from employees	-	2,820,046	(2,820,046)
• Net investment income	-	26,893,994	(26,893,994)
• Benefit payments, including refunds of employee contributions	(15,327,609)	(15,327,609)	-
• Administrative expense	-	(356,827)	356,827
Net Changes during 2016-17	<u>35,504,335</u>	<u>28,704,145</u>	<u>6,800,190</u>
<b>Balance at 6/30/2017</b>	<b><u>\$ 372,190,930</u></b>	<b><u>\$ 270,386,079</u></b>	<b><u>\$ 101,804,851</u></b>





## 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)
<b>Balance at: 6/30/2016</b>	<b>\$ 257,649,541</b>	<b>\$ 184,778,552</b>	<b>\$ 72,870,989</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service cost	5,825,080	-	5,825,080
• Interest on the Total Pension Liability	19,305,098	-	19,305,098
• Differences between expected and actual experience	(705,417)	-	(705,417)
• Changes of assumptions	16,661,943	-	16,661,943
• Plan to plan resource movement	-	2,793	(2,793)
• Contributions from the employer	-	12,379,181	(12,379,181)
• Contributions from employees	-	1,922,500	(1,922,500)
• Net investment income	-	20,385,351	(20,385,351)
• Benefit payments, including refunds of employee contributions	(13,034,483)	(13,034,483)	-
• Administrative expense	-	(272,813)	272,813
<b>Net Changes during 2016-17</b>	<b>28,052,221</b>	<b>21,382,529</b>	<b>6,669,692</b>
<b>Balance at 6/30/2017</b>	<b>\$ 285,701,762</b>	<b>\$ 206,161,081</b>	<b>\$ 79,540,681</b>

### 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 7.15 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 (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability - Miscellaneous	\$ 152,751,862	\$ 101,804,851	\$ 59,803,677
Plan's Net Pension Liability - Safety	\$ 120,213,204	\$ 79,540,681	\$ 46,389,873

### 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**

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**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 expected average 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, 2017 measurement date is 3.1 years, which was obtained by dividing the total service years of 4,374 (the sum of remaining service lifetimes of the active employees) by 1,408 (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, 2017 measurement date is 4.6 years, which was obtained by dividing the total service years of 2,291 (the sum of remaining service lifetimes of the active employees) by 493 (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, 2017 (the measurement date), the city recognized a pension expense of \$29,377,713 for the Plans.

As of June 30, 2017, the city reports other amounts for the Miscellaneous Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 22,092,810	\$ -
Difference between expected and actual experience	41,951	(3,010,218)
Change in allocation between programs	236,327	(236,327)
Changes of assumptions	14,217,798	(185,089)
Net difference between projected and actual earnings on pension plan investments	3,646,614	-
<b>Total</b>	<u>\$ 40,235,500</u>	<u>\$ (3,431,634)</u>



## Notes to the Financial Statements

### Note 16. Pension Plan (continued)

As of June 30, 2017, 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	\$ 8,658,116	\$ -
Difference between expected and actual experience	231,050	(1,084,149)
Changes of assumptions	13,039,781	(1,634,056)
Net difference between projected and actual earnings on pension plan investments	2,951,935	-
<b>Total</b>	<u>\$ 24,880,882</u>	<u>\$ (2,718,205)</u>

For the Miscellaneous Plan, \$22,092,810 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date, and for the Safety Plan, \$8,658,116 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, 2019. 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
2018	\$ 4,797,815
2019	9,753,202
2020	2,077,628
2021	(1,917,589)
2022	-
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
2018	\$ 2,438,058
2019	5,879,336
2020	4,542,168
2021	644,999
2022	-
Thereafter	-

### Note 17. Other Post Employment Benefits (OPEB)

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 benefit agent multiple-employer plan. CMWD has a defined benefit agent multiple-employer plan.



**Notes to the Financial Statements**

**Note 17. Other Post Employment Benefits (OPEB) (continued)**

**Plan Descriptions**

*Carlsbad Municipal Water District (CMWD)*

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.

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. 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 2016	\$125.00
Calendar Year 2017	128.00
Calendar Year 2018	133.00

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 is administered by CalPERS. The city’s OPEB fiduciary net position is included in the CERBT Schedule of Changes in Fiduciary Net Position by Employer report. That report may be obtained on the California Public Employees’ Retirement System website at [www.calpers.ca.gov](http://www.calpers.ca.gov) under forms and publications.

**Employees Covered**

As of the June 30, 2017 measurement date, the following employees were covered by the benefit terms for each Plan:

	CMWD	City
Inactive employees or beneficiaries currently receiving benefits	18	192
Inactive employees or beneficiaries currently not yet receiving benefits	-	-
Active employees	2	664
<b>Total</b>	<b>20</b>	<b>856</b>



**Notes to the Financial Statements**

**Note 17. Other Post Employment Benefits (OPEB) (continued)**

**Contributions**

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.

Employees are not required to contribute to the Plans. The city and CMWD’s contributions are based on the actuarially determined contribution (ADC), an amount actuarially determined in accordance with the parameters of GASB. The ADC 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 contributions for each Plan are as follows:

	<u>CMWD</u>	<u>City</u>
June 30, 2018 Cash Contributions	\$ 314,404	\$ 262,139
June 30, 2018 Estimated Implied Subsidy	<u>255,451</u>	<u>28,900</u>
Total Contributions	<u>\$ 569,855</u>	<u>\$ 291,039</u>

**Net OPEB Liability**

The city’s and CMWD’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2016 that was rolled forward to determine the June 30, 2017 total OPEB liability, based on the actuarial methods and assumptions shown on the following page:

<b>Actuarial Cost Method:</b>	Entry Age Normal
<b>Actuarial Assumptions:</b>	
Discount Rate	7.00%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.00% with a 45% to 50% confidence based on Bartel Associates modeling for CERBT Strategy 1.
Mortality Rate <sup>1</sup>	Derived using CalPERS’ Membership Data for all funds.
Pre-Retirement Turnover <sup>2</sup>	Derived using CalPERS’ Membership Data for all funds.
Healthcare Trend Rate <sup>3</sup>	Based in part on premium experience.

Notes:

1. Based on CalPERS 1997-2015 Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.
2. Based on CalPERS 1997-2015 Experience Study for Miscellaneous Employees. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.
3. Short-term healthcare trend’s were developed in consultation with Axene Health Partner’s healthcare actuaries. Long-term healthcare trend developed using Society of Actuaries’ Getzen Model of Long-Run Medical Cost Trends.



**Notes to the Financial Statements**

**Note 17. Other Post Employment Benefits (OPEB) (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	CERBT Strategy 1	
	Target Allocation	Long-Term Expexted Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITS	8%	3.76%
<b>Total</b>	<b>100%</b>	

Notes:

1. The long-term expected rate of return is 7.00%.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that city and CMWD contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB Plans investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Changes in OPEB Liability**

	CMWD Plan	City Plan	Total
Net OPEB liability	\$ 793,675	\$ 1,697,946	\$ 2,491,621
Deferred outflows of resources - OPEB related items	291,039	569,854	860,893
Deferred inflows of resources - OPEB related items	(91,364)	(260,570)	(351,934)
OPEB expense	54,730	585,202	639,932



## Notes to the Financial Statements

### Note 17. Other Post Employment Benefits (OPEB) (continued)

The changes in the net OPEB liability for the CMWD plan are shown below:

CMWD Plan	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2017</b> ( <i>Measurement Date: 6/30/2016</i> )	<b>\$ 4,041,120</b>	<b>\$ 3,077,703</b>	<b>\$ 963,417</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service cost	12,228	-	12,228
• Interest on the total OPEB liability	274,428	-	274,428
• Contributions from the employer	-	133,108	(133,108)
• Net investment income	-	324,939	(324,939)
• Benefit payments, including refunds of employee contributions	(265,872)	(265,872)	-
• Administrative expense	-	(1,649)	1,649
Net Changes	20,784	190,526	(169,742)
<b>Balance at 6/30/2018</b> ( <i>Measurement Date: 6/30/2017</i> )	<b>\$ 4,061,904</b>	<b>\$ 3,268,229</b>	<b>\$ 793,675</b>

The changes in the net OPEB liability for the city Plan are shown below:

City Plan	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (c) = (a) - (b)
<b>Balance at: 6/30/2017</b> ( <i>Measurement Date: 6/30/2016</i> )	<b>\$ 11,102,453</b>	<b>\$ 9,114,475</b>	<b>\$ 1,987,978</b>
<b>Changes Recognized for the Measurement Period:</b>			
• Service cost	493,120	-	493,120
• Interest on the total OPEB liability	789,709	-	789,709
• Contributions from the employer	-	614,664	(614,664)
• Net investment income	-	963,086	(963,086)
• Benefit payments, including refunds of employee contributions	(628,027)	(628,027)	-
• Administrative expense	-	(4,889)	4,889
Net Changes	654,802	944,834	(290,032)
<b>Balance at 6/30/2018</b> ( <i>Measurement Date: 6/30/2017</i> )	<b>\$ 11,757,255</b>	<b>\$ 10,059,309</b>	<b>\$ 1,697,946</b>



**Notes to the Financial Statements**

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**Note 17. Other Post Employment Benefits (OPEB) (continued)**

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

The following presents the net OPEB liability of the CMWD and city if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<b>Discount Rate - 1% (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>Discount Rate + 1% (8.00%)</b>
Plan's Net OPEB Liability - CMWD	\$ 1,277,456	\$ 793,675	\$ 396,018
Plan's Net OPEB Liability - City	\$ 3,224,471	\$ 1,697,946	\$ 437,531

**Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

The following presents the net OPEB liability of the CMWD and city if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<b>Health Care Cost Trend Rate - 1% (6.50%/5.50% decreasing to 3.00%)</b>	<b>Current Health Care Cost Trend Rate (7.50%/6.50% decreasing to 4.00%)</b>	<b>Health Care Cost Trend Rate + 1% (8.50%/7.50% decreasing to 5.00%)</b>
Plan's Net OPEB Liability - CMWD	\$ 394,074	\$ 793,675	\$ 1,274,885
Plan's Net OPEB Liability - City	\$ 292,320	\$ 1,697,946	\$ 3,429,419

**OPEB Plan Fiduciary Net Position**

The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94429-2703.

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The initial recognition period is five years.





**Notes to the Financial Statements**

**Note 17. Other Post Employment Benefits (OPEB) (continued)**

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (CMWD)**

For the fiscal year ended June 30, 2018, the CMWD recognized OPEB expense of \$54,730. As of the fiscal year ended June 30, 2018, the CMWD reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB contributions subsequent to measurement date	\$ 291,039	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(91,364)
<b>Total</b>	<u>\$ 291,039</u>	<u>\$ (91,364)</u>

The \$291,039 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<b>Fiscal Year Ended:</b>	<b>Deferred Outflows/(Inflows of Resources</b>
2019	\$ (22,841)
2020	(22,841)
2021	(22,841)
2022	(22,841)
2023	-
Thereafter	-

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB (City)**

For the fiscal year ended June 30, 2018, the city recognized OPEB expense of \$585,202. As of the fiscal year ended June 30, 2018, the city reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
OPEB contributions subsequent to measurement date	\$ 569,855	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(260,570)
<b>Total</b>	<u>\$ 569,855</u>	<u>\$ (260,570)</u>



**Notes to the Financial Statements**

**Note 17. Other Post Employment Benefits (OPEB) (continued)**

The \$569,855 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019.

Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended:	Deferred Outflows/(Inflows) of Resources
2019	\$ (65,142)
2020	(65,142)
2021	(65,142)
2022	(65,144)
2023	-
Thereafter	-

**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 \$1,412 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 \$2,318 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 (LWD), 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 LWD 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. CMWD provided notice to LWD the agreement would terminate effective August 30, 2018. The cost per the revised agreement is shown in the table below and is based on the actual amount used:

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



**Notes to the Financial Statements**

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**Note 18. Commitments and Contingencies (continued)**

Additionally, CMWD and the LWD will 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 LWD 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 will 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, 2018 is \$1,650,306.

As of June 30, 2018, 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	\$ 9,091,987
Community Facilities District No. 1	413,446
General Capital Construction	3,911,001
Infrastructure Replacement	1,048,751
Park Development	668,642
Public Facilities Construction	1,445,672
Nonmajor Governmental Funds in the Aggregate	6,947,900
Total	<u>\$ 23,527,399</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). 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.



**Notes to the Financial Statements**

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

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, 2018:

	Principal Balance at			Principal Balance at	
	July 1, 2017	Increases	Decreases	June 30, 2018	Due Within One Year
Bonds	\$ 6,030,000	\$ -	\$ 735,000	\$ 5,295,000	\$ 775,000
Due to the City of Carlsbad	10,860,807	180,708	1,937,593	9,103,922	-
	<u>\$ 16,890,807</u>	<u>\$ 180,708</u>	<u>\$ 2,672,593</u>	<u>\$ 14,398,922</u>	<u>\$ 775,000</u>

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$775,000 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
2019	\$ 775,000	\$ 259,496
2020	815,000	217,759
2021	855,000	173,707
2022	900,000	127,200
2023	950,000	78,175
2024	1,000,000	26,500
	<u>\$ 5,295,000</u>	<u>\$ 882,837</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)	\$ 3,604,302	\$ 1,034,134	29%

### Note 20. Prior Period Adjustments

The City of Carlsbad and Carlsbad Municipal Water District (CMWD) recorded the net other post employment benefits (OPEB) liability for postretirement healthcare as of June 30, 2017 for both agencies in accordance with the implementation of GASB 75. The effect of the implementation of GASB 75 on the beginning net position balances is as follows:

	Statement of Revenues, Expenses and Changes in Net Position			
	Proprietary Funds			Governmental Activities - Internal Service Funds
	Carlsbad Municipal Water District	Wastewater	Solid Waste	
Net position at July 1, 2017	\$ 297,466,421	\$175,078,841	\$ 12,089,891	\$ 35,152,444
Recognize beginning net OPEB liability balance	(916,692)	(38,453)	(26,368)	(65,370)
Net position at July 1, 2017, as restated	<u>\$ 296,549,729</u>	<u>\$175,040,388</u>	<u>\$ 12,063,523</u>	<u>\$ 35,087,074</u>

	Statement of Net Position	
	Governmental Activities	Business-Type Activities
Net position at July 1, 2017	\$ 1,272,817,354	\$470,086,822
Recognize beginning net OPEB liability balance	(1,739,843)	(981,513)
Net position at July 1, 2017, as restated	<u>\$ 1,271,077,511</u>	<u>\$469,105,309</u>

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## Required Supplementary Information

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**Required Supplementary Information**

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

**Total Pension Liability**

Measurement Period	Total Pension Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms
<b>Miscellaneous Plan</b>				
2013-14 <sup>1</sup>	\$ 292,931,044	\$ 6,908,307	\$ 21,793,340	\$ -
2014-15 <sup>1</sup>	310,018,027	6,674,982	23,142,961	-
2015-16 <sup>1</sup>	322,606,958	6,836,445	24,192,948	-
2016-17 <sup>1</sup>	336,686,595	7,836,970	25,085,808	-
<b>Safety Plan</b>				
2013-14 <sup>1</sup>	\$ 227,568,288	\$ 5,425,425	\$ 16,876,220	\$ -
2014-15 <sup>1</sup>	239,340,454	5,048,529	17,775,039	-
2015-16 <sup>1</sup>	247,020,357	5,209,900	18,557,781	-
2016-17 <sup>1</sup>	257,649,541	5,825,080	19,305,098	-

**Plan Fiduciary Net Position**

Measurement Period	Plan Fiduciary Net Position Beginning	Contributions Employer	Contributions Employee	Net Investment Income <sup>2</sup>
<b>Miscellaneous Plan</b>				
2013-14 <sup>1</sup>	\$ 204,354,694	\$ 8,004,157	\$ 3,039,951	\$ 35,526,156
2014-15 <sup>1</sup>	239,310,294	8,434,882	2,703,715	5,362,753
2015-16 <sup>1</sup>	242,447,633	9,562,926	2,833,466	1,330,196
2016-17 <sup>1</sup>	241,681,934	14,677,334	2,820,046	26,893,994
<b>Safety Plan</b>				
2013-14 <sup>1</sup>	\$ 161,108,415	\$ 6,141,746	\$ 1,853,365	\$ 27,905,516
2014-15 <sup>1</sup>	186,479,563	6,491,856	1,726,785	4,107,305
2015-16 <sup>1</sup>	187,329,833	6,836,098	1,933,363	990,545
2016-17 <sup>1</sup>	184,778,552	12,379,181	1,922,500	20,385,351



**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
(3,079,012)	20,988,178	(15,327,609)	35,504,335	372,190,930
\$ -	\$ -	\$ (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
(705,417)	16,661,943	(13,034,483)	28,052,221	285,701,762
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
(15,327,609)	(359,620)	28,704,145	270,386,079	101,804,851
\$ (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
(13,034,483)	(270,020)	21,382,529	206,161,081	79,540,681





**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
<b>Miscellaneous Plan</b>				
	2013–14 <sup>1</sup>	77.19%	\$ 32,856,020	215.20%
	2014–15 <sup>1</sup>	75.15%	33,730,770	237.64%
	2015–16 <sup>1</sup>	71.78%	35,303,101	269.11%
	2016–17 <sup>1</sup>	72.65%	37,336,682	272.67%
<b>Safety Plan</b>				
	2013–14 <sup>1</sup>	77.91%	\$ 18,629,989	283.74%
	2014–15 <sup>1</sup>	75.84%	18,020,162	331.24%
	2015–16 <sup>1</sup>	71.72%	18,658,097	390.56%
	2016–17 <sup>1</sup>	72.16%	19,072,985	417.03%

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

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

**Notes to Schedule:**

**Benefit Changes:** The figures above do not include any liability impact that may have resulted from plan changes which have occurred after June 30, 2016 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 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. 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 administration expense). In 2014, amounts reported were based on the 7.5 percent discount rate.



**Required Supplementary Information**

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

Fiscal Year Ending	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
<b>Miscellaneous Plan</b>					
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	10,338,549	(14,677,334)	(4,338,785)	37,336,682	39.31%
06/30/18	11,083,979	(22,092,810)	(11,008,831)	34,811,287	63.46%
<b>Safety Plan</b>					
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	7,695,135	(12,379,181)	(4,684,046)	19,072,985	64.90%
06/30/18	8,658,116	(8,658,116)	-	20,768,094	41.69%

<sup>1</sup> 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 2017-18 were derived from the June 30, 2017 funding valuation reports.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2015 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 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.



**Required Supplementary Information**

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

**Total OPEB Liability**

Measurement Period	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms
<b>CMWD Plan</b>				
2016-17 <sup>1</sup>	\$ 4,041,120	\$ 12,228	\$ 274,428	\$ -
<b>City Plan</b>				
2016-17 <sup>1</sup>	\$ 11,102,453	\$ 493,120	\$ 789,709	\$ -

**Plan Fiduciary Net Position**

Measurement Period	Plan Fiduciary Net Position Beginning	Contributions Employer	Contributions Employee	Net Investment Income <sup>2</sup>
<b>CMWD Plan</b>				
2016-17 <sup>1</sup>	\$ 3,077,703	\$ 133,108	\$ -	\$ 323,290
<b>City Plan</b>				
2016-17 <sup>1</sup>	\$ 9,114,475	\$ 614,664	\$ -	\$ 958,197



**Required Supplementary Information**

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Difference Between Expected and Actual Experience	Changes of Assumptions	Benefit Payments, Including Refunds of Employee Contributions	Net Change in Total OPEB Liability	Total OPEB Liability - Ending (a)
\$ -	\$ -	\$ (265,872)	\$ 20,784	\$ 4,061,904
\$ -	\$ -	\$ (628,027)	\$ 654,802	\$ 11,757,255

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 OPEB Liability/(Asset) Ending (a) - (b)
\$ (265,872)	\$ -	\$ 190,526	\$ 3,268,229	\$ 793,675
\$ (628,027)	\$ -	\$ 944,834	\$ 10,059,309	\$ 1,697,946



**Required Supplementary Information**

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**Schedule of Changes in Net OPEB 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 OPEB Liability/(Asset) as a Percentage of Covered - Employee Payroll
<b>CMWD Plan</b>	2016-17 <sup>1</sup>	80.46%	\$ 165,769	478.78%
<b>City Plan</b>	2016-17 <sup>1</sup>	85.56%	\$ 54,645,089	3.11%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable.

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



**Required Supplementary Information**

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

Fiscal Year Ending <sup>2</sup>	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered - Employee Payroll <sup>3</sup>	Contributions as a Percentage of Covered- Employee Payroll
<b>CMWD Plan</b>					
06/30/18	\$ 77,750	\$ (291,039)	\$ (213,289)	\$ 106,131	274.23%
<b>City Plan</b>					
06/30/18	\$ 692,943	\$ (569,855)	\$ 123,088	\$ 55,473,250	1.03%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 75 is applicable.

<sup>2</sup> Represents the fiscal year ending for the measurement period.

<sup>3</sup> Represents payroll for the following fiscal year end.

**Notes to Schedule:**

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2017-18 were derived from the June 30, 2018 funding valuation reports.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2018 Funding Valuation Report
Inflation	2.75 percent
Salary Increases	Varies by Entry Age and Service.
Payroll Growth	3.00 percent
Investment Rate of Return	7.0 percent net of pension plan investment and administrative expenses, including inflation
Retirement Age	The probabilities of retirement are based on the CalPERS Experience Study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the CalPERS Experience Study for the period from 1997 to 2015.




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## Combining and Individual Fund Statements and Schedules

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**City of Carlsbad**
  
**Combining Balance Sheet**
  
**Nonmajor Governmental Funds**
  
**June 30, 2018**

ASSETS	Special Revenue Funds		
	Affordable	Community	Donations
	Housing	Development Block Grant	
Cash and investments	\$ 19,354,384	\$ 304,845	\$ 1,557,193
Receivables:			
Interest	84,990	1,338	6,842
Other	-	-	-
Due from other governments	-	-	-
Prepaid items	-	-	-
Loan receivables, net of allowances	21,901,611	-	-
<b>Total assets</b>	<b>\$ 41,340,985</b>	<b>\$ 306,183</b>	<b>\$ 1,564,035</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accrued liabilities	\$ 7,341	\$ -	\$ 25,522
Due to other governments	-	-	-
Deposits payable	-	-	-
Advances from other funds	-	-	-
Unearned revenue	-	-	-
<b>Total liabilities</b>	<b>7,341</b>	<b>-</b>	<b>25,522</b>
Deferred inflows of resources:			
Unavailable revenue - grants	-	-	-
Fund balances:			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Affordable housing	41,333,644	-	-
Lighting and landscaping districts	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-
Capital projects	-	-	-
General government	-	-	-
Public safety	-	-	-
Community services	-	306,183	1,538,513
<b>Total fund balances</b>	<b>41,333,644</b>	<b>306,183</b>	<b>1,538,513</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 41,340,985</b>	<b>\$ 306,183</b>	<b>\$ 1,564,035</b>

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
\$ 7,497,516	\$ 1,816,684	\$ 639,254	\$ 410,402	\$ 37,755	\$ 193,079	\$ 31,811,112
30,396	8,406	2,809	1,997	44	-	136,822
12,990	-	80,212	-	-	254	93,456
-	-	-	93,246	-	-	93,246
-	-	-	-	-	1,454	1,454
-	-	-	-	-	-	21,901,611
<u>\$ 7,540,902</u>	<u>\$ 1,825,090</u>	<u>\$ 722,275</u>	<u>\$ 505,645</u>	<u>\$ 37,799</u>	<u>\$ 194,787</u>	<u>\$ 54,037,701</u>
\$ 234,192	\$ -	\$ 3,884	\$ 119,805	\$ 15,985	\$ 11,179	\$ 417,908
-	-	-	-	250	-	250
-	-	-	-	12,960	25,255	38,215
-	185,282	-	-	-	-	185,282
-	-	-	-	-	-	-
<u>234,192</u>	<u>185,282</u>	<u>3,884</u>	<u>119,805</u>	<u>29,195</u>	<u>36,434</u>	<u>641,655</u>
-	-	55,948	93,246	-	-	149,194
-	-	-	-	-	1,454	1,454
-	-	-	-	8,604	156,899	41,499,147
7,306,710	-	-	-	-	-	7,306,710
-	1,639,808	-	-	-	-	1,639,808
-	-	-	-	-	-	-
-	-	662,443	-	-	-	662,443
-	-	-	292,594	-	-	292,594
-	-	-	-	-	-	1,844,696
<u>7,306,710</u>	<u>1,639,808</u>	<u>662,443</u>	<u>292,594</u>	<u>8,604</u>	<u>158,353</u>	<u>53,246,852</u>
<u>\$ 7,540,902</u>	<u>\$ 1,825,090</u>	<u>\$ 722,275</u>	<u>\$ 505,645</u>	<u>\$ 37,799</u>	<u>\$ 194,787</u>	<u>\$ 54,037,701</u>

(Continued)



**Combining Balance Sheet  
Nonmajor Governmental Funds (Continued)  
June 30, 2018**

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,259,464	\$ 11,881,463	\$ 13,937,256	\$ 793,527
Receivables:				
Interest	10,161	52,211	60,960	7,403
Other	-	-	-	-
Due from other governments	-	-	241,039	956,847
Prepaid items	-	-	-	-
Loan receivables, net of allowances	-	-	-	-
<b>Total assets</b>	<b>\$ 3,269,625</b>	<b>\$ 11,933,674</b>	<b>\$ 14,239,255</b>	<b>\$ 1,757,777</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accrued liabilities	\$ 238	\$ -	\$ 851,622	\$ 65,530
Due to other governments	-	-	-	-
Deposits payable	426,179	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	218,373	-
<b>Total liabilities</b>	<b>426,417</b>	<b>-</b>	<b>1,069,995</b>	<b>65,530</b>
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	956,847
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	2,843,208	11,933,674	13,169,260	735,400
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
<b>Total fund balances</b>	<b>2,843,208</b>	<b>11,933,674</b>	<b>13,169,260</b>	<b>735,400</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 3,269,625</b>	<b>\$ 11,933,674</b>	<b>\$ 14,239,255</b>	<b>\$ 1,757,777</b>

Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ 6,651,773	\$ 6,433,891	\$ 20,415,737	\$ 63,373,111	\$ 95,184,223
29,230	28,982	90,144	279,091	415,913
-	97,943	-	97,943	191,399
-	32,403	-	1,230,289	1,323,535
-	-	-	-	1,454
-	-	-	-	21,901,611
<u>\$ 6,681,003</u>	<u>\$ 6,593,219</u>	<u>\$ 20,505,881</u>	<u>\$ 64,980,434</u>	<u>\$ 119,018,135</u>
\$ 156,509	\$ 1,511,919	\$ 47,410	\$ 2,633,228	\$ 3,051,136
-	-	-	-	250
-	-	-	426,179	464,394
-	-	1,973,013	1,973,013	2,158,295
-	-	-	218,373	218,373
<u>156,509</u>	<u>1,511,919</u>	<u>2,020,423</u>	<u>5,250,793</u>	<u>5,892,448</u>
-	32,403	-	989,250	1,138,444
-	-	-	-	1,454
-	-	-	-	41,499,147
-	-	-	-	7,306,710
-	-	-	-	1,639,808
6,524,494	5,048,897	18,485,458	58,740,391	58,740,391
-	-	-	-	662,443
-	-	-	-	292,594
-	-	-	-	1,844,696
<u>6,524,494</u>	<u>5,048,897</u>	<u>18,485,458</u>	<u>58,740,391</u>	<u>111,987,243</u>
<u>\$ 6,681,003</u>	<u>\$ 6,593,219</u>	<u>\$ 20,505,881</u>	<u>\$ 64,980,434</u>	<u>\$ 119,018,135</u>



**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	48,393	-	-
Charges for services	17,567	-	-	2,438,510
Fines and forfeitures	-	-	-	-
Income from property and investments	277,528	176,743	5,624	17,032
Contributions from property owners	762,199	-	-	-
Donations	-	-	331,882	-
Miscellaneous	484,398	-	16,091	44,016
<b>Total revenues</b>	<b>1,541,692</b>	<b>225,136</b>	<b>353,597</b>	<b>2,499,558</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	369,571	132,520	312,117	1,834,509
Public works	-	-	-	735,213
Capital outlay	-	16,335	17,186	-
<b>Debt service:</b>				
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>369,571</b>	<b>148,855</b>	<b>329,303</b>	<b>2,569,722</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,172,121</b>	<b>76,281</b>	<b>24,294</b>	<b>(70,164)</b>
<b>Other financing sources (uses):</b>				
Transfers in	485,381	-	-	850,000
Transfers out	(23,868)	-	-	-
<b>Total other financing sources (uses)</b>	<b>461,513</b>	<b>-</b>	<b>-</b>	<b>850,000</b>
<b>Net change in fund balances</b>	<b>1,633,634</b>	<b>76,281</b>	<b>24,294</b>	<b>779,836</b>
Fund balances at beginning of year	39,700,010	229,902	1,514,219	6,526,874
Fund balances at end of year	<b>\$ 41,333,644</b>	<b>\$ 306,183</b>	<b>\$ 1,538,513</b>	<b>\$ 7,306,710</b>

Special Revenue Funds

Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	358,690	6,693,289	-	7,100,372
-	-	-	-	543,614	2,999,691
-	-	7,364	-	-	7,364
9,315	1,790	3,137	113	-	491,282
96,956	212,296	-	-	-	1,071,451
-	-	-	-	-	331,882
-	-	-	80,413	-	624,918
<u>106,271</u>	<u>214,086</u>	<u>369,191</u>	<u>6,773,815</u>	<u>543,614</u>	<u>12,626,960</u>
-	128,468	-	-	-	128,468
-	-	521,303	-	-	521,303
275,833	-	-	7,216,262	300,211	10,441,023
-	-	-	-	-	735,213
-	37,816	6,224	-	-	77,561
4,356	-	-	-	-	4,356
<u>280,189</u>	<u>166,284</u>	<u>527,527</u>	<u>7,216,262</u>	<u>300,211</u>	<u>11,907,924</u>
<u>(173,918)</u>	<u>47,802</u>	<u>(158,336)</u>	<u>(442,447)</u>	<u>243,403</u>	<u>719,036</u>
-	-	-	23,868	-	1,359,249
-	-	-	-	(485,381)	(509,249)
-	-	-	23,868	(485,381)	850,000
<u>(173,918)</u>	<u>47,802</u>	<u>(158,336)</u>	<u>(418,579)</u>	<u>(241,978)</u>	<u>1,569,036</u>
<u>1,813,726</u>	<u>614,641</u>	<u>450,930</u>	<u>427,183</u>	<u>400,331</u>	<u>51,677,816</u>
<u>\$ 1,639,808</u>	<u>\$ 662,443</u>	<u>\$ 292,594</u>	<u>\$ 8,604</u>	<u>\$ 158,353</u>	<u>\$ 53,246,852</u>

(Continued)



**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds (Continued)  
For the Year Ended June 30, 2018**

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 3,087,527	\$ -
Intergovernmental	-	-	-	64,053
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	19,703	42,971	44,479	786
Contributions from property owners	50,000	267,000	278,904	359,680
Donations	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>69,703</b>	<b>309,971</b>	<b>3,410,910</b>	<b>424,519</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	378,340	-	-	43,262
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	600,000	-
Capital outlay	-	32,732	2,263,357	980,976
<b>Debt service:</b>				
Interest and fiscal charges	-	-	-	-
<b>Total expenditures</b>	<b>378,340</b>	<b>32,732</b>	<b>2,863,357</b>	<b>1,024,238</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(308,637)</b>	<b>277,239</b>	<b>547,553</b>	<b>(599,719)</b>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	(174,400)	(10,000)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(174,400)</b>	<b>(10,000)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(308,637)</b>	<b>102,839</b>	<b>537,553</b>	<b>(599,719)</b>
Fund balances at beginning of year	3,151,845	11,830,835	12,631,707	1,335,119
Fund balances at end of year	<u>\$ 2,843,208</u>	<u>\$ 11,933,674</u>	<u>\$ 13,169,260</u>	<u>\$ 735,400</u>

Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 3,087,527	\$ 3,087,527
-	3,136,166	-	3,200,219	10,300,591
-	1,112,952	-	1,112,952	4,112,643
-	-	-	-	7,364
24,129	20,034	50,483	202,585	693,867
157,797	-	3,009,437	4,122,818	5,194,269
-	-	-	-	331,882
-	-	-	-	624,918
<u>181,926</u>	<u>4,269,152</u>	<u>3,059,920</u>	<u>11,726,101</u>	<u>24,353,061</u>
-	109,980	-	531,582	660,050
-	-	-	-	521,303
-	-	-	-	10,441,023
-	-	-	600,000	1,335,213
286,812	5,144,046	624,181	9,332,104	9,409,665
-	-	-	-	-
-	-	-	-	4,356
<u>286,812</u>	<u>5,254,026</u>	<u>624,181</u>	<u>10,463,686</u>	<u>22,371,610</u>
<u>(104,886)</u>	<u>(984,874)</u>	<u>2,435,739</u>	<u>1,262,415</u>	<u>1,981,451</u>
-	-	-	-	1,359,249
-	-	-	(184,400)	(693,649)
-	-	-	(184,400)	665,600
<u>(104,886)</u>	<u>(984,874)</u>	<u>2,435,739</u>	<u>1,078,015</u>	<u>2,647,051</u>
<u>6,629,380</u>	<u>6,033,771</u>	<u>16,049,719</u>	<u>57,662,376</u>	<u>109,340,192</u>
<u>\$ 6,524,494</u>	<u>\$ 5,048,897</u>	<u>\$ 18,485,458</u>	<u>\$ 58,740,391</u>	<u>\$ 111,987,243</u>





**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Special Revenue Funds  
Year Ended June 30, 2018**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<b>Affordable Housing</b>			
Total revenues	\$ 1,602,000	\$ 1,762,114	\$ 160,114
Total expenditures	1,045,921	369,571	(676,350)
Net change in fund balance	556,079	1,392,543	836,464
<b>Community Development Block Grant</b>			
Total revenues	210,100	229,046	18,946
Total expenditures	830,844	336,776	(494,068)
Net change in fund balance	(620,744)	(107,730)	513,014
<b>Donations</b>			
Total revenues	400,500	371,227	(29,273)
Total expenditures	1,058,382	386,042	(672,340)
Net change in fund balance	(657,882)	(14,815)	643,067
<b>Financing Districts</b>			
Total revenues	3,313,300	2,579,847	(733,453)
Total expenditures	3,588,827	2,806,546	(782,281)
Net change in fund balance	(275,527)	(226,699)	48,828
<b>Habitat and Agricultural Management</b>			
Total revenues	76,000	127,077	51,077
Total expenditures	404,954	280,189	(124,765)
Net change in fund balance	(328,954)	(153,112)	175,842
<b>Other Special Revenue Funds</b>			
Total revenues	333,000	221,552	(111,448)
Total expenditures	320,345	309,282	(11,063)
Net change in fund balance	12,655	(87,730)	(100,385)

(Continued)



**Combining Schedule of Revenues and Expenditures  
Budget and Actual (Budgetary Basis)  
Special Revenue Funds (Continued)  
Year Ended June 30, 2018**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<b>Police Grants and Asset Forfeiture</b>			
Total revenues	\$ 795,609	\$ 374,026	\$ (421,583)
Total expenditures	1,194,470	1,097,794	(96,676)
Net change in fund balance	<u>(398,861)</u>	<u>(723,768)</u>	<u>(324,907)</u>
<b>Section 8 Rental Assistance</b>			
Total revenues	6,760,500	6,773,817	13,317
Total expenditures	7,379,411	7,216,262	(163,149)
Net change in fund balance	<u>(618,911)</u>	<u>(442,445)</u>	<u>176,466</u>
<b>Totals</b>			
Total revenues	13,491,009	12,438,706	(1,052,303)
Total expenditures	15,823,154	12,802,462	(3,020,692)
Net change in fund balance	<u>\$ (2,332,145)</u>	<u>\$ (363,756)</u>	<u>\$ 1,968,389</u>



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

**Capital Project Funds**

**Year Ended June 30, 2018**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
<hr/>			
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	\$ 143,000	\$ 371,602	\$ 228,602
Total expenditures	44,288	43,262	(1,026)
Net change in fund balance	<u>\$ 98,712</u>	<u>\$ 328,340</u>	<u>\$ 229,628</u>





**Combining Statement of Net Position  
Internal Service Funds  
June 30, 2018**

<b>ASSETS</b>	Fleet Management	Self Insured Benefits
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 17,918,155	\$ 5,983,090
Receivables:		
Interest	78,736	-
Accounts, net of allowances	11,523	-
Inventories	396,422	-
<b>Total current assets</b>	<b>18,404,836</b>	<b>5,983,090</b>
Noncurrent assets:		
Capital assets:		
Machinery and equipment	23,260,554	-
Intangible assets	-	-
Less accumulated depreciation	(12,842,517)	-
Total capital assets (net of accumulated depreciation)	10,418,037	-
Total noncurrent assets	10,418,037	-
<b>Total assets</b>	<b>28,822,873</b>	<b>5,983,090</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - OPEB related items	6,211	-
Deferred outflows of resources - pension related items	425,324	-
<b>Total deferred outflows of resources</b>	<b>431,535</b>	<b>-</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accrued liabilities	196,936	3,971,285
Estimated claims payable	-	102,167
Current portion of long-term debt	-	-
<b>Total current liabilities</b>	<b>196,936</b>	<b>4,073,452</b>
Noncurrent liabilities:		
Deposits payable	-	-
Net OPEB liability	18,508	-
Net pension liability	1,496,531	-
Capital lease payable	-	-
<b>Total noncurrent liabilities</b>	<b>1,515,039</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,711,975</b>	<b>4,073,452</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources - OPEB related items	2,840	-
Deferred inflows of resources - pension related items	67,827	-
<b>Total deferred inflows of resources</b>	<b>70,667</b>	<b>-</b>
<b>NET POSITION</b>		
Net investment in capital assets	10,418,037	-
Unrestricted	17,053,729	1,909,638
<b>Total net position</b>	<b>\$ 27,471,766</b>	<b>\$ 1,909,638</b>

Information Technology	Risk Management	Workers' Compensation	Total
\$ 7,757,632	\$ 3,950,995	\$ 10,792,902	\$ 46,402,774
33,440	17,365	47,587	177,128
-	-	-	11,523
-	-	-	396,422
<u>7,791,072</u>	<u>3,968,360</u>	<u>10,840,489</u>	<u>46,987,847</u>
5,170,825	-	-	28,431,379
1,689,637	-	-	1,689,637
(4,432,113)	-	-	(17,274,630)
<u>2,428,349</u>	<u>-</u>	<u>-</u>	<u>12,846,386</u>
<u>2,428,349</u>	<u>-</u>	<u>-</u>	<u>12,846,386</u>
<u>10,219,421</u>	<u>3,968,360</u>	<u>10,840,489</u>	<u>59,834,233</u>
19,204	1,197	513	27,125
1,693,969	143,681	71,248	2,334,222
<u>1,713,173</u>	<u>144,878</u>	<u>71,761</u>	<u>2,361,347</u>
569,180	110,957	16,063	4,864,421
-	2,322,117	8,441,148	10,865,432
198,810	-	-	198,810
<u>767,990</u>	<u>2,433,074</u>	<u>8,457,211</u>	<u>15,928,663</u>
-	1,000	-	1,000
57,221	3,566	1,528	80,823
5,741,794	417,400	254,512	7,910,237
359,067	-	-	359,067
<u>6,158,082</u>	<u>421,966</u>	<u>256,040</u>	<u>8,351,127</u>
<u>6,926,072</u>	<u>2,855,040</u>	<u>8,713,251</u>	<u>24,279,790</u>
8,781	547	235	12,403
399,345	3,313	31,009	501,494
<u>408,126</u>	<u>3,860</u>	<u>31,244</u>	<u>513,897</u>
1,870,472	-	-	12,288,509
<u>2,727,924</u>	<u>1,254,338</u>	<u>2,167,755</u>	<u>25,113,384</u>
<u>\$ 4,598,396</u>	<u>\$ 1,254,338</u>	<u>\$ 2,167,755</u>	<u>\$ 37,401,893</u>



**Combining Statement of Revenues, Expenses and Changes in Net Position  
Internal Service Funds  
For the Year Ended June 30, 2018**

	Fleet Management	Self Insured Benefits
Operating revenues:		
Other charges for services	\$ 4,751,759	\$ 863,426
Miscellaneous	40,209	-
<b>Total operating revenues</b>	<b>4,791,968</b>	<b>863,426</b>
Operating expenses:		
Depreciation	1,612,229	-
Fuel and supplies	1,275,921	-
Claims and premiums expense	-	746,569
Small equipment purchases	3,950	-
General and administrative	1,477,672	-
<b>Total operating expenses</b>	<b>4,369,772</b>	<b>746,569</b>
<b>Operating income (loss)</b>	<b>422,196</b>	<b>116,857</b>
Nonoperating revenues (expenses):		
Income from property and investments	71,458	-
Interest expense	-	-
Gain (loss) on sale of property	68,737	-
<b>Total nonoperating revenues (expenses)</b>	<b>140,195</b>	<b>-</b>
<b>Income (loss) before transfers and capital contributions</b>	<b>562,391</b>	<b>116,857</b>
Transfers in	440,216	-
Capital contributions	1,135,618	-
<b>Change in net position</b>	<b>2,138,225</b>	<b>116,857</b>
Total net position at beginning of year, as restated	25,333,541	1,792,781
Total net position at end of year	<b>\$ 27,471,766</b>	<b>\$ 1,909,638</b>

Information Technology	Risk Management	Workers' Compensation	Totals
\$ 8,919,400	\$ 1,991,540	\$ 2,731,260	\$ 19,257,385
-	35,655	75,081	150,945
8,919,400	2,027,195	2,806,341	19,408,330
730,057	-	-	2,342,286
-	-	-	1,275,921
-	1,685,632	4,169,362	6,601,563
977,010	-	-	980,960
7,228,752	249,979	192,037	9,148,440
8,935,819	1,935,611	4,361,399	20,349,170
(16,419)	91,584	(1,555,058)	(940,840)
25,158	15,877	38,340	150,833
(39,745)	-	-	(39,745)
-	-	-	68,737
(14,587)	15,877	38,340	179,825
(31,006)	107,461	(1,516,718)	(761,015)
-	-	1,500,000	1,940,216
-	-	-	1,135,618
(31,006)	107,461	(16,718)	2,314,819
4,629,402	1,146,877	2,184,473	35,087,074
\$ 4,598,396	\$ 1,254,338	\$ 2,167,755	\$ 37,401,893





**Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended June 30, 2018**

	Fleet Management	Self Insured Benefits
Cash flows from operating activities:		
Receipts from customers and users	\$ 4,787,529	\$ 863,426
Payments to suppliers	(1,664,875)	-
Payments to employees	(810,396)	-
Internal activity - payments to other funds	(142,350)	-
Claims and premiums paid	-	(818,943)
Net cash provided by (used in) operating activities	2,169,908	44,483
Cash flows from noncapital financing activities:		
Operating subsidies and transfers (to) from other funds	440,216	-
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,181,123)	-
Gross proceeds from the sale of capital assets	97,917	-
Principal paid on capital debt	-	-
Interest expense	-	-
Net cash provided by (used in) capital and related financing activities	(3,083,206)	-
Cash flows from investing activities:		
Interest on investments	55,594	-
Net increase (decrease) in cash and cash equivalents	(417,488)	44,483
Cash and cash equivalents at beginning of year	18,335,643	5,938,607
Cash and cash equivalents at end of year	\$ 17,918,155	\$ 5,983,090

Information Technology	Risk Management	Workers' Compensation	Total
\$ 8,919,400	\$ 2,027,195	\$ 2,806,341	\$ 19,403,891
(4,957,948)	(68,617)	-	(6,691,440)
(3,713,458)	(268,371)	(123,501)	(4,915,726)
(49,632)	(22,419)	(1,960)	(216,361)
-	(2,320,396)	(3,084,764)	(6,224,103)
198,362	(652,608)	(403,884)	1,356,261
-	-	1,500,000	1,940,216
(80,624)	-	-	(3,261,747)
-	-	-	97,917
(187,223)	-	-	(187,223)
(39,745)	-	-	(39,745)
(307,592)	-	-	(3,390,798)
18,441	14,249	23,921	112,205
(90,789)	(638,359)	1,120,037	17,884
7,848,421	4,589,354	9,672,865	46,384,890
<u>\$ 7,757,632</u>	<u>\$ 3,950,995</u>	<u>\$ 10,792,902</u>	<u>\$ 46,402,774</u>

(Continued)



**Combining Statement of Cash Flows  
Internal Service Funds (Continued)  
For the Year Ended June 30, 2018**

	Fleet Management	Self Insured Benefits
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 422,196	\$ 116,857
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,612,229	-
Change in assets and liabilities:		
(Increase) decrease in receivables	(4,439)	-
(Increase) in inventories	(3,808)	-
(Increase) in prepaid items	-	-
(Increase) in deferred outflows - OPEB related items	(6,211)	-
(Increase) in deferred outflows - pension related items	(65,065)	-
Increase (decrease) in accrued liabilities	(1,878)	(69,283)
Increase (decrease) in estimated claims payable	-	(3,091)
Increase (decrease) in net OPEB liability	3,539	-
Increase (decrease) in net pension liability	175,966	-
Increase (decrease) in deferred inflows - OPEB related items	2,840	-
Increase (decrease) in deferred inflows - pension related items	34,539	-
Net cash provided by (used in) operating activities	<u>\$ 2,169,908</u>	<u>\$ 44,483</u>
Noncash capital financing activities:		
Capital assets contributed by other funds	<u>\$ 1,135,618</u>	<u>\$ -</u>

Information Technology	Risk Management	Workers' Compensation	Total
\$ (16,419)	\$ 91,584	\$ (1,555,058)	\$ (940,840)
730,057	-	-	2,342,286
-	-	-	(4,439)
-	-	-	(3,808)
-	-	-	-
(19,204)	(1,197)	(513)	(27,125)
(362,584)	(55,454)	(17,542)	(500,645)
(23,243)	(25,624)	(3,816)	(123,844)
-	(612,524)	1,085,599	469,984
10,940	682	292	15,453
203,022	(48,123)	64,503	395,368
8,781	547	235	12,403
(332,988)	(2,499)	22,416	(278,532)
<u>\$ 198,362</u>	<u>\$ (652,608)</u>	<u>\$ (403,884)</u>	<u>\$ 1,356,261</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,135,618</u>



**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2018**

**Contractors' and Miscellaneous Deposits**

<b>ASSETS</b>	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Current assets:</b>				
Cash and investments	\$ 13,136,938	\$ 56,276,886	\$ 54,814,650	\$ 14,599,174
<b>Receivables:</b>				
Interest	42,100	60,735	42,100	60,735
Taxes	-	34	34	-
Other	-	44,451	26,879	17,572
Prepaid items	4,129	2,639	4,129	2,639
<b>Total current assets</b>	<u>\$ 13,183,167</u>	<u>\$ 56,384,745</u>	<u>\$ 54,887,792</u>	<u>\$ 14,680,120</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 884,329	\$ 56,489,539	\$ 56,562,109	\$ 811,759
Deposits held for others	12,298,838	5,124,183	3,554,660	13,868,361
<b>Total liabilities</b>	<u>\$ 13,183,167</u>	<u>\$ 61,613,722</u>	<u>\$ 60,116,769</u>	<u>\$ 14,680,120</u>

**Assessment Districts**

<b>ASSETS</b>	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Current assets:</b>				
Cash and investments	\$ 5,932,560	\$ 6,463,909	\$ 5,808,658	\$ 6,587,811
<b>Receivables:</b>				
Interest	67,203	78,953	67,205	78,951
Taxes	932	4,030	932	4,030
Other	9,247	17,360	9,247	17,360
<b>Total current assets</b>	<u>6,009,942</u>	<u>6,564,252</u>	<u>5,886,042</u>	<u>6,688,152</u>
<b>Restricted assets:</b>				
Cash and investments	5,124,822	-	-	5,124,822
<b>Total restricted assets</b>	<u>5,124,822</u>	<u>-</u>	<u>-</u>	<u>5,124,822</u>
<b>Total assets</b>	<u>\$ 11,134,764</u>	<u>\$ 6,564,252</u>	<u>\$ 5,886,042</u>	<u>\$ 11,812,974</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 50,682	\$ 25,123	\$ 23,081	\$ 52,724
Deposits held for others	11,084,082	6,002,682	5,326,514	11,760,250
<b>Total liabilities</b>	<u>\$ 11,134,764</u>	<u>\$ 6,027,805</u>	<u>\$ 5,349,595</u>	<u>\$ 11,812,974</u>

(continued)



**Combining Statement of Changes in Assets and Liabilities  
Agency Funds (continued)  
For the Year Ended June 30, 2018**

**Total Agency Funds**

<b>ASSETS</b>	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Current assets:</b>				
Cash and investments	\$ 19,069,498	\$ 62,740,795	\$ 60,623,308	\$ 21,186,985
Receivables:				
Interest	109,303	139,688	109,305	139,686
Taxes	932	4,064	966	4,030
Other	9,247	61,811	36,126	34,932
Prepaid items	4,129	2,639	4,129	2,639
<b>Total current assets</b>	<u>19,193,109</u>	<u>62,948,997</u>	<u>60,773,834</u>	<u>21,368,272</u>
<b>Restricted assets:</b>				
Cash and investments	5,124,822	-	-	5,124,822
<b>Total current assets</b>	<u>5,124,822</u>	<u>-</u>	<u>-</u>	<u>5,124,822</u>
<b>Total assets</b>	<u>\$ 24,317,931</u>	<u>\$ 62,948,997</u>	<u>\$ 60,773,834</u>	<u>\$ 26,493,094</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 935,011	\$ 56,514,662	\$ 56,585,190	\$ 864,483
Deposits held for others	23,382,920	11,126,865	8,881,174	25,628,611
<b>Total liabilities</b>	<u>\$ 24,317,931</u>	<u>\$ 67,641,527</u>	<u>\$ 65,466,364</u>	<u>\$ 26,493,094</u>



**Statement of Fiduciary Net Position  
Private Purpose Trust Fund  
June 30, 2018**

	Redevelopment Obligation Retirement Trust Fund
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,200,340
Receivables:	
Interest	13,826
<b>Total current assets</b>	<b>1,214,166</b>
Noncurrent assets:	
Loans receivable	3,750,000
<b>Total assets</b>	<b>4,964,166</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued liabilities	2,211
Accrued interest payable	93,280
Current portion of long-term debt	775,000
<b>Total current liabilities</b>	<b>870,491</b>
Noncurrent liabilities:	
Due to the City of Carlsbad	9,103,922
Tax allocation bonds payable	4,520,000
<b>Total noncurrent liabilities</b>	<b>13,623,922</b>
<b>Total liabilities</b>	<b>14,494,413</b>
<b>NET POSITION</b>	
Held in trust for redevelopment obligation retirement purposes	\$ (9,530,247)



**Changes in Fiduciary Net Position  
Private Purpose Trust Fund  
For the Year Ended June 30, 2018**

	Redevelopment Retirement Obligation Trust Fund
<b>ADDITIONS</b>	
Contributions:	
Redevelopment Property Tax Trust Fund (RPTTF) revenues	\$ 3,589,291
Income from property and investments	15,011
<b>Total additions</b>	<b>3,604,302</b>
<b>DEDUCTIONS</b>	
General and administrative	612,386
Interest expense and fees	469,394
<b>Total deductions</b>	<b>1,081,780</b>
<b>Change in net position</b>	<b>2,522,522</b>
<b>Total net position (deficit) at beginning of year</b>	<b>(12,052,769)</b>
<b>Total net position (deficit) at end of year</b>	<b>\$ (9,530,247)</b>







Statistical Section



Statistical Section



## 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.

### Table of Contents

**Page**

**Financial Trends**

**150**

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**

**161**

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**

**174**

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**

**178**

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**

**182**

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.



## Net Position by Component

Last Ten Fiscal Years

(dollars in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Governmental activities</b>					
Net investment in capital assets	\$ 742,500	\$ 767,719	\$ 774,269	\$ 780,727	\$ 782,500
Restricted for:					
Capital assets	186,597	178,669	184,419	192,713	182,685
Lighting and landscaping districts	2,196	2,827	2,133	2,246	2,958
Affordable housing	35,330	36,187	40,005	38,434	37,390
Habitat and agricultural mitigation management	7,115	6,600	5,377	4,799	2,665
Other purposes	2,412	2,710	5,298	4,022	3,685
Unrestricted	<u>268,779</u>	<u>279,737</u>	<u>284,825</u>	<u>308,470</u> (1)	<u>319,317</u>
Total governmental activities net position	<u>\$ 1,244,929</u>	<u>\$ 1,274,449</u>	<u>\$ 1,296,326</u>	<u>\$ 1,331,411</u>	<u>\$ 1,331,200</u>
<b>Business-type activities</b>					
Net investment in capital assets	\$ 308,440	\$ 317,238	\$ 314,691	\$ 311,392	\$ 307,000
Restricted for:					
Capital assets	43,167	44,241	44,954	45,522	45,990
Unrestricted	<u>28,469</u>	<u>34,556</u>	<u>38,278</u>	<u>47,530</u>	<u>55,758</u>
Total business-type activities net position	<u>\$ 380,076</u>	<u>\$ 396,035</u>	<u>\$ 397,923</u>	<u>\$ 404,444</u>	<u>\$ 408,748</u>
<b>Total government</b>					
Net investment in capital assets	\$ 1,050,940	\$ 1,084,957	\$ 1,088,960	\$ 1,092,119	\$ 1,089,500
Restricted for:					
Capital assets	229,764	222,910	229,373	238,235	228,675
Lighting and landscaping districts	2,196	2,827	2,133	2,246	2,958
Affordable housing	35,330	36,187	40,005	38,434	37,390
Habitat and agricultural mitigation management	7,115	6,600	5,377	4,799	2,665
Other purposes	2,412	2,710	5,298	4,022	3,685
Unrestricted	<u>297,248</u>	<u>314,293</u>	<u>323,103</u>	<u>356,000</u>	<u>375,075</u>
<b>Total net position</b>	<u>\$ 1,625,005</u>	<u>\$ 1,670,484</u>	<u>\$ 1,694,249</u>	<u>\$ 1,735,855</u>	<u>\$ 1,739,948</u>

Source: City of Carlsbad Comprehensive Annual Financial Reports

(1) 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.

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 784,210	\$ 783,298	\$ 788,035	\$ 788,078	\$ 793,090
175,468	178,228	176,279	183,245	182,811
4,703	5,263	5,921	6,527	7,307
39,317	39,544	40,390	40,528	41,500
1,713	1,708	1,758	1,805	1,640
3,774	3,059	2,948	2,818	2,800
<u>328,602</u>	<u>223,522</u>	<u>245,078</u>	<u>249,816</u>	<u>262,023</u>
<u>\$ 1,337,787</u> (2)	<u>\$ 1,234,622</u> (2)	<u>\$ 1,260,409</u>	<u>\$ 1,272,817</u>	<u>\$ 1,291,171</u>
\$ 305,681	\$ 307,122	\$ 317,927	\$ 344,836	\$ 349,548
46,632	47,315	45,950	40,098	39,522
<u>66,083</u>	<u>69,922</u>	<u>73,285</u>	<u>85,153</u>	<u>88,576</u>
<u>\$ 418,396</u> (2)	<u>\$ 424,359</u> (2)	<u>\$ 437,162</u>	<u>\$ 470,087</u>	<u>\$ 477,646</u>
\$ 1,089,891	\$ 1,090,420	\$ 1,105,962	\$ 1,132,914	\$ 1,142,638
222,100	225,543	222,229	223,343	222,333
4,703	5,263	5,921	6,527	7,307
39,317	39,544	40,390	40,528	41,500
1,713	1,708	1,758	1,805	1,640
3,774	3,059	2,948	2,818	2,800
<u>394,685</u>	<u>293,444</u>	<u>318,363</u>	<u>334,969</u>	<u>350,599</u>
<u>\$ 1,756,183</u>	<u>\$ 1,658,981</u>	<u>\$ 1,697,571</u>	<u>\$ 1,742,904</u>	<u>\$ 1,768,817</u>



**City of  
Carlsbad**  
Changes in Net Position  
Last Ten Fiscal Years

(dollars in thousands)

	2009	2010	2011	2012	2013
<b>Expenses</b>					
Governmental activities					
General government	\$ 12,859	\$ 23,038 (1)	\$ 16,907	\$ 16,675	\$ 23,574 (4)
Public safety	44,632	44,371	45,011	45,576	48,468
Community services	36,438	37,675	42,179	43,087	47,900 (5)
Public works	35,190	35,383	25,759	28,441	36,806
Interest and fiscal charges on long-term debt	588	547	453	298	4
Total governmental activities	<u>129,707</u>	<u>141,014</u>	<u>130,309</u>	<u>134,077</u>	<u>156,752</u>
Business-type activities					
Carlsbad Municipal Water District	30,134	33,923	34,978	35,985	41,626
Golf course	13,040	11,927	11,538	11,190	10,668
Wastewater	11,836	10,434	11,751	11,330	13,556
Solid waste	2,580	2,535	2,565	2,922	2,918
Total business-type activities	<u>57,590</u>	<u>58,819</u>	<u>60,832</u>	<u>61,427</u>	<u>68,768</u>
Total government	<u>\$ 187,297</u>	<u>\$ 199,833</u>	<u>\$ 191,141</u>	<u>\$ 195,504</u>	<u>\$ 225,520</u>
<b>Program Revenues</b>					
Governmental activities					
Charges for services:					
General government	\$ 847	\$ 341	\$ 1,793	\$ 315	\$ 1,469
Public safety	4,591	4,358	4,502	4,379	4,025
Community services	5,177	6,199	7,266	6,314	6,987
Public works	3,573	4,196	3,567	3,717	5,073
Operating grants and contributions	12,120	11,445	12,033	11,813	13,199
Capital grants and contributions	27,722	32,459	13,557	15,429	17,741
Total governmental activities	<u>54,030</u>	<u>58,998</u>	<u>42,718</u>	<u>41,967</u>	<u>48,494</u>
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	24,574	29,865	30,715	35,776	44,240 (6)
Golf course	5,801	5,625	5,850	6,127	6,278
Wastewater	8,531	9,580	10,053	10,989	12,402
Solid waste	3,032	2,988	3,015	2,961	3,060
Operating grants and contributions	1,824	1,734	1,263	1,201	38
Capital grants and contributions	14,612	17,882	5,640	4,560	2,855
Total business-type activities	<u>58,374</u>	<u>67,674</u>	<u>56,536</u>	<u>61,614</u>	<u>68,873</u>
Total government	<u>\$ 112,404</u>	<u>\$ 126,672</u>	<u>\$ 99,254</u>	<u>\$ 103,581</u>	<u>\$ 117,367</u>
<b>Net (Expense)/Revenue:</b>					
Governmental activities	\$ (75,677)	\$ (82,016)	\$ (87,591)	\$ (92,110)	\$ (108,258)
Business-type activities	784	8,855	(4,296)	187	105
Total government net expense	<u>\$ (74,893)</u>	<u>\$ (73,161)</u>	<u>\$ (91,887)</u>	<u>\$ (91,923)</u>	<u>\$ (108,153)</u>

2014	2015	2016	2017	2018
\$ 20,187	\$ 16,108	\$ 16,147	\$ 18,374	\$ 25,192 (11)
48,942	48,856	50,463	55,994	62,630 (11)
45,341	48,630	51,191	54,212	51,897
30,314	36,273	37,464	34,317	36,875
<u>1</u>	<u>-</u>	<u>1</u>	<u>3</u>	<u>2</u>
<u>144,785</u>	<u>149,867</u>	<u>155,266</u>	<u>162,900</u>	<u>176,596</u>
43,547	40,897	39,458	45,219	51,658
11,032	10,538	10,545	10,211	10,560
12,488	12,629	12,613	12,626	13,495
<u>2,856</u>	<u>2,973</u>	<u>2,997</u>	<u>3,272</u>	<u>3,089</u>
<u>69,923</u>	<u>67,037</u>	<u>65,613</u>	<u>71,328</u>	<u>78,802</u>
<u>\$ 214,708</u>	<u>\$ 216,904</u>	<u>\$ 220,879</u>	<u>\$ 234,228</u>	<u>\$ 255,398</u>
\$ 289	\$ 1,382	\$ 296	\$ 327	\$ 816
3,950	4,220	3,980	4,647	4,805
8,732	10,534	10,711	12,154	11,588
3,720	4,014	4,152	3,952	3,768
11,919	12,242	11,912	12,630	13,054
<u>16,129</u>	<u>19,105</u>	<u>12,042</u> (8)	<u>22,789</u>	<u>22,993</u>
<u>44,739</u>	<u>51,497</u>	<u>43,093</u>	<u>56,499</u>	<u>57,024</u>
46,750	47,461	39,854 (9)	44,817	50,095
6,635	6,709	6,988	7,119	7,973
12,896	12,875	12,963	13,467	13,885
3,320	3,245	3,206	3,302	3,427
90	59	5,646	2,471	1,611
<u>3,198</u>	<u>5,879</u>	<u>2,011</u>	<u>13,322</u>	<u>5,484</u>
<u>72,889</u>	<u>76,228</u>	<u>70,668</u>	<u>84,498</u>	<u>82,475</u>
<u>\$ 117,628</u>	<u>\$ 127,725</u>	<u>\$ 113,761</u>	<u>\$ 140,997</u>	<u>\$ 139,499</u>
\$ (100,046)	\$ (98,370)	\$ (112,173)	\$ (106,401)	\$ (119,572)
<u>2,966</u>	<u>9,191</u>	<u>5,055</u>	<u>13,170</u>	<u>3,673</u>
<u>\$ (97,080)</u>	<u>\$ (89,179)</u>	<u>\$ (107,118)</u>	<u>\$ (93,231)</u>	<u>\$ (115,899)</u>

(Continued)





## Changes in Net Position (Continued)

Last Ten Fiscal Years

(dollars in thousands)

	2009	2010	2011	2012	2013
<b>General Revenues and Other Changes in Net Position</b>					
Governmental activities					
Taxes:					
Property taxes	\$ 55,338	\$ 55,113	\$ 54,049	\$ 51,538	\$ 52,861
Sales and use taxes	23,098	23,031	25,660	28,094	28,403
Transient occupancy taxes	12,752	11,490	11,569	12,872	14,702
Franchise taxes	5,274	4,906	4,650	4,852	5,118
Business license taxes	3,422	3,458	3,581	2,695	3,834
Real property transfer taxes	621	758	911	925	1,058
Vehicle license fees	353	309	483	53 (2)	55
Income from property and investments	19,828	12,523	8,372	6,088	1,792
Other general revenues	359	391	328	419	426
Extraordinary gain/(loss)	-	-	-	20,477 (3)	-
Transfers	(127)	(443)	(135)	(1,810)	(656)
<b>Total governmental activities</b>	<b><u>120,918</u></b>	<b><u>111,536</u></b>	<b><u>109,468</u></b>	<b><u>126,203</u></b>	<b><u>107,593</u></b>
Business type activities					
Property taxes	2,861	2,822	2,779	2,721	2,904
Income from property and investments	5,908	3,686	2,109	2,054	555
Other general revenues	209	153	3,599	106	85
Transfers	127	443	135	1,810	655
<b>Total business-type activities</b>	<b><u>9,105</u></b>	<b><u>7,104</u></b>	<b><u>8,622</u></b>	<b><u>6,691</u></b>	<b><u>4,199</u></b>
<b>Total government</b>	<b><u>\$ 130,023</u></b>	<b><u>\$ 118,640</u></b>	<b><u>\$ 118,090</u></b>	<b><u>\$ 132,894</u></b>	<b><u>\$ 111,792</u></b>
<b>Change in Net Position</b>					
Governmental activities	\$ 45,241	\$ 29,520	\$ 21,877	\$ 34,093	\$ (665)
Business-type activities	9,889	15,959	4,326	6,878	4,304
<b>Total government</b>	<b><u>\$ 55,130</u></b>	<b><u>\$ 45,479</u></b>	<b><u>\$ 26,203</u></b>	<b><u>\$ 40,971</u></b>	<b><u>\$ 3,639</u></b>

Source: City of Carlsbad Comprehensive Annual Financial Reports

- (1) 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.
- (2) The State of California ceased sending the city vehicle license fee revenues in FY 2011-12.
- (3) 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.
- (4) 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 in surplus construction funds from the Poinsettia Lane Assessment District to be used in the refunding of Reassessment District No. 2012-1.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) The decrease in FY 2015-16 was a result of a decrease in water sales during the fiscal year from drought conservation measures.
- (10) 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.
- (11) The increase in FY 2017-18 is mainly due to changes in the city's pension discount rate.

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	52,608	\$ 55,992	\$ 58,945	\$ 63,988	\$ 66,524
	30,520	32,146	34,843	33,999	33,674
	17,472	19,713	20,943	22,267	24,233
	4,907	5,427	5,632	5,475	5,812
	4,177	4,548	4,895	4,328	5,026
	1,080	1,406	1,546	1,393	1,463
	-	-	-	-	-
	6,917	4,564	11,910 (10)	1,975	2,551
	429	609	486	451	519
	(10,289) (7)	-	-	-	-
	<u>(1,188)</u>	<u>(1,264)</u>	<u>(1,240)</u>	<u>(15,067)</u>	<u>(136)</u>
	<u>106,633</u>	<u>123,141</u>	<u>137,960</u>	<u>118,809</u>	<u>139,666</u>
	2,897	3,133	3,306	3,569	3,743
	2,498	1,870	3,163	749	986
	99	623	39	370	3
	<u>1,188</u>	<u>1,264</u>	<u>1,240</u>	<u>15,067</u>	<u>136</u>
	<u>6,682</u>	<u>6,890</u>	<u>7,748</u>	<u>19,755</u>	<u>4,868</u>
\$	<u>113,315</u>	<u>\$ 130,031</u>	<u>\$ 145,708</u>	<u>\$ 138,564</u>	<u>\$ 144,534</u>
\$	6,587	\$ 24,771	\$ 25,787	\$ 12,408	\$ 20,094
	<u>9,648</u>	<u>16,081</u>	<u>12,803</u>	<u>32,925</u>	<u>8,541</u>
\$	<u>16,235</u>	<u>\$ 40,852</u>	<u>\$ 38,590</u>	<u>\$ 45,333</u>	<u>\$ 28,635</u>



## Fund Balances of Governmental Funds

Last Ten Fiscal Years

(dollars in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011 (2)</u>	<u>2012</u>	<u>2013</u>
<b>General Fund</b>					
Reserved	\$ 59,303	\$ 59,586	\$ -	\$ -	\$ -
Unreserved	66,302	68,935	-	-	-
Nonspendable	-	-	53,943	54,228	57,719
Restricted	-	-	-	-	-
Committed	-	-	1,000	1,000	1,000
Assigned	-	-	23,584	22,955	26,200
Unassigned	-	-	57,533	61,384	69,578
<b>Total General Fund</b>	<u>\$ 125,605</u>	<u>\$ 128,521</u>	<u>\$ 136,060</u>	<u>\$ 139,567</u>	<u>\$ 154,497</u>
<b>All Other Governmental Funds</b>					
Reserved	\$ 34,573	\$ 50,617	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	40,207	41,449	-	-	-
Debt service funds	(11,150)	(17,824)	-	-	-
Capital project funds	276,183	262,612 (1)	-	-	-
Nonspendable					
Special revenue funds	-	-	433	440	435
Debt service funds	-	-	-	-	-
Capital project funds	-	-	250	-	-
Restricted					
Special revenue funds	-	-	65,585	64,401	61,938
Debt service funds	-	-	-	-	-
Capital project funds	-	-	171,214	177,372	167,009 (4)
Committed					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Assigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	123,473	123,465	121,861
Unassigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	(18,658)	-	-
Capital project funds	-	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 339,813</u>	<u>\$ 336,854</u>	<u>\$ 342,297</u>	<u>\$ 365,678</u>	<u>\$ 351,243</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 a Special Revenue fund to a Capital Project fund.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
56,707	56,381	55,324	53,751	51,628
-	-	-	-	-
1,000	1,000	1,000	1,000	1,000
27,838	40,865	42,692	38,439	43,855
75,615	80,274	94,404	78,191	82,570
<u>\$ 161,160</u>	<u>\$ 178,520</u>	<u>\$ 193,420</u>	<u>\$ 171,381</u>	<u>\$ 179,053</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
430	3	4	1	1
-	-	-	-	-
-	-	-	-	-
66,833	66,300	51,013 (5)	51,677	53,246
-	-	-	-	-
157,712 (4)	161,499	176,280 (5)	183,245	182,812
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
131,627	136,237	131,939	146,994	151,306
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 356,602</u>	<u>\$ 364,039</u>	<u>\$ 359,236</u>	<u>\$ 381,917</u>	<u>\$ 387,365</u>



## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(dollars in thousands)

	2009	2010	2011	2012	2013
<b>Revenues:</b>					
Taxes	\$ 103,874	\$ 100,249	\$ 103,660	\$ 105,595	\$ 109,447
Intergovernmental	10,029	12,108	12,847	9,603	11,513
Licenses and permits	1,022	1,484	1,590	1,852	2,016
Charges for services	9,616	10,215	9,938	10,092	10,261
Fines and forfeitures	1,402	1,199	1,051	892	861
Income from property and investments	19,132	12,719	9,278	6,253	2,362
Contributions from property owners	3,117	4,580	5,473	9,927	12,029
Donations	174	203	310	206	411
Miscellaneous	926	1,263	2,521	697	1,969
Total revenues	<u>149,292</u>	<u>144,020</u>	<u>146,668</u>	<u>145,117</u>	<u>150,869</u>
<b>Expenditures:</b>					
Current:					
General government	12,896	22,778	16,937	16,992	23,072
Less: Interdepartmental charges	(3,676)	(3,991)	(3,015)	(3,750)	(3,858)
Public safety	45,003	44,686	44,157	44,915	46,162
Community services	33,811	34,765	39,540	40,402	40,899
Public works	23,851	23,851	13,078	11,773	11,299
Capital outlay	22,097	19,727	20,985	17,367	28,602
Debt service:					
Principal retirement	1,200	490	515	851	316
Interest and fiscal charges	1,188	1,016	935	308	6
Total expenditures	<u>136,370</u>	<u>143,322</u>	<u>133,132</u>	<u>128,858</u>	<u>146,498</u>
Excess (deficiency) of revenues over (under) expenditures	12,922	698	13,536	16,259	4,371
<b>Other financing sources (uses):</b>					
Proceeds from the sale of property	-	-	-	-	-
Issuance of debt	-	-	581	-	-
Transfers in	9,101	21,837	9,802	19,887	8,087
Transfers out	(9,637)	(22,578)	(10,937)	(23,097)	(14,792)
Extraordinary gain (loss)	-	-	-	12,847	(2)
Total other financing sources (uses)	<u>(536)</u>	<u>(741)</u>	<u>(554)</u>	<u>9,637</u>	<u>(6,705)</u>
Net change in fund balances	<u>\$ 12,386</u>	<u>\$ (43)</u>	<u>\$ 12,982</u>	<u>\$ 25,896</u>	<u>\$ (2,334)</u>
Debt service as percentage of noncapital expenditures (1)	2.01%	1.18%	1.26%	0.99%	0.24%

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) With the dissolution of Redevelopment Agencies state-wide, the former Redevelopment Agency debt service funds were transferred to trust funds in FY 2011-12.
- (3) Increase in taxes in FY 2014-15 due to growth in property and TOT taxes.
- (4) 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.

2014	2015	2016	2017	2018
\$ 114,996	\$ 123,411	(3) \$ 129,617	\$ 134,165	\$ 141,118
10,602	10,359	11,290	11,963	11,608
2,184	2,369	2,467	3,034	2,999
11,278	13,181	12,913	14,309	14,145
876	837	854	740	679
7,604	6,442	9,970	3,845	4,622
9,042	10,688	8,009	13,330	12,898
210	440	417	349	332
1,219	2,550	1,503	1,467	1,991
<u>158,011</u>	<u>170,277</u>	<u>177,040</u>	<u>183,202</u>	<u>190,392</u>
21,471	17,903	17,221	27,925	26,638
(3,566)	(3,807)	(3,471)	(3,345)	(3,160)
47,333	48,915	52,015	57,329	58,568
41,505	44,501	46,298	48,930	49,039
15,442	16,350	17,465	17,349	17,220
18,702	20,050	34,669	17,603	26,885
159	-	-	-	-
5	5	6	5	4
<u>141,051</u>	<u>143,917</u>	<u>164,203</u>	<u>165,796</u>	<u>175,194</u>
16,960	26,360	12,837	17,406	15,198
-	-	-	-	-
-	-	-	-	-
11,477	14,857	9,970	20,849	11,513
(16,415)	(16,420)	(12,710)	(37,613) (4)	(13,590)
-	-	-	-	-
<u>(4,938)</u>	<u>(1,563)</u>	<u>(2,740)</u>	<u>(16,764)</u>	<u>(2,077)</u>
<u>\$ 12,022</u>	<u>\$ 24,797</u>	<u>\$ 10,097</u>	<u>\$ 642</u>	<u>\$ 13,121</u>
0.13%	0.00%	0.00%	0.00%	0.00%

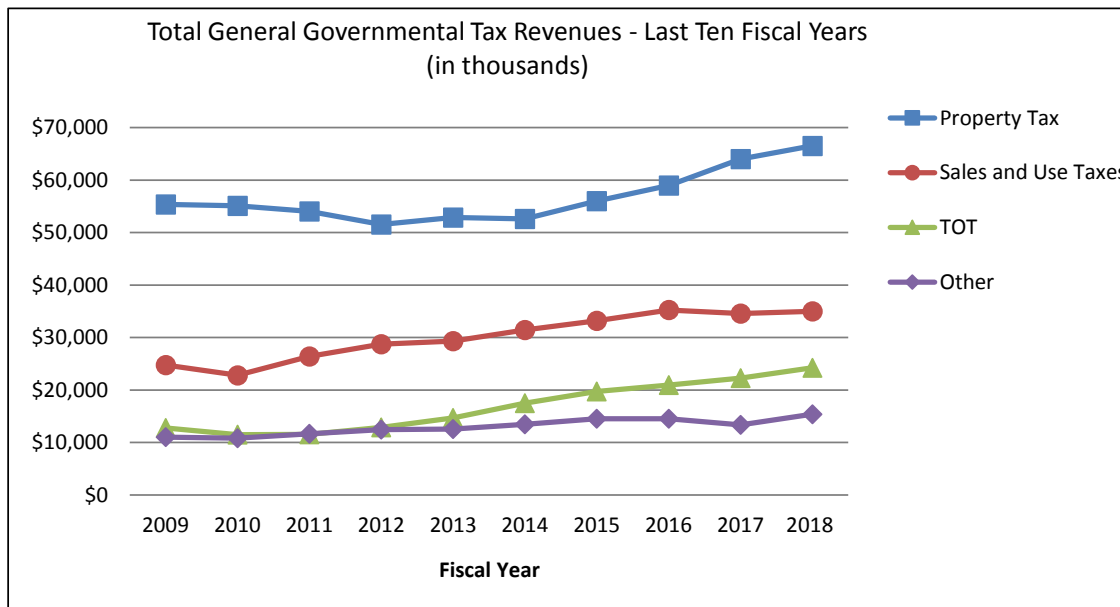


## General Governmental Tax Revenues by Source

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
2009	\$ 55,338	\$ 24,765	\$ 12,752	\$ 5,274	\$ 3,422	\$ 621	\$ 1,702	\$ 103,874
2010	55,113 (1)	22,819 (1)	11,490 (1)	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 (5)	4,907	4,178	1,080	3,288	114,996
2015	55,992 (6)	33,202	19,713 (7)	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 (6)	34,543	22,267 (8)	5,475	4,328	1,393	2,171	134,165
2018	66,523	34,972	24,234 (9)	5,812	5,026 (10)	1,463	3,088 (11)	141,118
Change 2009-2018	20%	41%	90%	10%	47%	136%	81%	36%



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 2011 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 2013 and FY 2014 is due to the opening of two new hotels and higher occupancy and room rates citywide.
- (6) Reflects improvement in the housing market and new construction.
- (7) The increase in TOT in FY 2015 is due to the openings of several new hotels and higher occupancy and room rates throughout the city.
- (8) The increase in TOT in FY 2017 is due to higher room rates throughout most of the city's hotels and an increase in available rooms.
- (9) The increase in TOT in FY 2018 is due to higher room rates throughout most of the city's hotels and an opening of a new hotel.
- (10) The increase in Business License Taxes in FY 2018 is due to a significant number of delinquent payments being collected.
- (11) The increase in Gas Taxes in FY 2018 is due to new ongoing allocations received from the state's Road Maintenance and Rehabilitation Account.



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

<u>Fiscal Year</u>	<u>Water</u>		<u>Wastewater</u>
	<u>Monthly Delivery Charge</u>	<u>Base Price Per Unit (1)</u>	<u>Monthly Base Rate</u>
2009	\$14.54	\$2.12	\$17.65
2010	16.78	2.29	20.93
2011	18.00	2.70	23.03
2012	19.80	2.97	24.53
2013	21.38	3.20	25.02
2014	20.07	3.19	25.52
2015	21.08	3.35	26.03
2016	22.19	3.53	27.81
2017	24.11	3.84	27.81
2018	24.72	3.94	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.



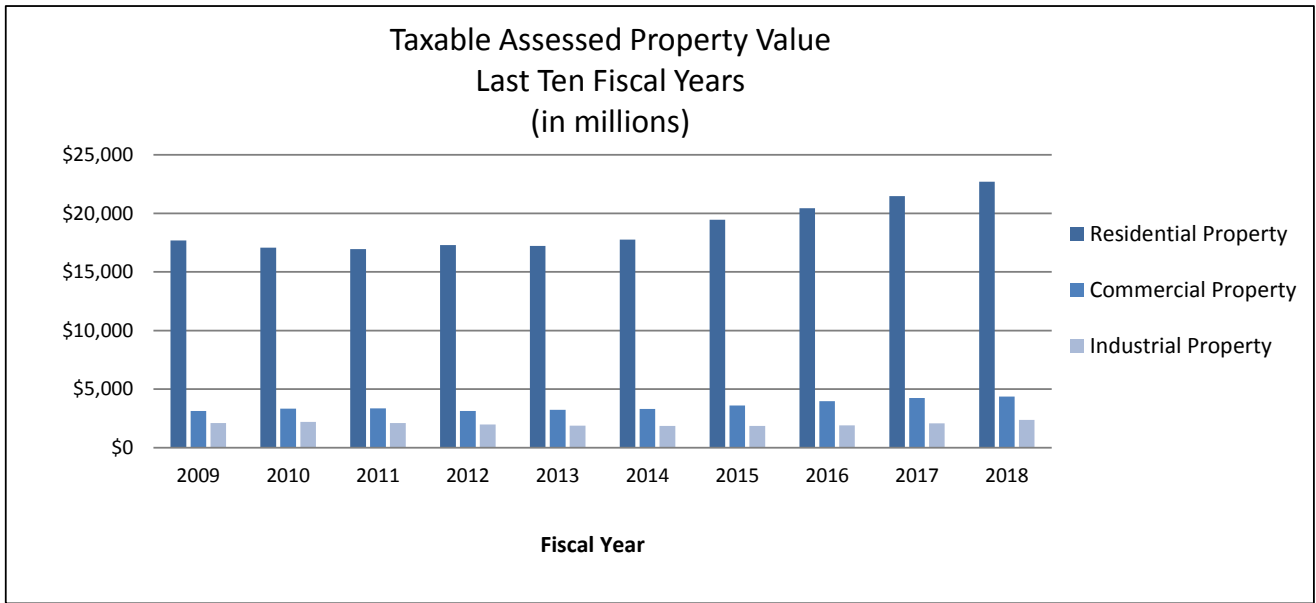


## Assessed Value of Taxable Property

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)
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	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%
2018	22,707	4,355	2,378	555	29,995	5.53%	58	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.



## Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Allocation of 1% Ad Valorem Property Taxes										
Overlapping Rates for Tax Rate Area 09000 (1)										
Fiscal Year	City of Carlsbad Total Direct Rate (5)	Carlsbad Unified School District	San Diego County	Educational Revenue Augmentation Fund	Mira Costa Community College	Tri City Hospital District	All Other Rates	Total Prop 13 Rate (2)	Voter Approved Debt (3)	Total Tax Rate (4)
2009	0.01927%	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
2018	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0791	1.0791

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 and hospital 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 2017-18 Voter Approved Debt Tax Rates for all Rate Areas**

Total Tax Rates (2)	County Tax Rate Areas (3)	Fiscal Year 2017-18 Voter Approved Debt Tax Rates for all Rate Areas									Total Voter Approved Rates (1)
		Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Miracosta Comm. College	Palomar Comm. College	Palomar Pomerado Hospital	MWD / SDCWA	
1.0562	1	-	-	-	-	0.0417%	0.0144%	-	-	-	0.0562%
1.0597	47	-	-	-	-	0.0417	0.0144	-	-	0.0035	0.0597
1.0658	3	-	-	-	-	0.0417	-	0.02053	-	0.0035	0.0658
1.0756	3	0.0611	-	-	-	-	0.0144	-	-	-	0.0756
1.0773	5	-	-	-	0.05323	-	-	0.02053	-	0.0035	0.0773
1.0791	57	0.0611	-	-	-	-	0.0144	-	-	0.0035	0.0791
1.0849	2	-	-	0.0670	-	-	0.0144	-	-	0.0035	0.0849
1.0852	3	0.0611	-	-	-	-	-	0.02053	-	0.0035	0.0852
1.0910	29	-	-	0.0670	-	-	-	0.02053	-	0.0035	0.0910
1.1001	1	0.0611	-	-	-	-	0.0144	-	0.02100	0.0035	0.1001
1.1059	1	-	-	0.0670	-	-	0.0144	-	0.02100	0.0035	0.1059
1.1120	11	-	-	0.0670	-	-	-	0.02053	0.02100	0.0035	0.1120
1.1139	1	-	0.09600	0.0000	-	-	0.01443	-	-	0.0035	0.1139

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

- (1) The majority of voter approved debt is related to various school district and hospital 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**

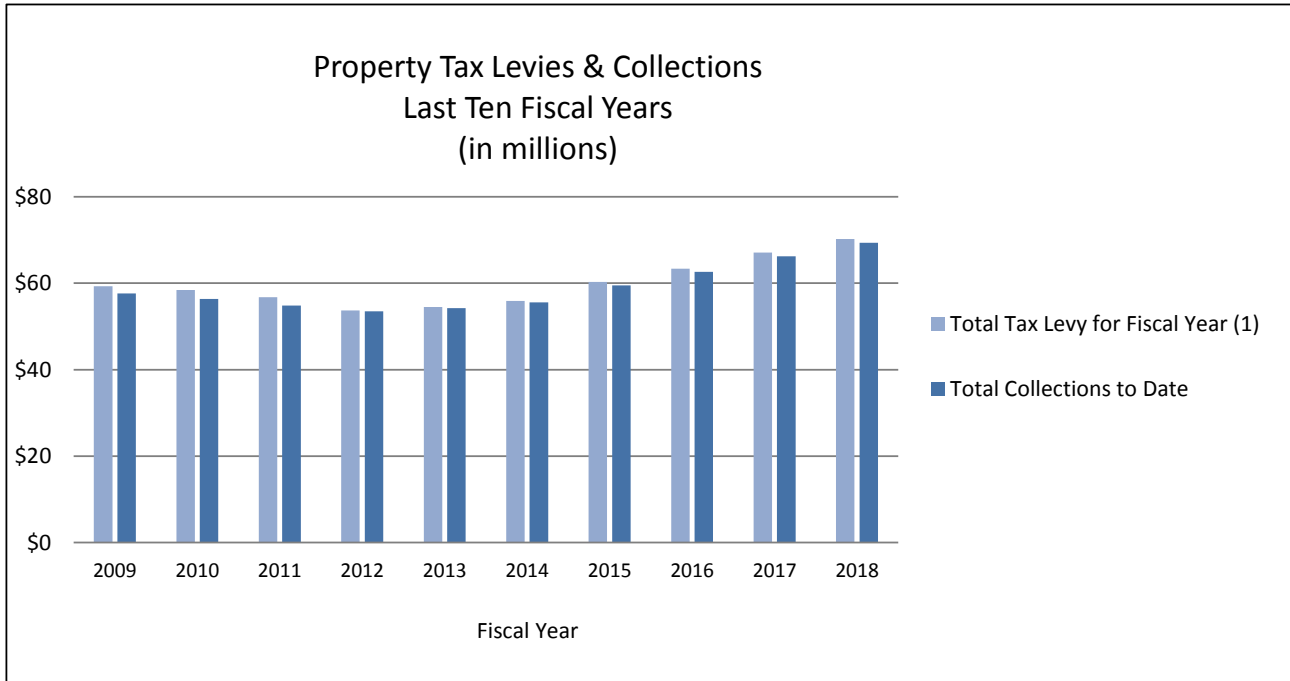
Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
Poseidon Resources	\$ 561,360,814	1	1.87%	-	-	-
La Costa Glen Retirement Community	253,391,490	2	0.84%	225,954,405	2	0.96%
La Costa Resort & Spa	237,126,463	3	0.79%	297,970,970	1	1.27%
Legoland California, LLC	196,899,962	4	0.66%	119,588,811	5	0.51%
The Forum Shopping Center	194,668,021	5	0.65%	-	-	-
The Shoppes at Carlsbad	167,971,540	6	0.56%	-	-	-
La Costa Town Center, LLC	140,668,434	7	0.47%	-	-	-
Carlsbad Premium Outlets	124,388,248	8	0.41%	111,794,805	6	0.48%
Pacific View Apartments	112,282,022	9	0.37%	151,009,237	3	0.64%
The Reserve at Carlsbad Apartments	114,240,000	10	0.38%	-	-	-
Park Hyatt Aviara Resort	-	-	-	134,771,348	4	0.57%
Grand Pacific Palisades Resort	-	-	-	95,575,471	7	0.41%
Callaway Golf Company	-	-	-	86,215,451	8	0.37%
Borders, Inc.	-	-	-	82,622,135	9	0.35%
Eaves by Avalon Apartment Homes	-	-	-	80,893,173	10	0.34%
<b>Total</b>	<b>\$ 2,102,996,994</b>		<b>7.01%</b>	<b>\$ 1,386,395,806</b>		<b>5.90%</b>
<b>Net assessed valuation</b>	<b>\$ 29,994,964,276</b>			<b>\$ 23,517,153,047</b>		

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
2009	\$59,297,940	\$55,759,900	94.03%	\$1,890,814	\$57,650,714	97.22%
2010	58,433,851	55,030,915	94.18%	1,354,991	56,385,906	96.50%
2011	56,792,002	53,953,149	95.00%	881,967	54,835,116	96.55%
2012	53,682,809	52,778,359	98.32%	742,532	53,520,891	99.70%
2013	54,469,819	53,677,921	98.55%	564,632	54,242,553	99.58%
2014	55,883,499	55,042,944	98.50%	504,599	55,547,543	99.40%
2015	60,266,230	59,509,285	98.74%	514,062	59,509,285	98.74%
2016	63,363,527	62,595,504	98.79%	432,890	62,595,504	98.79%
2017	67,116,590	66,233,111	98.68%	450,663	66,233,111	98.68%
2018	70,221,876	69,383,391	98.81%	N/A	69,383,391	98.81%



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, homeowners' exception and supplementary amounts distributed by the county.



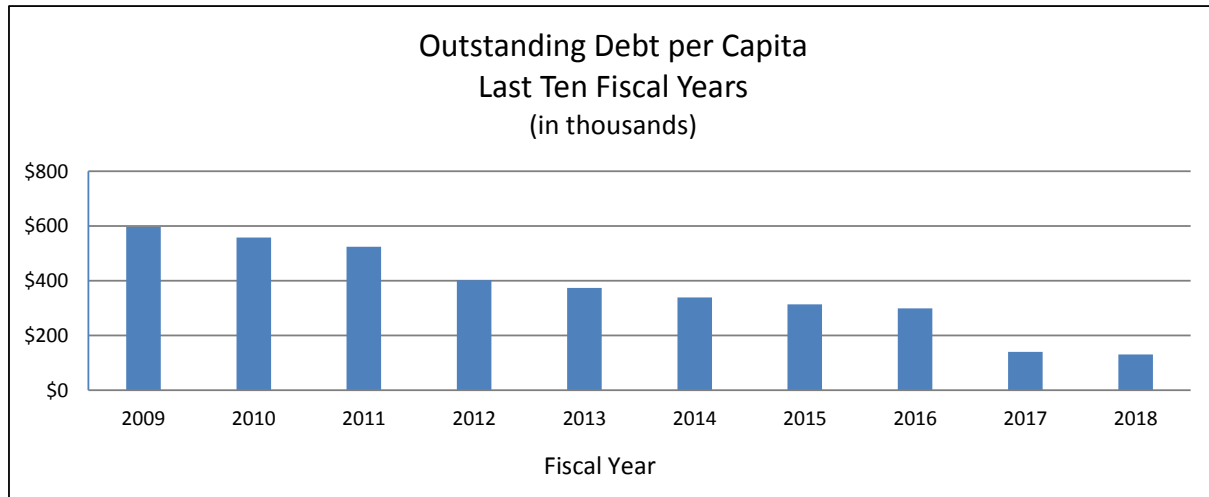


## Ratios of Outstanding Debt by Type

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
2009	10,740	-	-	-
2010	10,250	-	-	-
2011	9,735	-	-	581
2012	-	-	-	475
2013	-	-	-	159
2014	-	-	-	-
2015	-	-	-	-
2016 (5)	-	-	0.97	-
2017	-	-	0.78	-
2018	-	-	0.59	-



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 in 2005. Varying amounts of principal and interest are due annually. Payments are funded from recycled water user fees.
- (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.
- (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 FY 2016-17.

<b>Business-Type Activities</b>						
<b>Bonds / Special Debt (1)</b>	<b>Installment Purchase Agreements</b>	<b>Loan Payable (2)</b>	<b>Capital Leases</b>	<b>Total</b>	<b>Percentage of Personal Income (3)</b>	<b>Per Capita</b>
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	-	33,729	0.59%	298.67
- (6)	-	15,901	-	15,902	0.26%	139.83
-	-	14,944	-	14,945	0.23%	130.38



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

Fiscal Year 2017-18 Assessed Valuation:	\$30,958,184,068
Redevelopment Incremental Valuation:	<u>963,219,792</u>
Adjusted Assessed Valuation:	<u><u>\$29,994,964,276</u></u>

	Total Debt 06/30/18	Percent Applicable (1)	City's Share of Debt 6/30/18
<b><u>Overlapping Tax and Assessment Debt:</u></b>			
Metropolitan Water District	\$ 60,600,000	1.135%	\$ 687,810
Mira Costa Community College District	100,000,000	27.531%	27,531,000
Palomar Community College District	627,826,320	2.727%	17,120,824
Carlsbad Unified School District	162,011,491	98.090%	158,917,072
Carlsbad Unified School District Community Facilities District No 1	1,535,000	100.000%	1,535,000
Oceanside Unified School District	227,501,325	0.004%	9,100
Vista Unified School District	90,744,882	0.604%	548,099
Encinitas Union School District	48,735,453	31.127%	15,169,884
San Marcos Unified School District	277,826,759	18.417%	51,167,354
San Marcos Unified School District School Facility Improvement District	2,092,874	19.984%	418,240
San Marcos Unified School District CFD No. 4	16,520,000	32.779%	5,415,091
San Marcos Unified School District CFD No. 5	15,275,000	100.000%	15,275,000
San Dieguito Union High School District	336,955,000	9.191%	30,969,534
San Dieguito Union HS District CFD No. 94-1	76,626	100.000%	76,626
San Dieguito Union HS District CFD No. 94-2	27,756,954	98.160%	27,246,226
San Dieguito Union HS District CFD No. 95-2	3,559,626	13.293%	473,181
Palomar Health District	436,358,740	1.676%	7,313,372
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	10,625,000	22.358%	2,375,538
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	20,525,000	100.000%	20,525,000
City of Carlsbad 1915 Act Bonds	<u>37,195,000</u>	100.000%	<u>37,195,000</u>
Total Overlapping Tax and Assessment Debt	\$ 2,503,721,050		\$ 419,968,951
<b><u>Overlapping General Fund Obligation Debt:</u></b>			
San Diego County General Fund Obligations	\$ 273,220,000	6.275%	\$ 17,144,555
San Diego County Pension Obligations	558,525,000	6.275%	35,047,444
San Diego County Superintendent of Schools General Fund Obligations	10,785,000	6.275%	676,759
Mira Costa Community College District Certificates of Participation	555,000	27.531%	152,797
Palomar Community College District General Fund Obligations	2,720,000	2.727%	74,174
Carlsbad Unified School District General Fund Obligations	44,245,000	98.090%	43,399,921
San Marcos Unified School District General Fund Obligations	74,774,457	18.417%	13,771,212
Vista Unified School District Certificates of Participation	2,310,000	0.604%	13,952
San Dieguito Union High School District General Fund Obligations	<u>12,730,000</u>	9.191%	<u>1,170,014</u>
Total Overlapping General Fund Obligation Debt	\$ 979,864,457		\$ 111,450,828
<b><u>Overlapping Tax Increment Debt (Successor Agency):</u></b>	6,030,000	100.000%	6,030,000 (3)
<b>Total Overlapping Debt:</b>	<b>\$ 3,489,615,507</b>		<b>\$ 537,449,779</b>
<b><u>City of Carlsbad Direct Debt:</u></b>			
City of Carlsbad Governmental Activities Obligations	\$ -	0.000%	\$ -
Total City of Carlsbad Direct Debt	\$ -		\$ -
<b>Combined Total Debt</b>	<b><u>\$ 3,489,615,507</u></b>		<b><u>\$ 537,449,779</u></b> (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.
- (3) Created by the dissolution of the Redevelopment Agency in FY 2011-12.

**Ratios to FY 2017-18 Assessed Valuation:**

Total Overlapping Tax and Assessment Debt 1.36%

**Ratios to FY 2017-18 Adjusted Assessed Valuation:**

**Governmental Activities Direct Debt 0.00%**

Combined Total Debt 1.79%



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**City of Carlsbad  
Direct and Overlapping Debt**

**Last Ten Fiscal Years**

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b><u>Overlapping Tax and Assessment Debt:</u></b>				
Metropolitan Water District	\$ 0.160	\$ 0.147	\$ 0.129	\$ 0.110
Mira Costa Community College District	-	-	-	-
Palomar Community College District	0.208	0.207	0.447	0.448
Carlsbad Unified School District	5.513	5.401	8.660	8.527
Carlsbad Unified School District CFD No. 1	0.263	0.230	0.192	0.149
Oceanside Unified School District	-	0.001	0.001	0.001
Vista Unified School District	0.033	0.043	0.039	0.038
Encinitas Union School District	0.228	0.205	0.357	0.338
San Marcos Unified School District	-	-	-	3.103
San Marcos Unified School District Facility Improvement District	0.250	0.227	0.202	0.176
Palomar Health District	0.389	0.383	0.444	0.434
San Marcos Unified School District CFD No. 4	0.248	0.245	0.241	0.236
San Marcos Unified School District CFD No. 5	1.016	1.000	0.979	0.950
San Dieguito Union High School District	-	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.011	0.004	0.004	0.004
San Dieguito Union HS District CFD No. 94-2	0.793	1.105	1.093	1.106
San Dieguito Union HS District CFD No. 95-2	0.004	0.022	0.022	0.022
San Dieguito Union HS District combined CFD	0.626	0.218	0.215	-
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.157	0.151	0.147	0.142
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	1.246	1.244	1.080	1.063
City of Carlsbad 1915 Act Bonds	<u>2.806</u>	<u>2.685</u>	<u>2.640</u>	<u>2.569</u>
Total Overlapping Tax and Assessment Debt	\$ 13.951	\$ 13.518	\$ 16.892	\$ 19.416
<b><u>Overlapping General Fund Obligation Debt:</u></b>				
San Diego County General Fund Obligations	\$ 1.304	\$ 1.201	\$ 1.133	\$ 1.155
San Diego County Pension Obligations	2.782	2.470	2.410	2.300
San Diego City Superintendent of Schools General Fund Obligations	0.046	0.061	0.059	0.055
Mira Costa Community College District Certificates of Participation	0.046	0.043	0.036	0.032
Palomar Community College District General Fund Obligations	0.010	0.010	0.009	0.008
Carlsbad Unified School District General Fund Obligations	2.206	2.132	2.089	2.028
San Marcos Unified School District General Fund Obligations	0.076	0.834	0.831	0.837
Vista Unified School District Certificates of Participation	-	-	-	-
Encinitas Union School District Certificates of Participation	0.008	0.004	-	-
San Dieguito Union High School District General Fund Obligations	-	0.048	0.049	0.059
Other Unified School District Certificates of Participation	<u>0.002</u>	<u>0.002</u>	<u>0.002</u>	<u>0.002</u>
Total Overlapping General Fund Obligation Debt	\$ 6.480	\$ 6.805	\$ 6.618	\$ 6.476
<b><u>Overlapping Tax Increment Debt (Successor Agency):</u></b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total Overlapping Debt:</b>	20.431	20.323	23.510	25.892
<b><u>City of Carlsbad Direct Debt:</u></b>				
City of Carlsbad Governmental Activities Obligations	-	-	0.025	0.021
Total City of Carlsbad Direct Debt	\$ -	\$ -	\$ 0.025	\$ 0.021
<b>Combined Total Debt</b>	\$ 20.431	\$ 20.323	\$ 23.535	\$ 25.913

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

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 0.080	\$ 0.062	\$ 0.049	\$ 0.039	\$ 0.030	\$ 0.023
-	-	-	-	-	0.918
0.375	0.361	0.562	0.520	0.619	0.571
8.312	7.921	7.073	6.370	5.816	5.298
0.103	0.052	-	-	-	0.051
0.001	-	-	-	-	-
0.031	0.028	0.025	0.022	0.024	0.018
0.454	0.426	0.385	0.515	0.551	0.506
1.711	2.248	2.087	1.922	1.797	1.706
0.076	0.057	0.035	0.027	0.020	0.014
0.353	0.336	0.308	0.285	0.258	0.181
0.230	0.292	0.254	0.232	0.199	0.509
0.918	0.864	0.690	0.626	0.566	1.032
0.621	0.607	0.967	0.906	1.031	0.003
0.004	0.004	0.003	0.003	0.003	0.908
1.082	1.032	0.928	0.855	0.983	0.016
0.022	0.023	0.021	0.019	0.017	-
-	-	-	-	-	0.244
0.138	0.139	0.031	0.102	0.091	0.079
1.045	1.000	0.903	0.836	0.750	0.684
2.107	2.018	1.727	1.564	1.379	1.240
<u>\$ 17.663</u>	<u>\$ 17.470</u>	<u>\$ 16.048</u>	<u>\$ 14.843</u>	<u>\$ 14.134</u>	<u>\$ 14.001</u>
\$ 1.070	\$ 0.983	\$ 0.857	\$ 0.709	\$ 0.648	\$ 0.684
2.017	1.865	1.664	1.497	1.347	1.240
0.047	0.042	0.036	0.031	0.025	-
0.028	0.023	0.018	0.014	0.119	-
0.006	0.006	0.005	0.004	0.003	0.572
1.967	2.086	1.846	1.692	1.598	1.168
0.458	0.441	0.407	0.376	0.378	0.023
0.001	0.001	0.001	0.001	0.001	0.005
-	-	-	-	-	0.002
0.051	0.049	0.047	0.044	0.041	1.447
-	-	-	-	-	0.459
<u>\$ 5.645</u>	<u>\$ 5.496</u>	<u>\$ 4.881</u>	<u>\$ 4.368</u>	<u>\$ 4.160</u>	<u>\$ 5.600</u>
\$ 0.376	\$ 0.341	\$ 0.290	\$ 0.250	\$ 0.212	\$ 0.177
23.684	23.307	21.219	19.461	18.506	19.778
0.007	-	-	-	-	-
<u>\$ 0.007</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 23.691	\$ 23.307	\$ 21.219	\$ 19.461	\$ 18.506	\$ 19.778

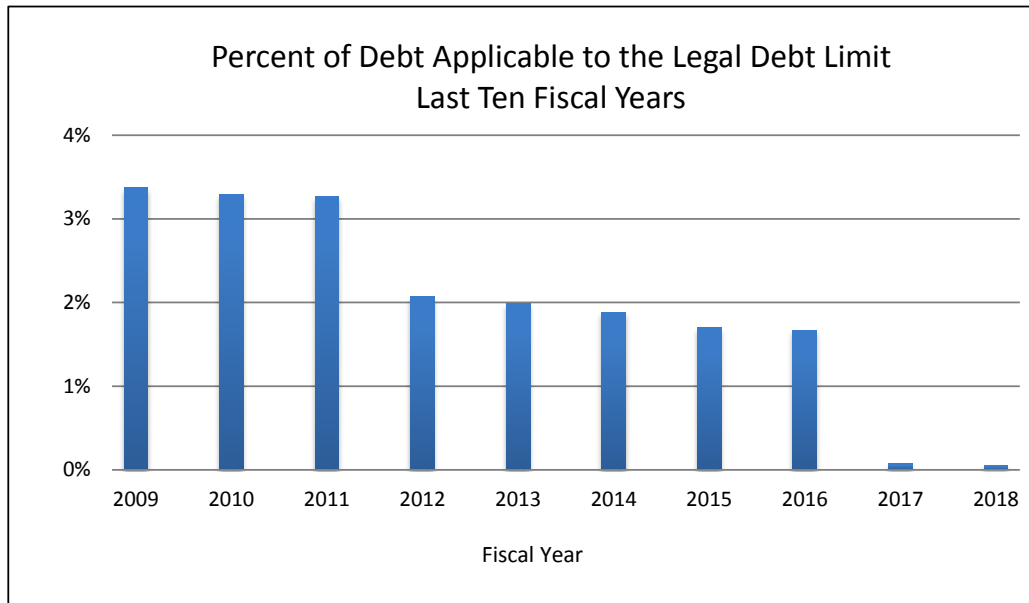


## Legal Debt Margin Information

### Last Ten Fiscal Years

(dollars in thousands)


	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net assessed valuation	\$ 23,517,153	\$ 23,234,948	\$ 23,012,997	\$ 22,982,172
Debt limit (25% x 15%)	881,893	871,311	862,987	861,831
Less amount of debt applicable to limit:				
Bonded debt	29,005	28,225	27,405	17,345 (1)
Certificates of participation	-	-	-	-
Loan payable	-	-	581	475
Obligations under capital leases	736	502	256	14
Total net debt applicable to limit	<u>29,741</u>	<u>28,727</u>	<u>28,242</u>	<u>17,834</u>
Legal debt margin	<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	3.37%	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.
- (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>	<u>2018</u>
\$ 22,956,650	\$ 23,522,746	\$ 25,489,468	\$ 26,924,891	\$ 28,423,782	\$ 29,994,964
860,874	882,103	955,855	1,009,683	1,065,892	1,124,811
17,005	16,645	16,260	15,855	- (2)	-
-	-	-	-	-	-
159	-	-	-	-	-
-	-	-	970	785	588
<u>17,164</u>	<u>16,645</u>	<u>16,260</u>	<u>16,825</u>	<u>785</u>	<u>588</u>
<u>\$ 843,710</u>	<u>\$ 865,458</u>	<u>\$ 939,595</u>	<u>\$ 992,858</u>	<u>\$ 1,065,107</u>	<u>\$ 1,124,223</u>
1.99%	1.89%	1.70%	1.67%	0.07%	0.05%



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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Wastewater Revenue Bonds</b>					
Gross revenues (1), (5)	\$ 10,551,005	\$ 10,837,232	\$ 11,564,398	\$ 12,391,225	\$ 12,599,601
Less expenses (2), (5)	<u>7,523,300</u>	<u>6,197,845</u>	<u>6,060,142</u>	<u>6,645,436</u>	<u>7,094,310</u>
Net available revenue	<u>\$ 3,027,705</u>	<u>\$ 4,639,387</u>	<u>\$ 5,504,256</u>	<u>\$ 5,745,789</u>	<u>\$ 5,505,291</u>
Debt service					
Principal (5)	\$ 675,000	\$ 705,000	\$ 740,000	\$ 780,000	\$ 820,000
Interest (5)	<u>262,169</u>	<u>228,006</u>	<u>191,419</u>	<u>152,468</u>	<u>111,469</u>
Total debt service	<u>\$ 937,169</u>	<u>\$ 933,006</u>	<u>\$ 931,419</u>	<u>\$ 932,468</u>	<u>\$ 931,469</u>
<b>Coverage</b>	<b>3.23</b>	<b>4.97</b>	<b>5.91</b>	<b>6.16</b>	<b>5.91</b>
<b>Recycled Water Loans</b>					
Gross revenues (3)	\$ 5,749,477	\$ 6,635,220	\$ 5,942,531	\$ 7,002,009	\$ 8,160,109
Less expenses (4)	<u>2,925,479</u>	<u>3,300,263</u>	<u>3,629,787</u>	<u>4,133,530</u>	<u>4,019,176</u>
Net available revenue	<u>\$ 2,823,998</u>	<u>\$ 3,334,957</u>	<u>\$ 2,312,744</u>	<u>\$ 2,868,479</u>	<u>\$ 4,140,933</u>
Debt service					
Principal	\$ 1,223,781	\$ 1,252,343	\$ 1,282,018	\$ 1,312,398	\$ 1,343,498
Interest	<u>652,702</u>	<u>624,140</u>	<u>594,463</u>	<u>564,084</u>	<u>532,983</u>
Total debt service	<u>\$ 1,876,483</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,481</u>
<b>Coverage</b>	<b>1.50</b>	<b>1.78</b>	<b>1.23</b>	<b>1.53</b>	<b>2.21</b>
<b>Golf Course Revenue Bonds</b>					
Gross revenues (1), (6)	\$ 7,680,342	\$ 7,080,711	\$ 7,582,458	\$ 7,863,951	\$ 6,777,292
Less expenses (2), (6)	<u>6,848,161</u>	<u>6,426,412</u>	<u>6,356,592</u>	<u>6,177,438</u>	<u>5,954,896</u>
Net available revenue	<u>\$ 832,181</u>	<u>\$ 654,299</u>	<u>\$ 1,225,866</u>	<u>\$ 1,686,513</u>	<u>\$ 822,396</u>
Debt service					
Principal (6)	\$ 275,000	\$ 290,000	\$ 305,000	\$ 325,000	\$ 340,000
Interest (6)	<u>821,550</u>	<u>810,250</u>	<u>798,350</u>	<u>785,750</u>	<u>771,600</u>
Total debt service	<u>\$ 1,096,550</u>	<u>\$ 1,100,250</u>	<u>\$ 1,103,350</u>	<u>\$ 1,110,750</u>	<u>\$ 1,111,600</u>
<b>Coverage</b>	<b>0.76</b>	<b>0.59</b>	<b>1.11</b>	<b>1.52</b>	<b>0.74</b>

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) Debt service on the wastewater revenue bonds was completed during FY 2015-16.  
(6) The golf course bonds were defeased during FY 2016-17.

<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
\$ 13,699,286	\$ 13,723,835	\$ 13,723,835	\$ -	\$ -
6,989,194	7,249,798	7,249,798	-	-
<u>\$ 6,710,092</u>	<u>\$ 6,474,037</u>	<u>\$ 6,474,037</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 860,000	\$ 905,000	\$ 905,000	\$ -	\$ -
68,419	23,191	-	-	-
<u>\$ 928,419</u>	<u>\$ 928,191</u>	<u>\$ 905,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b>7.23</b>	<b>6.97</b>	<b>7.15</b>	<b>n/a</b>	<b>n/a</b>
\$ 9,392,061	\$ 9,210,258	\$ 8,216,362	\$ 8,371,467	\$ 9,869,958
3,640,786	3,826,699	4,679,706	4,863,054	5,559,509
<u>\$ 5,751,275</u>	<u>\$ 5,383,559</u>	<u>\$ 3,536,656</u>	<u>\$ 3,508,413</u>	<u>\$ 4,310,449</u>
\$ 1,375,337	\$ 1,407,932	\$ 1,441,301	\$ 1,475,461	\$ 1,510,433
501,144	468,550	435,182	401,021	366,049
<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>
<b>3.06</b>	<b>2.87</b>	<b>1.88</b>	<b>1.87</b>	<b>2.30</b>
\$ 7,747,116	\$ 8,428,375	\$ 8,196,853	\$ -	\$ -
6,125,159	6,302,019	6,273,320	-	-
<u>\$ 1,621,957</u>	<u>\$ 2,126,356</u>	<u>\$ 1,923,533</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 360,000	\$ 385,000	\$ 405,000	\$ -	\$ -
755,850	739,088	721,313	-	-
<u>\$ 1,115,850</u>	<u>\$ 1,124,088</u>	<u>\$ 1,126,313</u>	<u>\$ -</u>	<u>\$ -</u>
<b>1.45</b>	<b>1.89</b>	<b>1.71</b>	<b>n/a</b>	<b>n/a</b>





## 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>
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
2018	114,622	3.43%	0.79%	42.3	2.60

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		Personal Income (1) (millions)	Per Capita Personal Income (2)	City Unemployment Rate
% High School Graduate	% Bachelor's Degree or Higher			
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%
95.7%	55.0%	\$ 6,496	\$ 56,675	3.00%



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

<u>Employer</u>	<u>Industry</u>	<u>2018</u>			<u>2009</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>
Legoland California	Hospitality/Tourism	2,300	1	3.26%	968	6	1.78%
ViaSat	Information Technology	2,153	2	3.05%	1,394	4	2.56%
Life Technologies	Life Sciences	1,982	3	2.81%	3,795	1	6.98%
Omni La Costa Resort & Spa	Hospitality/Tourism	1,300	4	1.84%	1,000	5	1.84%
Carlsbad Unified School District	Education	1,013	5	1.43%	940	7	1.73%
Gemological Institute of America	Research/Education	856	6	1.21%	-	-	-
City of Carlsbad	Government	698	7	0.99%	714	10	1.31%
Nortex Security Control	Information Technology	637	8	0.90%	-	-	-
HM Electronics	Information Technology	571	9	0.81%	-	-	-
Taylor Made Golf Company	Action Sports	570	10	0.81%	2,075	2	3.82%
Park Hyatt Aviara Resort	Hospitality/Tourism	-	-	-	823	8	1.51%
Nordson Asymtek	Manufacturing	-	-	-	768	9	1.41%
Callaway Golf Company	Action Sports	-	-	-	1,637	3	3.01%
<b>Subtotal Employees</b>		<b>12,080</b>		<b>17.11%</b>	<b>14,114</b>		<b>25.97%</b>
<b>Total Employees (estimate)</b>		<b>70,614</b>			<b>54,347</b>		

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Policy and Leadership Group</b>					
City Attorney	7.00	7.00	7.00	7.00	7.00
City Clerk and Records Management	-	-	-	-	-
City Council	1.00	1.00	1.00	1.00	1.00
City Manager	8.00	8.00	8.00	7.00	7.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
Communications	3.75	3.75	2.75	2.75	2.75
Records Management	8.00	8.00	8.00	6.25	6.00
<b>Administrative Services</b>					
Finance and Risk Management	32.00	31.00	30.50	30.50	30.50
Human Resources and Workers' Comp	10.00	10.00	9.00	9.00	9.00
Information Technology	19.50	19.00	22.50 (2)	22.50	22.50
<b>Public Safety</b>					
Police	162.00	162.00	162.00	162.00	161.00
Fire	88.75	88.75	88.75	87.75	87.75
<b>Community Development</b>					
Community and Economic Development	50.00	50.00	54.00 (2)	50.00	47.00
Housing and Neighborhood Services	10.00	10.00	11.00 (2)	13.00	10.00
<b>Community Services</b>					
Library and Arts	53.00	53.00	52.25	51.25	51.25
Parks and Recreation	30.50	72.10 (1)	71.95	70.95	68.40
<b>Public Works</b>					
Environmental Management	-	-	-	-	-
General Services, Engineering, Environmental	174.80	133.00 (1)	- (2)	-	-
General Services	-	-	-	-	-
Property and Fleet	-	-	41.60 (2)	39.60	40.55
Public Works Administration	-	-	-	-	-
Transportation	-	-	58.40 (2)	54.40	54.40
Utilities	55.20	55.40	69.55 (2)	68.55	67.65
<b>Full and 3/4 Time Authorized Employees</b>					
Net Increase/(decrease) over prior year	714.25	712.75	699.00	684.25	674.50
	3.00	(1.50)	(13.75)	(14.75)	(9.75)

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.
- (3) During FY 2014-15, the Policy and Leadership and Community Services groups were reorganized.
- (4) During FY 2015-16, FY 2016-17, and FY 2017-18, the Public Works group restructured divisions.
- (5) During FY 2017-18, the City Clerk and Records Management Departments merged.

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
7.00	7.00	7.00	6.00	7.00
-	3.00 (3)	3.00	3.00	6.00 (5)
1.00	1.00	1.00	1.00	1.00
7.00	7.00	7.00	8.00	8.00
0.75	0.75	0.75	0.75	0.75
2.75	4.75 (3)	5.00	5.00	5.00
5.00	2.00 (3)	2.00	2.00	- (5)
31.50	31.50	32.50	33.00	32.00
9.00	11.00	11.00	11.00	11.00
22.50	22.50	19.50	20.00	27.00
161.00	162.00	168.00	168.00	168.00
88.00	89.00	89.00	90.00	90.00
44.00	44.00	44.00	44.00	44.00
10.00	12.00	13.00	13.00	13.00
51.25	50.25 (3)	50.50	50.50	50.50
67.60	61.60 (3)	58.15	57.15	57.00
-	-	8.50 (4)	9.50 (4)	9.70
-	-	-	-	-
-	-	-	-	52.00 (4)
40.60	39.90	28.10 (4)	51.30 (4)	- (4)
-	-	8.05 (4)	9.85 (4)	12.30
53.40	55.90	57.35	33.00	32.00 (4)
65.40	64.60	60.85 (4)	60.20 (4)	59.00
667.75	669.75	674.25	676.25	685.25
(6.75)	2.00	4.50	2.00	9.00



**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>General Government</b>					
Number of applications processed (full and part-time)	3,134	5,260	2,416	1,998	10,904 (8)
Number of external new hires (full and part-time)	42	27	31	16	151 (8)
Number of internal promotions / transfers (full-time only)	25	34	5	6	6
Business licenses processed	9,029	9,173	9,539	9,303	9,422
Number of outgoing payments processed	41,381	40,310	41,344	39,075	38,441
<b>Public Safety</b>					
<b>Police</b>					
Calls for service	94,492	94,678	97,414	93,248	90,122
Average priority one response (minutes)	5.9	6.0	5.5	5.9	5.8
Cases	10,309	8,826	8,188	7,963	8,314
<b>Fire</b>					
Emergency responses	7,853	9,503	9,084	9,106	10,755
Response time: arrivals on scene within goal standard	85%	74%	71%	72%	71%
<b>Community Development</b>					
Affordable housing units completed	90	6	5	-	59
Financial assistance to affordable housing projects	\$ 1,014,000	\$ 3,750,000	\$ 525,000	\$ 780,000	\$ 7,408,000
Building permits issued	n/a	n/a	2,600	1,400	1,500
Building inspections conducted	15,000	15,500	19,500	19,000	24,000
Final inspections (residential dwelling units)	200	300	260	271	440
Final inspections (commercial square feet)	n/a	n/a	n/a	n/a	n/a
Code enforcement actions	4,484	3,400	4,320	3,827	4,943
<b>Community Services</b>					
Library - total material circulation	1,334,875	1,365,127	1,362,700	1,358,839	1,348,333
Library - patron visits	670,932	749,514	858,788	858,422	821,045
Arts - number of events	58	54	44	50	50
Arts - attendance of events	80,000	80,000	80,000	75,000	80,000
Recreation - youth sports participants	1,200	1,200	1,200	1,200	1,200
Recreation - adult sports participants	5,400	5,400	5,400	5,450	5,200
Recreation - enrichment class enrollees	13,539	13,075	13,300	12,650	12,200
Recreation - special events participants	10,700	12,000	9,000	10,000	13,000
Recreation - aquatics classes conducted	350	368	470	557	575
Trees trimmed	1,820	1,816	2,221	1,863	1,936
<b>Public Works</b>					
<b>Streets</b>					
Road miles resurfaced- overlay or slurry seal	4.7	15.3	3.8	25.2	24.3
<b>Carlsbad Municipal Water District</b>					
Average consumption (millions of gallons per day)	17.7	15.3 (1)	14.1 (1)	14.4	15.4
Annual water deliveries (acre feet)	19,867	17,142 (1)	15,786 (1)	16,104	17,248
Water connections	27,890	27,910	27,978	28,379	28,947
<b>Wastewater</b>					
Sewage pumped (millions of gallons per day)	7.11	7.10	7.57	6.92	6.65
Annual flow (millions of gallons)	2,595	2,590	2,762	2,524	2,426
Wastewater connections	22,331	22,335	22,342	22,631	22,955

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 re-categorized 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 not available for FY 2016-17 due to the implementation of a new permitting system.
- (7) Beginning in FY 2016-17, 2,500 AF of contracted desalinated water is included in the water purchase totals.
- (8) Beginning in FY 2012-13, part-time applicants were added to the number of applicants and new hires.

2014	2015	2016	2017	2018
9,527	8,551	8,037	9,544	9,455
284	299	260	292	311
47	41	31	58	44
10,327	10,735	11,449	8,142 (5)	11,267
39,310	40,663	41,398	41,304	41,869
87,976	91,314	92,061	84,858	90,760
5.8	6.5	6.1	5.9	5.8
8,296	8,349	9,253	8,884	8,643
9,925	9,830	11,455	12,515	12,039
63%	63%	64%	64%	61%
-	-	-	-	-
\$ -	\$2,646,000	\$ -	\$1,280,000	\$ -
1,400	1,600	3,000	4,500	4,392
19,000	21,000	23,000	27,000	22,671
190	200	200	600	289
45,000	60,000	60,000	95,000	155,292
4,794	5,389	10,994	n/a (6)	9,538
1,369,369	1,293,282	1,103,090	1,243,228	1,169,247
791,533	804,003	609,679 (4)	720,205	685,188
62	80	88	79	82
75,000	87,000	85,000	79,067	65,817
2,292 (2)	1,000	1,000	968	1,003
5,600	6,150	5,600	4,500	4,800
10,350	19,030 (3)	19,632	17,402	12,996
13,600	17,841 (3)	19,474	12,150	11,645
1,018 (2)	1,224	684	733	778
1,920	2,018	1,965	1,971	1,954
14.8	18.1	20.0	23.8	25.8
15.9	14.6	12.1	11.0	12.3
17,801	16,368	13,578	14,616 (7)	16,032
29,045	29,190	29,190	29,782	30,054
6.53	5.90	6.17	5.82	6.32
2,384	2,152	2,252	2,125	2,306
23,282	23,431	23,431	23,747	23,863





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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Community Services</b>					
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	755
Miles of trails	38	47	47	47	47
Number of pools	1	1	1	1	1
Number of community centers	4	4	4	4	4
Number of libraries	3	3	3	3	3
Number of Materials in Library Collections	380,000	642,118	645,414	645,414	625,893
<b>Public Safety</b>					
<b>Fire Protection</b>					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	12	12
Number of ambulances	5	5	5	5	6
Number of other fire vehicles	14	14	14	15	15
<b>Police Protection</b>					
Number of patrol and other vehicles	91	91	90	90	88
Number of motorcycles	18	15	11	11	13
<b>Public Works</b>					
<b>Carlsbad Municipal Water District</b>					
Miles of lines and mains	447	447	518 (1)	527	534
<b>Wastewater</b>					
Miles of sewers	269	282	284	288	288
<b>Streets</b>					
Miles of streets	340	340	340	340	343
Number of street lights	7,100	7,113	7,126	7,142	7,179
Number of traffic signals	168	172	172	172	174

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>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
33	33	33	33	33
281	319	319	319	319
728	728	728	728	728
47	47	47	47	47
3	3	3	3	3
4	4	4	4	5
3	3	3	3	3
581,865	574,775	563,581	491,956	477,149
6	6	6	6	6
13	12	12	12	13
8	7	6	5	5
16	15	18	20	20
114	114	106	106	96
13	14	15	12	13
534	534	559	559	559
288	288	288	288	288
346	347	348	350	350
7,236	7,262	7,265	7,334	7,337
174	177	177	177	178

