



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR
ENDED

JUNE 30, 2020



**Fiscal Year Ended June 30, 2020
Comprehensive Annual Financial Report**

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2020

Prepared by the



Finance Department

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Carlsbad, CA 92008

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CITY OF CARLSBAD
Comprehensive Annual Financial Report
Year Ended June 30, 2020

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November 20, 2020

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

**LETTER OF TRANSMITTAL
2019-20 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Honorable Mayor, City Council, and Residents:

I am pleased to present the fiscal year 2019-20 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, 2020.

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 has been 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 fiscal year that ended June 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

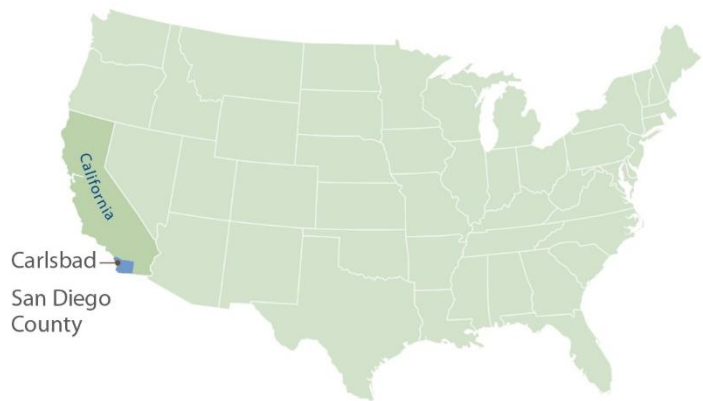
Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

As a recipient of federal and state financial assistance, the city is required to have a "Single Audit" performed by an 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. Due to COVID-19, there has been a delay in obtaining these reports; however, once completed they will be available in the city's separately issued Compliance Reports and Other Financial Information.

Profile of the City of Carlsbad

Carlsbad incorporated in 1952 as a General Law City, although its “village” area dates back more than 100 years. In June 2008, the voters of Carlsbad overwhelmingly approved the city to change to a Charter City. Carlsbad is located on the southern California coast, about 35 miles north of the City of San Diego. The city is governed by a five-member City Council under the Council Manager form of government. The City Council is elected 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 approximately 115,000, 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, 46 hotels offering 4,764 rooms, 268 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 approximately 527 low-income households in Carlsbad, and older residents can take advantage of Carlsbad’s senior citizen programs.

Budget Process

The City Council sets the overall policy direction for Carlsbad and helps staff prioritize programs, projects and services to support that direction. Public input plays a critical role in setting both the long-range policy direction of the city and decisions about day to day spending.

FISCAL YEAR 2020-21

BUDGET SCHEDULE

January

City Council sets priorities
Departments begin preparing budgets

February

Public input on City Council budget priorities

April

City Council meeting on COVID-19 impacts

June

Preliminary budget to City Council
Final budget adoption

Sept/Oct

Annual Financial Audit

Dec

Comprehensive Annual Financial Report

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.

Economic and Fiscal Issues Facing the City

This has been an unprecedented time for the City of Carlsbad, the nation, and the entire world, due to the impacts of the Coronavirus Disease 2019 (“COVID-19”). The World Health Organization (WHO) declared COVID-19 a global pandemic on March 11, 2020. The city subsequently declared a local emergency on March 17, 2020, and a countywide stay-at-home order began on March 19, 2020. The stay-at-home order has been extended and is currently in effect with some easing of restrictions since the initial order. At the time of developing the Fiscal Year 2020-21 Proposed Budget, the world was grappling with the effects of COVID-19.

The economic impacts of COVID-19 to the federal, state, and regional economies have been unparalleled and continue to remain uncertain. Since the pandemic began, almost 40 million Americans lost their jobs and filed for unemployment benefits, including more than 4.8 million Californians. In April 2020, the statewide unemployment rate climbed to 15.5%. In Carlsbad, some businesses closed, and thousands of residents lost their jobs. The stock market lost several trillion dollars in a few short weeks; the Federal Open Market Committee reacted sharply with a 50-basis-point reduction in the Federal Funds Discount Rate (Discount Rate) on March 3, 2020 and again on March 15, 2020 with an additional 100-basis-point reduction, impacting the city’s investment income.

Preparing a budget for a full-service city always has its share of unknown variables. Doing so in the midst of an economic shutdown during a global pandemic elevates the task to a new level of uncertainty. It requires reprioritizing and adapting as the economy recovers. As restrictions are lifted in phases, the city will have a clearer picture of the revenue outlook and whether the city will be reimbursed for additional expenses related to the crisis response. It is impossible to anticipate, at this point, the depth and duration of the economic downturn caused by the pandemic. Yet, Carlsbad’s conservative approach to budgeting has withstood the test of time, allowing for cautious optimism.

At the federal level, the city is observing a reluctance to provide financial relief to cities like Carlsbad with populations less than 500,000 in any of the federal stimulus aid packages. This critical help is needed because the long-term ability to maintain police, fire, road, and park services at today’s service levels has no safety net. Carlsbad relies almost entirely on the success of the local economy via tax revenues to fund 70% of these services. While the city has been advocating strongly to include smaller cities in each iteration of the federal aid from the start, there is no relief in sight. Residents and business are as deserving of federal help to protect their public services as larger cities are.

Maintaining good fiscal health remains a significant priority. Meeting this objective preserves the city’s ability to continue providing important programs and services to the community. Past economic challenges have provided opportunities for developing solutions to address lost revenues while preserving vital services. Expenditure reductions and shifting of priorities to maintain service levels provide the needed measure of stability to offset the declines in the economic activity the city is currently experiencing due to the COVID-19 pandemic. Although revenues will need to be closely monitored as a result, disciplined spending and long-term financial planning remain critical to ensuring the future sustainability of important city programs and services.

Long-Term Financial Planning

Strategic planning begins with determining the city's fiscal capacity based upon long-term financial forecasts of recurring available revenues and future financial obligations. Prior to the adoption of the annual budget, the finance department will prepare and present to the City Council a Ten-Year Financial Forecast (“Forecast”) that evaluates known internal and external issues impacting the city's financial condition. The Forecast is intended to help the city achieve the following:

1. Attain and maintain financial sustainability;
2. Provide sufficient long-term information to guide financial decisions;
3. Ensure availability of sufficient resources to provide programs and services for the stakeholders;

4. Identify potential risks to on-going operations in the long-term financial planning process and communicate these risks on an annual basis;
5. Establish mechanisms to identify early warning indicators; and
6. Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the City Council.

It is important to stress that the Forecast is not a budget. It does not make expenditure decisions, but rather highlights the need to prioritize the allocation of city resources, to ensure the continuation of core city services. The purpose of the plan is to provide the City Council, key stakeholders and the public an overview of the city's fiscal health based on various financial and service level assumptions over the next ten years; and allow for the discussion of necessary steps to be initiated during the development and implementation of future budgets. The Forecast is intended to look beyond the annual budget cycle and serve as a planning tool to bring a long-term perspective to the budget process. The Forecast should also take into consideration any City Council Policies that need to be met on an annual basis including General Fund reserve guidelines and pension funding guidelines. Should projected expenditures exceed projected revenues in any given year, the City Manager will need to identify steps to mitigate the shortfalls prior to presenting a balanced budget to the City Council for consideration during the annual budget development process. It should be noted that the Forecast is a snapshot in time and will change as additional information is made available and incorporated into the fiscal projections.

The city prepares a long-term financial model for both capital and operating needs. With a growing city such as Carlsbad, it is imperative that the city plan for the impacts of development, constructing and operating new public facilities, and planning resources needed to build them. The city prepares a ten-year operating forecast for the General Fund, and a 15-year Capital Improvement Program. As part of the Capital Improvement Program, the city annually calculates the amounts needed to pay for the various projects and calculates the anticipated operating budget impacts. In this way, the city can anticipate the effects of development from both a capital and an operating perspective.

One important initiative the city has undertaken to ensure its financial health is the development of an Infrastructure Replacement Fund. With this fund, the city sets aside a portion of General Fund revenues on an annual basis for major maintenance and replacement of its infrastructure. Much of the city's infrastructure is relatively new; thus, the city is only beginning to experience the impact of maintenance requirements. By setting aside funds now, the residents of Carlsbad can be assured that the proper maintenance and replacement, as needed, will be performed on streets, parks, and many facilities for which the city is responsible.

Employee retirement costs continue to require ongoing prudent fiscal management. Overall, levels of funding of the city's plans and the CalPERS system have improved from higher-than-expected investment returns over the last two fiscal years. While this boosts the funding position, risks remain in the system. Required employer contributions will continue to increase over the next few years and actual contribution increases could exceed expectations if future experience is unfavorable. The City Council issued a pension funding policy to codify its commitment to ensure that resources will be available to fulfill the city's contractual retirement promises to its employees, and to minimize the chance that the funding of these benefits will interfere with providing essential services to the community. The policy outlines a funding discipline to ensure that adequate resources will be accumulated in a systematic and disciplined manner to fund the long-term cost of benefits to the plan participants and annuitants.

With continued demand for enhancing services for the community, keeping up with technology demands and replacement of aging infrastructure remains an issue. To maintain the city's current and proposed standards of performance, and to protect computer systems from ever-increasing outside attacks, viruses and new vulnerabilities, additional resources are continually needed to ensure systems remain stable and reliable for all users and protected against data intrusion or loss. Additional funding in this budget has been made for needed replacements, upgrades and security.

Connected Carlsbad

As the adoption of new technology expands, expectations from the public and what they demand from government is changing too. Carlsbad is quickly becoming a leader in deploying advanced technological and data tools to provide better services for the community. Connected Carlsbad: An Inclusive Smart Community Roadmap, recently presented to the City Council, is designed to provide a high-level, organized guide to the work the city will do in using data and technology. This customized strategic roadmap is based on City Council approved projects, existing city documents, previous IT assessments, and interviews with departments, combined with a global scan of other cities and best practices that have emerged from leading smart city thinkers and Carlsbad-specific community engagement. The roadmap is organized into five primary goal areas to:

- Modernize and Strengthen IT Infrastructure
- Build Capacity for Data-Driven Government
- Foster a Vibrant Civic Engagement Culture
- Enhance Accessibility and Transparency
- Promote Safety and Sustainability Through Connectivity

The city will continue to stay abreast of the economic climate and variables effecting the national, state, and local levels. Updated financial forecasts and maintaining a structurally balanced budget for the long term will allow the City Council and decision makers to adjust for potential pitfalls and to ensure fiscal challenges are identified and resolved.

FINANCIAL MANAGEMENT POLICIES

Revenue Policies

The development and maintenance of balanced and reliable revenue streams will be the primary revenue objective of the city. Efforts will be directed to optimize existing revenue sources while periodically reviewing potential new revenue sources. The need to promote a healthy business climate is recognized as one method to maximize existing revenue sources. Revenue estimates will be prepared on an annual basis during the preparation of the budget, and major revenue categories will be projected on a ten-year basis. Revenues will be estimated conservatively using accepted standards and estimates provided by the state and other governmental agencies. Alternative revenue sources will be periodically evaluated to determine their applicability to meet identified city needs. Sources of revenue will be evaluated and modified as necessary to assure a diversified and growing revenue base that improves the city's ability to handle fluctuations in individual sources.

Revenues from "one-time" or limited duration revenue sources will not be used for ongoing operating expenses. Fees and charges for services will be evaluated and, if necessary, adjusted annually to ensure that they generate sufficient revenues to meet service delivery costs. The city will establish user charges at a level generally related to the full cost (operating, direct, indirect, and capital costs) of providing the service, unless the City Council determines that a subsidy from the General Fund is in the public interest. The city will also consider market rates and charges levied by other municipalities of similar size for like services in establishing rates, fees, and charges. Enterprise and Internal Service Funds will be self-supporting.

Expenditure and Budget Policies

Major expenditure categories will be projected on a ten-year basis. The city will operate on a current funding basis. Expenditures will be budgeted and controlled so as not to exceed current revenues plus the planned use of any accumulated fund balances. Annual budgeted operating expenditures shall not exceed annual operating revenues, including budgeted use of reserves.

The city manager shall prepare and submit to the City Council annually a proposed operating and capital budget by June 1st of each year, and the budget will be adopted by June 30th of each year. Budget status reports are prepared monthly, distributed to all departments, and posted on the city's website. Because the budget is based on estimates, from time to time, it is necessary to make adjustments to fine-tune the

line-items within it. Various levels of administrative control are utilized to maintain the budget's integrity. Program managers are accountable for the line-item level of control of their individual program budgets. Department heads are accountable for the fund level of control for funds within their departments. Finance oversees the general level of accountability related to budgetary integrity through systems checks and balances and various internal controls.

The city's [General Fund Surplus Policy - Council Policy No. 87](#) outlines the use of surplus funds resulting from unrestricted General Fund actual revenues exceeding total actual expenditures, encumbrances, and commitments for a given fiscal year. It is the intent of the city to use all surplus funds generated to meet reserve policies, and the reduction or avoidance of long-term liabilities. The city will not use year-end surplus funds to fund ongoing operations unless otherwise approved by the City Council.

The city will use surplus funds to replenish any General Fund deficiencies, up to the minimum level as set forth in the [General Fund Reserve - Council Policy No. 74](#) and then any pension liability deficiencies, as defined in [City Council Policy No. 86 - Pension Funding Policy](#).

The city manager is authorized to approve the carryforward of any unspent and unencumbered budget for a particular item equal to or less than \$100,000 into the following fiscal year. These items will be one-time expenditures and not for on-going services, programs or personnel. Any remaining surplus funds in excess of reserve and pension liability deficiencies and items equal to or greater than \$100,000 will be brought forward for the City Council's approval.

The city adheres to long-range financial planning which forecasts revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables. Financial planning allows the city to execute overall strategies to support the process of aligning financial capacity with long-term service objectives. Financial forecasts are updated at least once a year, or more often, if unexpected changes in economic conditions or other unforeseen circumstances exist. Any significant changes will be reported to the city manager and the City Council. Otherwise, these financial forecasts will be used as a tool during the development of the annual budget process and to set utility rates as needed.

[Reserve Policies](#)

The city formally mandates the levels at which reserves shall be maintained for the General Fund and informally sets minimum target levels for the Enterprise and Internal Service Funds.

The [General Fund Reserve Guidelines - Council Policy No. 74](#) was most recently updated and approved by the City Council in June 2019. The purpose of the policy is to establish a target minimum level of designated reserves in the General Fund to:

- Reduce the risk of financial impacts resulting from a natural disaster or other catastrophic events;
- Respond to the challenges of a changing economic environment, including prolonged downturns in the local, state or national economy; and
- Demonstrate continued prudent fiscal management and creditworthiness.

The city commits to maintaining General Fund reserves (the term reserve refers to any unassigned fund balance) at a target of 40% of General Fund annual operating expenditures. The total reserve level will be calculated using the prior year's adopted General Fund budgeted expenditures.

At the discretion of the City Council, reserve levels in excess of the 40% target requirement may be used for one-time opportunity cost purposes. Reserve funds will not be spent for any function other than the specific direction in the annual budget or by a separate City Council action.

As a general budget principle concerning the use of reserves, the City Council decides whether or not to appropriate funds from reserves. Reserve funds will not be spent for any function other than the specific purpose of the reserve account from which they are drawn without specific direction in the annual budget; or by a separate City Council action.

The [Wastewater and Water Operating Fund Reserves](#) will target a reserve funding level of 40%. The reserve amount is calculated by dividing unassigned fund balance by total budgeted operating expenses plus replacement transfers plus budgeted debt service payments. The annual budget process and setting utility user rates and charges will be used to achieve and maintain the target reserve level.

The city's [Workers' Compensation Fund](#) will maintain a minimum reserve equal to the estimated outstanding claims as calculated by a third-party administrator. Additional reserve amounts may be set aside as deemed appropriate based on a third-party actuarial study completed at two-year intervals. During the annual budget process, the target confidence level will be compared with the projected fund balance, and, if the projected fund balance is greater than or lesser than the target, a plan to adjust the fund balance will be considered, using either or both increasing revenues through interdepartmental charges and one-time cash contributions from those funds contributing to the shortfall.

The [Risk Management Fund \(General Liability\)](#) will maintain a minimum reserve equal to the estimated outstanding claims as calculated by a third-party administrator. Additional reserve amounts may be set aside as deemed appropriate based on a third-party actuarial study completed at two-year intervals. During the annual budget process, the reserve level will be compared with the projected fund balance, and, if the projected fund balance is greater than or lesser than the target, a plan to adjust the fund balance will be considered, using either or both increasing revenues through interdepartmental charges and one-time cash contributions from those funds contributing to the shortfall.

The [Information Technology Asset Replacement Fund](#) shall maintain a minimum reserve level defined as the amount of accumulated depreciation of capitalized assets based on the original cost of each capitalized asset, and up to a maximum reserve level defined as the accumulated depreciation based on the estimated replacement cost of each capitalized asset.

The [Vehicle Asset Replacement Fund](#) shall maintain a minimum reserve level defined as the amount of accumulated depreciation of capitalized fleet assets based on the original cost of each capitalized asset, and up to a maximum reserve level defined as the accumulated depreciation based on the estimated replacement cost of each capitalized asset.

[Investment Policy](#)

The city has established a formal Investment Policy. It is the policy of the City of Carlsbad to invest public funds not required for immediate day to day operations in safe, liquid and medium-term investments that yield an acceptable return while conforming to all California statutes. It is intended that the policy cover the investment activities of all contingency reserves and inactive cash under the direct authority of the city. Investments of the city and its component units will be made on a pooled basis; however, investments of bond proceeds will be held separately if required.

[Pension Funding Policy](#)

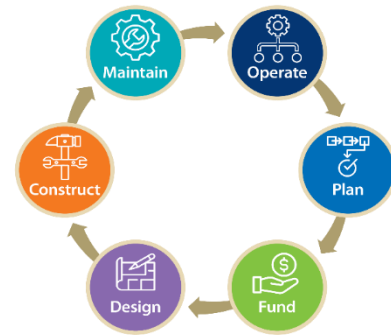
The city's [Pension Funding Policy - Council Policy No. 86](#) embodies funding and accounting principles to ensure that resources will be available to fulfill the city's contractual promises to its employees. The policy objectives include using actuarially determined contributions (ADC) provided by CalPERS, funding the full amount of the ADC each year, maintaining no less than a combined minimum of 80% funded ratio, and demonstrating accountability and transparency by communicating all information necessary for assessing the city's progress toward meeting its pension funding objectives.

In the event the city is unable to meet the minimum combined pension funded ratio of 80% with current resources (i.e. without borrowing or using reserves), the finance director will identify a reasonable period to return to a minimum 80% funded ratio status.

Capital Improvement Program

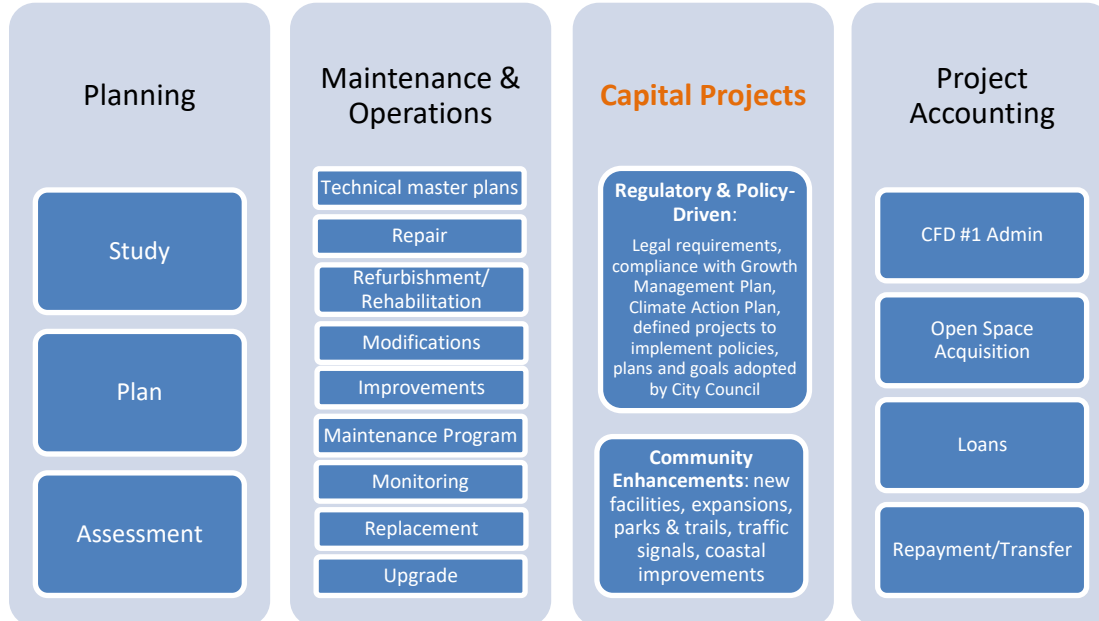
The City of Carlsbad Capital Improvement Program (CIP) reflects the city's ongoing commitment to maintaining the highest standards of quality facilities for the community today and in the future. It is a planning document, not a commitment for spending. The 15-year program outlines the expenditure plan for future capital projects and the corresponding revenues to pay for those expenditures.

Projects that are shown in the CIP are generally defined as any construction, rehabilitation or replacement of major infrastructure such as streets, libraries, parks, fire stations and administrative facilities, water, sewer and drainage facilities, and other facilities that are located on or in the ground. In most cases, the total construction cost of each of these assets is recorded and tracked as part of the city's inventory of capital infrastructure assets and other city-owned property.



Once the City Council adopts the proposed annual CIP budget, projects receive an appropriation that authorizes spending in the amount specified for the adopted fiscal year only. Estimated budget information is shown for a 15-year period to provide the most comprehensive information about known future projects. Spending authority in future years is not granted until adoption of the annual proposed CIP budget associated with each year.

Carlsbad's philosophy is to take a proactive, long-range planning approach to building high quality facilities and infrastructure that support the needs and priorities of the community. The CIP is organized by the following project classifications:



Investing in Quality of Life

As the city continues to grow and develop, there is a corresponding increase in the demand for development-related services and new facilities. To ensure that the necessary infrastructure and facilities are built on a schedule that meets or exceeds this demand, the citizens of Carlsbad adopted a Growth Management Plan in 1986. The plan was established to manage development within the city by linking residential, commercial, and industrial development directly to standards for availability of public services and facilities.

The Growth Management Plan states that unless a standard level of facilities is available to meet new demands resulting from the city's growth, development cannot proceed. Recently, certain actions, such as imposing a moratorium, have been determined to be impermissible by the California Housing and Community Development Department, per Senate Bill 330, Housing Crisis Act of 2019, which became effective on Jan. 1, 2020.

The detailed level of planning required by Growth Management has allowed Carlsbad's Capital Improvement Program to anticipate the funding needed for capital improvements in the next 15 years. Facilities such as community centers, parks, and fire stations have been constructed and opened to the public under this program.

The Capital Improvement Program has been designed to specifically address areas where new or expanded facilities will be needed to maintain compliance with the adopted performance standards. Compliance with the Growth Management Plan was continued with the adoption of the fiscal year 2020-21 CIP.

Prudent financial planning has ensured ongoing funding to modernize, repair, and replace existing infrastructure projects through numerous asset management programs, which ensure adequate inspection, maintenance, and replacement of buildings and parks, water, sewer and drainage systems, bridges, and roadways systems.

Project Evaluation

Development of the CIP is a team effort involving all operational departments, the city manager's office, the City Council, and the community. Community feedback on infrastructure needs is considered and incorporated. The CIP is fully vetted at multiple levels of the organization using an inclusive and transparent process, and reviewed quarterly.

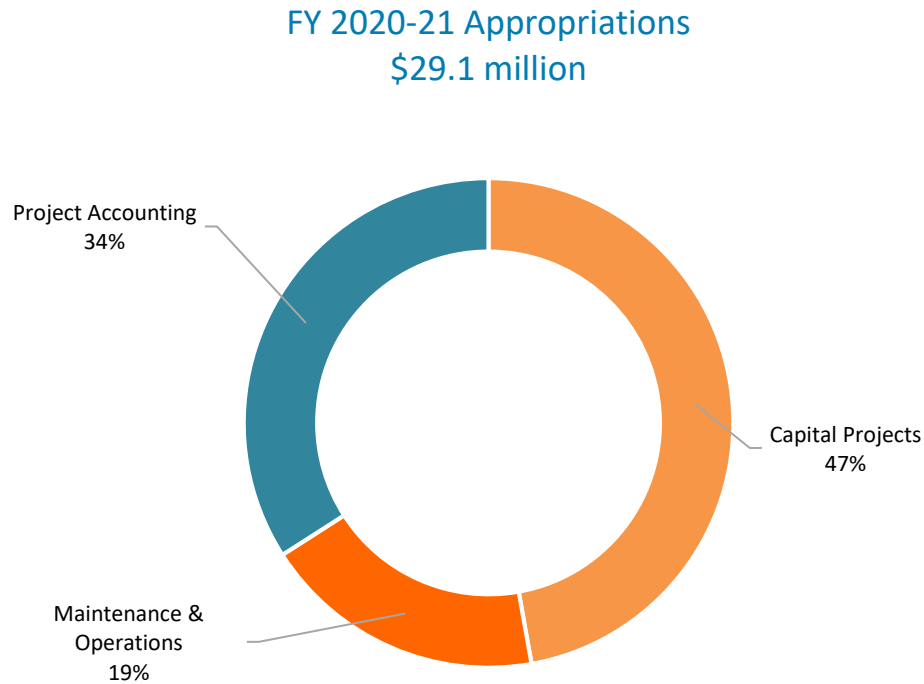
As the CIP is implemented throughout the year, staff continually reevaluate projects' scopes, costs and schedules to responsibly and cost-effectively manage infrastructure assets at the required levels of service throughout their lifecycle. Recommendations for project funding considers current project status, project scheduling and sequencing requirements, project constraints and current staff capacity. Project charters are updated to include project description, location, summary of need, justification including any legislative or policy citations, cost estimates and project scores.

In anticipation of revenue decreases in some capital funding sources, staff recommended funding adjustments in fiscal year 2020-21 that focused on matching existing resources with realistic and achievable project schedules. New project requests were minimized, and the city remains committed to continue work on projects that are already underway.



Fiscal Year 2020-21 Appropriations

In the fiscal year 2020-21 CIP, there are approximately 230 continuing and new projects planned over the next 15 years. The fiscal year 2020-21 CIP outlines \$29.1 million in new appropriations to provide additional funding for the continuation of existing projects as well as funding for one new project. Projected revenues during the same fiscal year are estimated at \$34.5 million.



Civic Buildings and Facility Maintenance \$4.3 million

This category includes a variety of facilities such as fire stations, libraries and the new City Hall. Costs include repair, maintenance and replacement of civic buildings.



Parks \$755,000

Projects include improvements and enhancements to existing parks, such as playground resurfacing, picnic areas and other needs identified by the community and in recently updated parks master plans.



Drainage \$500,000

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. As the city continues to age, it is increasingly necessary to balance repairing and replacing the existing lines with enhancing the current infrastructure to accommodate future needs.



Sewer \$10.4 million

The city's sewer, or wastewater, projects include numerous pipeline construction and rehabilitation projects, as well as improvements to the Encina Wastewater Treatment facility. Most new lines are built and paid for with impact fees collected with new development.



Water and Recycled Water \$5.0 million

Future water and recycled water projects include construction of new pipe lines, replacement of existing waterlines and reservoir improvements. The Carlsbad Municipal Water District has been producing and delivering recycled water for over 30 years.

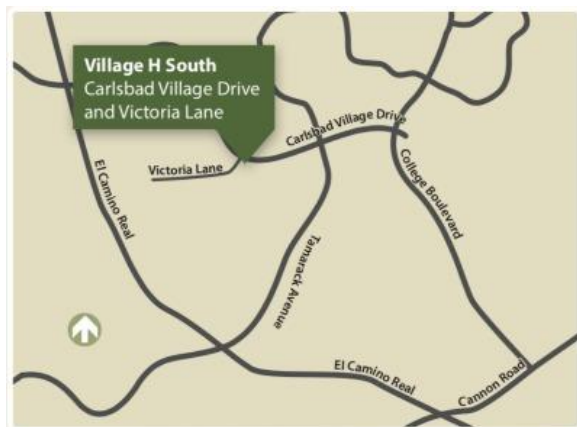


Streets and Circulation System \$8.2 million

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. Carlsbad continues to invest in modernizing roads, leveraging technology to improve traffic systems, and making timely repairs and rehabilitation of the roadways, bridges, sidewalks and other assets in public rights of way throughout the city.

New CIP Projects

Village H South Off Leash Dog Area and Trail Segment 5B



Managing Department: Parks & Recreation
Classification: Capital Project
Funding Source: Public Facility Fees

Budget		
FY21	\$	375,000
FY23	\$	872,800
TOTAL	\$	1,247,800

About This Project

The City of Carlsbad took ownership of a 61-acre piece of property, bisected at the corner of Carlsbad Village Drive and Victoria Avenue, as part of a lawsuit settlement involving the Quarry Creek housing project. The project anticipates approximately one acre of fenced, off-leash dog area, a parking lot and a pre-fabricated restroom. The project also includes the design and construction of the balance of Trail Segment 5B (Carlsbad Village Drive to Tamarack Avenue), as reflected in the Carlsbad Trails Master Plan.

Project Need

The City Council directed city staff to “initiate public outreach to engage residents in the development of a plan to integrate an off-leash dog run as part of the Village H property.” Taking into account community input, staff and Preserve Calavera created a conceptual plan to allow an off-leash dog area while protecting sensitive habitat preserves and providing for wildlife movement.

General Plan Consistency

The project is consistent with Open Space, Conservation, and Recreation Element Goal 4-G.3 (“Protect environmentally sensitive lands, wildlife habitats, and rare, threatened or endangered plant and animal communities”) and Policy 4-P.41 (“Implement the projects recommended in the City of Carlsbad Trails Master Plan through the city’s capital improvement program, private development conditions and other appropriate mechanisms”). The project’s Open Space and Community Facilities land use designations support recreation and community-serving uses.

Climate Action Plan Consistency

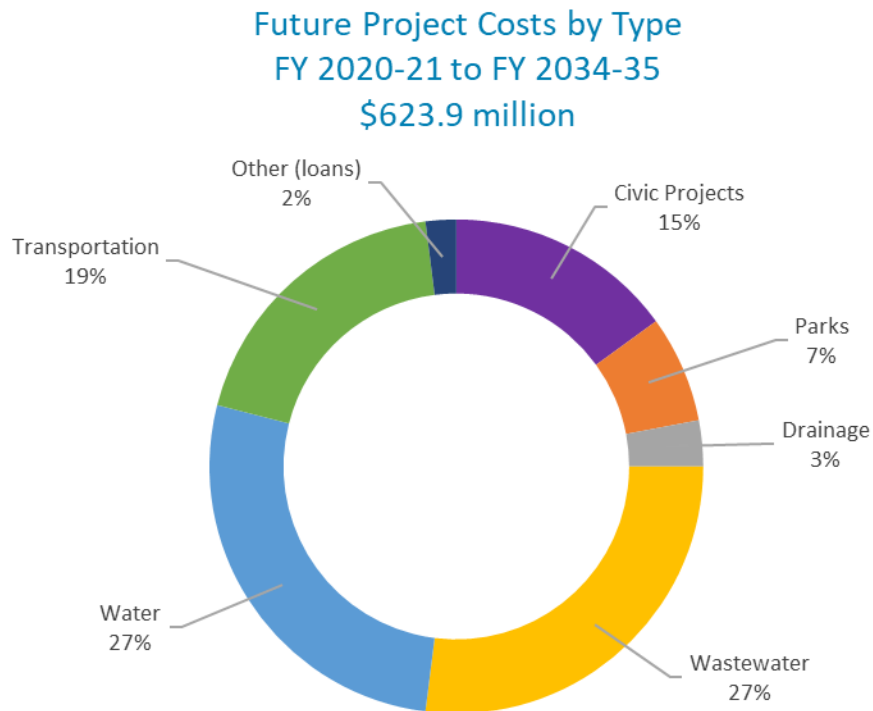
The project is consistent with CAP Section 3.6 – Pedestrian Improvements

Anticipated Environmental Review

Potential Mitigated Negative Declaration or addendum to the Environmental Impact Report prepared for the Calavera Hills Master Plan Phase II.

Future Projects

The CIP for fiscal year 2020-21 to fiscal year 2034-35 outlines approximately 230 projects at a cost of \$623.9 million. Long-range planning and responsible asset management play key roles in the development of future capital projects. Using data from various infrastructure master plans, ongoing asset condition assessments, technical modelling, field inspections as well as community feedback, the information provided for future years reflects the most comprehensive snapshot of known or anticipated future projects as well as associated estimated costs.



Unfunded Projects

There are six projects identified in the Capital Improvement Program for which there is no identifiable funding source and, in some cases, where only partial funding has been identified. The city will investigate obtaining possible external funding, such as federal and state grants, loans, or other financing sources. Once funding is identified for these projects, the project costs will have to be reviewed and updated to reflect

actual cost estimates. The unfunded projects do not receive annual inflationary increases. Two projects are partially funded by the Traffic Impact Fee Program. The program was planned to generate enough revenue to pay for 20% of the total costs of these projects, leaving the remaining 80% unfunded.

Business Park Recreational Facility (Partial Funding)	\$ 6,600,000
Cannon Lake Park (6.7 Acres)	2,243,000
Carlsbad Blvd. Mountain View To Northerly City Limits (Partial Funding)	6,905,600
Carlsbad Blvd./ Palomar Airport Road (Partial Funding)	14,109,600
Carlsbad Blvd. Realignment - Segments 3-5	26,100,000
College Boulevard Extension	30,000,000
TOTAL UNFUNDED PROJECTS	\$85,958,200

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the city for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This was the 22nd 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 annually produce a CAFR which will continue to meet the Certificate of Achievement Program's requirements. This report will be also submitted to GFOA to determine eligibility for another certificate.

This report has been a comprehensive 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 Ryan Green, Assistant Finance Director and Kim Riboni, Senior Accountant. 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. 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, 2019

Christopher P. Morill

Executive Director/CEO



Elected Officials

Matt Hall, Mayor
Keith Blackburn, Mayor Pro Tem – At-Large
Cori Schumacher, Council Member – District 1
Priya Bhat-Patel, Council Member – District 3
Vacant, Council Member – District 4
Barbara Engleson, City Clerk
Craig Lindholm, City Treasurer

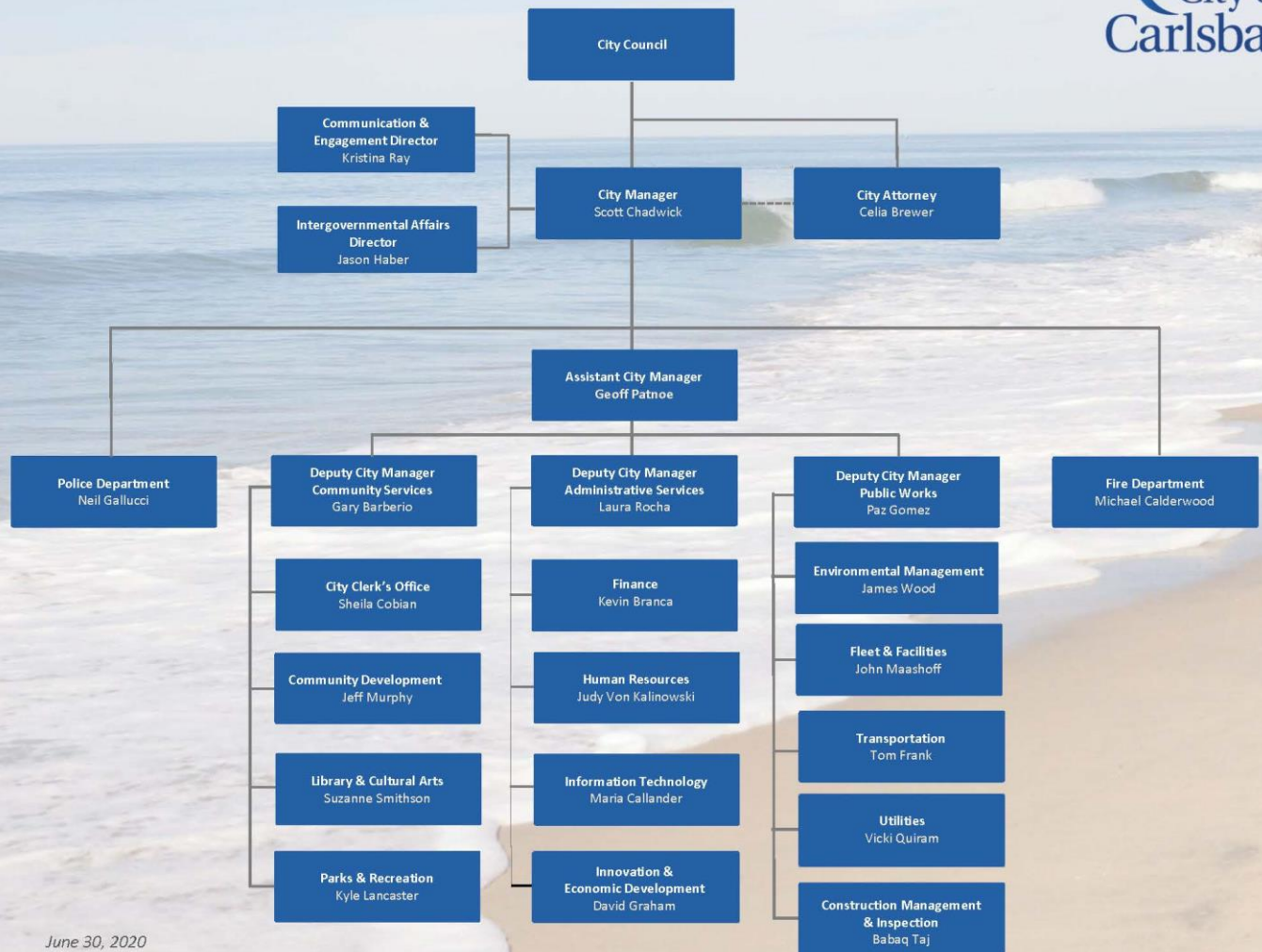
Leadership Team

Scott Chadwick, City Manager
Celia Brewer, City Attorney
Geoff Patnoe, Assistant City Manager

Gary Barberio, Deputy City Manager, Community Services
Laura Rocha, Deputy City Manager, Administrative Services
Paz Gomez, Deputy City Manager, Public Works
Michael Calderwood, Fire Chief
Neil Gallucci, Police Chief
James Wood, Environmental Manager
Jason Haber, Intergovernmental Affairs Director
Jeff Murphy, Community Development Director
John Maashoff, Public Works Manager
Judy von Kalinowski, Human Resources Director
Kevin Branca, Finance Director
Kristina Ray, Communication & Engagement Director
Kyle Lancaster, Parks & Recreation Director
Maria Callander, Information Technology Director
Morgen Fry, Executive Assistant to the City Manager
Sheila Cobian, City Clerk Services Manager
Suzanne Smithson, Library & Cultural Arts Director
Vicki Quiram, Utilities Director

Boards and Commissions Chairs

Eric Larson, Agricultural Conversion Mitigation Fee Ad Hoc Citizens' Advisory Committee
Laurenn Barker, Arts Commission
Linda Petrucci, Beach Preservation Commission
Timothy Stripe, Carlsbad Golf Lodging Business Improvement District
Timothy Stripe, Carlsbad Tourism Business Improvement District Board
Chad Majer, Historic Preservation Commission
John Nguyen-Cleary, Housing Commission
Carolyn Luna, Housing Element Advisory Committee
Art Larson, Library Board of Trustees
Michael Luna, Parks & Recreation Commission
Velyn Anderson, Planning Commission
John Rodenhausen, Senior Commission
Monica Gocan, Traffic & Mobility Commission



June 30, 2020



INDEPENDENT AUDITOR'S REPORT

City Council
City of Carlsbad
Carlsbad, California

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, 2020, 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, 2020, 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

The financial statements for the year ended June 30, 2020 reflect a prior period adjustment as described further in note 20 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, 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 non-major 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 non-major 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 non-major fund financial statement and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 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 the 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
November 19, 2020



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, 2020. 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 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 is the *combining fund statements* section 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).

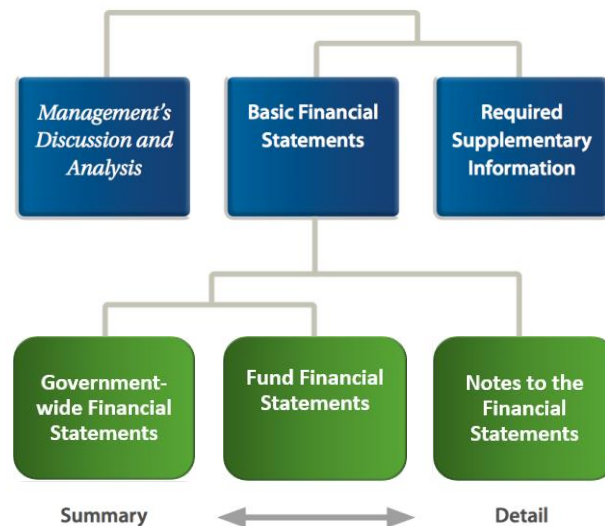
The city has three kinds of funds:

- *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, 2020, as shown below, was \$1.829 billion. The city’s net position increased by \$18.9 million as compared to the prior fiscal year. This increase was heavily impacted by revenues exceeding expenses for the year which resulted in an increase in citywide cash balances (\$29.2 million). Other factors leading to the higher net position included the impacts of the city recording the annual pension activities (a large decrease in the net pension liability and smaller changes in deferred inflows and outflows), an increase in capital assets (donated infrastructure was up for the year) and a reduction in outstanding debt. These increases were partially offset by an increase in other liabilities (higher accrued liabilities and estimated claims payable). The increase in capital assets is discussed in more detail in the capital asset section of this MD&A.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019-20
Current and other assets	\$672.2	\$699.2	\$167.4	\$167.5	\$839.6	\$866.7	3.2%
Net OPEB asset	0.0	0.0	0.0	0.8	0.0	0.8	100.0%
Capital assets	787.4	791.3	363.4	366.5	1,150.8	1,157.8	0.6%
Total assets	1,459.6	1,490.5	530.8	534.8	1,990.4	2,025.3	1.8%
Deferred outflows	59.0	33.5	3.8	2.2	62.8	35.7	-43.2%
Other liabilities	28.8	33.8	23.6	25.3	52.4	59.1	12.8%
Net OPEB liability	1.5	3.7	0.7	0.2	2.2	3.9	77.3%
Net pension liability	152.9	139.2	10.1	11.0	163.0	150.2	-7.9%
Long-term debt outstanding	0.4	0.0	16.8	13.6	17.2	13.6	-20.9%
Total liabilities	183.6	176.7	51.2	50.1	234.8	226.8	-3.4%
Deferred inflows	7.1	4.4	0.8	0.4	7.9	4.8	-39.2%
Net position							
Net investment in							
capital assets	787.0	791.1	346.6	351.2	1,133.6	1,142.3	0.8%
Restricted	251.9	265.4	38.5	41.2	290.4	306.6	5.6%
Unrestricted	289.0	286.4	97.5	94.1	386.5	380.5	-1.6%
Total net position	\$1,327.9	\$1,342.9	\$482.6	\$486.5	\$1,810.5	\$1,829.4	1.0%

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 \$1.829 billion at the close of the most recent fiscal year.

A large portion of the city’s net position (62.4%) 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 residents; 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. The net investment in capital assets for the city increased slightly during fiscal year 2019-20, due primarily to additional developer donated assets (streets, sidewalks, streetlights, water and wastewater lines) netted with a decrease in outstanding debt (primarily Recycled Water).

A portion of the city's net position (16.8%) represents resources that are subject to external restrictions on usage. The remaining balance of unrestricted net position (\$380.5 million) may be used to meet the city's ongoing obligations to residents and creditors.

Just over 35.8% of the \$286.4 million in unrestricted governmental activities net position is attributable to the General Fund. This is a small increase from the previous fiscal year due to cash balances increasing from revenues exceeding expenses for the year; a large loan payment received by the General Fund from the former redevelopment agency; a positive unrealized gain on investments in the current fiscal year; the addition of capital assets; a positive impact from the additional payments made to CalPERS in previous fiscal years; and payments made on the city's debt.

A portion of business-type net position represents the city's municipal golf course. At the end of fiscal year 2019-20, 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.

On the following page, the condensed summary of activities shows that net position increased by \$18.9 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:

- "Savings" in the General Fund totaling \$20.5 million is being carried forward into fiscal year 2020-21 by various major service areas within the city to enhance and provide for future services and programs (indicating that spending levels in fiscal year 2019-20 were less than budgeted expenditures)
- Fiscal discipline implemented by the city due to the COVID-19 pandemic delaying new programs, hiring efforts, closing out older purchase orders, and cost containment efforts
- Revenues received in the city's special revenue funds for future services and programs, and
- Donations of infrastructure assets from developers.



Changes in Net Position

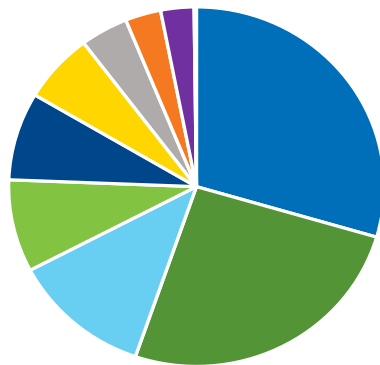
CITY OF CARLSBAD'S CHANGES IN NET POSITION (in millions of dollars)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019-20
Revenues							
Program revenues							
Charges for services	\$21.8	\$19.2	\$71.9	\$70.4	\$93.7	\$89.6	-4.4%
Operating grants and contributions	17.3	18.5	1.2	0.4	18.5	18.9	2.2%
Capital grants and contributions	13.8	16.8	4.9	6.3	18.7	23.1	23.5%
General revenues							
Property taxes	70.0	73.9	4.0	4.2	74.0	78.1	5.5%
Sales and use taxes	38.5	36.5	-	-	38.5	36.5	-5.2%
Other taxes	39.5	31.4	-	-	39.5	31.4	-20.5%
Income from property and investments	20.7	20.2	7.8	5.0	28.5	25.2	-11.6%
Other	0.4	0.6	0.1	-	0.5	0.6	20.0%
Total revenues	222.0	217.1	89.9	86.3	311.9	303.4	-2.7%
Expenses							
General government	22.2	24.3	-	-	22.2	24.3	9.5%
Public safety	68.0	75.2	-	-	68.0	75.2	10.6%
Community services	58.0	60.8	-	-	58.0	60.8	4.8%
Public works	36.9	41.4	-	-	36.9	41.4	12.2%
Carlsbad Municipal Water District	-	-	51.6	51.2	51.6	51.2	-0.8%
Golf course	-	-	11.0	10.3	11.0	10.3	-6.4%
Wastewater	-	-	15.2	16.9	15.2	16.9	11.2%
Solid waste	-	-	3.9	4.4	3.9	4.4	12.8%
Total expenses	185.1	201.7	81.7	82.8	266.8	284.5	6.6%
Excess (deficiency) before transfers	36.9	15.4	8.2	3.5	45.1	18.9	-58.1%
Transfers	(0.2)	(0.3)	0.2	0.3	-	-	0.0%
Increase (decrease) in net position	36.7	15.1	8.4	3.8	45.1	18.9	-58.1%
Beginning position, as restated	1,291.2	1,327.8	474.2	482.7	1,765.4	1,810.5	2.6%
Ending net position	\$1,327.9	\$1,342.9	\$482.6	\$486.5	\$1,810.5	\$1,829.4	1.0%

Approximately 65.3% of the revenues of the city's governmental funds are generated through taxes collected (i.e. property tax, sales tax, transient occupancy tax (TOT), etc.), and approximately 81.6% 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 2019-20

\$303.4 Million



Charges for Services	30%
Property Tax	26%
Sales Tax	12%
Income from Property & Investments	8%
Contributions from Property Owners	8%
TOT	6%
Other Taxes	4%
State Aid	3%
Federal Aid	3%
Other Revenues	0.2%

The city's revenues were projected to be at their highest levels since incorporation prior to the COVID-19 pandemic which significantly impacted TOT, sales tax, parks and recreation, and lease revenues. Due to the COVID-19 emergency, a majority of the city's hotels were closed for a portion of March, all of April and started opening up in May. However, most of the larger hotels continued to be closed for the fourth quarter of the fiscal year. One indicator of the magnitude that the pandemic had on the city's TOT revenues is that during the month of May 2020, the average occupancy in the city's hotels was 42%, compared to 81% in May 2019. As a result, transient occupancy tax revenues decreased steeply in the fiscal year. Similarly, sales tax revenues were down significantly for the year. Small businesses in the State of California were given additional time to remit their second calendar quarter 2020 sales tax payments. The city saw this impact during the year as well as the impacts of the shelter-in-place orders in the fourth quarter of the fiscal year, which shut down all non-essential businesses during a majority of that period.

The city's largest revenue source, a lagging indicator of the financial health of the city, property taxes, increased due to assessed values increasing by 6.2% in total for residential, commercial and industrial properties. This was the fifth year in a row that the city had growth in all three assessed value components (residential, commercial and industrial).

The city experienced an increase in business license renewal volumes as various federal COVID-19 business assistance programs required businesses to have an active and valid business license in order to receive assistance. Development remained relatively strong for the year, although it expectedly slowed when compared to the prior fiscal year. The city saw infill residential development (especially in the Village area of the city) as well as some of the last remaining master planned community development. There was very little commercial and industrial development during the year, similar to the prior fiscal year.

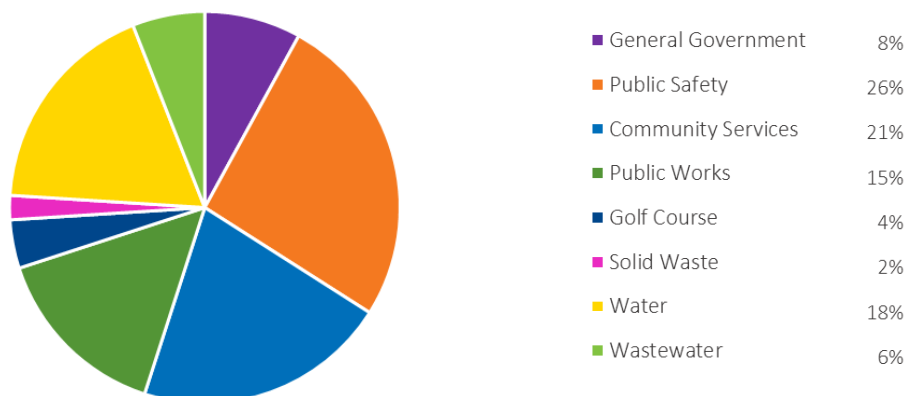
Income from property and investments were heavily impacted by five factors: unrealized gains created by adjusting the city's investments to their fair market value at June 30, 2020, a loss on the early disposal of the Maerle reservoir cover, an increase in the average yield on the treasurer's portfolio for the year (up 12 basis points from last fiscal year to 2.08%), the sale of Fire Station No. 3, and a 0.8% increase in the average cash balance. These factors combined to create a decrease in income from property and investments when compared to the prior fiscal year.

A reduction in total water consumption was driven primarily by lower commercial and residential customer demand which consequently resulted in a reduction in commercial wastewater charges (as their fees are based on water consumption). These two factors led to a reduction in charges for services for the year for both water and wastewater. An increase in the donation of developer constructed assets (roads, pipelines, sidewalks, etc.), and an increase in utility related developer impact fees partially offset the decrease in operating revenues.



The total cost of all programs and services was \$284.5 million in fiscal year 2019-20 which was moderately higher (6.6%) than prior fiscal year costs of \$266.8 million. The majority of the increase in program costs came from the salary, benefit and retirement costs related to the citywide addition of approximately 55 staff members. In addition, the costs associated with hiring the additional staff members including vehicles, computers, etc. added to the increase. The increase in expenses would have been much higher for the year, but when the COVID-19 pandemic hit in March 2020 departments were asked to curtail spending, new positions and programs were put on hold, and the city embarked on a program to close outdated purchase orders. During the prior fiscal year, the city changed its budget practices and the policy surrounding carrying forward unspent appropriations at the end of the fiscal year. With this change, city departments focused on completing projects in process and procuring planned capital outlay items by the end of the fiscal year. This policy continued into fiscal year 2019-20, thereby reducing the amount of carryforward budgets into the 2020-21 fiscal year. This accelerated the costs that were incurred in fiscal year 2018-19 as compared to previous fiscal years. Although the city anticipated higher expense levels during fiscal year 2019-20 due to the addition new staff members, city departments focused on reducing spending levels when the COVID-19 pandemic hit in March 2020. Departments were asked to eliminate travel, postpone trainings, delay new programs, defer the hiring of new staff members, and to be additionally prudent in their spending of city funds. At the same time, the city embarked on a major program to close out older purchase orders. This program enabled the city to close out over \$3 million in old purchase orders that were no longer needed. Without these savings efforts, the fiscal year 2020-21 citywide expenses would have been much higher.

Functional Expenses for Fiscal Year 2019-20 \$284.5 Million



- General Government (8%)

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, the Community Outreach and Engagement team, and the Innovation Team. The Administrative Services group includes Finance, Human Resources (including Workers' Compensation and Self-Insured Benefits), Information Technology, and Risk Management. Non-departmental also includes any special projects directed by the City Council.

- Public Safety (26%)

Public Safety remains 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 the other component of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and the environment.



- Community Services (21%)

Community Services consists of Library and Cultural Arts, Parks and Recreation, City Clerk Services, 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. City Clerk Services includes minutes preparation, election administration, agenda preparation, legal noticing and publishing, maintaining the Carlsbad Municipal Code, ensuring public records are archived, preserved, and accessible to the public, and developing and implementing citywide records management and document management programs.

- Public Works (15%)

Public Works is responsible for building and maintaining all city infrastructure assets. This service area includes Public Works Administration, Transportation (transportation and storm drain engineering; asset management of transportation drainage, and other city infrastructure; construction management and inspection; traffic and mobility; the Buena Vista Creek Channel Maintenance Assessment District; and Lighting and Landscape District No. 2), General Services (maintenance of streets; storm drains; street lighting; city facilities; fleet; and the Safety Training Center), Environmental Management (oversees the Climate Action Plan Program; the Habitat Management Plan Program; the recycling program; solid waste; and provides coordination of the municipal component of the National Pollutant Discharge Elimination System Municipal Storm Water Permit), and Utilities (potable water, recycled water and wastewater operations).

- Golf Course (4%)

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 connections to hiking trails, The Crossings at Carlsbad is a destination for golfers and non-golfers alike.

- Solid Waste (2%)

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 ensuring the waste reduction and recycling components of the Source Reduction and Recycling Element and Household Hazardous Waste Element 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 (18%)

The Carlsbad Municipal Water District (CMWD), a subsidiary of the city, provides potable and recycled water service to approximately 85% of the city (approximately 30,400 customers). CMWD purchases 100% of its potable water, which includes a local supply of desalinated seawater, as treated water from the Metropolitan Water District and the San Diego County Water Authority. CMWD also provides recycled water for irrigation purposes.



- Wastewater Operations (6%)

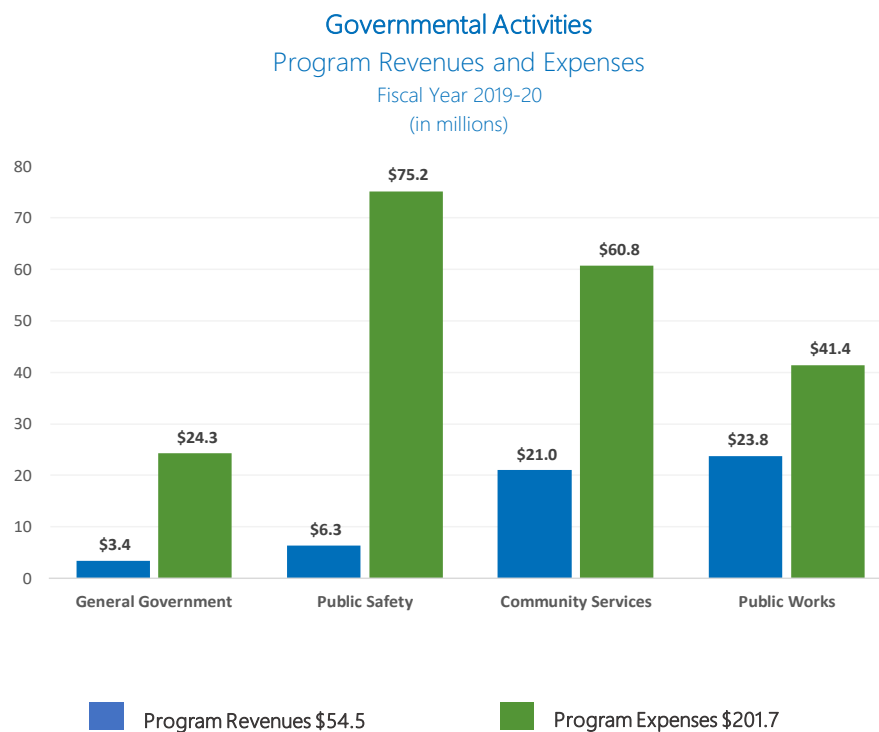
The city operates and maintains a sanitary wastewater collection system, which covers approximately 74% of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad, Vista and Encinitas; the Leucadia Wastewater 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 \$15 million. This increase was generated by total revenues from governmental activities of \$217 million (\$54.4 million in program revenues and \$162.6 million in general revenues) offset by \$201.7 million in total costs of governmental activities, and a \$0.3 million transfer 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 funding). 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. Total revenues of \$162.6 million include fees and charges paid by those who directly benefit from the programs (\$19.2 million), grants and contributions from other governments and organizations which subsidize certain programs (\$35.2 million), and taxes and other revenues (such as income from property and investments) received by the city to pay for the "public benefit" portion.

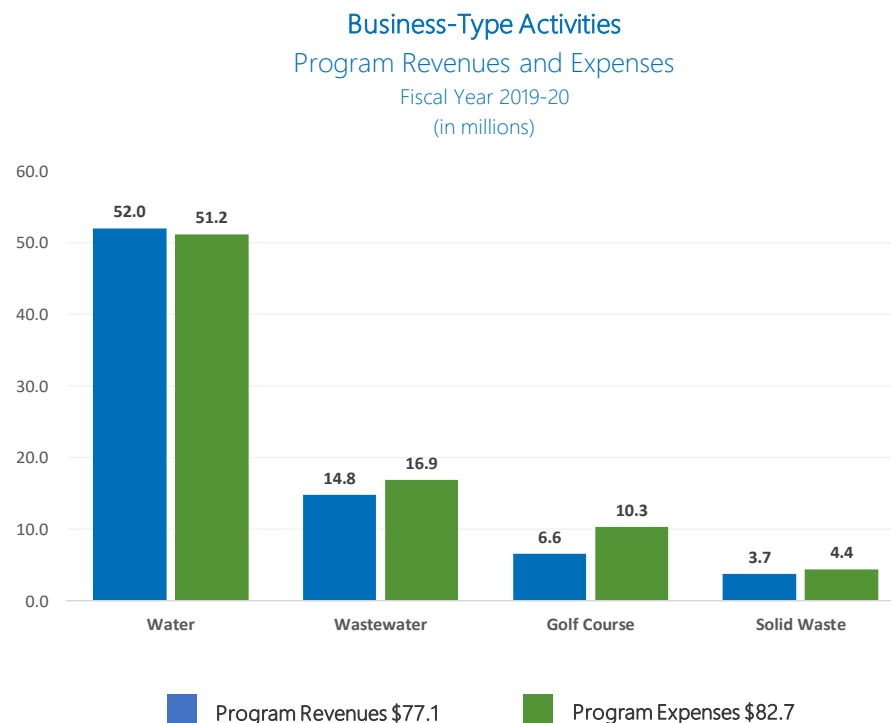
Community Services revenues are derived from development activities throughout the city, housing assistance programs, parks and recreation fees, and library fees. A large portion of Community Services revenues are comprised of housing assistance programs (Section 8 Rental Assistance, affordable housing loan repayments, and developers paying into the



Affordable Housing Trust Fund) as well as charges for development related services. As expected, development activity reflected a moderate decrease from the prior fiscal year, offsetting only a small portion of the program expenses.

The majority of Public Works revenues are used to acquire and build capital assets (versus covering operating expenses). In addition, the donation of capital assets from developers is reflected in the program revenues for Public Works. Capital assets are generally constructed or purchased once sufficient funds have accumulated to pay for the entire asset cost. Several years ago, the city 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 buildout, 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, Uptown Bressi, and Poinsettia 61. The developers of these communities have dedicated or will dedicate infrastructure to the city, a requirement for development.

Business-type Activities



Program revenues for the city's business-type activities totaled \$77.1 million for the year, while program expenses equaled \$82.7 million.

Water program revenues are generated primarily from the sale of water, but also from developer donated assets and grants. Revenues for the fiscal year were slightly higher than program expenses due primarily to an influx developer donated assets of water lines (e.g. Haymar Drive, Chase Court, etc.) and an increase in water rates of 1% beginning in January 2020. These increases were partially offset by a decrease in demand for water resulting from a large drop in commercial water consumption due to COVID-19. Water program expenses were lower than expectations due to lower than planned water purchases.

Wastewater program revenues finished below program expenses due to lower commercial water consumption resulting from COVID-19. (Commercial water consumption is the driver of their wastewater rates.) Higher operating expenses



were primarily the result of increased wastewater plant costs and increased depreciation expense on recently added capital assets.

The city's golf course enterprise was in its thirteenth full year of operation and finished the fiscal year with a net loss of \$3.5 million. Beginning in March 2020, the golf course was significantly impacted by the partial and complete shutdown due to COVID-19. Despite the challenges, golf course revenues were sufficient to fund normal golf course operating expenses when depreciation expenses are excluded.

Solid waste revenues are primarily generated from fees charged to waste removal services customers to support the city's integrated waste management plan which include recycling efforts and proper waste disposal programs. Expenses were planned to surpass revenues as many waste management programs have increased in level of effort and cost, such as solid waste, recycling, and organics management services, household hazardous waste collection and disposal, and environmental outreach and education.

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.

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

Financial Analysis of the City's Funds

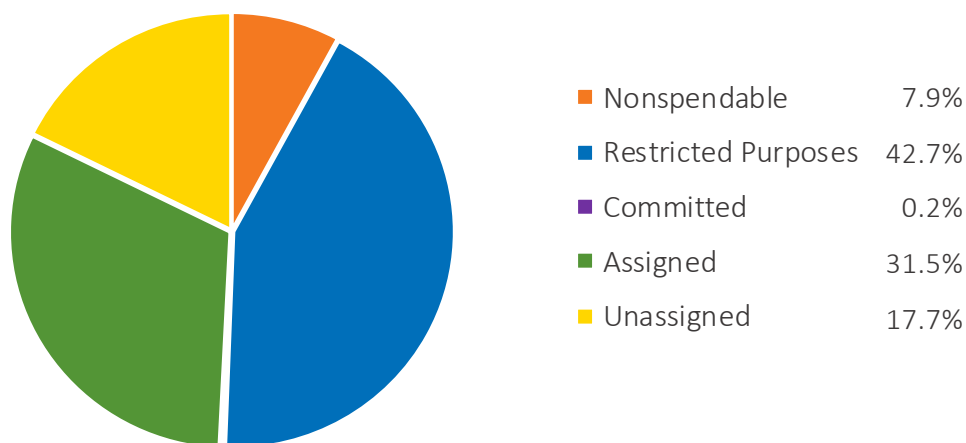
As noted earlier, the city uses fund accounting to ensure compliance with finance related legal requirements. In the current Comprehensive Annual Financial Report (CAFR), the city did not implement any new GASB pronouncements.

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 for Fiscal Year 2019-20

\$621.3 Million



There are five fund balance classifications: nonspendable, 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. At the end of the current fiscal year, the city's governmental



funds reported combined ending fund balances of \$621.3 million, up \$21.6 million from the year before. Approximately 8% (\$49.0 million) constitutes nonspendable fund balances, mostly comprised of advances and loans to other funds. Restricted fund balances can only be spent for a specific purpose stipulated by law and make up about 43% (\$265.4 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 almost 32% (\$196.0 million) of the city's fund balance. Approximately 18% (\$110.1 million) of the fund balance is unassigned, which is available for spending at the City Council's discretion. Of the unassigned fund balance, the City Council has \$11.1 million set aside for economic uncertainty purposes. However, accounting standards require that the \$11.1 million set aside be shown as part of the city's unassigned fund balance.

The city's General Fund Reserve Policy, outlined in City Council Policy No. 74, commits the city to maintaining General Fund reserves at a target of 40% of General Fund annual operating expenditures. The total reserve level is to be calculated using the prior fiscal year's adopted General Fund budgeted expenditures and is outlined below:

GENERAL FUND RESERVE BALANCE
(in millions of dollars)

	Actual	Target
Unassigned General Fund balance	\$110.1	NA
Economic uncertainty set aside	11.1	NA
Unassigned fund balance, excluding economic uncertainty	99.0	66.8
Fiscal year 2019-20 adopted General Fund budgeted expenditures	167.1	167.1
General Fund reserve percentage	59%	40%



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

	Total		Increase (Decrease)	Total Percentage Change
	<u>2019</u>	<u>2020</u>	<u>2019-20</u>	
Revenues				
Taxes	\$148.8	\$141.3	(\$7.5)	-5.0%
Intergovernmental	1.9	3.4	1.5	78.9%
Licenses and permits	2.7	2.7	0.0	0.0%
Charges for services	9.1	7.5	(1.6)	-17.6%
Fines and forfeitures	0.6	0.5	(0.1)	-16.7%
Income from property and investments	9.6	12.0	2.4	25.0%
Miscellaneous	1.5	1.7	0.2	13.3%
Total revenues	174.2	169.1	(5.1)	-2.9%
Expenditures				
General government	23.7	25.2	1.5	6.3%
Interdepartmental charges	(4.6)	(5.1)	(0.5)	10.9%
Public safety	77.3	70.5	(6.8)	-8.8%
Community services	41.5	43.2	1.7	4.1%
Public works	16.8	18.6	1.8	10.7%
Total expenditures	154.7	152.4	(2.3)	-1.5%
Excess (deficiency) before transfers	19.5	16.7		
Transfers in	0.3	0.0		
Transfers out	(13.2)	(11.5)		
Increase (decrease) in fund balance	6.6	5.2		
Beginning fund balance, as restated	179.1	185.6		
Ending fund balance	\$185.7	\$190.8		

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 \$190.8 million, an increase of \$5.2 million. The unassigned fund balance portion of the General Fund was \$110.1 million, an increase of \$8.4 million from last fiscal year. During the previous fiscal year, the City Council approved a new budget surplus policy that changed how unspent appropriations from one fiscal year are carried forward into the next fiscal year. This new policy once again reduced the amount of carry forward budgets from fiscal year 2019-20 to fiscal year 2020-21 by \$5.9 million. The city used a portion of the \$19.1 million in funds identified in the unassigned portion of the General Fund: \$3.0 million of the economic set aside was used to cover COVID-19 related costs and \$5.0 million was used to implement a business revitalization program. A major factor in the decrease in General Government expenditures is the result of an additional CalPERS payment made last year of \$20 million, impacting the city's retirement costs for fiscal year 2019-20, the closing out of approximately \$1.7 million of old purchase orders, and a fiscal awareness that was heightened due to the pandemic. These savings completely offset the addition of 34 new full-time positions and 11.37 part-time positions that were added across all departments during the fiscal year. Originally, it was expected that maintenance and operations expenses across all programs would increase due to the additional headcount and new programs; however, once the COVID-19 pandemic hit in March 2020, programs were deferred or cut, expenditures were reduced, and city staff were asked to more stringently scrutinize all expenditures. At the same time, the city embarked on a program to close out older purchase orders in the city. This program was able to save the General Fund approximately \$2 million. In order to keep the General Fund in balance and to offset the decrease in revenues affected by the COVID-19 pandemic,



city departments decreased spending during the last quarter of the fiscal year; reduced the amount of transfers out of the General Fund; closed out open and aged encumbrances, reducing the assigned balances for these purchase orders; and reduced carryforwards of unspent General Fund budgets. With the city approaching 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 and cause a further revenue decline for the foreseeable future as the city approaches buildout.

In the city's fiscal year 2019-20 budget, expenditures were expected to increase 7.3% over the fiscal year 2018-19 budget to \$167.1 million. The total personnel budget for fiscal year 2019-20 was \$101.4 million, which was 9.1% more than the previous year's personnel budget of \$92.9 million. The total maintenance and operations (M&O) budget for fiscal year 2019-20 was \$53.8 million, which was 8.6% higher than the previous year's budget of \$49.5 million. The increase in personnel budgets was based on previously negotiated salary and benefit increases, the net addition of 45.37 new staff members (34.0 full-time and a net increase of 11.37 part-time staff), projected retirement increases (due to the increase in personnel) and increases in workers' compensation costs. Health insurance cost increases also factored into the higher personnel costs. The increase in the M&O General Fund budget was driven by general increases in internal service charges and increases for new programs (i.e. homeless response program; North Beach lifeguard program; general price increases; and costs associated with the hiring of new employees, including vehicles, computers, training; and general contract increases). Transfers out of the General Fund were budgeted at \$11.5 million, a \$1.7 million decrease from the prior fiscal year. The decrease was due to the Workers' Compensation Fund not needing a transfer, as was need in the prior fiscal year. Adding to the adopted budget of \$167.1 million for the General Fund was approximately \$22.4 million in unspent fiscal year 2018-19 budgeted expenditures and \$11.3 million in open encumbrances as of June 30, 2019.

The Community Facilities District Number 1 Fund continues to collect assessments for the future construction of city infrastructure and facilities.

The General Capital Construction Fund used a portion of its existing fund balance to acquire open space property at Aura Circle and the refurbishment of City Hall.

The fund balance in the Infrastructure Replacement Fund increased as the city continued the annual transfer of funds from the General Fund for the future replacement of existing infrastructure and facilities. Projects for the year included the replacement of synthetic turf at Stagecoach Park.

The Park Development Fund and the Public Facilities Construction Fund used a portion of their existing fund balances for improvements to Poinsettia Park including pickleball courts, multi-sport arena and playground refurbishment.

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 fund sections is to provide short- and long-term financial information about the city's business-type activities. The analysis focuses on the determination of operating income, changes in net position (cost recovery), financial position, and cash flows.

The Carlsbad Municipal Water District (CMWD) funds experienced an operating loss of approximately \$4.7 million for the year. Operating revenues were approximately \$46.5 million and operating expenses were approximately \$51.2 million. One of the larger factors in the operating loss was the decrease in volume of water sales, which was primarily attributable to higher than expected rainfall in the current year and the impacts of COVID-19 on commercial water consumption. A 1% increase in CMWD's water rates took effect in January 2020 and partially offset the lower water consumption. Water purchases and other variable costs decreased, but these decreases were largely offset by cost increases of water purchased from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the CMWD's potable water) as well as increased depreciation cost of CMWD infrastructure. Nonoperating income from property and investments of \$5.0 million and property taxes of \$4.2 million were offset by a loss on the early disposal of the Maerle reservoir cover. Income before transfers and capital contributions for the year were \$2.0 million.

The Wastewater Fund had an annual operating loss of \$3.2 million for the fiscal year. Total revenues from operations were down from the prior year and budget, due primarily to lower commercial water consumption, the rate determining factor for commercial customers. Higher operating expenses were primarily the result of increased wastewater plant costs and increased depreciation expense on recently added capital assets. Nonoperating revenues related to income from property and investments added \$1.5 million to the operating income, resulting in a net loss of \$1.7 million before transfers and capital contributions.

In the thirteenth year of operation, the Golf Course Fund had an operating loss of \$3.5 million, primarily due to the depreciation of the enterprise's assets (\$3.6 million). Revenues fell short of expectations in the current year due to the partial and complete closure of operations due to COVID-19, but costs were also curbed, and no transfers were required in the current year. If golf course operating revenues were not able to cover golf course operating expenses (excluding depreciation) or major capital projects, the General Fund would have made contributions to pay for the shortfall.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports and showed a net operating loss of \$0.8 million for the year. Revenues were slightly higher than the previous fiscal year, and expenses increased due to planned outside professional service costs: for solid waste, recycling, and organics management services, household hazardous waste collection and disposal, and environmental outreach and education. The operating loss was partially offset by income from property and investments, and resulted in a net loss before transfers and capital contributions of \$0.3 million.

The unrestricted net position for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to \$92.5 million, or approximately 19% of the total enterprise funds net position. Each fund's respective unrestricted net position may be used for rate stabilization, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately \$41.2 million, or 9%, of the net position of all the proprietary funds are restricted for future capital construction of new and replacement water and wastewater infrastructure assets. Since 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 deficit 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 2019-20

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 \$6.4 million decrease in revenue estimates included:

- several new federal and state grants were applied for and received during the year
- a large decrease in transient occupancy tax revenues due to impacts of COVID-19, forcing the closure of the city's hotels for a period of time
- decreased sales tax revenues due to the stay at home orders issued by the Governor of the State of California during the later portion of the fiscal year due to the COVID-19 pandemic
- COVID-19 CARES Act assistance
- increased development throughout the city affecting building permit revenues
- the cancellation of all in-person parks and recreation activities from March 2020 through May 2020
- additional interest payments received from the former redevelopment agency, and
- the sale of the former Fire Station No. 3.

The increase from the total original expenditure budget to the final budget amounted to \$6.9 million primarily due to:

- the appropriation of \$3 million for COVID-19 related expenditures
- the appropriation for a COVID-19 business revitalization program
- Community Choice Energy start-up costs
- the appropriation of grant money received
- sales tax audit expenses
- developer funded studies
- the addition of a community service officer and related costs
- Carlsbad Fire Association memorandum of understanding salary and benefit increases
- housing element and general plan maintenance project costs, and
- costs associated to implement the updated Carlsbad Community Forest Management Plan.

The difference between the final budgeted expenditures and the actual expenditures for the year, on a budgetary basis, of \$29.2 million can be generally summarized as follows:

- Interdepartmental charges were \$0.2 million below estimates, which are offset against expenditures for reporting purposes in the financial statements.
- Savings by various major service areas within the city totaling \$29.0 million. Current year savings were generated from:
 - the closure of purchase orders resulting from an audit completed on purchase orders that had no activity during the past 12 months
 - departments cutting back on expenditures due to the COVID-19 pandemic
 - 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 \$29.0 million in savings, \$20.5 million will be carried forward into fiscal year 2020-21 and is planned to be used for:

- ✓ innovation projects throughout the city
- ✓ COVID-19 related costs
- ✓ business revitalization costs associated with the COVID-19 pandemic



- ✓ public art
- ✓ outfitting ten safety vehicles
- ✓ additional unfunded litigation costs
- ✓ wildfire evacuation sheltering
- ✓ State Homeless Program Grant
- ✓ maintenance for the Schulman Auditorium AV systems
- ✓ Dove Library wayfinding signs
- ✓ additional climate action plan costs
- ✓ unfunded litigation
- ✓ de-escalation training
- ✓ redistricting contractor services
- ✓ unspent developer deposits
- ✓ preventative health screenings for chronic conditions, and
- ✓ COVID-19 related cleaning services.

Outstanding purchase orders at June 30, 2020 totaling \$10.1 million will also be carried forward into fiscal year 2020-21.

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 Activities		Business-Type Activities		Total		Change	Total Percentage Change
	2019	2020	2019	2020	2019	2020	2019-20	2019-20
Land	\$153.7	\$155.9	\$9.3	\$9.3	\$163.0	\$165.2	\$2.2	1.3%
Construction in progress	16.8	16.2	46.1	24.8	62.9	41.0	(21.9)	-34.8%
Buildings and other structures	136.4	138.3	41.0	41.1	177.4	179.4	2.0	1.1%
Improvements other than buildings	84.3	93.8	52.3	53.2	136.6	147.0	10.4	7.6%
Machinery and equipment	46.0	51.7	12.9	13.9	58.9	65.6	6.7	11.4%
Infrastructure	726.2	734.3	350.4	379.6	1,076.6	1,113.9	37.3	3.5%
Wastewater treatment facility	-	-	58.1	60.3	58.1	60.3	2.2	3.8%
Intangibles	5.0	5.0	-	-	5.0	5.0	-	0.0%
	1,168.4	1,195.2	570.1	582.2	1,738.5	1,777.4	38.9	2.2%
Accumulated depreciation	(381.1)	(403.9)	(206.7)	(215.7)	(587.8)	(619.6)	(31.8)	5.4%
Total	\$787.3	\$791.3	\$363.4	\$366.5	\$1,150.7	\$1,157.8	\$7.1	0.6%

At the end of fiscal year 2019-20, 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 wastewater 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:

- partial completion of the Agua Hedionda Lift Station
- replacement of the Maerkle reservoir cover
- completion of Phase III of the Poinsettia Park project
- replacement of the Foxes Landing pump
- completion of Phase II of the Aviara Park project
- acquisition of a parcel of land known as Aura Circle



- refurbishments of City Hall
- replacement of the synthetic turf at Stagecoach Park
- completion of the adaptive traffic signal project
- Toll Brothers donated assets (wastewater lines, water lines, drainage, traffic signals, street lights, landscaping and streets)
- Presidio Pebble Creek donated assets (waterlines, wastewater lines, improvements to existing street)
- Built to Suit Limited donated assets (water lines, drainage and landscaping)
- TMS Investments donated assets (water lines, wastewater lines and improvements to existing streets)
- MR Carlsbad II donated assets (water lines and improvements on existing streets)
- LMV Carlsbad donated assets (water and wastewater lines)
- Grand Madison donated assets (improvements to existing streets)
- Shea Homes donated assets (wastewater lines, water lines, drainage and improvements to existing streets)
- J.E Grant General Contractors donated assets (water lines and improvements to existing streets)
- 63 vehicles
- one fire truck
- four trailers
- four motorcycles
- one boat
- one Bobcat loader
- one pool cover
- one projector
- one utility four-wheeler
- one mobile watch tower
- emergency response gurneys
- several wastewater line projects, and
- several storm drain projects.

In addition to carrying forward appropriations of \$256.2 million for previously budgeted projects, the city's fiscal year 2020-21 capital improvement budget appropriated an additional \$29.1 million for capital projects.

These additional appropriations were principally for the following projects: remodel of Fire Station No. 4 to expand services; widen El Camino Real Bridge at Cannon Road over Agua Hedionda Creek; ongoing pavement management; installations of Village and Barrio traffic circles; improvements to drainage and replacement of manholes on portions of wastewater lines; wastewater line refurbishments/replacements at various locations throughout the city; repair and upgrade of beach access stairways from Pine Avenue to Tamarack; acquisition of open space and trails; improvements to the Carlsbad Water Recycling Facility; improvements to east of College Boulevard and Cannon Road intersection; and an assessment of all parking lot and post mounted safety lights at all city properties.

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 of the financial statements and in the city's Capital Improvement Program (CIP) document, which can be found on the city's website or obtained from the Administrative Services Department.

Long-term Debt

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2019	2020	2019	2020	2019	2020	2018-19
Loans	\$0.0	\$0.0	\$16.8	\$15.3	\$16.8	\$15.3	-8.9%
Capital leases	0.4	0.2	-	-	0.4	0.2	-50.0%
Total	\$0.4	\$0.2	\$16.8	\$15.3	\$17.2	\$15.5	-9.9%

At fiscal year-end, the city had \$15.5 million in loans and capital leases, a decrease of \$1.7 million from last year, as shown in the table above. Regular payments were made on all the city's outstanding loans and capital leases. More detail about the city's long-term liabilities is presented in Note 7 of the financial statements.

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2020-21

- The State of California adopted its fiscal Year 2020-21 Annual Budget with the following provisions affecting the city:
 - The state budget is projecting a \$54.3 billion deficit caused by the COVID-19 Recession. The budget closes this gap and brings the state's resources and spending into balance while preserving reserves for future years.
 - The state will close the \$54.3 billion budget deficit at the same time setting aside \$2.6 billion in the Special Revenue Fund for Economic Uncertainties by:
 - drawing down \$8.8 billion in reserves from the Rainy Day Fund, the Safety Net Reserve and all of the funds in the Public School System Stabilization Account
 - reductions and deferrals of \$11.1 billion
 - the budget relies on \$10.1 billion in federal funds that provide General Fund relief, including \$8.1 billion already received
 - the budget temporarily suspends the use of net operating losses for medium and large businesses
 - the budget relies on \$9.3 billion in fund borrowing and transfers, as well as other deferrals for K-14 schools, and
 - the remaining \$10.6 billion includes cancelled expansions, updated assumptions, and other solutions.
- Property tax, the largest source of General Fund revenues, is expected to grow by 2.5% in fiscal year 2020-21, as assessed values are expected to grow modestly. However, due to the recession that has been created from the COVID-19 crisis, the city is projecting that delinquent ad valorem property taxes will increase by 2%. The median price of a single-family residence (SFR), based on resale data from Zillow, was up by 5.7% year over year in February 2020.
- Sales Tax revenues generally move in step with economic conditions and have been heavily impacted by the shelter-in-place and subsequent recession created by the COVID-19 pandemic. Until fiscal year 2019-20, sales tax revenues had improved markedly, peaking in fiscal year 2018-19 at \$40.8 million. However, on March 19, 2020, Governor Gavin Newsom issued a shelter-in-place order for the State of California, shutting down retail establishments, dine-in restaurants, and non-essential businesses.
- The city projected that the shelter-in-place order would be partially lifted during the month of June 2020, but the national economy would then fall into a recession. Without the shelter-in-place impacting sales tax revenues, and with small businesses beginning to pay their deferred sales tax to the state, sales tax revenue for fiscal year 2020-21 is expected to decrease by 2% to \$36.3 million. This is still below the sales tax peak of \$40.8 million in fiscal year 2018-19. Some of the decrease in sales tax revenues will be partially offset by an increase in internet sales revenue generated from the Wayfair or AB147 law that went into effect in October 2019.
- Transient Occupancy Tax (TOT, or hotel tax) is forecasted to decrease by 30% in fiscal year 2020-21 when compared to fiscal year 2018-19 actuals. This downward trend began in fiscal year 2019-20, due to the impacts of COVID-19 on Carlsbad's tourism industry. Many hotels had to shut down during this time; however, it was anticipated that hotels



will slowly begin to recover in fiscal year 2020-21. The recessionary impacts on tourism were expected to at least last until December 2021.

- The city is still expecting to see the opening of the Home2 Suites and the Springhill Suites during fiscal year 2020-21 adding to the city's transient occupancy tax revenues.
- In response to projected reduced revenues due to the COVID-19 pandemic and the resulting stay-at-home order, departments were asked to re-evaluate their budget requests for fiscal year 2020-21 and decrease discretionary spending wherever possible. General funded departments were able to reduce their maintenance and operations budget requests by 8% overall. Many of these reductions were in non-mandated employee training and in state conference travel budgets which were reduced by 49% and out of state travel for training and conferences was reduced by 83%. Other discretionary spending, such as equipment, office supplies and professional and outside services were reduced when possible with a focus on those that would have the smallest impact on city services to the community.
- Due to the current environment resulting from the COVID-19 pandemic, no new full or part-time positions are proposed for the next fiscal year. The city reduced 13.28 FTE in part-time seasonal positions, mainly from the Parks & Recreation department due to reductions made in response to the COVID-19 pandemic.
- 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 city has also made significant additional payments to CalPERS during the past fiscal years. Through these efforts, the city is projecting lower citywide pension costs in fiscal year 2020-21.
- Through Memorandums of Understanding (MOUs):
 - The Carlsbad City Employees' Association (CCEA) employees will receive a 2.0% salary increase on Jan. 1, 2021.
 - The City Council has not determined what Fire Management and General Management employees will receive in salary increases on Jan. 1, 2021.
 - Carlsbad Police Management Association (CPMA) employees will receive a range between 3.75% and 5.3% in salary increases, dependent on position, on Jan. 1, 2021.
 - The Carlsbad Police Officers Association (CPOA) will receive a salary increase between 2.0% with a 2.5% stipend to a high of 4.5% on January 1, 2021, based on position.
 - The Carlsbad Firefighters Association (CFA) will receive a 4.0% salary increase on Jan. 1, 2021.

These factors were considered when preparing the city's General Fund budget for fiscal year 2020-21. Budgeted expenditures are expected to decrease 2.1% to \$163.6 million. The total personnel budget for fiscal year 2020-21 is \$105 million, which is 3.6% more than the previous year's personnel budget of \$101.4 million. The total maintenance and operations budget for fiscal year 2020-21 is \$51.2 million, which is 4.8% lower than the previous year's budget of \$53.8 million. The total capital outlay budget for fiscal year 2020-21 is \$0.4 million, \$0.2 million lower than the previous year. The increase in personnel budget is based on previously negotiated salary and benefit increases with no additional full-time staff and a decrease of 13.78 part-time staff. There were no changes in retirement costs (CalPERS rates), but higher health insurance rates, netted with a small decrease in workers' compensation rates, contributed to the increase in budgeted personnel costs. The maintenance and operations budget for fiscal year 2020-21 includes appropriations for internal service charges, which decreased from the prior year, and general contract increases. However, due to the COVID-19 pandemic and reduced General Fund revenue projections, departments were asked to reduce their maintenance and operations budgets. These reductions resulted in a 4.8% budget decrease for fiscal year 2020-21 as compared to the previous fiscal year. Transfers out of the General Fund are budgeted at \$7.0 million, a \$4.5 million decrease from the prior fiscal year. This decrease is due primarily to a reduction in the annual transfer to the Infrastructure Replacement Fund, as the fund was determined to have adequate fund reserves to cover anticipated future CIP projects. Adding to the adopted budget of \$163.6 million for the General Fund, approximately \$16.5 million in unspent fiscal year 2019-20 budgeted expenditures will be carried over to fiscal year 2020-21, as well as \$10.2 million in open encumbrances as of June 30, 2020.

During the current fiscal year, the unassigned fund balance in the General Fund increased by \$8.5 million to \$110.1 million, although originally projected to grow by \$5.5 million according to the fiscal year 2019-20 adopted budget. However, due to fiscal discipline, expenditures were below the budget by \$29.2 million; through the closure of older purchase orders, the unassigned fund balance grew by approximately \$2.0 million; and by not carrying forward as much



in savings from fiscal year 2019-20 to fiscal year 2020-21. This was accomplished despite the city spending and/or assigning \$8.0 million of the economic set aside portion of the unassigned balance during the fiscal year for COVID-19 related costs. Based on fiscal year 2020-21 projections, the unassigned General Fund balance is expected to grow by approximately \$3.6 million.

Although the city spent and set aside \$8.0 million of the original \$19.2 million portion of the General Fund's unassigned fund balance identified for economic uncertainty during the year, the city is actively pursuing additional state and federal assistance to assist in the rebuilding of the funds used during the pandemic.

Projected revenues are currently sufficient to build the approved projects listed in the fiscal year 2020-21 CIP.

The city's business-type activities reflect the following:

Water revenues are expected to remain relatively flat and wastewater revenues are projected to decline slightly due to stabilizing customer demand and a shift of demand from commercial to residential customers.

The effective increase in purchase costs for CMWD is projected to be approximately 3.6%. The cost of water purchased from the San Diego County Water Authority is projected to increase due to decreased countywide demand and increases in Metropolitan Water District's water rates, inter alia. Cost increases are being partially mitigated through planned draws on San Diego County Water Authority's rate stabilization fund. Healthy reserves have allowed CMWD to keep local rates low during fiscal year 2020-21 with rate increases of 2% in January 2021.

Wastewater rates increased 3% for calendar year 2020 and will increase by 3% for calendar year 2021. The increases are needed to offset increasing costs of the operator of the wastewater treatment facility, increased energy and chemical costs, and increased capital repair costs.

Solid Waste revenues are projected to increase moderately and the fund expects to run a deficit due to increasing waste management requirements imposed by the state. Sufficient reserves are able to sustain the increase costs without significant price increases in the short term.

The Golf Course Fund projected a major increase in revenues due to the expected lifting of COVID-19 stay-at-home orders that were in place from March through May of 2020. As a result, the operation expected to see improvements in their cash flows going forward.

[Contacting the City's Financial Management](#)

This financial report is designed to provide the residents, 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 at www.carlsbadca.gov.





Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments	\$ 604,513,421	\$ 201,780,096	\$ 806,293,517
Receivables:			
Interest	2,567,999	853,214	3,421,213
Taxes	8,430,882	39,439	8,470,321
Other	558,465	573,394	1,131,859
Accounts, net of allowances	396,318	11,563,934	11,960,252
Due from other governments	649,516	5,755,040	6,404,556
Inventories	530,439	706,007	1,236,446
Prepaid items	2,335,669	77,605	2,413,274
Land held for resale	1,280,044	-	1,280,044
Loan and reimbursement receivables, net of allowances	21,408,569	-	21,408,569
Due from Successor Agency	2,681,689	-	2,681,689
Deposits	25,000	-	25,000
Internal balances	53,823,213	(53,823,213)	-
Subtotal	699,201,224	167,525,516	866,726,740
Noncurrent assets:			
Net OPEB asset	-	844,526	844,526
Capital assets:			
Land	155,896,231	9,330,718	165,226,949
Construction in progress	16,236,468	24,786,724	41,023,192
Buildings and other structures	138,281,470	41,103,821	179,385,291
Improvements other than buildings	93,825,851	53,224,688	147,050,539
Machinery and equipment	51,645,978	13,890,645	65,536,623
Infrastructure	734,252,385	379,576,446	1,113,828,831
Wastewater treatment facility	-	60,308,682	60,308,682
Intangible assets	5,017,448	-	5,017,448
Less accumulated depreciation	(403,876,548)	(215,742,222)	(619,618,770)
Total capital assets	791,279,283	366,479,502	1,157,758,785
Total assets	1,490,480,507	534,849,544	2,025,330,051
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB related items	2,763,450	519,302	3,282,752
Deferred outflows of resources - pension related items	30,691,696	1,723,434	32,415,130
Total deferred outflows of resources	33,455,146	2,242,736	35,697,882

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



Statement of Net Position (continued)
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accrued liabilities	\$ 17,782,731	\$ 5,991,164	\$ 23,773,895
Accrued interest payable	-	51,497	51,497
Due to other governments	24,112	12,576,838	12,600,950
Estimated claims payable	14,320,432	-	14,320,432
Deposits payable	527,192	4,959,339	5,486,531
Unearned revenue	958,661	95,009	1,053,670
Noncurrent liabilities:			
Due within one year	155,922	1,620,408	1,776,330
Due in more than one year:			
Loans payable and capital leases	-	13,706,185	13,706,185
Net OPEB liability	3,742,310	198,491	3,940,801
Net pension liability	139,184,295	10,955,776	150,140,071
Total liabilities	176,695,655	50,154,707	226,850,362
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related items	104,395	56,015	160,410
Deferred inflows of resources - pension related items	4,262,830	344,567	4,607,397
Total deferred inflows of resources	4,367,225	400,582	4,767,807
NET POSITION			
Net investment in capital assets	791,123,361	351,152,909	1,142,276,270
Restricted for:			
Capital assets	206,067,178	41,244,371	247,311,549
Lighting and landscaping districts	8,966,732	-	8,966,732
Affordable housing	44,885,181	-	44,885,181
Other purposes	5,444,224	-	5,444,224
Unrestricted	286,386,097	94,139,711	380,525,808
Total net position	\$ 1,342,872,773	\$ 486,536,991	\$ 1,829,409,764

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



Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 24,266,836	\$ 1,030,034	\$ 2,373,818	\$ 1,345
Public safety	75,249,145	4,710,934	1,519,399	36,534
Community services	60,771,080	9,324,183	9,872,294	1,754,712
Public works	41,419,093	4,142,057	4,671,753	15,009,214
Interest and fiscal charges on long-term debt	2,046	-	-	-
Total governmental activities	201,708,200	19,207,208	18,437,264	16,801,805
Business-type activities:				
Carlsbad Municipal Water District	51,198,176	46,332,089	198,372	5,459,352
Golf course	10,251,978	6,637,350	-	-
Wastewater	16,931,494	13,848,722	66,272	867,897
Solid waste	4,381,684	3,562,906	134,447	-
Total business-type activities	82,763,332	70,381,067	399,091	6,327,249
Total primary government	\$ 284,471,532	\$ 89,588,275	\$ 18,836,355	\$ 23,129,054
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
\$ (20,861,639)	\$ -	\$ (20,861,639)
(68,982,278)	-	(68,982,278)
(39,819,891)	-	(39,819,891)
(17,596,069)	-	(17,596,069)
(2,046)	-	(2,046)
(147,261,923)	-	(147,261,923)
-	791,637	791,637
-	(3,614,628)	(3,614,628)
-	(2,148,603)	(2,148,603)
-	(684,331)	(684,331)
-	(5,655,925)	(5,655,925)
(147,261,923)	(5,655,925)	(152,917,848)
73,884,532	4,225,825	78,110,357
36,491,171	-	36,491,171
18,898,325	-	18,898,325
5,863,614	-	5,863,614
5,414,291	-	5,414,291
1,247,217	-	1,247,217
20,239,314	4,962,972	25,202,286
558,494	-	558,494
(303,052)	303,052	-
162,293,906	9,491,849	171,785,755
15,031,983	3,835,924	18,867,907
1,327,840,790	482,701,067	1,810,541,857
\$ 1,342,872,773	\$ 486,536,991	\$ 1,829,409,764



Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
ASSETS				
Cash and investments	\$ 139,772,454	\$ 92,735,242	\$ 42,863,816	\$ 123,517,563
Receivables:				
Interest	812,528	394,336	-	524,943
Taxes	8,428,906	1,976	-	-
Other	369,007	-	-	-
Accounts, net of allowances	330,599	-	-	-
Due from other funds	82,003	-	-	-
Due from other governments	98,284	-	-	-
Inventories	13,959	-	-	-
Prepaid items	648,696	-	-	-
Land held for resale	-	-	-	-
Loans receivable, net of allowances	77,656	-	-	-
Deposits	25,000	-	-	-
Due from Successor Agency	2,681,689	-	-	-
Advances to other funds	56,713,054	1,943,710	-	-
Total assets	\$ 210,053,835	\$ 95,075,264	\$ 42,863,816	\$ 124,042,506
LIABILITIES				
Accrued liabilities	\$ 7,221,769	\$ 56,582	\$ 589,888	\$ 1,049,375
Due to other funds	-	-	-	-
Deposits payable	54,345	13,000	-	-
Due to other governments	24,112	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	764,137	-	-	-
Total liabilities	8,064,363	69,582	589,888	1,049,375
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - interest on advances	11,126,810	-	-	-
Total deferred inflows of resources	11,126,810	-	-	-
FUND BALANCES				
Nonspendable	49,008,244	-	-	-
Restricted	-	95,005,682	-	-
Committed	1,000,000	-	-	-
Assigned	30,732,761	-	42,273,928	122,993,131
Unassigned	110,121,657	-	-	-
Total fund balances	190,862,662	95,005,682	42,273,928	122,993,131
Total liabilities, deferred inflows of resources, and fund balances	\$ 210,053,835	\$ 95,075,264	\$ 42,863,816	\$ 124,042,506

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

Park Development	Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
\$ 12,812,297	\$ 29,345,641	\$ 109,902,932	\$ 550,949,945
54,459	124,737	458,132	2,369,135
-	-	-	8,430,882
-	-	189,458	558,465
-	3,314	-	333,913
-	-	-	82,003
-	-	551,232	649,516
-	-	-	13,959
-	-	951	649,647
-	-	1,280,044	1,280,044
-	-	21,330,913	21,408,569
-	-	-	25,000
-	-	-	2,681,689
-	5,650,000	-	64,306,764
<u>\$ 12,866,756</u>	<u>\$ 35,123,692</u>	<u>\$ 133,713,662</u>	<u>\$ 653,739,531</u>
\$ -	\$ 41,424	\$ 1,895,530	\$ 10,854,568
-	-	82,003	82,003
-	-	458,847	526,192
-	-	-	24,112
5,650,000	-	3,197,895	8,847,895
-	-	194,729	958,866
<u>5,650,000</u>	<u>41,424</u>	<u>5,829,004</u>	<u>21,293,636</u>
-	-	60,494	60,494
-	-	-	11,126,810
-	-	60,494	11,187,304
-	-	951	49,009,195
7,216,756	35,082,268	128,057,658	265,362,364
-	-	-	1,000,000
-	-	-	195,999,820
-	-	(234,445)	109,887,212
<u>7,216,756</u>	<u>35,082,268</u>	<u>127,824,164</u>	<u>621,258,591</u>
<u>\$ 12,866,756</u>	<u>\$ 35,123,692</u>	<u>\$ 133,713,662</u>	<u>\$ 653,739,531</u>



Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position **June 30, 2020**

Total fund balances - governmental funds	\$ 621,258,591
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	773,335,967
Internal service funds	17,943,316
Total capital assets	<u>791,279,283</u>
Deferred outflows are not an available resource and therefore, are not reported in the funds.	
Governmental funds	32,298,522
Internal service funds	1,156,624
Total deferred outflows	<u>33,455,146</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	46,909,425
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(1,635,657)
Internal service fund net position included as part of total capital assets	(17,943,316)
Internal service fund net position included as part of deferred outflows	(1,156,624)
Internal service fund net position included as part of long-term liabilities	6,548,151
Internal service fund net position included as part of deferred inflows	420,017
Net internal service fund net position	<u>33,141,996</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.	11,126,810
A portion of deferred grant revenues are not available to pay for current period expenditures and therefore, are not recognized in the funds.	60,699
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	(136,534,376)
Internal service funds	(6,548,151)
Total long-term liabilities	<u>(143,082,527)</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	(3,947,208)
Internal service funds	(420,017)
Total deferred inflows	<u>(4,367,225)</u>
Net position of governmental activities.	<u>\$ 1,342,872,773</u>

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





Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General Fund	Community Facilities District No. 1	General Capital Construction
Revenues:			
Taxes	\$ 141,297,579	\$ 1,599,290	\$ -
Intergovernmental	3,389,625	-	-
Licenses and permits	2,739,549	-	-
Charges for services	7,487,311	-	-
Fines and forfeitures	522,814	-	-
Income from property and investments	12,016,826	3,235,393	-
Contributions from property owners	-	901,732	-
Donations	-	-	-
Miscellaneous	1,664,585	-	-
Total revenues	169,118,289	5,736,415	-
Expenditures:			
Current:			
General government	25,214,894	88,325	-
Less: interdepartmental charges	(5,051,580)	-	-
Public safety	70,461,936	-	-
Community services	43,166,572	-	-
Public works	18,592,470	-	-
Capital outlay	-	293,378	5,503,816
Debt service:			
Principal retirement	11,259	-	-
Interest and fiscal charges	1,023	-	-
Total expenditures	152,396,574	381,703	5,503,816
Excess (deficiency) of revenues over (under) expenditures	16,721,715	5,354,712	(5,503,816)
Other financing sources (uses):			
Transfers in	10,000	-	5,111,500
Transfers out	(11,476,052)	-	-
Total other financing sources (uses)	(11,466,052)	-	5,111,500
Net change in fund balances	5,255,663	5,354,712	(392,316)
Fund balances at beginning of year, as restated	185,606,999	89,650,970	42,666,244
Fund balances at end of year	<u>\$ 190,862,662</u>	<u>\$ 95,005,682</u>	<u>\$ 42,273,928</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
\$ -	\$ -	\$ -	\$ 4,638,051	\$ 147,534,920
-	-	-	12,115,603	15,505,228
-	-	-	-	2,739,549
-	-	-	4,037,315	11,524,626
-	-	-	237,478	760,292
4,257,845	428,488	1,049,581	4,000,998	24,989,131
-	1,032,247	2,390,200	2,298,968	6,623,147
-	-	-	425,718	425,718
-	-	-	976,282	2,640,867
4,257,845	1,460,735	3,439,781	28,730,413	212,743,478
-	-	-	458,616	25,761,835
-	-	-	-	(5,051,580)
-	-	-	534,898	70,996,834
-	-	-	13,764,294	56,930,866
-	-	-	1,402,354	19,994,824
5,848,629	389,642	1,184,567	8,951,544	22,171,576
-	-	-	-	11,259
-	-	-	11,015	12,038
5,848,629	389,642	1,184,567	25,122,721	190,827,652
(1,590,784)	1,071,093	2,255,214	3,607,692	21,915,826
5,111,500	-	-	950,000	11,183,000
-	-	-	(10,000)	(11,486,052)
5,111,500	-	-	940,000	(303,052)
3,520,716	1,071,093	2,255,214	4,547,692	21,612,774
119,472,415	6,145,663	32,827,054	123,276,472	599,645,817
\$ 122,993,131	\$ 7,216,756	\$ 35,082,268	\$ 127,824,164	\$ 621,258,591



**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, 2020**

Net change in fund balances - total governmental funds \$ 21,612,774

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	13,911,690
Depreciation expense	(22,175,822)

Governmental funds do not reflect the donation of capital assets as revenues.	7,246,902
---	-----------

Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	118,460
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Received interest income on advances to other funds is not a current financial resource, and therefore is recognized as revenue in the funds.	(2,408,056)
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Revenues that are recorded in the funds that are not recorded in the statement of activities due to measurement differences	(46,535)
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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.	11,259
--	--------

The net revenue of activities of internal service funds is reported with governmental activities.	8,616,974
---	-----------

Adjustments made to the net pension and net OPEB liabilities do not use current financial resources and therefore, are not recognized in the funds.	(11,149,780)
---	--------------

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(705,883)
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Change in net position of governmental activities.	<u>\$ 15,031,983</u>
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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, 2020**

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(Budgetary Basis)	Final Budget - Over (Under)
Revenues:				
Taxes	\$ 148,257,000	\$ 139,593,000	\$ 141,297,579	\$ 1,704,579
Intergovernmental	917,000	1,136,000	3,389,625	2,253,625
Licenses and permits	1,224,000	2,495,000	2,739,549	244,549
Charges for services	8,233,000	7,059,000	7,487,311	428,311
Fines and forfeitures	689,000	480,000	522,814	42,814
Income from property and investments	5,543,000	7,152,000	9,244,776	2,092,776
Miscellaneous	940,000	1,450,000	1,664,585	214,585
Total revenues	165,803,000	159,365,000	166,346,239	6,981,239
Expenditures:				
Current:				
General government	42,358,998	46,300,119	27,814,411	(18,485,708)
Less: interdepartmental charges	(4,612,000)	(4,898,000)	(5,051,580)	(153,580)
Public safety	73,274,644	73,891,587	72,034,066	(1,857,521)
Community services	50,896,314	53,190,317	46,333,146	(6,857,171)
Public works	22,883,709	23,248,607	21,425,140	(1,823,467)
Total expenditures	184,801,665	191,732,630	162,555,183	(29,177,447)
Excess (deficiency) of revenues over (under) expenditures	(18,998,665)	(32,367,630)	3,791,056	36,158,686
Other financing sources (uses):				
Transfers in	10,000	10,000	10,000	-
Transfers out	(11,473,000)	(11,476,052)	(11,476,052)	-
Total other financing sources (uses)	(11,463,000)	(11,466,052)	(11,466,052)	-
Net change in fund balances	(30,461,665)	(43,833,682)	(7,674,996)	\$ 36,158,686
Fund balance at beginning of year, as restated	185,606,999	185,606,999	185,606,999	
Fund balance at end of year	<u>\$ 155,145,334</u>	<u>\$ 141,773,317</u>	<u>\$ 177,932,003</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, 2020

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	\$ 166,346,239
The recording of unrealized gains and losses on the city's investments are shown for financial reporting purposes (pursuant to GASB 31), but are not shown for budgetary purposes.	<u>2,772,050</u>
	<u><u>\$ 169,118,289</u></u>
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	\$ 162,555,183
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	<u>(10,158,609)</u>
	<u><u>\$ 152,396,574</u></u>

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



Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
ASSETS			
Current assets:			
Cash and investments	\$ 136,786,815	\$ 1,563,623	\$ 48,986,619
Receivables:			
Interest	580,948	3,110	208,149
Taxes	39,439	-	-
Other	-	5,512	-
Accounts, net of allowances	8,371,496	10,925	2,187,956
Due from other governments	2,809,880	-	2,945,160
Inventories	543,845	148,361	13,801
Prepaid items	8,412	69,193	-
Total current assets	149,140,835	1,800,724	54,341,685
Noncurrent assets:			
Net OPEB asset	844,526	-	-
Capital assets:			
Land	1,914,871	4,786,745	2,629,102
Construction in progress	15,042,606	-	9,744,118
Buildings and other structures	20,933,370	20,170,451	-
Improvements other than buildings	2,322,549	43,767,315	7,134,824
Machinery and equipment	10,989,380	1,833,277	1,067,988
Infrastructure	241,550,461	-	138,025,985
Wastewater treatment facility	-	-	60,308,682
Intangible assets	-	-	-
Less accumulated depreciation	(89,987,816)	(40,281,426)	(85,472,980)
Total capital assets (net of accumulated depreciation)	202,765,421	30,276,362	133,437,719
Total noncurrent assets	203,609,947	30,276,362	133,437,719
Total assets	352,750,782	32,077,086	187,779,404
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - OPEB related items	372,729	-	86,950
Deferred outflows of resources - pension related items	1,031,718	-	433,531
Total deferred outflows of resources	1,404,447	-	520,481

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

Enterprise Funds		Governmental
Non-Major		Activities -
Solid		Internal
Waste	Totals	Service
		Funds
\$ 14,443,039	\$ 201,780,096	\$ 53,563,476
61,007	853,214	198,864
-	39,439	-
567,882	573,394	-
993,557	11,563,934	62,405
-	5,755,040	-
-	706,007	516,480
-	77,605	1,686,022
16,065,485	221,348,729	56,027,247
-	844,526	-
-	9,330,718	-
-	24,786,724	3,086,644
-	41,103,821	-
-	53,224,688	-
-	13,890,645	34,484,039
-	379,576,446	-
-	60,308,682	-
-	-	1,689,637
-	(215,742,222)	(21,317,004)
-	366,479,502	17,943,316
-	367,324,028	17,943,316
16,065,485	588,672,757	73,970,563
59,623	519,302	147,814
258,185	1,723,434	1,008,810
317,808	2,242,736	1,156,624

(continued)



Statement of Net Position
Proprietary Funds (continued)
June 30, 2020

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
LIABILITIES			
Current liabilities:			
Accrued liabilities	3,507,963	509,093	701,145
Accrued interest payable	51,497	-	-
Due to other governments	6,964,099	-	5,612,739
Estimated claims payable	-	-	-
Current portion of loans payable	1,620,408	-	-
Total current liabilities	12,143,967	509,093	6,313,884
Noncurrent liabilities:			
Deposits payable	108,646	304,973	4,545,720
Advance from other funds	-	55,458,869	-
Unearned revenue	-	-	10,000
Net OPEB liability	-	-	117,749
Net pension liability	6,527,185	-	2,880,579
Loans payable	13,706,185	-	-
Total noncurrent liabilities	20,342,016	55,763,842	7,554,048
Total liabilities	32,485,983	56,272,935	13,867,932
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - OPEB related items	50,478	-	3,285
Deferred inflows of resources - pension related items	158,866	-	134,012
Total deferred inflows of resources	209,344	-	137,297
NET POSITION			
Net investment in capital assets	187,438,828	30,276,362	133,437,719
Restricted for:			
Capital assets	36,008,851	-	5,235,520
Unrestricted	98,012,223	(54,472,211)	35,621,417
Total net position (deficit)	\$ 321,459,902	\$ (24,195,849)	\$ 174,294,656

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

Net position of business-type activities

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

Enterprise Funds		Governmental
Non-Major		Activities -
Solid		Internal
Waste	Totals	Service
		Funds
1,272,964	5,991,165	6,928,163
-	51,497	-
-	12,576,838	-
-	-	14,320,432
-	1,620,408	147,952
1,272,964	20,239,908	21,396,547
-	4,959,339	1,000
-	55,458,869	-
85,009	95,009	-
80,742	198,491	200,173
1,548,012	10,955,776	6,200,026
-	13,706,185	-
1,713,763	85,373,669	6,401,199
2,986,727	105,613,577	27,797,746
2,252	56,015	5,584
51,689	344,567	414,433
53,941	400,582	420,017
-	351,152,909	17,795,364
-	41,244,371	-
13,342,625	92,504,054	29,114,060
\$ 13,342,625	484,901,334	\$ 46,909,424
	1,635,657	
	\$ 486,536,991	



Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	\$ 45,753,489	\$ -	\$ -
Wastewater service charges	-	-	13,848,722
Golf course operations	-	6,558,857	-
Other charges for services	578,600	-	-
Miscellaneous	198,372	78,493	66,272
Total operating revenues	46,530,461	6,637,350	13,914,994
Operating expenses:			
Encina plant operations	1,013,865	-	3,341,283
Purchased water	25,322,143	-	-
Golf course operations	-	6,697,971	-
Depreciation	6,566,816	3,554,007	4,989,852
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	18,309,444	-	8,821,881
Total operating expenses	51,212,268	10,251,978	17,153,016
Operating income (loss)	(4,681,807)	(3,614,628)	(3,238,022)
Nonoperating revenues (expenses):			
Income from property and investments	4,988,026	107,018	1,538,717
Interest expense and fees	(369,480)	-	-
Gain (loss) on sale of property	(2,165,641)	-	(2,501)
Property taxes	4,225,825	-	-
Total nonoperating revenues (expenses)	6,678,730	107,018	1,536,216
Income (loss) before transfers and capital contributions	1,996,923	(3,507,610)	(1,701,806)
Transfers in	-	-	-
Capital contributions:			
Capital restricted fees and grants	3,875,117	-	484,351
Developer constructed assets	1,584,234	-	383,546
Other	-	-	-
Change in net position	7,456,274	(3,507,610)	(833,909)
Total net position (deficit) at beginning of year, as restated	314,003,628	(20,688,239)	175,128,565
Total net position (deficit) at end of year	<u>\$ 321,459,902</u>	<u>\$ (24,195,849)</u>	<u>\$ 174,294,656</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
Non-Major		Activities -
Solid Waste	Totals	Internal
		Service Funds
\$ -	\$ 45,753,489	\$ -
-	13,848,722	-
-	6,558,857	-
3,562,906	4,141,506	24,145,185
134,447	477,584	313,131
3,697,353	70,780,158	24,458,316
-	4,355,148	-
-	25,322,143	-
-	6,697,971	-
-	15,110,675	2,803,166
-	-	1,353,138
-	-	5,669,730
-	-	322,205
4,482,473	31,613,798	11,397,612
4,482,473	83,099,735	21,545,851
(785,120)	(12,319,577)	2,912,465
497,353	7,131,114	1,531,727
-	(369,480)	(15,854)
-	(2,168,142)	44,982
-	4,225,825	-
497,353	8,819,317	1,560,855
(287,767)	(3,500,260)	4,473,320
303,052	303,052	-
-	4,359,468	-
-	1,967,780	-
-	-	4,143,654
15,285	3,130,040	8,616,974
13,327,340		38,292,450
\$ 13,342,625		\$ 46,909,424
	705,883	
	\$ 3,835,923	



Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	\$ 45,045,230	\$ 6,898,241	\$ 13,801,033
Payments to suppliers	(35,205,459)	(6,966,911)	(8,964,685)
Payments to employees	(4,979,979)	-	(2,167,353)
Internal activity - payments to other funds	(3,254,637)	-	(1,303,706)
Claims and premiums paid	-	-	-
Other receipts	189,739	-	-
Other disbursements	-	-	(260,016)
Net cash provided (used) by operating activities	1,794,894	(68,670)	1,105,273
Cash flows from noncapital financing activities:			
Transfers from other funds	-	-	-
Net cash provided (used) by capital and related financing activities	-	-	-
Cash flows from capital and related financing activities:			
Proceeds from capital debt	39,160	-	-
Capital restricted fees	1,059,425	-	484,351
Purchase of capital assets	(12,913,640)	(1,017,444)	(3,736,383)
Gross proceeds from the sale of capital assets	-	-	-
Principal paid on capital debt	(1,582,886)	-	-
Interest and other fees paid	(332,822)	-	-
Proceeds from state and local grants	76,462	-	-
Property taxes received	4,227,742	-	-
Net cash (used in) capital and related financing activities	(9,426,559)	(1,017,444)	(3,252,032)
Cash flows from investing activities:			
Interest on investments	5,108,914	110,442	1,579,413
Net increase (decrease) in cash and cash equivalents	(2,522,751)	(975,672)	(567,346)
Cash and cash equivalents at beginning of year, as restated	139,309,566	2,539,295	49,553,965
Cash and cash equivalents at end of year	\$ 136,786,815	\$ 1,563,623	\$ 48,986,619

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

Enterprise Funds		Governmental	
		Activities -	
Non-Major		Internal	
Solid Waste	Totals	Service Funds	
\$ 3,396,323	\$ 69,140,827	\$ 25,405,221	
(1,938,657)	(53,075,712)	(7,536,423)	
(1,651,227)	(8,798,559)	(6,469,865)	
(713,334)	(5,271,677)	(229,939)	
-	-	(4,247,979)	
134,447	324,186	-	
-	(260,016)	-	
(772,448)	2,059,049	6,921,015	
303,052	303,052	-	
303,052	303,052	-	
-	39,160	-	
-	1,543,776	-	
-	(17,667,467)	(3,828,678)	
-	-	50,090	
-	(1,582,886)	(211,114)	
-	(332,822)	(15,854)	
-	76,462	-	
-	4,227,742	-	
-	(13,696,035)	(4,005,556)	
508,881	7,307,650	1,545,157	
39,485	(4,026,284)	4,460,616	
14,403,554	205,806,380	49,102,860	
\$ 14,443,039	\$ 201,780,096	\$ 53,563,476	

(continued)



Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2020

	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)	\$ (4,681,807)	\$ (3,614,628)	\$ (3,238,022)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	6,566,816	3,554,007	4,989,852
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,286,859)	260,890	(47,689)
(Increase) decrease in due from other governments	11,290	-	308,069
(Increase) decrease in inventories	62,211	49,016	360
(Increase) decrease in prepaid items	3,751	(31,774)	-
(Increase) decrease in OPEB asset	(844,526)	-	-
(Increase) decrease in deferred outflows - OPEB related items	(59,961)	-	(413,645)
(Increase) decrease in deferred outflows - pension related items	1,116,119	-	812,974
(Decrease) increase in accrued liabilities	1,240,340	(141,187)	23,185
(Decrease) increase in due to other governments	(104,635)	-	(1,236,112)
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	(8,633)	(144,994)	(326,288)
(Decrease) increase in unearned revenue	-	-	-
(Decrease) increase in OPEB liability	(639,526)	-	70,362
(Decrease) increase in net pension liability	655,071	-	242,398
(Decrease) increase in deferred inflows - OPEB related items	(62,993)	-	126,358
(Decrease) increase in deferred inflows - pension related items	(171,764)	-	(206,529)
Net cash provided by operating activities	<u>\$ 1,794,894</u>	<u>\$ (68,670)</u>	<u>\$ 1,105,273</u>
Noncash capital financing activities:			
Capital assets contributed by other sources	<u>\$ 1,584,234</u>	<u>\$ -</u>	<u>\$ 383,546</u>

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

Enterprise Funds		Governmental Activities - Internal Service Funds	
Non-Major Solid Waste	Totals		
\$ (785,120)	\$ (12,319,577)	\$ 2,912,465	
-	15,110,675	2,803,166	
(167,356)	(1,241,014)	(25,654)	
-	319,359	-	
-	111,587	(58,423)	
-	(28,023)	(1,501,916)	
-	(844,526)	-	
(45,987)	(519,593)	(114,009)	
147,678	2,076,771	594,831	
139,603	1,261,941	1,329,828	
-	(1,340,747)	-	
-	-	1,288,677	
-	(479,915)	-	
773	773	-	
48,248	(520,916)	119,615	
(62,419)	835,050	(250,001)	
(2,996)	60,369	(7,427)	
(44,872)	(423,165)	(170,137)	
<u>\$ (772,448)</u>	<u>\$ 2,059,049</u>	<u>\$ 6,921,015</u>	
<u>\$ -</u>	<u>\$ 1,967,780</u>	<u>\$ 4,143,654</u>	



**Statement of Net Position
Fiduciary Funds
June 30, 2020**

	Agency Funds	Private Purpose Trust Funds
ASSETS		
Current assets:		
Cash and investments	\$ 22,388,946	\$ 2,061,426
Receivables:		
Interest	107,331	22,376
Taxes	2,967	-
Other	22,535	-
Total current assets	22,521,779	2,083,802
Noncurrent assets:		
Loans receivable	-	3,750,000
Restricted assets:		
Cash and investments	4,460,404	-
Total noncurrent assets	4,460,404	3,750,000
Total assets	\$ 26,982,183	\$ 5,833,802
LIABILITIES		
Current liabilities:		
Accrued liabilities	\$ 1,799,300	\$ 1,432
Accrued interest payable	-	65,455
Deposits held for others	25,182,883	-
Current portion of long-term debt	-	855,000
Total current liabilities	26,982,183	921,887
Noncurrent liabilities:		
Due to the City of Carlsbad	-	2,681,689
Tax allocation bonds payable	-	2,850,000
Total noncurrent liabilities	-	5,531,689
Total liabilities	26,982,183	6,453,576
NET POSITION		
Held in trust for redevelopment obligation retirement purposes	\$ -	\$ (619,774)

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



Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Private Purpose Trust Funds
ADDITIONS	
Contributions:	
Tax increment	\$ 5,006,144
Other income	1,398,878
Income from property and investments	105,206
Total additions	6,510,228
DEDUCTIONS	
General and administrative	98,195
Interest expense and fees	232,382
Total deductions	330,577
Change in net position	6,179,651
Total net position (deficit) at beginning of year	(6,799,425)
Total net position (deficit) at end of year	\$ (619,774)

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



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Carlsbad, California ("city"), was incorporated on July 16, 1952. The city was a general law city until 2008, when the citizens in Carlsbad voted and approved the city to become a charter city. The city operates under a Council-Manager form of government and provides the following services: general government, public safety, community 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

Note 1. Summary of Significant Accounting Policies (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the Fund Financial Statements.

Measurement focus, basis of accounting, and financial statement presentation

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Private Purpose Trust Fund Financial Statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Property taxes are recognized as revenues in the year for which they are levied.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, as long as the expenditure reflects a near-term cash outflow. Principal and interest on long-term debt are recorded as fund liabilities when due.

Revenues that are accrued generally include real property taxes, sales tax, transient occupancy taxes (TOT), franchise taxes, highway users tax, interest, and some state and federal grants.

Real property taxes are levied on October 15 against property owners of record on January 1 of that year. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01 a.m. on the first day of January in the fiscal year for which the taxes are levied. Under the provisions of NCGA (National Council on Government Accounting) Interpretation 3, property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Agency funds, which are a type of fiduciary funds, are custodial in nature (assets equal liabilities) and do not involve the recording of city revenues and expenses. Since revenues and expenses are not recognized, agency funds have no measurement focus, however, assets and liabilities are accounted for on the accrual basis of accounting.

The city reports the following major governmental funds:

- The **General Fund** is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Community Facilities District (CFD) No. 1** capital project fund is used to account for the receipt of taxes and fees charged to developers that are restricted for civic facilities, parks, and road segments.
- The **General Capital Construction (GCC)** capital project fund is used to account for transfers from the General Fund and expenditures for various capital projects not financed through another capital project fund.
- The **Infrastructure Replacement (IRF)** capital project fund is used to account for transfers from the General Fund and expenditures for the replacement of major infrastructure throughout the city.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

- The **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 (CMWD)** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the city's potable and recycled water systems.
- The **Golf Course** enterprise fund is used to account for revenues and expenses for the construction, maintenance and operating activities of the city's municipal golf course.
- The **Wastewater** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the city's wastewater system.
- The **Solid Waste** enterprise funds are used to account for the revenues and expenses of the city's solid waste source-reduction, recycling and storm water programs.

Additionally, the city reports the following fund types:

- **Internal Service funds** account for fleet maintenance and replacement, self-insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the city.
- The **Agency funds** account for assets held by the city for other governments or individuals. These funds include contractors' deposits for future development, miscellaneous deposits, as well as debt service transactions on assessment district bonds for which the city is not obligated.
- The **Trust funds** account for the activities of the Redevelopment Obligation Retirement Funds, which accumulates resources for obligations previously incurred by the former City of Carlsbad Redevelopment Agency (RDA).

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

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

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



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Cash and investments

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

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

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

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

Inventories

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

Compensated absences

Compensated absences are comprised of vacation payable for all city employees and banked overtime (comp time). 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, 2020, 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 and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other city funds and departments and paying claims, settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end, if material.

Unbilled services

Unbilled water, wastewater and solid waste revenues of the enterprise funds are recognized as earned when the services are used.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Capital assets

Capital assets, which include land (including right-of-way), buildings, equipment and infrastructure assets (e.g., roads, bridges, traffic signals, water and wastewater systems, and similar items), are reported in the applicable governmental or business-type activities columns in the Government-wide Financial Statements. Capital assets are defined by the city as machinery and equipment and capital construction with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of one year; and intangible assets such as computer software with an initial cost of more than \$100,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Construction in progress costs are transferred to their respective capital asset category upon completion.

Depreciation is charged to operations using the straight-line method based on the estimated useful life of an asset. The estimated useful lives of depreciable assets are as follows:

	<u>Years</u>
Buildings and other structures	10 – 50
Improvements other than buildings	10 – 50
Infrastructure	10 – 100
Intangible assets	5 – 10
Machinery and equipment	3 – 20
Wastewater treatment facility (including equipment)	5 – 75

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 items in this category.

Deferred inflows

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The city has two types of items that qualify for reporting in this category.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

The first item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: interest on advances 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 other postemployment benefits 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 2% of outstanding billings at June 30, 2020, the ambulance billing receivable allowance is equal to 40% of outstanding billings at June 30, 2020, 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% 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, 2020, and any receivables due from other public agencies.

Loan and reimbursement receivable

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year.



Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

Net position

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

Cash flows

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

Long-term obligations

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

Pensions

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

For this report, the following timeframes are used:

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB (asset)/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

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, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

Compensated absences, OPEB obligation and net pension liability

The obligations for compensated absences, the OPEB obligation and net pension liability are primarily liquidated from the General Fund. There is no fixed payment schedule for these liabilities.

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.
- A public hearing is conducted at a City Council meeting to obtain citizens' comments during June.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.



Notes to the Financial Statements

Note 2. Budgetary Data (continued)

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, increases in General Liability and Workers' Compensation Fund claims expenses, and increases in

Encina Wastewater Authority expenses. The city manager is authorized to increase or decrease an appropriation for a specific purpose where the appropriation is offset by unbudgeted revenue, which is designated for said specific purpose. Monthly reports are provided to the City Council during the year, and any changes to the adopted budget are approved by the City Council as necessary. During the year, several supplementary appropriations were necessary.

Budgets for governmental type funds are adopted on the modified accrual basis except that encumbrances are treated as budgeted expenditures in the year purchases are committed. Expenditures may not exceed budgeted appropriations at the fund level. All appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year or if the appropriation is less than \$100,000, the city manager may approve 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 on the next page 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, 2020, the LAIF performance report shows a fair value factor of 1.004912795. 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.

The city and its agencies invest a portion of the funds in an external investment pool known as the California Asset Management Program (CAMP). CAMP is a California Joint Powers Authority directed by a Board of Trustees, which is made up of local government finance directors and treasurers.

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, 2020, the city had the following investments in its portfolio:

	Fair Value	% of Total	Modified Duration
Treasurer's Pool investments			
U.S. agencies:			
United States Treasury Bills & Notes	\$ 82,219,190	9.9%	1.199
Federal Home Loan Mortgage Corporation	56,873,717	6.9%	2.603
Federal National Mortgage Association	26,117,823	3.2%	1.601
Federal Home Loan Bank	61,840,133	7.5%	2.366
Federal Farm Credit Bank	79,269,097	9.6%	3.110
Federal Agricultural Corporation	12,420,086	1.5%	1.849
Supranational	40,575,352	4.9%	2.897
Financing Corporation	2,684,625	0.3%	3.826
Tennessee Valley Authority	3,067,980	0.4%	0.611
RFCO Strip Principal	2,997,330	0.4%	0.290
Subtotal U.S. agencies	368,065,333	44.6%	2.035
Agency Backed Passthrough Securities			
Federal Home Loan Mortgage Corporation	3,208,350	0.4%	2.022
Federal National Mortgage Association	4,018,762	0.5%	1.232
Subtotal agency backed passthrough securities	7,227,112	0.9%	1.582
Corporate notes:			
Medium-term corporate notes	240,987,959	29.1%	2.276
Subtotal corporate notes	240,987,959	29.1%	2.276
CAMP	1,004,415	0.1%	-
LAIF	185,227,581	22.4%	-
Certificates of deposit	18,956,503	2.3%	-
Cash accounts	6,857,307	0.8%	-
Total Treasurer's Pool	828,326,210	100.0%	1.773
Investments held outside the Treasurer's Pool			
Money market funds	4,675,416		
Guaranteed investment contracts	942,770		
Subtotal debt service funds/bond proceeds	5,618,186		
Other deposits	1,249,495		
Petty cash funds	10,402		
Total cash and investments	\$ 835,204,293		
Statement of Net Position, Primary Government			
Cash and investments	\$ 806,293,517		
Statement of Net Position, Fiduciary Funds			
Cash and investments	24,450,372		
Restricted cash and investments	4,460,404		
Total cash and investments	\$ 835,204,293		



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, 2020:

	Fair Value Hierarchy			Total
	Level 1	Level 2	Level 3	
U.S. Treasury Bills & Notes	\$ 82,219,190	\$ -	\$ -	\$ 82,219,190
U.S. agencies	-	285,846,143	-	285,846,143
Agency backed passthrough securities	-	7,227,112	-	7,227,112
Medium-term corporate notes	-	240,987,959	-	240,987,959
Certificates of deposit	-	18,956,503	-	18,956,503
Subtotal investments reported at fair value	<u>\$ 82,219,190</u>	<u>\$ 553,017,717</u>	<u>\$ -</u>	<u>635,236,907</u>
Cash and investments not reported at fair value				
Cash accounts				6,857,307
CAMP				1,004,415
LAIF				185,227,581
Money market funds				4,675,416
Guaranteed investment contracts				942,770
Other deposits				1,249,495
Petty cash funds				10,402
Total cash and investments				<u>\$ 835,204,293</u>

Custodial credit risk (investments)

The city uses a third-party bank for its custody and safekeeping service for its investment securities. Custodial credit risk is the risk that the city will not be able to recover the value of its investments in the event of the custodian's failure. All city investments held in custody and safekeeping are held in the name of the city and are segregated from securities owned by the bank. This is the lowest level of custodial credit risk exposure. Investments are settled on Delivery vs. Payment (DVP) in accordance with the third-party custodial agreement.

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% 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 5% of investments in corporate notes or passthrough securities 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, 2020, 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, 2020, approximately 27% 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 Local Agency Investment Funds (LAIF) is an external investment pool managed by the California State Treasurer. The California Asset Management Program (CAMP) is an external investment pool managed by PFM Asset Management LLC. These 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 to be minimal. CAMP is rated AAA by Standard and Poor's Investor Services.

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, 2020 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	\$ 82,219,190	N/A	\$ 82,219,190	\$ -	\$ -	\$ -	\$ -
Federal agency securities	285,846,143	N/A	-	-	285,846,143	-	-
Agency backed passthrough securities	7,227,112	AA	-	7,227,112	-	-	-
Medium term notes	240,987,959	AA	-	30,799,800	145,114,027	65,074,132	-
California Asset Management Program (CAMP)	1,004,415	N/A	-	1,004,415	-	-	-
Local Agency Investment Fund (LAIF)	185,227,581	N/A	-	-	-	-	185,227,581
Certificates of deposit	18,956,503	N/A	-	-	-	-	18,956,503
Cash accounts	6,857,307	N/A	-	-	-	-	6,857,307
Other deposits	1,249,495	N/A	-	-	-	-	1,249,495
Petty cash funds	10,402	N/A	-	-	-	-	10,402
Investments with fiscal agent							
Money market funds	4,675,416	AA-m	-	4,675,416	-	-	-
Guaranteed investment contracts	942,770	N/A	-	-	-	-	942,770
	<u>\$ 835,204,293</u>		<u>\$ 82,219,190</u>	<u>\$ 43,706,743</u>	<u>\$ 430,960,170</u>	<u>\$ 65,074,132</u>	<u>\$ 213,244,058</u>



Notes to the Financial Statements

Note 3. Deposit and Investment Risk (continued)

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2020, the portfolio had a 1.89% gain 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, 2020, the modified duration of the portfolio was 1.773. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1.0% change in market interest rates occurs, a 1.5% 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, 2020, maturities within one year exceeded the required minimum of \$198,032,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2019-20 Operating Budget adopted by the City Council).
3. As of June 30, 2020, the weighted average maturity of the LAIF underlying debt securities was 191 days. As of June 30, 2020, LAIF had a 0.4913% gain in market value.
4. As of June 30, 2020, the city's investment portfolio included \$3,246,000 of callable step-up notes at par.

Note 4. Due To and From Other Funds

The following table shows amounts due from funds within the city to other funds within the city at June 30, 2020.

	Due to Other Funds	Due from Other Funds
General Fund	\$ -	\$ 82,003
Other Governmental Funds:		
Community Development Block Grant	82,003	-
Totals	<u>\$ 82,003</u>	<u>\$ 82,003</u>



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, 2020:

Advances From	Advances To	Amount
General Fund	Other Governmental Funds:	
	Habitat Mitigation	\$ 1,254,185 ¹
General Fund	Enterprise Funds:	
	Golf Course	55,458,869 ²
Other Governmental Funds:	Other Governmental Funds:	
CFD No. 1	Traffic Impact Projects	1,943,710 ³
Public Facilities Construction	Park Development	5,650,000 ⁴
		<u>\$ 64,306,764</u>
General Fund	Fiduciary Funds:	
	Redevelopment Obligation	
	Retirement Trust Funds	<u>\$ 2,681,689 ⁵</u>

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

¹ The advance between the General Fund and the Habitat & Agricultural Management Fund is estimated to be repaid from future Habitat Mitigation Fees. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.

² The advance between the General Fund and the Golf Course Enterprise Fund is estimated to be repaid through residual operating income from golf course operations.

³ The advance between the CFD No. 1 Fund and the Traffic Impact Projects Fund is estimated to be repaid over a 10-15 year period as Traffic Impact Fees are collected.

⁴ The advance between the PFF Fund and the Park Development Funds is estimated to be repaid at build-out.

⁵ The obligation of the Redevelopment Obligation Retirement Trust Funds represents the obligations of the custodian of the assets and liabilities of the former redevelopment agency (the Successor Agency) and is presented in the accompanying financial statements as Due from Successor Agency. Interest on the obligation will compound annually at 3% 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, 2020:

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 153,725,792	\$ 2,170,439	\$ -	\$ 155,896,231
Construction in progress	16,752,652	10,344,184	(10,130,298)	16,966,538
Total capital assets, not being depreciated	170,478,444	12,514,623	(10,130,298)	172,862,769
Capital assets, being depreciated:				
Buildings	136,441,283	1,840,187	-	138,281,470
Improvements, other than buildings	84,333,943	11,098,247	(1,606,339)	93,825,851
Machinery and equipment	46,038,742	6,210,958	(603,722)	51,645,978
Infrastructure	726,181,012	8,071,373	-	734,252,385
Intangible assets	5,017,448	-	-	5,017,448
Total capital assets, being depreciated	998,012,428	27,220,765	(2,210,061)	1,023,023,132
Less accumulated depreciation for:				
Buildings	(42,990,955)	(2,791,508)	-	(45,782,463)
Improvements, other than buildings	(34,179,019)	(3,387,741)	1,606,339	(35,960,421)
Machinery and equipment	(28,559,299)	(3,518,759)	598,615	(31,479,443)
Infrastructure	(271,785,748)	(15,147,326)	-	(286,933,074)
Intangible assets	(3,587,490)	(133,657)	-	(3,721,147)
Total accumulated depreciation	(381,102,511)	(24,978,991)	2,204,954	(403,876,548)
Total capital assets being depreciated, net	616,909,917	2,241,774	(5,107)	619,146,584
Governmental activities capital assets, net	<u>\$ 787,388,361</u>	<u>\$ 14,756,397</u>	<u>\$ (10,135,405)</u>	<u>\$ 792,009,353</u>



Notes to the Financial Statements

Note 6. Capital Assets (continued)

	Balance at June 30, 2019	Increases	Decreases	Balance at June 30, 2020
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	\$ 9,330,718	\$ -	\$ -	\$ 9,330,718
Construction in progress	46,142,826	21,901,197	(43,257,299)	24,786,724
Total capital assets, not being depreciated	55,473,544	21,901,197	(43,257,299)	34,117,442
Capital assets, being depreciated:				
Buildings	40,952,166	151,655	-	41,103,821
Improvements, other than buildings	52,278,030	946,658	-	53,224,688
Machinery and equipment	12,933,255	957,390	-	13,890,645
Infrastructure	350,381,308	34,460,714	(5,265,576)	379,576,446
Wastewater treatment facility	58,126,463	5,188,489	(3,006,270)	60,308,682
Total capital assets, being depreciated	514,671,222	41,704,906	(8,271,846)	548,104,282
Less accumulated depreciation for:				
Buildings	(11,327,475)	(911,224)	-	(12,238,699)
Improvements, other than buildings	(37,758,623)	(3,247,424)	-	(41,006,047)
Machinery and equipment	(2,461,202)	(672,296)	-	(3,133,498)
Infrastructure	(115,785,535)	(7,910,135)	3,097,433	(120,598,237)
Wastewater treatment facility	(39,402,415)	(2,369,596)	3,006,270	(38,765,741)
Total accumulated depreciation	(206,735,250)	(15,110,675)	6,103,703	(215,742,222)
Total capital assets being depreciated, net	307,935,972	26,594,231	(2,168,143)	332,362,060
Business-type activities capital assets, net	\$ 363,409,516	\$ 48,495,428	\$ (45,425,442)	\$ 366,479,502



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	\$ 782,137
Public safety	1,439,268
Community services	4,475,258
Public works	15,479,162
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	<u>2,803,166</u>

Total depreciation expense - governmental activities	<u>\$ 24,978,991</u>
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Business-type activities:

Carlsbad Municipal Water District	\$ 6,566,816
Wastewater	4,989,852
Golf course	<u>3,554,007</u>

Total depreciation expense - business-type activities	<u>\$ 15,110,675</u>
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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, 2020:

	Principal Balance at July 1, 2019	Increases	Decreases	Principal Balance at June 30, 2020	Due Within One Year
Governmental activities:					
Obligations under capital lease	\$ 378,295	\$ -	\$ 222,373	\$ 155,922	\$ 155,922
Total governmental activities	<u>\$ 378,295</u>	<u>\$ -</u>	<u>\$ 222,373</u>	<u>\$ 155,922</u>	<u>\$ 155,922</u>
Business-type activities:					
Loans payable	\$ 16,826,605	\$ 82,874	\$ 1,582,886	\$ 15,326,593	\$ 1,620,408
Total business type activities	<u>\$ 16,826,605</u>	<u>\$ 82,874</u>	<u>\$ 1,582,886</u>	<u>\$ 15,326,593</u>	<u>\$ 1,620,408</u>



Notes to the Financial Statements

Note 7. Long-term Debt (continued)

Long-term debt at June 30, 2020 is comprised of the following issues:

	Balance at June 30, 2020
Governmental long-term debt	
The city has entered into several lease-purchase agreements for office equipment valued at \$1,029,574. This year, \$205,914 was included in depreciation expense. As of June 30, 2020 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%.	\$ 155,922
Sub-total governmental long-term debt	155,922
Less current portion	(155,922)
Total long-term portion of governmental debt	<u>\$ -</u>
Business-type long-term debt	
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 \$571,729 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.	\$ 3,005,197
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 \$1,048,679 to \$1,201,977 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.	7,867,132
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 Dec. 2021. Interest is payable on Dec. 31 of each year at 1.0% per annum. Principal due under the current amortization schedule ranges from \$126,795 to \$169,208. Payable from recycled water user fees.	<u>4,454,264</u>
Subtotal business-type long-term debt	15,326,593
Less current portion	(1,620,408)
Total long-term portion of business-type debt	<u>\$ 13,706,185</u>



Notes to the Financial Statements

Note 7. Long-term Debt (continued)

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

Year ended June 30:	Governmental Activities	
	Principal	Interest
2021	\$ 155,922	\$ 3,577
	<u>\$ 155,922</u>	<u>\$ 3,577</u>

Year ended June 30:	Business-type Activities	
	Principal	Interest
2021	\$ 1,620,408	\$ 256,074
2022	1,786,873	262,204
2023	1,827,478	221,598
2024	1,869,031	180,046
2025	1,911,551	137,526
2026-2030	3,056,645	265,572
2031-2035	714,387	148,585
2036-2040	750,828	112,144
2041-2045	789,127	73,843
2046-2050	829,380	33,590
2051	170,885	1,709
	<u>\$ 15,326,593</u>	<u>\$ 1,692,891</u>

The aggregate maturities for the business-type activities reflect a recent \$39,160 interest increase in the state 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 CMWD loan agreements 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 recycled revenues of CMWD are pledged to meet these rate covenants and to secure related debt. All rates were set to meet all covenants requirements; however, unplanned increases in water costs were realized in the current year and actual net revenues were lower than one times debt service. CMWD had a sufficient fund balance to mitigate the shortfall and will continue to set its charges for services and rates for fees to produce the required net revenues.



Notes to the Financial Statements

Note 8. Rate Covenants and Pledged Revenue (continued)

Pledged revenue

The city has a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The 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	Pledged Revenue as a Percentage of Debt Service
Recycled water revenues	\$ 1,631,678	\$ 1,876,482	87%

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, 2020, the city has two series of assessment district bonds outstanding in the amount of \$30,020,000. 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, 2020, the city has two series Community Facilities District (CFD) bonds outstanding in the amount of \$18,890,000. 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, 2020 is \$16,625,000. 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, 2020:

Fund Balances	Governmental Funds			
	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Nonspendable:				
Inventory	\$ 13,959	\$ -	\$ -	\$ -
Prepaid items	648,696	-	-	-
Loans receivable	77,656	-	-	-
Advances to other funds*	48,267,933	-	-	-
Totals	49,008,244	-	-	-
Restricted for:				
Affordable housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Capital projects	-	95,005,682	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Totals	-	95,005,682	-	-
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	1,000,000	-	-	-
Assigned to:				
General government	13,781,328	-	-	-
Public safety	2,769,280	-	-	-
Community services	4,135,394	-	-	-
Public works	2,956,970	-	-	-
COVID-19	7,089,789	-	-	-
Capital projects	-	-	42,273,928	122,993,131
Totals	30,732,761	-	42,273,928	122,993,131
Unassigned:				
Unassigned	98,985,748	-	-	-
Economic uncertainty	11,135,909	-	-	-
Totals	110,121,657	-	-	-
Total fund balances	\$ 190,862,662	\$ 95,005,682	\$ 42,273,928	\$ 122,993,131

* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of \$11,126,810 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

Governmental Funds			
Park Development	Public Facilities Construction	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 13,959
-	-	951	649,647
-	-	-	77,656
-	-	-	48,267,933
-	-	951	49,009,195
-	-	44,884,230	44,884,230
-	-	8,966,732	8,966,732
7,216,756	35,082,268	68,762,472	206,067,178
-	-	974,683	974,683
-	-	447,894	447,894
-	-	4,021,647	4,021,647
7,216,756	35,082,268	128,057,658	265,362,364
-	-	-	1,000,000
-	-	-	1,000,000
-	-	-	13,781,328
-	-	-	2,769,280
-	-	-	4,135,394
-	-	-	2,956,970
-	-	-	7,089,789
-	-	-	165,267,059
-	-	-	195,999,820
-	-	(234,445)	98,751,303
-	-	-	11,135,909
-	-	(234,445)	109,887,212
\$ 7,216,756	\$ 35,082,268	\$ 127,824,164	\$ 621,258,591



Notes to the Financial Statements

Note 10. Fund Balances (continued)

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

Nonspendable Fund Balance

Nonspendable Fund Balance 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 delegated the authority for the city manager to carry forward certain unspent budget amounts for specific purposes if the amount is equal to or less than \$100,000 to the next fiscal year. The City Council has authorized, through a resolution, that all outstanding encumbrances at the end of the fiscal year and certain unspent budgeted amounts above \$100,000 to be carried forward into the next fiscal year. These amounts are shown as assigned fund balance at the end of the fiscal year:

- General government – citywide back file conversion; wildfire prevention campaign; unfunded litigation costs; COVID-19 related costs; a business revitalization plan; climate action plan communications costs; demographer contract for redistricting services; implementation and maintenance of a learning management system; a new Enterprise Resource Planning system; and additional innovation-related projects.
- Public safety – NFPA 1582 medical tests; RMS and EMS database access for the NorthCom Dispatch JPA; wildfire evacuation sheltering; COVID-related cleaning services; unspent state homeless program grant; the outfitting of ten safety vehicles; de-escalation training SB230; equipment for Psychiatric Emergency Response Team; regional computer forensics lab; and GrayKey licensing.
- Community services – unspent developer deposits; unspent state SB2 grant funds; maintenance for the Schulman Auditorium AV systems; public arts funding; Cannon Park playground refurbishment; Dove Library wayfinding; Leo Carrillo Ranch antique furniture restoration; Leo Carrillo Ranch self-guided audio tour; Pine Avenue Park/Senior Center public safety camera project; and arts and culture master plan.
- Public works – street maintenance; fencing; unspent state green business network grant; electrical testing equipment; asset management software; and unused transportation demand management funds.



Notes to the Financial Statements

Note 10. Fund Balances (continued)

- Capital projects – citywide infrastructure replacement projects; beach access repairs; fleet maintenance renovation; Safety Center refurbishment; Faraday Center refurbishment; Monroe Street pool replacement; Hosp Grove playground refurbishment; parking lot maintenance program; replacement of Fire Station No. 2; emergency operations center reconfiguration; Lake Calavera outlet improvements; Terramar area coastal improvements; Ocean Street restroom; Cannon Park restroom; Calavera Park gateway improvements; Agua Hedionda south trail; Carlsbad Village decorative lighting; Barrio street lighting; Kelly Drive channel repair; Senior Center refurbishment; Village Arts building exterior and roof improvements; and Fire Station No. 4 expansion.

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

Pursuant to Council Policy 74, the city is committed to maintaining General Fund reserves at a target of 40% of General Fund annual operating expenditures. The total reserve level is calculated using the prior fiscal years adopted General Fund budgeted expenditures. This reserve is for unforeseen emergencies or catastrophic impacts upon the city. Reserves are evaluated annually in conjunction with the development of the city's annual operating budget process. Staff report to the City Council annually on the status of the reserve levels relative to this policy.

Note 12. Accumulated Fund Deficits/Negative Net Position

The following funds reported deficits in fund balances or net position as of June 30, 2020:

	Deficit Balance
Special Revenue Funds:	
Habitat and Agricultural Management	\$ (234,445)
Enterprise Funds:	
Golf Course	(24,195,849)
Fiduciary Funds:	
Redevelopment Obligation Retirement Trust Fund	(619,774)

The deficit in the Habitat and Agricultural Management Fund is the result of the General Fund advancing money for the purchase of mitigation credits in the current fiscal year. 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. The deficit in the Redevelopment Obligation Retirement Trust Fund is the result of the General Fund advancing money for redevelopment.



Notes to the Financial Statements

Note 13. Interfund Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Transfers In		Transfers Out	Amount
General Fund	Gas Tax Fund		\$ 10,000
Capital Project Funds:			
General Capital Construction	General Fund		5,111,500
Infrastructure Replacement	General Fund		5,111,500
Enterprise Funds:			
Storm Water Protection	General Fund		303,052
Special Revenue Funds:			
Financing Districts	General Fund		950,000
			<u>\$ 11,486,052</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 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, 2019, the city joined the California Insurance Pool Authority (CIPA) for excess general liability coverage. This coverage was purchased directly through the pool's manager, Kiser & Company. Under this program, the city's coverage is a maximum of \$43,000,000 per occurrence with a self-insured retention of \$1,000,000. CIPA has been in existence since 1978. At June 30, 2020, the unrestricted fund equity for the Risk Management Self-Insurance Fund was \$1,254,295. Funds used by the Risk Management Fund to liquidate the claims liability predominantly come from the General Fund (80.63%), the Water funds (8.17%) and the Wastewater funds (3.79%).



Notes to the Financial Statements

Note 14. Risk Management (continued)

Through December 31, 2018, the city was self-insured for dental insurance. Dental insurance coverage for city employees was administered by MetLife. Under the city's previous agreement with MetLife, MetLife paid dental claims for each covered member, up to a maximum of \$1,500 per calendar year. At June 30, 2020, there were no claims outstanding.

The city is insured for workers' compensation claims by Safety National. Safety National provides coverage up to a maximum of \$2,000,000 per occurrence for losses which exceed the city's self-insurance retention of \$1,250,000 for all employees. At June 30, 2020, the unrestricted fund equity for the Workers' Compensation Self-Insurance Fund was \$ 2,400,062. Funds used by the Workers' Compensation Fund to liquidate the claims liability predominantly come from the General Fund (95.77%), the Water funds (1.32%) and the Wastewater funds (0.60%).

The estimated claims payable reported at June 30, 2020 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 2018-19 and 2019-20 for the two internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Risk Management Fund:				
2018-19	\$ 2,322,117	\$ 1,158,709	\$ 582,838	\$ 2,897,988
2019-20	2,897,988	1,284,264	718,182	3,464,070
Workers' Compensation Fund:				
2018-19	\$ 8,441,148	\$ 4,634,755	\$ 2,878,110	\$ 10,197,793
2019-20	10,197,793	2,993,863	2,335,294	10,856,362

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

Note 15. Joint Ventures (continued)

As of June 30, 2020, the undivided interest of each member agency in the various components of the Encina Water Pollution Control Facilities aggregated as follows:

City of Vista	25%
City of Carlsbad	24%
Vallecitos Water District	23%
Leucadia Wastewater District	17%
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 \$13,039 in Fiscal Year 2018-19. The financial statements of EWA can be obtained at www.encinajpa.com.

Encina Financing Joint Powers Authority

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

The Authority is governed by a Board of Directors, which consists of one director appointed by each member. The financial statements of the Authority can be obtained at the city'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, benefits provided and employees covered

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. A full description of the Plans regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Plan's June 30, 2018 Annual Actuarial Valuation Report (funding valuation). Details of the benefits provided can be obtained in Appendix B of the Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at 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 fulltime employment. The Plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous		
	Prior to November 28, 2011	On or after 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%	7.50%
Required employer contribution rates	12.410%	12.410%	12.410%
Required employer payment of unfunded liability:		\$5,404,243	

	Safety		
	Prior to October 4, 2010	On or after 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%	12.75%
Required employer contribution rates	20.410%	20.410%	20.410%
Required employer payment of unfunded liability:		\$5,283,319	



Notes to the Financial Statements

Note 16. Pension Plan (continued)

Employees covered

As of June 30, 2018, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous	Safety
Inactive employees or beneficiaries currently receiving benefits	556	241
Inactive employees or beneficiaries currently not yet receiving benefits	484	104
Active employees	492	192
Total	1,532	537

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, 2019 (the measurement date), the average active employee contribution rate ranged from 7.0% to 8.0% of annual pay for miscellaneous employees and 9.0% to 12.75% of annual pay for safety employees, and the average employer's contribution rate is 12.41% of annual payroll for miscellaneous employees and 20.41% 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

The June 30, 2018 valuation was rolled forward to determine the June 30, 2019 total pension liability, 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	2.50%
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 2.0% until Purchasing Power Protection Allowance Floor on purchasing power applies; 2.50% thereafter

* The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.



Notes to the Financial Statements

Note 16. Pension Plan (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term expected rate of return

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 took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded 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 adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class¹	Current Target Allocation	Real Return Years 1 - 10²	Real Return Years 11+³
Global equity	50.0%	4.80%	5.98%
Fixed income	28.0	1.00	2.62
Inflation assets	0.0	0.77	1.81
Private equity	8.0	6.30	7.23
Real estate	13.0	3.75	4.93
Liquidity	1.0	0.00	(0.92)

¹ In the System's CAFR, fixed income is included in global debt securities; liquidity is included in short-term investment; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation of 2.0% used for this period.

³ An expected inflation of 2.92% used for this period.



Notes to the Financial Statements

Note 16. Pension Plan (continued)

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 under forms and publications.

Changes in net pension liability

	Miscellaneous Plan	Safety Plan	Total
Net pension liability	\$ 79,794,426	\$ 70,345,645	\$ 150,140,071
Deferred outflows of resources - pension related items	12,894,542	19,520,588	32,415,130
Deferred inflows of resources - pension related items	(2,986,070)	(1,621,327)	(4,607,397)
Pension expense	25,820,255	28,675,109	54,495,364

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

Miscellaneous Plan

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2018	\$ 383,133,348	\$ 300,121,419	\$ 83,011,929
Changes Recognized for the Measurement Period:			
• Service cost	7,393,365	-	7,393,365
• Interest on the Total Pension Liability	27,175,110	-	27,175,110
• Differences between expected and actual experience	2,338,341	-	2,338,341
• Changes of assumptions	-	-	-
• Plan to plan resource movement	-	-	-
• Contributions from the employer	-	17,745,975	(17,745,975)
• Contributions from employees	-	3,040,423	(3,040,423)
• Net investment income	-	19,551,424	(19,551,424)
• Benefit payments, including refunds of employee contributions	(18,193,803)	(18,193,803)	-
• Administrative expense	-	(214,173)	214,173
• Other Miscellaneous Income/(Expense)	-	670	(670)
Net Changes during 2018-19	18,713,013	21,930,516	(3,217,503)
Balance at 6/30/2019	\$ 401,846,361	\$ 322,051,935	\$ 79,794,426



Notes to the Financial Statements

Note 16. Pension Plan (continued)

Safety Plan	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at: 6/30/2018	\$ 299,532,094	\$ 219,522,878	\$ 80,009,216
Changes Recognized for the Measurement Period:			
• Service cost	6,317,755	-	6,317,755
• Interest on the Total Pension Liability	21,269,278	-	21,269,278
• Differences between expected and actual experience	2,425,561	-	2,425,561
• Changes of assumptions	-	-	-
• Plan to plan resource movement	-	-	-
• Contributions from the employer	-	23,119,896	(23,119,896)
• Contributions from employees	-	2,380,740	(2,380,740)
• Net investment income	-	14,331,677	(14,331,677)
• Benefit payments, including refunds of employee contributions	(15,288,250)	(15,288,250)	-
• Administrative expense	-	(156,656)	156,656
• Other Miscellaneous Income/(Expense) ¹	-	508	(508)
Net Changes during 2018-19	14,724,344	24,387,915	(9,663,571)
Balance at 6/30/2019	<u>\$ 314,256,438</u>	<u>\$ 243,910,793</u>	<u>\$ 70,345,645</u>

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%, 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%) or 1 percentage-point higher (8.15%) 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	\$ 132,602,695	\$ 79,794,426	\$ 36,087,379
Plan's Net Pension Liability - Safety	\$ 114,082,648	\$ 70,345,645	\$ 34,565,665

Recognition of gains and losses

Under GASB 68, gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.



Notes to the Financial Statements

Note 16. Pension Plan (continued)

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.

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

Difference between projected and actual earnings on pension plan investments	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, 2019 measurement date is 3.1 years, which was obtained by dividing the total service years of 4,748 (the sum of remaining service lifetimes of the active employees) by 1,526 (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, 2019 measurement date is 4.5 years, which was obtained by dividing the total service years of 2,427 (the sum of remaining service lifetimes of the active employees) by 537 (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, 2019 (the measurement date), the city recognized a pension expense of \$54,495,364 for the Plans.

As of June 30, 2019, the city reports other amounts for the Miscellaneous Plan as deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,633,467	\$ -
Difference between expected and actual experience	1,584,037	(1,233,313)
Changes of assumptions	677,038	(998,341)
Net difference between projected and actual earnings on pension plan investments	-	(754,416)
Total	\$ 12,894,542	\$ (2,986,070)



Notes to the Financial Statements

Note 16. Pension Plan (continued)

As of June 30, 2019, 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	\$ 10,323,721	\$ -
Difference between expected and actual experience	3,401,410	(368,151)
Changes of assumptions	5,795,457	(740,186)
Net difference between projected and actual earnings on pension plan investments	-	(512,990)
Total	\$ 19,520,588	\$ (1,621,327)

For the Miscellaneous Plan, \$10,633,467 reported as deferred outflows of resources related to employer contributions subsequent to the measurement date, and for the Safety Plan, \$10,323,721 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 fiscal year ended June 30, 2021. 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
2020	\$ 812,221
2021	(1,761,440)
2022	(167,338)
2023	391,562
2024	-
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
2020	\$ 5,188,291
2021	1,291,122
2022	491,187
2023	604,940
2024	-
Thereafter	-



Notes to the Financial Statements

Note 17. Other Postemployment Benefits (OPEB)

The city and former employees of CMWD are offered other postemployment benefits 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.

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% of the health insurance premiums 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 CalPERS.

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 and domestic partners of eligible retirees are eligible for the city subsidy. Surviving spouses and 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 2018	\$133.00
Calendar Year 2019	136.00
Calendar Year 2020	139.00

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 under forms and publications.



Notes to the Financial Statements

Note 17. Other Postemployment Benefits (continued)

Employees covered

As of the June 30, 2019 measurement date, the following employees were covered by the benefit terms for each Plan:

	CMWD	City
Inactive employees or beneficiaries currently receiving benefits	19	238
Inactive employees or beneficiaries currently not yet receiving benefits	-	280
Active employees	1	734
Total	20	1,252

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 30 years on a "closed" basis. The city's and CMWD's contributions for each plan are as follows:

	CMWD	City
Fiscal Year 2019-20 Cash Contributions	\$ 152,560	\$ 424,908
Fiscal Year 2019-20 Estimated Implied Subsidy Payments	24,841	397,555
Fiscal Year 2019-20 Trust Contributions	-	86,000
Total Contributions	\$ 177,401	\$ 908,463



Notes to the Financial Statements

Note 17. Other Postemployment Benefits (continued)

Net OPEB (asset)/liability

The city's and CMWD's net OPEB (asset)/liability was measured as of June 30, 2019 and the total OPEB (asset)/liability used to calculate the net OPEB (asset)/liability was determined by an actuarial valuation dated June 30, 2019, based on the actuarial methods and assumptions shown on the following page:

Actuarial Cost Method:	Entry Age Normal
Actuarial Assumptions:	
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 ¹	Derived using CalPERS' Membership Data for all funds.
Pre-Retirement Turnover ²	Derived using CalPERS' Membership Data for all funds.
Healthcare Trend Rate ³	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 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 under Forms and Publications.
3. Short-term healthcare trends 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 Postemployment Benefits (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 Expected Real Rate of Return
Global Equity	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	100%	

Notes:

1. The long-term expected rate of return is 7.00%.
2. Assumed long-term rate of inflation is 2.75%.

Discount rate

The discount rate used to measure the total OPEB liability was 7.00%. 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 (asset)/liability

	CMWD Plan	City Plan	Total
Net OPEB (asset)	\$ (1,109,038)	\$ -	\$ (1,109,038) ¹
Net OPEB liability	-	4,205,319	4,205,319 ¹
Deferred outflows of resources - OPEB related items	177,401	3,105,351	3,282,752
Deferred inflows of resources - OPEB related items	(43,099)	(117,311)	(160,410)
OPEB expense/(income)	(1,336,501)	671,956	(664,545)

¹ Net OPEB assets for the Carlsbad Municipal Water District Business-Type Activity include all of the CMWD Plan net OPEB assets and a portion of the City Plan net OPEB liability.



Notes to the Financial Statements

Note 17. Other Postemployment Benefits (continued)

The changes in the net OPEB (asset)/liability for the CMWD plan are shown below:

CMWD Plan	Increase (Decrease)		
	Total OPEB (Asset)/Liability	Plan Fiduciary Net Position	Net OPEB (Asset)/Liability
	(a)	(b)	(c) = (a) - (b)
Balance at 6/30/2019 <i>(Measurement date of 6/30/2018)</i>	\$ 4,058,489	\$ 3,525,416	\$ 533,073
Changes Recognized for the Measurement Period:			
• Service cost	12,973	-	12,973
• Interest on the total OPEB liability	275,619	-	275,619
• Actual versus actuarial expectations	(1,428,595)	-	(1,428,595)
• Actuarial assumption changes	(17,263)	-	(17,263)
• Contributions from the employer	-	268,096	(268,096)
• Net investment income	-	217,504	(217,504)
• Benefit payments, including refunds of employee contributions	(268,096)	(268,096)	-
• Administrative expense	-	(755)	755
Net Changes	(1,425,362)	216,749	(1,642,111)
Balance at 6/30/2020 <i>(Measurement date of 6/30/2019)</i>	\$ 2,633,127	\$ 3,742,165	\$ (1,109,038)

The changes in the net OPEB (asset)/liability for the city Plan are shown below:

City Plan	Increase (Decrease)		
	Total OPEB (Asset)/Liability	Plan Fiduciary Net Position	Net OPEB (Asset)/Liability
	(a)	(b)	(c) = (a) - (b)
Balance at 6/30/2019 <i>(Measurement date of 6/30/2018)</i>	\$ 12,533,931	\$ 10,841,537	\$ 1,692,394
Changes Recognized for the Measurement Period:			
• Service cost	523,151	-	523,151
• Interest on the total OPEB liability	892,311	-	892,311
• Actual versus actuarial expectations	1,225,479	-	1,225,479
• Actuarial assumption changes	1,249,495	-	1,249,495
• Contributions from the employer	-	710,206	(710,206)
• Net investment income	-	669,628	(669,628)
• Benefit payments, including refunds of employee contributions	(619,560)	(619,560)	-
• Administrative expense	-	(2,323)	2,323
Net Changes	3,270,876	757,951	2,512,925
Balance at 6/30/2020 <i>(Measurement date of 6/30/2019)</i>	\$ 15,804,807	\$ 11,599,488	\$ 4,205,319



Notes to the Financial Statements

Note 17. Other Postemployment Benefits (continued)

Sensitivity of the net OPEB (asset)/liability to changes in the discount rate

The following presents the net OPEB (asset)/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, 2019:

	Discount Rate - 1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate + 1% (8.00%)
Plan's Net OPEB (Asset) - CMWD	\$ (843,321)	\$ (1,109,038)	\$ (1,333,289)
Plan's Net OPEB Liability - City	\$ 6,247,041	\$ 4,205,319	\$ 2,520,291

Sensitivity of the net OPEB (asset)/liability to changes in the health care cost trend rates

The following presents the net OPEB (asset)/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, 2019:

	Health Care Cost Trend Rate - 1% (6.50%/5.50% decreasing to 3.00%)	Current Health Care Cost Trend Rate (7.50%/6.50% decreasing to 4.00%)	Health Care Cost Trend Rate + 1% (8.50%/7.50% decreasing to 5.00%)
Plan's Net OPEB (Asset) - CMWD	\$ (1,332,840)	\$ (1,109,038)	\$ (846,816)
Plan's Net OPEB Liability - City	\$ 2,325,913	\$ 4,205,319	\$ 6,522,977

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 Postemployment Benefits (continued)

OPEB expense and deferred outflows/inflows of resources related to OPEB (CMWD)

For the fiscal year ended June 30, 2020, the CMWD recognized OPEB income of \$1,336,501. As of the fiscal year ended June 30, 2020, the CMWD reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 177,401	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	(43,099)
Total	\$ 177,401	\$ (43,099)

The \$177,401 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB (asset)/liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as expense as follows:

Fiscal Year Ended:	Deferred Outflows/(Inflows) of Resources
2021	\$ (23,930)
2022	(23,930)
2023	(1,088)
2024	5,849
2025	-
Thereafter	-

OPEB expense and deferred outflows/inflows of resources related to OPEB (city)

For the fiscal year ended June 30, 2020, the city recognized OPEB expense of \$671,956. As of the fiscal year ended June 30, 2020, the city reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 908,463	\$ -
Difference between expected and actual experience	1,087,785	-
Changes of assumptions	1,109,103	-
Net difference between projected and actual earnings on OPEB plan investments	-	(117,311)
Total	\$ 3,105,351	\$ (117,311)



Notes to the Financial Statements

Note 17. Other Postemployment Benefits (continued)

The \$908,463 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB (asset)/liability during the fiscal year ending June 30, 2020.

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

Fiscal Year Ended:	Deferred Outflows/(Inflows) of Resources
2021	\$ 211,318
2022	211,316
2023	276,462
2024	295,941
2025	278,087
Thereafter	806,453

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 \$1,468 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 \$2,492 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 August 5, 2003, CMWD entered into a 22-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. Per the agreement, there is an annual reconciliation that trues up the monthly payments to the actual cost for the water purchased each fiscal year. The recycled water cost is adjusted every July 1st and shall not exceed 75% of the wholesale cost of potable water from SDCWA. The agreement also stipulates that CMWD will pay for its share of the actual operating costs (up to a maximum cost of 75% 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, 2020 is \$1,975,340.



Notes to the Financial Statements

Note 18. Commitments and Contingencies (continued)

As of June 30, 2020, 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
Governmental Activities	
General Fund	\$ 10,156,160
Community Facilities District No. 1	978,995
General Capital Construction	2,268,167
Infrastructure Replacement	2,733,702
Public Facilities Construction	185,872
Nonmajor Governmental Funds in the Aggregate	6,378,037
Subtotal Governmental Activities	22,700,933
Business Like Activities-Enterprise Funds	
Carlsbad Municipal Water District	11,054,419
Golf Course	124,322
Wastewater	4,135,718
Non-Major Solid Waste	1,412,932
Subtotal Enterprise Funds	16,727,391
Internal Service Funds	5,669,399
Total	\$ 45,097,723

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.



Notes to the Financial Statements

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

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of the dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future years, successor agencies will only be allowed revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

On March 7, 2014, the city 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 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, 2020:

	Principal Balance at July 1, 2019	Increases	Decreases	Principal Balance at June 30, 2020	Due Within One Year
Bonds	\$ 4,520,000	\$ -	\$ 815,000	\$ 3,705,000	\$ 855,000
Due to the City of Carlsbad	7,255,238	107,240	4,680,789	2,681,689	-
Total	<u>\$ 11,775,238</u>	<u>\$ 107,240</u>	<u>\$ 5,495,789</u>	<u>\$ 6,386,689</u>	<u>\$ 855,000</u>



Notes to the Financial Statements

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

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling \$15,495,000. Principal is due in amounts ranging from \$855,000 to \$1,000,000 on September 1 of each year through 2024. Interest is payable on March 1 and September 1 at rate of 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
2021	\$ 855,000	\$ 173,707
2022	900,000	127,200
2023	950,000	78,175
2024	1,000,000	26,500
	<u>\$ 3,705,000</u>	<u>\$ 405,582</u>

Pledged revenue

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment (Village Area)	\$ 5,111,350	\$ 1,032,759	20%



Notes to the Financial Statements

Note 20. Prior Period Adjustments

In 2014, the City Council agreed in Agenda Bill 46, Resolution No. 66 that lease revenue generated from the Lot 9 ground lease, a Golf Course Fund asset, was to be apportioned between the City of Carlsbad and the Carlsbad Municipal Water District based upon a per square foot ownership basis. The lot was leased in 2016 and revenues were first recognized in fiscal year 2018-19. By directing the revenue to the General Fund and Carlsbad Municipal Water District, control of the asset was effectively transferred and therefore the land should have been transferred as well. The resulting correction transferred the Lot 9 asset at historical cost and was reflected as a decrease in the advance owed to the General Fund. The effect on the beginning net position of the General Fund, Water Fund and Golf Course Fund is reflected in the table below.

In 2016, the boundary of Lot 9 was adjusted, changing the proportional share of land between the General Fund and Carlsbad Municipal Water District. The revenue recognized in the General Fund in fiscal year 2019-20 was overstated and the revenue recognized in the Carlsbad Municipal Water District understated. The effects of reflecting the revenue correctly and impact to cash in the General Fund and Water Fund are reflected in the tables below:

	Statement of Revenues, Expenses and Changes in Net Position Proprietary Funds		Statement of Revenues, Expenses and Changes in Fund Balances Governmental Funds
	Carlsbad Municipal Water District	Golf Course	General Fund
Net position at July 1, 2019	\$ 313,969,889	\$ (20,678,574)	\$ 185,676,330
Lot 9 lease revenue adjustment	24,074	-	(24,074)
Transfer Lot 9 land and adjust lot boundary	9,665	(9,665)	(45,257)
Net position at July 1, 2019, as restated	<u>\$ 314,003,628</u>	<u>\$ (20,688,239)</u>	<u>\$ 185,606,999</u>

	Statement of Activities	
	Governmental Activities	Business-Type Activities
Net position at July 1, 2019	\$ 1,327,864,864	\$ 482,676,993
Lot 9 lease revenue adjustment	(24,074)	24,074
Transfer Lot 9 land and adjust lot boundary	45,257	(45,257)
Adjust advance from General Fund to Golf Course	(45,257)	45,257
Net position at July 1, 2019, as restated	<u>\$ 1,327,840,790</u>	<u>\$ 482,701,067</u>

	Statement of Cash Flows Proprietary Funds	
	Carlsbad Municipal Water District	Enterprise Funds Total
Cash and cash equivalents at July 1, 2019	\$ 139,285,492	\$ 205,782,306
Lot 9 lease revenue adjustment	24,074	24,074
Cash and cash equivalents at July 1, 2019, as restated	<u>\$ 139,309,566</u>	<u>\$ 205,806,380</u>



Required Supplementary Information



Required Supplementary Information

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

Total Pension Liability

Measurement Period ¹	Total Pension Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms
Miscellaneous Plan				
2013-14	\$ 292,931,044	\$ 6,908,307	\$ 21,793,340	\$ -
2014-15	310,018,027	6,674,982	23,142,961	-
2015-16	322,606,958	6,836,445	24,192,948	-
2016-17	336,686,595	7,836,970	25,085,808	-
2017-18	372,190,930	7,642,062	25,874,546	-
2018-19	383,133,348	7,393,365	27,175,110	-
Safety Plan				
2013-14	\$ 227,568,288	\$ 5,425,425	\$ 16,876,220	\$ -
2014-15	239,340,454	5,048,529	17,775,039	-
2015-16	247,020,357	5,209,900	18,557,781	-
2016-17	257,649,541	5,825,080	19,305,098	-
2017-18	285,701,762	5,985,155	20,248,091	-
2018-19	299,532,094	6,317,755	21,269,278	-

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

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
(3,023,977)	(2,662,243)	(16,887,970)	10,942,418	383,133,348
2,338,341	-	(18,193,803)	18,713,013	401,846,361
\$ -	\$ -	\$ (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
2,726,755	(1,332,336)	(13,797,333)	13,830,332	299,532,094
2,425,561	-	(15,288,250)	14,724,344	314,256,438



Required Supplementary Information

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

Plan Fiduciary Net Position

Measurement Period ¹	Plan Fiduciary Net Position Beginning ²	Contributions Employer	Contributions Employee	Net Investment Income ³
Miscellaneous Plan				
2013-14	\$ 204,354,694	\$ 8,004,157	\$ 3,039,951	\$ 35,526,156
2014-15	239,310,294	8,434,882	2,703,715	5,362,753
2015-16	242,447,633	9,562,926	2,833,466	1,330,196
2016-17	241,681,934	14,677,334	2,820,046	26,893,994
2017-18	270,386,079	22,114,923	3,005,761	22,720,698
2018-19	300,121,419	17,745,975	3,040,423	19,551,424
Safety Plan				
2013-14	\$ 161,108,415	\$ 6,141,746	\$ 1,853,365	\$ 27,905,516
2014-15	186,479,563	6,491,856	1,726,785	4,107,305
2015-16	187,329,833	6,836,098	1,933,363	990,545
2016-17	184,778,552	12,379,181	1,922,500	20,385,351
2017-18	206,161,081	8,675,370	2,169,504	17,250,148
2018-19	219,522,878	23,119,896	2,380,740	14,331,677

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

² Includes any beginning of year adjustment.

³ Net of administrative expenses.

⁴ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Benefit Payments, Including Refunds of Employee Contributions		Other Changes In Fiduciary Net Position ⁴	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
	(16,887,970)	(1,218,072)	29,735,340	300,121,419	83,011,929
	(18,193,803)	(213,503)	21,930,516	322,051,935	79,794,426
\$	(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
	(13,797,333)	(935,892)	13,361,797	219,522,878	80,009,216
	(15,288,250)	(156,148)	24,387,915	243,910,793	70,345,645



Required Supplementary Information

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

	Measurement Period ¹	Plan Fiduciary Net Position as a Percentage of the Total Liability	Covered Payroll	Plan Net Pension Liability/(Asset) as a Percentage of Covered - Payroll
Miscellaneous Plan				
	2013–14	77.19%	\$ 32,960,515	214.52%
	2014–15	75.15%	33,609,704	238.50%
	2015–16	71.78%	35,141,036	270.35%
	2016–17	72.65%	35,845,774	284.01%
	2017–18	78.33%	36,214,870	229.22%
	2018–19	80.14%	39,130,545	203.92%
Safety Plan				
	2013–14	77.91%	\$ 18,013,144	293.46%
	2014–15	75.84%	18,378,393	324.79%
	2015–16	71.72%	18,514,525	393.59%
	2016–17	72.16%	18,965,085	419.41%
	2017–18	73.29%	20,768,094	385.25%
	2018–19	77.62%	22,328,023	315.06%

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

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, 2018 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 2019, there were no changes. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the accounting discount rate reduced from 7.65% to 7.15%. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5% (net of administrative expense) to 7.65% (without a reduction for pension plan administration expense). In 2014, amounts reported were based on the 7.5% discount rate.



Required Supplementary Information
Schedule of Pension Plan Contributions¹

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
Miscellaneous Plan					
06/30/2014	\$ 8,004,157	\$ (8,004,157)	\$ -	\$ 32,960,515	24.28%
06/30/2015	8,434,882	(8,434,882)	-	33,609,704	25.10%
06/30/2016	9,562,926	(9,562,926)	-	35,141,036	27.21%
06/30/2017	10,338,549	(14,677,334)	(4,338,785)	35,845,774	40.95%
06/30/2018	10,456,115	(22,114,923)	(11,658,808)	36,214,870	61.07%
06/30/2019	11,966,625	(17,745,975)	(5,779,350)	39,130,545	45.35%
06/30/2020	10,633,467	(10,633,467)	-	42,138,677	25.23%
Safety Plan					
06/30/2014	\$ 6,141,746	\$ (6,141,746)	\$ -	\$ 18,013,144	34.10%
06/30/2015	6,491,856	(6,491,856)	-	18,378,393	35.32%
06/30/2016	6,836,098	(6,836,098)	-	18,514,525	36.92%
06/30/2017	7,695,135	(12,379,181)	(4,684,046)	18,965,085	65.27%
06/30/2018	8,658,116	(8,658,116)	-	20,768,094	41.69%
06/30/2019	8,899,136	(23,119,790)	(14,220,654)	22,328,023	103.55%
06/30/2020	10,323,721	(10,323,721)	-	24,695,745	41.80%

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

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were derived from the June 30, 2017 funding valuation reports.

Actuarial Cost Method	Entry Age Normal
Amortization Method/Period	For details, see June 30, 2017 Funding Valuation Report
Asset Valuation Method	Market Value of Assets. For details, see June 30, 2017 Funding Valuation Report.
Inflation	2.75%
Salary Increases	Varies by entry age and service.
Payroll Growth	3.00%
Investment Rate of Return	7.375% net of pension plan investment and administrative expenses; includes 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

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

Total OPEB Liability

Measurement Period ¹	Total OPEB Liability - Beginning	Service Cost	Interest	Changes of Benefit Terms
CMWD Plan				
2016-17	\$ 4,041,120	\$ 12,228	\$ 274,428	\$ -
2017-18	4,061,904	12,595	275,029	-
2018-19	4,058,489	12,973	275,619	-
City Plan				
2016-17	\$ 11,102,453	\$ 493,120	\$ 789,709	\$ -
2017-18	11,757,255	507,914	838,617	-
2018-19	12,533,931	523,151	892,311	-

Plan Fiduciary Net Position

Measurement Period ¹	Plan Fiduciary Net Position Beginning	Contributions Employer	Contributions Employee	Net Investment Income ²
CMWD Plan				
2016-17	\$ 3,077,703	\$ 133,108	\$ -	\$ 323,290
2017-18	3,268,229	291,039	-	263,258
2018-19	3,525,416	268,096	-	217,504
City Plan				
2016-17	\$ 9,114,475	\$ 614,664	\$ -	\$ 958,197
2017-18	10,059,309	569,855	-	800,892
2018-19	10,841,537	710,206	-	669,628

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

² Net of administrative expenses.

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
-	-	(291,039)	(3,415)	4,058,489
(1,428,595)	(17,263)	(268,096)	(1,425,362)	2,633,127
\$ -	\$ -	\$ (628,027)	\$ 654,802	\$ 11,757,255
-	-	(569,855)	776,676	12,533,931
1,225,479	1,249,495	(619,560)	3,270,876	15,804,807

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
(291,039)	(6,071)	257,187	3,525,416	533,073
(268,096)	(755)	216,749	3,742,165	(1,109,038)
\$ (628,027)	\$ -	\$ 944,834	\$ 10,059,309	\$ 1,697,946
(569,855)	(18,664)	782,228	10,841,537	1,692,394
(619,560)	(2,323)	757,951	11,599,488	4,205,319



Required Supplementary Information

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

	Measurement Period ¹	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
CMWD Plan				
	2016-17	80.46%	\$ 165,769	478.78%
	2017-18	86.87%	106,131	502.28%
	2018-19	142.10%	64,872	-1709.60%
City Plan				
	2016-17	85.56%	\$ 54,645,089	3.11%
	2017-18	86.50%	56,876,833	2.98%
	2018-19	73.40%	61,393,696	6.00%

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.



Required Supplementary Information
Schedule of OPEB Pension Plan Contributions¹

Fiscal Year Ending ²	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered - Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
CMWD Plan					
06/30/2018	\$ 77,750	\$ (291,039)	\$ (213,289)	\$ 106,131	274.23%
06/30/2019	78,177	(268,096)	(189,919)	64,872	413.27%
06/30/2020	(88,340)	(177,401)	(265,741)	48,857	363.10%
City Plan					
06/30/2018	\$ 692,943	\$ (569,855)	\$ 123,088	\$ 56,876,833	1.00%
06/30/2019	710,206	(710,206)	-	61,393,696	1.16%
06/30/2020	1,029,469	(908,463)	121,006	66,785,565	1.36%

¹ Historical information is required only for measurement periods for which GASB 75 is applicable.

² Represents the fiscal year ending for the measurement period.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019-20 were derived from the June 30, 2019 funding valuation reports.

Actuarial Cost Method	Entry Age Normal, Level % of pay
Amortization Method/Period	Level dollar over 28-year fixed period
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service based on the CalPERS Experience Study for the period from 1997 to 2015.
Payroll Growth	3.00%
Investment Rate of Return	7.0% 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.
Mortality Improvement	Post-retirement mortality projected fully generational with Scale MP-2019.



Combining and Individual Fund Statements and Schedules



**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2020**

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
ASSETS				
Cash and investments	\$ 23,178,105	\$ 7	\$ 2,775,833	\$ 9,100,147
Receivables:				
Interest	96,955	-	11,806	35,901
Other	-	-	-	22,814
Due from other governments	-	128,668	-	-
Prepaid items	-	-	-	-
Land held for resale	-	1,280,044	-	-
Loan receivables, net of allowances	21,330,913	-	-	-
Total assets	\$ 44,605,973	\$ 1,408,719	\$ 2,787,639	\$ 9,158,862
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ 50,312	\$ 68,525	\$ 24,183	\$ 192,130
Due to other funds	-	82,003	-	-
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	50,312	150,528	24,183	192,130
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable housing	44,555,661	-	-	-
Lighting and landscaping districts	-	-	-	8,966,732
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	1,258,191	2,763,456	-
Unassigned	-	-	-	-
Total fund balances	44,555,661	1,258,191	2,763,456	8,966,732
Total liabilities, deferred inflows of resources and fund balances	\$ 44,605,973	\$ 1,408,719	\$ 2,787,639	\$ 9,158,862

Special Revenue Funds					
Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ 1,015,295	\$ 934,492	\$ 435,643	\$ 231,920	\$ 232,668	\$ 37,904,110
4,445	3,972	2,550	563	4	156,196
-	75,739	-	-	1,293	99,846
-	-	76,019	-	-	204,687
-	-	-	-	951	951
-	-	-	-	-	1,280,044
-	-	-	-	-	21,330,913
<u>\$ 1,019,740</u>	<u>\$ 1,014,203</u>	<u>\$ 514,212</u>	<u>\$ 232,483</u>	<u>\$ 234,916</u>	<u>\$ 60,976,747</u>
\$ -	\$ 39,520	\$ 5,824	\$ 95,443	\$ 9,768	\$ 485,705
-	-	-	-	-	82,003
-	-	-	5,860	26,808	32,668
1,254,185	-	-	-	-	1,254,185
-	-	-	-	-	-
<u>1,254,185</u>	<u>39,520</u>	<u>5,824</u>	<u>101,303</u>	<u>36,576</u>	<u>1,854,561</u>
-	-	60,494	-	-	60,494
-	-	-	-	951	951
-	-	-	131,180	197,389	44,884,230
-	-	-	-	-	8,966,732
-	-	-	-	-	-
-	974,683	-	-	-	974,683
-	-	447,894	-	-	447,894
-	-	-	-	-	4,021,647
(234,445)	-	-	-	-	(234,445)
<u>(234,445)</u>	<u>974,683</u>	<u>447,894</u>	<u>131,180</u>	<u>198,340</u>	<u>59,061,692</u>
<u>\$ 1,019,740</u>	<u>\$ 1,014,203</u>	<u>\$ 514,212</u>	<u>\$ 232,483</u>	<u>\$ 234,916</u>	<u>\$ 60,976,747</u>

(continued)



Combining Balance Sheet
Nonmajor Governmental Funds (continued)
June 30, 2020

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
ASSETS				
Cash and investments	\$ 3,466,956	\$ 12,615,982	\$ 16,148,562	\$ 1,802,805
Receivables:				
Interest	10,650	53,625	68,656	7,769
Other	-	-	-	-
Due from other governments	-	-	304,794	37,133
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
Loan receivables, net of allowances	-	-	-	-
Total assets	\$ 3,477,606	\$ 12,669,607	\$ 16,522,012	\$ 1,847,707
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	\$ -	\$ -	\$ 284,861	\$ -
Due to other funds	-	-	-	-
Deposits payable	426,179	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	-	-	194,729	-
Total liabilities	426,179	-	479,590	-
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Lighting and landscaping districts	-	-	-	-
Capital projects	3,051,427	12,669,607	16,042,422	1,847,707
General government	-	-	-	-
Public safety	-	-	-	-
Community services	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	3,051,427	12,669,607	16,042,422	1,847,707
Total liabilities, deferred inflows of resources and fund balances	\$ 3,477,606	\$ 12,669,607	\$ 16,522,012	\$ 1,847,707

Capital Project Funds					
Planned					
Local			Traffic		Total Other
Drainage	Sales Tax/		Impact		Governmental
Facilities	TransNet		Projects	Totals	Funds
\$ 5,670,129	\$ 8,312,443	\$ 23,981,945	\$ 71,998,822	\$ 109,902,932	
24,102	35,197	101,937	301,936	458,132	
-	89,612	-	89,612	189,458	
-	4,618	-	346,545	551,232	
-	-	-	-	951	
-	-	-	-	1,280,044	
-	-	-	-	21,330,913	
<u>\$ 5,694,231</u>	<u>\$ 8,441,870</u>	<u>\$ 24,083,882</u>	<u>\$ 72,736,915</u>	<u>\$ 133,713,662</u>	
\$ 104,979	\$ 922,713	\$ 97,272	\$ 1,409,825	\$ 1,895,530	
-	-	-	-	82,003	
-	-	-	426,179	458,847	
-	-	1,943,710	1,943,710	3,197,895	
-	-	-	194,729	194,729	
<u>104,979</u>	<u>922,713</u>	<u>2,040,982</u>	<u>3,974,443</u>	<u>5,829,004</u>	
-	-	-	-	60,494	
-	-	-	-	951	
-	-	-	-	44,884,230	
-	-	-	-	8,966,732	
5,589,252	7,519,157	22,042,900	68,762,472	68,762,472	
-	-	-	-	974,683	
-	-	-	-	447,894	
-	-	-	-	4,021,647	
-	-	-	-	(234,445)	
<u>5,589,252</u>	<u>7,519,157</u>	<u>22,042,900</u>	<u>68,762,472</u>	<u>127,824,164</u>	
<u>\$ 5,694,231</u>	<u>\$ 8,441,870</u>	<u>\$ 24,083,882</u>	<u>\$ 72,736,915</u>	<u>\$ 133,713,662</u>	



Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2020

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	742,101	-	-
Charges for services	26,235	-	-	2,390,616
Fines and forfeitures	-	-	-	-
Income from property and investments	877,998	217,353	92,472	284,411
Contributions from property owners	589,485	-	-	-
Donations	-	-	425,718	-
Miscellaneous	762,948	-	8,103	27,180
Total revenues	2,256,666	959,454	526,293	2,702,207
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community services	868,050	324,155	291,552	1,906,873
Public works	-	-	-	802,354
Capital outlay	-	-	4,109	1,527
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	868,050	324,155	295,661	2,710,754
Excess (deficiency) of revenues over (under) expenditures	1,388,616	635,299	230,632	(8,547)
Other financing sources (uses):				
Transfers in	-	-	-	950,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	950,000
Net change in fund balances	1,388,616	635,299	230,632	941,453
Fund balances at beginning of year	43,167,045	622,892	2,532,824	8,025,279
Fund balances at end of year	\$ 44,555,661	\$ 1,258,191	\$ 2,763,456	\$ 8,966,732

Special Revenue Funds					
Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
227,552	-	399,682	7,496,947	-	8,866,282
-	-	-	-	552,480	2,969,331
-	-	237,478	-	-	237,478
43,734	30,809	21,122	2,710	7,539	1,578,148
29,071	308,090	-	-	-	926,646
-	-	-	-	-	425,718
-	-	-	178,051	-	976,282
300,357	338,899	658,282	7,677,708	560,019	15,979,885
-	207,119	-	-	-	207,119
-	-	534,898	-	-	534,898
2,047,385	-	-	7,832,254	494,025	13,764,294
-	-	-	-	-	802,354
-	-	5,408	-	3,116	14,160
11,015	-	-	-	-	11,015
2,058,400	207,119	540,306	7,832,254	497,141	15,333,840
(1,758,043)	131,780	117,976	(154,546)	62,878	646,045
-	-	-	-	-	950,000
-	-	-	-	-	-
-	-	-	-	-	950,000
(1,758,043)	131,780	117,976	(154,546)	62,878	1,596,045
1,523,598	842,903	329,918	285,726	135,462	57,465,647
\$ (234,445)	\$ 974,683	\$ 447,894	\$ 131,180	\$ 198,340	\$ 59,061,692

(continued)



Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (continued)
For the Year Ended June 30, 2020

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Gas Tax	Grants and Other Capital Project Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 4,638,051	\$ -
Intergovernmental	-	-	4,421	41,175
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	97,072	439,112	543,494	60,985
Contributions from property owners	-	-	-	147,180
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	97,072	439,112	5,185,966	249,340
Expenditures:				
Current:				
General government	-	203,950	-	47,547
Public safety	-	-	-	-
Community services	-	-	-	-
Public works	-	-	600,000	-
Capital outlay	-	270,036	3,083,328	41,175
Debt service:				
Interest and fiscal charges	-	-	-	-
Total expenditures	-	473,986	3,683,328	88,722
Excess (deficiency) of revenues over (under) expenditures	97,072	(34,874)	1,502,638	160,618
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(10,000)	-
Total other financing sources (uses)	-	-	(10,000)	-
Net change in fund balances	97,072	(34,874)	1,492,638	160,618
Fund balances at beginning of year	2,954,355	12,704,481	14,549,784	1,687,089
Fund balances at end of year	\$ 3,051,427	\$ 12,669,607	\$ 16,042,422	\$ 1,847,707

Capital Project Funds				
Planned Local Drainage Facilities	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
\$ -	\$ -	\$ -	\$ 4,638,051	\$ 4,638,051
-	3,203,725	-	3,249,321	12,115,603
-	1,067,984	-	1,067,984	4,037,315
-	-	-	-	237,478
197,797	274,845	809,545	2,422,850	4,000,998
109,950	-	1,115,192	1,372,322	2,298,968
-	-	-	-	425,718
-	-	-	-	976,282
307,747	4,546,554	1,924,737	12,750,528	28,730,413
-	-	-	251,497	458,616
-	-	-	-	534,898
-	-	-	-	13,764,294
-	-	-	600,000	1,402,354
619,601	4,294,220	629,024	8,937,384	8,951,544
-	-	-	-	11,015
619,601	4,294,220	629,024	9,788,881	25,122,721
(311,854)	252,334	1,295,713	2,961,647	3,607,692
-	-	-	-	950,000
-	-	-	(10,000)	(10,000)
-	-	-	(10,000)	940,000
(311,854)	252,334	1,295,713	2,951,647	4,547,692
5,901,106	7,266,823	20,747,187	65,810,825	123,276,472
\$ 5,589,252	\$ 7,519,157	\$ 22,042,900	\$ 68,762,472	\$ 127,824,164



**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds
For the Year Ended June 30, 2020**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	\$ 1,716,000	\$ 1,924,344	\$ 208,344
Total expenditures	1,369,542	1,019,870	(349,672)
Net change in fund balance	<u>346,458</u>	<u>904,474</u>	<u>558,016</u>
Community Development Block Grant			
Total revenues	821,700	959,454	137,754
Total expenditures	1,582,979	478,218	(1,104,761)
Net change in fund balance	<u>(761,279)</u>	<u>481,236</u>	<u>1,242,515</u>
Donations			
Total revenues	432,800	485,519	52,719
Total expenditures	764,331	341,269	(423,062)
Net change in fund balance	<u>(331,531)</u>	<u>144,250</u>	<u>475,781</u>
Financing Districts			
Total revenues	3,526,500	2,576,736	(949,764)
Total expenditures	3,932,878	3,018,501	(914,377)
Net change in fund balance	<u>(406,378)</u>	<u>(441,765)</u>	<u>(35,387)</u>
Habitat and Agricultural Management			
Total revenues	254,810	288,077	33,267
Total expenditures	2,125,219	2,058,400	(66,819)
Net change in fund balance	<u>(1,870,409)</u>	<u>(1,770,323)</u>	<u>100,086</u>
Other Special Revenue Funds			
Total revenues	323,000	324,826	1,826
Total expenditures	532,402	308,589	(223,813)
Net change in fund balance	<u>\$ (209,402)</u>	<u>\$ 16,237</u>	<u>\$ 225,639</u>

(continued)



**Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds (continued)
For the Year Ended June 30, 2020**

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Police Grants and Asset Forfeiture			
Total revenues	\$ 837,200	\$ 649,032	\$ (188,168)
Total expenditures	844,239	580,370	(263,869)
Net change in fund balance	(7,039)	68,662	75,701
Section 8 Rental Assistance			
Total revenues	7,550,000	7,675,326	125,326
Total expenditures	8,008,146	7,840,154	(167,992)
Net change in fund balance	(458,146)	(164,828)	293,318
Totals			
Total revenues	15,462,010	14,883,314	(578,696)
Total expenditures	19,159,736	15,645,371	(3,514,365)
Net change in fund balance	<u>\$ (3,697,726)</u>	<u>\$ (762,057)</u>	<u>\$ 2,935,669</u>



Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
For the Year Ended June 30, 2020

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	\$ 155,880	\$ 168,710	\$ 12,830
Total expenditures	50,000	47,547	(2,453)
Net change in fund balance	<u>\$ 105,880</u>	<u>\$ 121,163</u>	<u>\$ 15,283</u>





**Combining Statement of Net Position
Internal Service Funds
June 30, 2020**

	Fleet Management	Self-Insured Benefits
ASSETS		
Current assets:		
Cash and investments	\$ 18,411,002	\$ 6,855,557
Receivables:		
Interest	78,267	-
Accounts, net of allowances	13,032	-
Inventories	516,480	-
Prepaid items	-	-
Total current assets	19,018,781	6,855,557
Noncurrent assets:		
Capital assets:		
Machinery and equipment	29,092,884	-
Construction in progress	-	-
Intangible assets	-	-
Less accumulated depreciation	(15,532,637)	-
Total capital assets (net of accumulated depreciation)	13,560,247	-
Total assets	32,579,028	6,855,557
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources - OPEB related items	33,848	-
Deferred outflows of resources - pension related items	185,055	-
Total deferred outflows of resources	218,903	-
LIABILITIES		
Current liabilities:		
Accrued liabilities	448,647	5,021,394
Estimated claims payable	-	-
Current portion of long-term debt	-	-
Total current liabilities	448,647	5,021,394
Noncurrent liabilities:		
Deposits payable	-	-
Net OPEB liability	45,838	-
Net pension liability	1,172,977	-
Total noncurrent liabilities	1,218,815	-
Total liabilities	1,667,462	5,021,394
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources - OPEB related items	1,279	-
Deferred inflows of resources - pension related items	44,065	-
Total deferred inflows of resources	45,344	-
NET POSITION		
Net investment in capital assets	13,560,247	-
Unrestricted	17,524,878	1,834,163
Total net position	\$ 31,085,125	\$ 1,834,163

Information Technology	Risk Management	Workers' Compensation	Total
\$ 9,835,374	\$ 5,112,184	\$ 13,349,359	\$ 53,563,476
41,560	21,647	57,390	198,864
-	-	49,373	62,405
-	-	-	516,480
1,686,022	-	-	1,686,022
11,562,956	5,133,831	13,456,122	56,027,247
5,391,155	-	-	34,484,039
3,086,644	-	-	3,086,644
1,689,637	-	-	1,689,637
(5,784,367)	-	-	(21,317,004)
4,383,069	-	-	17,943,316
15,946,025	5,133,831	13,456,122	73,970,563
104,650	6,521	2,795	147,814
737,037	57,002	29,716	1,008,810
841,687	63,523	32,511	1,156,624
1,305,155	141,371	11,596	6,928,163
-	3,464,070	10,856,362	14,320,432
147,952	-	-	147,952
1,453,107	3,605,441	10,867,958	21,396,547
-	1,000	-	1,000
141,719	8,831	3,785	200,173
4,500,406	327,157	199,486	6,200,026
4,642,125	336,988	203,271	6,401,199
6,095,232	3,942,429	11,071,229	27,797,746
3,953	246	106	5,584
352,748	384	17,236	414,433
356,701	630	17,342	420,017
4,235,117	-	-	17,795,364
6,100,662	1,254,295	2,400,062	29,114,060
\$ 10,335,779	\$ 1,254,295	\$ 2,400,062	\$ 46,909,424



Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2020

	Fleet Management	Self-Insured Benefits
Operating revenues:		
Other charges for services	\$ 5,219,169	\$ -
Miscellaneous	46,345	-
Total operating revenues	5,265,514	-
Operating expenses:		
Depreciation	2,140,698	-
Fuel and supplies	1,353,138	-
Claims and premiums expense	-	66,103
Small equipment purchases	21,969	-
General and administrative	1,596,401	-
Total operating expenses	5,112,206	66,103
Operating income (loss)	153,308	(66,103)
Nonoperating revenues (expenses):		
Income from property and investments	624,471	-
Interest expense	-	-
Gain (loss) on sale of property	44,982	-
Total nonoperating revenues (expenses)	669,453	-
Income (loss) before transfers and capital contributions	822,761	(66,103)
Transfers in	-	-
Capital contributions	1,137,497	-
Change in net position	1,960,258	(66,103)
Total net position at beginning of year	29,124,867	1,900,266
Total net position at end of year	<u>\$ 31,085,125</u>	<u>\$ 1,834,163</u>

Information Technology	Risk Management	Workers' Compensation	Totals
\$ 13,275,060	\$ 2,195,820	\$ 3,455,136	\$ 24,145,185
47,422	28,856	190,508	313,131
13,322,482	2,224,676	3,645,644	24,458,316
662,468	-	-	2,803,166
-	-	-	1,353,138
-	2,044,389	3,559,238	5,669,730
300,236	-	-	322,205
9,174,636	471,319	155,256	11,397,612
10,137,340	2,515,708	3,714,494	21,545,851
3,185,142	(291,032)	(68,850)	2,912,465
296,026	162,698	448,532	1,531,727
(15,854)	-	-	(15,854)
-	-	-	44,982
280,172	162,698	448,532	1,560,855
3,465,314	(128,334)	379,682	4,473,320
-	-	-	-
3,006,157	-	-	4,143,654
6,471,471	(128,334)	379,682	8,616,974
3,864,308	1,382,629	2,020,380	38,292,450
\$ 10,335,779	\$ 1,254,295	\$ 2,400,062	\$ 46,909,424



Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2020

	Fleet Management	Self-Insured Benefits
Cash flows from operating activities:		
Receipts from customers and users	\$ 5,259,084	\$ 950,004
Payments to suppliers	(1,870,825)	-
Payments to employees	(908,548)	-
Internal activity - payments to other funds	(138,847)	-
Claims and premiums paid	-	(86,103)
Net cash provided by (used in) operating activities	2,340,864	863,901
Cash flows from capital and related financing activities:		
Purchase of capital assets	(3,828,678)	-
Gross proceeds from the sale of capital assets	50,090	-
Principal paid on capital debt	-	-
Interest expense	-	-
Net cash provided by (used in) capital and related financing activities	(3,778,588)	-
Cash flows from investing activities:		
Interest on investments	640,951	-
Net increase (decrease) in cash and cash equivalents	(796,773)	863,901
Cash and cash equivalents at beginning of year	19,207,775	5,991,656
Cash and cash equivalents at end of year	\$ 18,411,002	\$ 6,855,557

Information Technology	Risk Management	Workers' Compensation	Total
\$ 13,322,477	\$ 2,224,676	\$ 3,648,980	\$ 25,405,221
(5,511,168)	(154,430)	-	(7,536,423)
(5,141,535)	(276,109)	(143,673)	(6,469,865)
(62,628)	(26,760)	(1,704)	(229,939)
-	(1,394,282)	(2,767,594)	(4,247,979)
2,607,146	373,095	736,009	6,921,015
-	-	-	(3,828,678)
-	-	-	50,090
(211,114)	-	-	(211,114)
(15,854)	-	-	(15,854)
(226,968)	-	-	(4,005,556)
288,107	163,997	452,102	1,545,157
2,668,285	537,092	1,188,111	4,460,616
7,167,089	4,575,092	12,161,248	49,102,860
\$ 9,835,374	\$ 5,112,184	\$ 13,349,359	\$ 53,563,476

(continued)



Combining Statement of Cash Flows
Internal Service Funds (continued)
For the Year Ended June 30, 2020

	Fleet Management	Self-Insured Benefits
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 153,308	\$ (66,103)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	2,140,698	-
Change in assets and liabilities:		
(Increase) decrease in receivables	(6,430)	30,149
(Increase) in inventories	(58,423)	-
(Increase) in prepaid items	-	-
(Increase) in deferred outflows - OPEB related items	(26,107)	-
(Increase) in deferred outflows - pension related items	113,969	-
Increase (decrease) in accrued liabilities	76,323	919,855
Increase (decrease) in estimated claims payable	-	(20,000)
Increase (decrease) in net OPEB liability	27,391	-
Increase (decrease) in net pension liability	(47,298)	-
Increase (decrease) in deferred inflows - OPEB related items	(1,700)	-
Increase (decrease) in deferred inflows - pension related items	(30,867)	-
Net cash provided by (used in) operating activities	<u>\$ 2,340,864</u>	<u>\$ 863,901</u>
Noncash capital financing activities:		
Capital assets contributed by other funds	<u>\$ 1,137,497</u>	<u>\$ -</u>

Information Technology	Risk Management	Workers' Compensation	Total
\$ 3,185,142	\$ (291,032)	\$ (68,850)	\$ 2,912,465
662,468	-	-	2,803,166
-	-	(49,373)	(25,654)
-	-	-	(58,423)
(1,686,022)	-	184,106	(1,501,916)
(80,716)	(5,030)	(2,156)	(114,009)
429,329	31,210	20,323	594,831
322,328	6,762	4,560	1,329,828
-	650,107	658,570	1,288,677
84,685	5,277	2,262	119,615
(181,467)	(13,192)	(8,044)	(250,001)
(5,259)	(328)	(140)	(7,427)
(123,342)	(10,679)	(5,249)	(170,137)
<u>\$ 2,607,146</u>	<u>\$ 373,095</u>	<u>\$ 736,009</u>	<u>\$ 6,921,015</u>
<u>\$ 3,006,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,143,654</u>



**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2020**

Contractors' and Miscellaneous Deposits

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Current assets:				
Cash and investments	\$ 16,303,287	\$ 63,220,858	\$ 61,802,119	\$ 17,722,026
Receivables:				
Interest	81,653	68,797	81,653	68,797
Taxes	-	337	323	14
Other	-	449	244	205
Total current assets	<u>\$ 16,384,940</u>	<u>\$ 63,290,441</u>	<u>\$ 61,884,339</u>	<u>\$ 17,791,042</u>
LIABILITIES				
Accrued liabilities	\$ 1,335,740	\$ 65,472,290	\$ 65,035,476	\$ 1,772,554
Deposits held for others	15,049,200	6,192,388	5,223,100	16,018,488
Total liabilities	<u>\$ 16,384,940</u>	<u>\$ 71,664,678</u>	<u>\$ 70,258,576</u>	<u>\$ 17,791,042</u>

Assessment Districts

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Current assets:				
Cash and investments	\$ 4,664,812	\$ 5,546,230	\$ 5,544,122	\$ 4,666,920
Receivables:				
Interest	53,752	38,620	53,838	38,534
Taxes	4,464	2,953	4,464	2,953
Other	22,406	23,580	23,656	22,330
Total current assets	<u>4,745,434</u>	<u>5,611,383</u>	<u>5,626,080</u>	<u>4,730,737</u>
Restricted assets:				
Cash and investments	4,460,404	-	-	4,460,404
Total restricted assets	<u>4,460,404</u>	<u>-</u>	<u>-</u>	<u>4,460,404</u>
Total assets	<u>\$ 9,205,838</u>	<u>\$ 5,611,383</u>	<u>\$ 5,626,080</u>	<u>\$ 9,191,141</u>
LIABILITIES				
Accrued liabilities	\$ 29,562	\$ 9,000	\$ 11,816	\$ 26,746
Deposits held for others	9,176,276	5,224,288	5,236,169	9,164,395
Total liabilities	<u>\$ 9,205,838</u>	<u>\$ 5,233,288</u>	<u>\$ 5,247,985</u>	<u>\$ 9,191,141</u>

(continued)



**Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended June 30, 2020**

Total Agency Funds

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Current assets:				
Cash and investments	\$ 20,968,099	\$ 68,767,088	\$ 67,346,241	\$ 22,388,946
Receivables:				
Interest	135,405	107,417	135,491	107,331
Taxes	4,464	3,290	4,787	2,967
Other	22,406	24,029	23,900	22,535
Total current assets	21,130,374	68,901,824	67,510,419	22,521,779
Restricted assets:				
Cash and investments	4,460,404	-	-	4,460,404
Total current assets	4,460,404	-	-	4,460,404
Total assets	\$ 25,590,778	\$ 68,901,824	\$ 67,510,419	\$ 26,982,183
LIABILITIES				
Accrued liabilities	\$ 1,365,302	\$ 65,481,290	\$ 65,047,292	\$ 1,799,300
Deposits held for others	24,225,476	11,416,676	10,459,269	25,182,883
Total liabilities	\$ 25,590,778	\$ 76,897,966	\$ 75,506,561	\$ 26,982,183





Statistical Section

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

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Financial Trends These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	156
Revenue Capacity 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.	166
Debt Capacity These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt, and the city's ability to issue additional debt in the future.	174
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	184
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	188

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>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Governmental activities				
Net investment in capital assets	\$ 774,269	\$ 780,727	\$ 782,500	\$ 784,210
Restricted for:				
Capital assets	184,419	192,713	182,685	175,468
Lighting and landscaping districts	2,133	2,246	2,958	4,703
Affordable housing	40,005	38,434	37,390	39,317
Habitat and agricultural mitigation management	5,377	4,799	2,665	1,713
Other purposes	5,298	4,022	3,685	3,774
Unrestricted	<u>284,825</u>	<u>308,470</u> ¹	<u>319,317</u>	<u>328,602</u>
Total governmental activities net position	<u>\$ 1,296,326</u>	<u>\$ 1,331,411</u>	<u>\$ 1,331,200</u>	<u>\$ 1,337,787</u> ²
Business-type activities				
Net investment in capital assets	\$ 314,691	\$ 311,392	\$ 307,000	\$ 305,681
Restricted for:				
Capital assets	44,954	45,522	45,990	46,632
Unrestricted	<u>38,278</u>	<u>47,530</u>	<u>55,758</u>	<u>66,083</u>
Total business-type activities net position	<u>\$ 397,923</u>	<u>\$ 404,444</u>	<u>\$ 408,748</u>	<u>\$ 418,396</u> ²
Total government				
Net investment in capital assets	\$ 1,088,960	\$ 1,092,119	\$ 1,089,500	\$ 1,089,891
Restricted for:				
Capital assets	229,373	238,235	228,675	222,100
Lighting and landscaping districts	2,133	2,246	2,958	4,703
Affordable housing	40,005	38,434	37,390	39,317
Habitat and agricultural mitigation management	5,377	4,799	2,665	1,713
Other purposes	5,298	4,022	3,685	3,774
Unrestricted	<u>323,103</u>	<u>356,000</u>	<u>375,075</u>	<u>394,685</u>
Total net position	<u>\$ 1,694,249</u>	<u>\$ 1,735,855</u>	<u>\$ 1,739,948</u>	<u>\$ 1,756,183</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.

³ Habitat and agricultural mitigation management was combined with other purposes in FY 2019-20 due to immateriality.

<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
\$ 783,298	\$ 788,035	\$ 788,078	\$ 793,090	\$ 786,965	\$ 791,124
178,228	176,279	183,245	182,811	194,434	206,067
5,263	5,921	6,527	7,307	8,025	8,967
39,544	40,390	40,528	41,500	43,588	44,885
1,708	1,758	1,805	1,640	1,524	- ³
3,059	2,948	2,818	2,800	4,329	5,444
<u>223,522</u>	<u>245,078</u>	<u>249,816</u>	<u>262,023</u>	<u>289,000</u>	<u>286,386</u>
<u>\$ 1,234,622</u> ²	<u>\$ 1,260,409</u>	<u>\$ 1,272,817</u>	<u>\$ 1,291,171</u>	<u>\$ 1,327,865</u>	<u>\$ 1,342,873</u>
\$ 307,122	\$ 317,927	\$ 344,836	\$ 349,548	\$ 346,628	\$ 351,153
47,315	45,950	40,098	39,522	38,540	41,244
<u>69,922</u>	<u>73,285</u>	<u>85,153</u>	<u>88,576</u>	<u>97,509</u>	<u>94,140</u>
<u>\$ 424,359</u> ²	<u>\$ 437,162</u>	<u>\$ 470,087</u>	<u>\$ 477,646</u>	<u>\$ 482,677</u>	<u>\$ 486,537</u>
\$ 1,090,420	\$ 1,105,962	\$ 1,132,914	\$ 1,142,638	\$ 1,133,593	\$ 1,142,277
225,543	222,229	223,343	222,333	232,974	247,311
5,263	5,921	6,527	7,307	8,025	8,967
39,544	40,390	40,528	41,500	43,588	44,885
1,708	1,758	1,805	1,640	1,524	- ³
3,059	2,948	2,818	2,800	4,329	5,444
<u>293,444</u>	<u>318,363</u>	<u>334,969</u>	<u>350,599</u>	<u>386,509</u>	<u>380,526</u>
<u>\$ 1,658,981</u>	<u>\$ 1,697,571</u>	<u>\$ 1,742,904</u>	<u>\$ 1,768,817</u>	<u>\$ 1,810,542</u>	<u>\$ 1,829,410</u>



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

	2010-11	2011-12	2012-13	2013-14
Expenses				
Governmental activities				
General government	\$ 16,907	\$ 16,675	\$ 23,574 ³	\$ 20,187
Public safety	45,011	45,576	48,468	48,942
Community services	42,179	43,087	47,900 ⁴	45,341
Public works	25,759	28,441	36,806	30,314
Interest and fiscal charges on long-term debt	453	298	4	1
Total governmental activities	130,309	134,077	156,752	144,785
Business-type activities				
Carlsbad Municipal Water District	34,978	35,985	41,626	43,547
Golf course	11,538	11,190	10,668	11,032
Wastewater	11,751	11,330	13,556	12,488
Solid waste	2,565	2,922	2,918	2,856
Total business-type activities	60,832	61,427	68,768	69,923
Total government	\$ 191,141	\$ 195,504	\$ 225,520	\$ 214,708
Program Revenues				
Governmental activities				
Charges for services:				
General government	\$ 1,793	\$ 315	\$ 1,469	\$ 289
Public safety	4,502	4,379	4,025	3,950
Community services	7,266	6,314	6,987	8,732
Public works	3,567	3,717	5,073	3,720
Operating grants and contributions	12,033	11,813	13,199	11,919
Capital grants and contributions	13,557	15,429	17,741	16,129
Total governmental activities	42,718	41,967	48,494	44,739
Business-type activities				
Charges for services:				
Carlsbad Municipal Water District	30,715	35,776	44,240 ⁵	46,750
Golf course	5,850	6,127	6,278	6,635
Wastewater	10,053	10,989	12,402	12,896
Solid waste	3,015	2,961	3,060	3,320
Operating grants and contributions	1,263	1,201	38	90
Capital grants and contributions	5,640	4,560	2,855	3,198
Total business-type activities	56,536	61,614	68,873	72,889
Total government	\$ 99,254	\$ 103,581	\$ 117,367	\$ 117,628
Net (Expense)/Revenue:				
Governmental activities	\$ (87,591)	\$ (92,110)	\$ (108,258)	\$ (100,046)
Business-type activities	(4,296)	187	105	2,966
Total government net expense	\$ (91,887)	\$ (91,923)	\$ (108,153)	\$ (97,080)

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$ 16,108	\$ 16,147	\$ 18,374	\$ 25,192 ¹⁰	\$ 22,234	\$ 24,267
48,856	50,463	55,994	62,630 ¹⁰	67,968	75,249
48,630	51,191	54,212	51,897	57,978	60,771
36,273	37,464	34,317	36,875	36,897	41,419
-	1	3	2	4	2
149,867	155,266	162,900	176,596	185,081	201,708
40,897	39,458	45,219	51,658	51,638	51,198
10,538	10,545	10,211	10,560	11,035	10,252
12,629	12,613	12,626	13,495	15,238	16,931
2,973	2,997	3,272	3,089	3,840	4,382
67,037	65,613	71,328	78,802	81,751	82,763
\$ 216,904	\$ 220,879	\$ 234,228	\$ 255,398	\$ 266,832	\$ 284,471
\$ 1,382	\$ 296	\$ 327	\$ 816	\$ 1,679	\$ 1,030
4,220	3,980	4,647	4,805	4,784	4,711
10,534	10,711	12,154	11,588	10,755	9,324
4,014	4,152	3,952	3,768	4,574	4,142
12,242	11,912	12,630	13,054	17,307	18,437
19,105	12,042 ⁷	22,789	22,993	13,842	16,802
51,497	43,093	56,499	57,024	52,941	54,446
47,461	39,854 ⁸	44,817	50,095	46,431	46,332
6,709	6,988	7,119	7,973	7,979	6,637
12,875	12,963	13,467	13,885	14,099	13,849
3,245	3,206	3,302	3,427	3,440	3,563
59	5,646	2,471	1,611	1,260	399
5,879	2,011	13,322	5,484	4,864	6,327
76,228	70,668	84,498	82,475	78,073	77,107
\$ 127,725	\$ 113,761	\$ 140,997	\$ 139,499	\$ 131,014	\$ 131,553
\$ (98,370)	\$ (112,173)	\$ (106,401)	\$ (119,572)	\$ (132,140)	\$ (147,262)
9,191	5,055	13,170	3,673	(3,678)	(5,656)
\$ (89,179)	\$ (107,118)	\$ (93,231)	\$ (115,899)	\$ (135,818)	\$ (152,918)

(continued)



Changes in Net Position (continued)

Last Ten Fiscal Years

(dollars in thousands)

	2011	2012	2013	2014
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes:				
Property taxes	\$ 54,049	\$ 51,538	\$ 52,861	\$ 52,608
Sales and use taxes	25,660	28,094	28,403	30,520
Transient occupancy taxes	11,569	12,872	14,702	17,472
Franchise taxes	4,650	4,852	5,118	4,907
Business license taxes	3,581	2,695	3,834	4,177
Real property transfer taxes	911	925	1,058	1,080
Vehicle license fees	483	53 ¹	55	-
Income from property and investments	8,372	6,088	1,792	6,917
Other general revenues	328	419	426	429
Extraordinary gain/(loss)	-	20,477 ²	-	(10,289) ⁶
Transfers	(135)	(1,810)	(656)	(1,188)
Total governmental activities	109,468	126,203	107,593	106,633
Business type activities				
Property taxes	2,779	2,721	2,904	2,897
Income from property and investments	2,109	2,054	555	2,498
Other general revenues	3,599	106	85	99
Transfers	135	1,810	655	1,188
Total business-type activities	8,622	6,691	4,199	6,682
Total government	\$ 118,090	\$ 132,894	\$ 111,792	\$ 113,315
Change in Net Position				
Governmental activities	\$ 21,877	\$ 34,093	\$ (665)	\$ 6,587
Business-type activities	4,326	6,878	4,304	9,648
Total government	\$ 26,203	\$ 40,971	\$ 3,639	\$ 16,235

Source: City of Carlsbad Comprehensive Annual Financial Reports

¹ The State of California ceased sending the city vehicle license fee revenues in FY 2011-12.

² 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.

³ 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.

⁴ 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.

⁵ The increase in FY 2012-13 was the result of a combination of a 5% increase in the number of water units sold coupled with an average 8% increase in water rates charged to customers and a reimbursement from a lawsuit involving a landslide.

⁶ 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.

⁷ 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.

⁸ The decrease in FY 2015-16 was a result of a decrease in water sales during the fiscal year from drought conservation measures.

⁹ 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.

¹⁰ The increase in FY 2017-18 is mainly due to changes in the city's pension discount rate.

2015	2016	2017	2018	2019	2020
\$ 55,992	\$ 58,945	\$ 63,988	\$ 66,524	\$ 69,952	\$ 73,885
32,146	34,843	33,999	33,674	38,510	36,491
19,713	20,943	22,267	24,233	26,320	18,898
5,427	5,632	5,475	5,812	6,100	5,864
4,548	4,895	4,328	5,026	5,322	5,414
1,406	1,546	1,393	1,463	1,715	1,247
-	-	-	-	-	-
4,564	11,910 ⁹	1,975	2,551	20,695	20,239
609	486	451	519	439	559
-	-	-	-	-	-
(1,264)	(1,240)	(15,067)	(136)	(219)	(303)
<u>123,141</u>	<u>137,960</u>	<u>118,809</u>	<u>139,666</u>	<u>168,834</u>	<u>162,294</u>
3,133	3,306	3,569	3,743	4,002	4,226
1,870	3,163	749	986	7,784	4,963
623	39	370	3	113	-
<u>1,264</u>	<u>1,240</u>	<u>15,067</u>	<u>136</u>	<u>219</u>	<u>303</u>
<u>6,890</u>	<u>7,748</u>	<u>19,755</u>	<u>4,868</u>	<u>12,118</u>	<u>9,492</u>
<u>\$ 130,031</u>	<u>\$ 145,708</u>	<u>\$ 138,564</u>	<u>\$ 144,534</u>	<u>\$ 180,952</u>	<u>\$ 171,786</u>
\$ 24,771	\$ 25,787	\$ 12,408	\$ 20,094	\$ 36,694	\$ 15,032
<u>16,081</u>	<u>12,803</u>	<u>32,925</u>	<u>8,541</u>	<u>8,440</u>	<u>3,836</u>
<u>\$ 40,852</u>	<u>\$ 38,590</u>	<u>\$ 45,333</u>	<u>\$ 28,635</u>	<u>\$ 45,134</u>	<u>\$ 18,868</u>



Fund Balances of Governmental Funds

Last Ten Fiscal Years

(dollars in thousands)

	2010-11 ¹	2011-12	2012-13	2013-14
General Fund				
Nonspendable	\$ 53,943	\$ 54,228	\$ 57,719	\$ 56,707
Committed	1,000	1,000	1,000	1,000
Assigned	23,584	22,955	26,200	27,838
Unassigned	57,533	61,384	69,578	75,615
Total General Fund	\$ 136,060	\$ 139,567	\$ 154,497	\$ 161,160
All Other Governmental Funds				
Nonspendable				
Special revenue funds	\$ 433	\$ 440	\$ 435	\$ 430
Capital project funds	250	-	-	-
Restricted				
Special revenue funds	65,585	64,401	61,938	66,833
Capital project funds	171,214	177,372	167,009 ³	157,712 ³
Assigned				
Capital project funds	123,473	123,465	121,861	131,627
Unassigned				
Special revenue funds	-	-	-	-
Debt service funds	(18,658)	- ²	-	-
Total all other governmental funds	\$ 342,297	\$ 365,678	\$ 351,243	\$ 356,602

Source: City of Carlsbad Comprehensive Annual Financial Reports

¹ GASB 54, which requires changes in the reporting categories for fund balances, was implemented in FY 2010-11.

² AB1x26 and AB 1484 were implemented in FY 2011-12. The former Redevelopment Agency debt service funds were transferred to trust funds.

³ 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.

⁴ Beginning in FY 2015-16, the Gas Tax fund balance was reclassified from a Special Revenue fund to a Capital Project fund.

⁵ In FY 2019-20, the General Fund advanced money to the Habitat Mitigation Fund, a Special Revenue fund, to be repaid to the General Fund once funds are available.

<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
\$ 56,381	\$ 55,324	\$ 53,751	\$ 51,628	\$ 49,608	\$ 49,008
1,000	1,000	1,000	1,000	1,000	1,000
40,865	42,692	38,439	43,855	33,367	30,733
<u>80,274</u>	<u>94,404</u>	<u>78,191</u>	<u>82,570</u>	<u>101,701</u>	<u>110,122</u>
<u>\$ 178,520</u>	<u>\$ 193,420</u>	<u>\$ 171,381</u>	<u>\$ 179,053</u>	<u>\$ 185,676</u>	<u>\$ 190,863</u>
\$ 3	\$ 4	\$ 1	\$ 1	\$ 1	\$ 1
-	-	-	-	-	-
66,300	51,013 ⁴	51,677	53,246	57,465	59,295
161,499	176,280 ⁴	183,245	182,812	194,434	206,067
136,237	131,939	146,994	151,306	162,139	165,267
-	-	-	-	-	(234) ⁵
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 364,039</u>	<u>\$ 359,236</u>	<u>\$ 381,917</u>	<u>\$ 387,365</u>	<u>\$ 414,039</u>	<u>\$ 430,396</u>



Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(dollars in thousands)

	2010-11	2011-12	2012-13	2013-14
Revenues:				
Taxes	\$ 103,660	\$ 105,595	\$ 109,447	\$ 114,996
Intergovernmental	12,847	9,603	11,513	10,602
Licenses and permits	1,590	1,852	2,016	2,184
Charges for services	9,938	10,092	10,261	11,278
Fines and forfeitures	1,051	892	861	876
Income from property and investments	9,278	6,253	2,362	7,604
Contributions from property owners	5,473	9,927	12,029	9,042
Donations	310	206	411	210
Miscellaneous	2,521	697	1,969	1,219
Total revenues	<u>146,668</u>	<u>145,117</u>	<u>150,869</u>	<u>158,011</u>
Expenditures:				
Current:				
General government	16,937	16,992	23,072	21,471
Less: Interdepartmental charges	(3,015)	(3,750)	(3,858)	(3,566)
Public safety	44,157	44,915	46,162	47,333
Community services	39,540	40,402	40,899	41,505
Public works	13,078	11,773	11,299	15,442
Capital outlay	20,985	17,367	28,602	18,702
Debt service:				
Principal retirement	515	851	316	159
Interest and fiscal charges	935	308	6	5
Total expenditures	<u>133,132</u>	<u>128,858</u>	<u>146,498</u>	<u>141,051</u>
Excess (deficiency) of revenues over (under) expenditures	13,536	16,259	4,371	16,960
Other financing sources (uses):				
Proceeds from the sale of property	-	-	-	-
Issuance of debt	581	-	-	-
Transfers in	9,802	19,887	8,087	11,477
Transfers out	(10,937)	(23,097)	(14,792)	(16,415)
Extraordinary gain (loss)	-	12,847 ²	-	-
Total other financing sources (uses)	<u>(554)</u>	<u>9,637</u>	<u>(6,705)</u>	<u>(4,938)</u>
Net change in fund balances	<u>\$ 12,982</u>	<u>\$ 25,896</u>	<u>\$ (2,334)</u>	<u>\$ 12,022</u>
Debt service as percentage of noncapital expenditures ¹	1.26%	0.99%	0.24%	0.13%

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.

⁵ Increase in investment income for FY 2018-19 is due to an increase in the average yield on the investment portfolio for the year as well as an increase due to the fair value adjustment done on investments at fiscal year end (per GASB 31).

⁶ Increase in public safety expenditures in FY 2018-19 is due to a voluntary \$14.2 million additional payment to CalPERS to reduce the city's unfunded pension liability in the safety plan.

⁷ Decrease in tax revenue for sales and transient occupancy taxes for FY 2020-21 is due to the effects of the COVID-19 pandemic and resulting stay at home orders on sales and transient occupancy taxes.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$ 123,411 ³	\$ 129,617	\$ 134,165	\$ 141,118	\$ 154,673	\$ 147,535 ⁷
10,359	11,290	11,963	11,608	14,647	15,505
2,369	2,467	3,034	2,999	2,668	2,739
13,181	12,913	14,309	14,145	13,221	11,525
837	854	740	679	581	760
6,442	9,970	3,845	4,622	23,275 ⁵	24,989
10,688	8,009	13,330	12,898	10,301	6,623
440	417	349	332	1,385	426
2,550	1,503	1,467	1,991	3,316	2,641
<u>170,277</u>	<u>177,040</u>	<u>183,202</u>	<u>190,392</u>	<u>224,067</u>	<u>212,743</u>
17,903	17,221	27,925	26,625	24,033	25,762
(3,807)	(3,471)	(3,345)	(3,160)	(4,581)	(5,052)
48,915	52,015	57,329	58,568	77,550 ⁶	70,997
44,501	46,298	48,930	49,039	52,951	56,931
16,350	17,465	17,349	17,220	18,380	19,995
20,050	34,669	17,603	26,885	20,703	22,171
-	-	-	10	10	11
⁵	⁶	⁵	⁷	⁵	¹²
<u>143,917</u>	<u>164,203</u>	<u>165,796</u>	<u>175,194</u>	<u>189,051</u>	<u>190,827</u>
26,360	12,837	17,406	15,198	35,016	21,916
-	-	-	-	-	-
-	-	-	-	-	-
14,857	9,970	20,849	11,513	11,881	11,183
(16,420)	(12,710)	(37,613) ⁴	(13,590)	(13,600)	(11,486)
-	-	-	-	-	-
<u>(1,563)</u>	<u>(2,740)</u>	<u>(16,764)</u>	<u>(2,077)</u>	<u>(1,719)</u>	<u>(303)</u>
<u>\$ 24,797</u>	<u>\$ 10,097</u>	<u>\$ 642</u>	<u>\$ 13,121</u>	<u>\$ 33,297</u>	<u>\$ 21,613</u>
0.00%	0.00%	0.00%	0.01%	0.01%	0.01%



General Governmental Tax Revenues by Source

Last Ten Fiscal Years

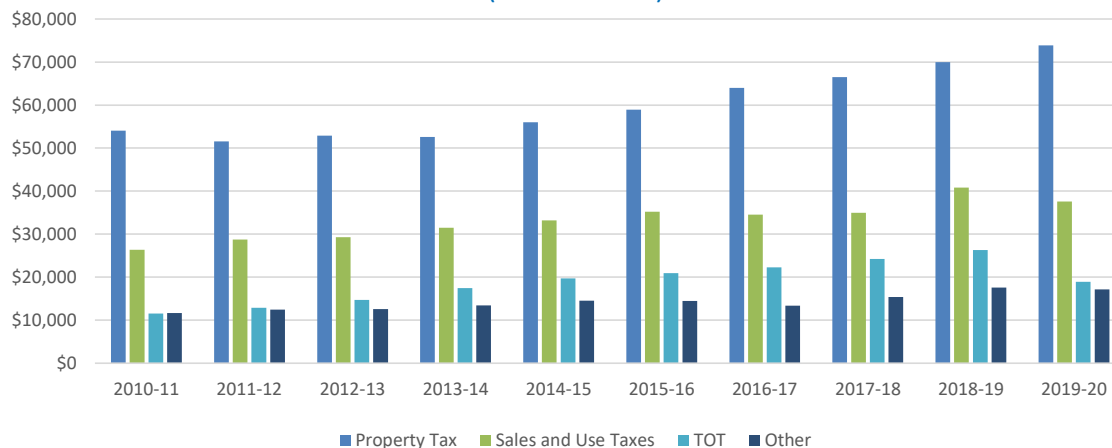
(dollars in thousands)

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
2010-11	\$ 54,049	\$ 26,386	\$ 11,569	\$ 4,650	\$ 3,581	\$ 911	\$ 2,514	\$ 103,660
2011-12	51,538 ¹	28,733 ²	12,872 ²	4,852	3,669	925	3,006 ³	105,595
2012-13	52,888	29,301	14,702 ⁴	5,118	3,834	1,058	2,546	109,447
2013-14	52,607	31,464	17,472 ⁴	4,907	4,178	1,080	3,288	114,996
2014-15	55,992 ⁵	33,202	19,713 ⁶	5,427	4,548	1,406	3,123	123,411
2015-16	58,946	35,232	20,943	5,632	4,895	1,545	2,424	129,617
2016-17	63,988 ⁵	34,543	22,267 ⁷	5,475	4,328	1,393	2,171	134,165
2017-18	66,523	34,972	24,234 ⁸	5,812	5,026 ⁹	1,463	3,088 ¹⁰	141,118
2018-19	69,952	40,795 ¹¹	26,320	6,100	5,322	1,715	4,469	154,673
2019-20	73,889	37,585 ¹²	18,898 ¹²	5,864	5,414	1,247	4,638	147,535

Percentage change from FY 2010-11 to FY 2019-20:

37% 42% 63% 26% 51% 37% 84% 42%

Total General Governmental Tax Revenues - Last Ten Fiscal Years (in thousands)



Source: City of Carlsbad Comprehensive Annual Financial Reports

* Property Tax category also includes Vehicle License Fees (VLF) in lieu, property tax increment and CFD No. 1 special taxes.

¹ 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.

² Reflects improvement in the economy.

³ The large increases are due to state Section 2103 allocations which became effective in FY 2010-11 to allocate funds from a motor vehicle fuel excise tax that replaced previous city and county allocations from the Proposition 42 sales tax on gasoline.

⁴ The increase in TOT in FY 2012-13 and FY 2013-14 is due to the opening of two new hotels and higher occupancy and room rates citywide.

⁵ Reflects improvement in the housing market and new construction.

⁶ The increase in TOT in FY 2014-15 is due to the openings of several new hotels and higher occupancy and room rates throughout the city.

⁷ The increase in TOT in FY 2016-17 is due to higher room rates throughout most of the city's hotels and an increase in available rooms.

⁸ The increase in TOT in FY 2017-18 is due to higher room rates throughout most of the city's hotels and an opening of a new hotel.

⁹ The increase in Business License Taxes in FY 2017-18 is due to a significant number of delinquent payments being collected.

¹⁰ The increase in Gas Taxes in FY 2017-18 is due to new ongoing allocations received from the state's Road Maintenance and Rehabilitation Account.

¹¹ The increase in Sales and Use Taxes in FY 2018-19 is due to overall growth and the ending of the state's sales and use tax "triple flip" in FY 2017-18.

¹² The decreases in tax revenue for sales and transient occupancy taxes for FY 2020 is due to the effects of the COVID-19 pandemic and resulting stay at home orders on sales and transient occupancy taxes.



Water and Wastewater Rates
Last Ten Fiscal Years

Fiscal Year	Water		Wastewater
	Monthly Delivery Charge	Base Price Per Unit ¹	Monthly Base Rate
2010-11	\$18.00	\$2.70	\$23.03
2011-12	19.80	2.97	24.53
2012-13	21.38	3.20	25.02
2013-14	20.07	3.19	25.52
2014-15	21.08	3.35	26.03
2015-16	22.19	3.53	27.81
2016-17	24.11	3.84	27.81
2017-18	24.72	3.94	27.81
2018-19	24.72	3.94	27.81
2019-20	25.02	4.04	28.66

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. 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

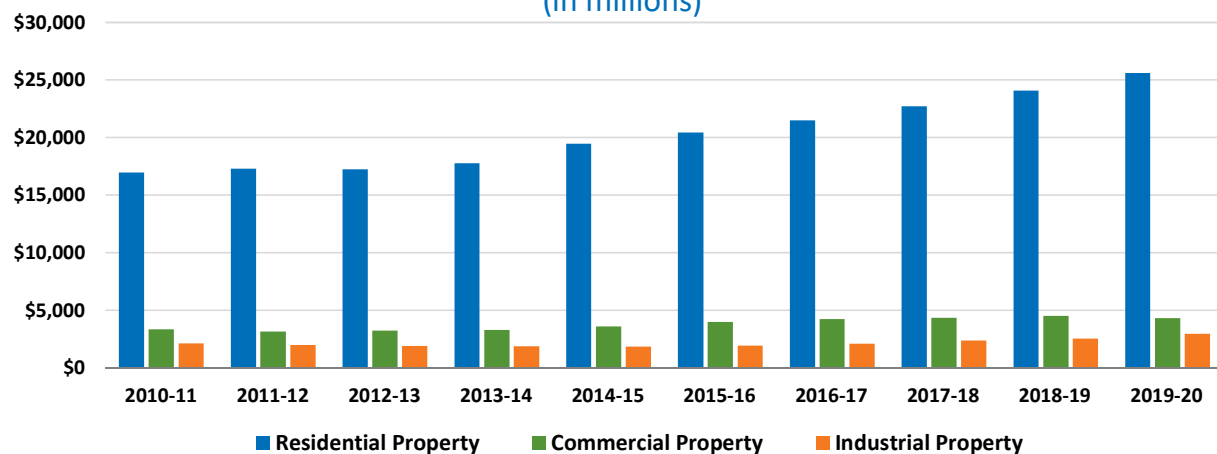
(dollars in millions)

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
2010-11	\$ 16,946	\$ 3,355	\$ 2,111	\$ 601	\$ 23,013	-0.96%	\$ 44	0.1927%
2011-12	17,306	3,133	1,983	560	22,982	-0.13	44	0.1927
2012-13	17,222	3,237	1,884	614	22,957	-0.11	44	0.1927
2013-14	17,774	3,298	1,871	580	23,523	2.47	45	0.1927
2014-15	19,450	3,603	1,847	589	25,489	8.36	49	0.1927
2015-16	20,431	3,973	1,909	612	26,925	5.63	52	0.1927
2016-17	21,472	4,238	2,092	622	28,424	5.57	55	0.1927
2017-18	22,707	4,355	2,378	555	29,995	5.53	58	0.1927
2018-19	24,077	4,528	2,541	490	31,636	5.47	61	0.1927
2019-20	25,597	4,328	2,953	2,231	35,109	10.98	68	0.1927

Taxable Assessed Property Value

Last Ten Fiscal Years

(in millions)



Source: County of San Diego, California Auditor and Controller data, Muniservices, LLC/Avenu Insights & Analytics

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 ²	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 ³	Voter Approved Debt ⁴	Total Tax Rate ⁵
2010-11	0.1927%	0.3412%	0.1576%	0.1497%	0.0937%	0.0198%	0.0453%	1.0000%	0.0432%	1.0432%
2011-12	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0748	1.0748
2012-13	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0768	1.0768
2013-14	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0743	1.0743
2014-15	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0710	1.0710
2015-16	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0681	1.0681
2016-17	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0563	1.0563
2017-18	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0791	1.0791
2018-19	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0758	1.0758
2019-20	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.1015	1.1015

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 The city has no general obligation bonds; therefore the Basic Tax Rate is the same as the Total Direct Tax Rate.

³ In 1978, California voters passed Proposition 13 which limited property taxes to a total maximum rate of 1.00% based on the assessed value of each property being taxed. This 1.00% is shared by all taxing agencies within a tax rate area.

Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the purchase price of the property becomes the new assessed value.

⁴ The majority of voter approved debt is related to various school district and hospital bonds.

⁵ The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.



Direct and Overlapping Property Tax Rates (continued)

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year 2019-20 Voter Approved Debt Tax Rates for all Rate Areas

Total Tax Rates ¹	County Tax Rate Areas ²	Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Mira Costa Comm. College	Palomar Comm. College	Palomar Health District	MWD / SDCWA ³	Total Voter Approved Rates ⁴
1.0548%	1	0.0000%	0.0000%	0.0000%	0.0000%	0.0548%	0.0000%	0.0000%	0.0000%	0.0000%	0.0548%
1.0583	37	-	-	-	-	0.0418	0.0130	-	-	0.0035	0.0583
1.0670	3	-	-	-	-	0.0418	-	0.0217	-	0.0035	0.0670
1.0883	2	-	-	0.0718	-	-	0.0130	-	-	0.0035	0.0883
1.0970	24	-	-	0.0718	-	-	-	0.0217	-	0.0035	0.0970
1.0980	3	0.0850	-	-	-	-	0.0130	-	-	-	0.0980
1.1015	54	0.0850	-	-	-	-	0.0130	-	-	0.0035	0.1015
1.1023	1	-	0.0858	-	-	-	0.0130	-	-	0.0035	0.1023
1.1102	5	-	-	-	0.0850	-	-	0.0217	-	0.0035	0.1102
1.1102	3	-	-	-	-	-	-	0.0217	-	0.0217	0.0434
1.1173	1	-	-	0.0718	-	-	0.0130	-	0.0290	0.0035	0.1173
1.1260	11	-	-	0.0718	-	-	-	0.0217	0.0290	0.0035	0.1260
1.1305	1	0.0850	-	-	-	-	0.0130	-	0.0290	0.0035	0.1305

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

¹ The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.

² Tax rate areas are determined by the County of San Diego. There are currently thirteen tax rates distributed among the 146 tax rate areas of the city. The table above shows the number of tax rate areas affected by each of the rates.

³ MWD is the Metropolitan Water District and SDCWA is the San Diego County Water Authority.

⁴ The majority of voter approved debt is related to various school district and hospital bonds.



Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Net Assessed Value
Poseidon Water Desalination Plant	\$ 435,303,442	1	1.24%	\$ -		0.00%
Grand Pacific Carlsbad LP	356,844,999	2	1.02	205,925,469	3	0.89
La Costa Glen Retirement Community	269,065,704	3	0.77	229,289,820	1	1.00
Legoland California, LLC	253,190,367	4	0.72	123,022,648	5	0.00
La Costa Resort & Spa	239,566,369	5	0.68	203,859,602	4	0.89
Levine Investments Limited Partnership	218,530,656	6	0.62	-		-
The Forum Shopping Center	202,532,608	7	0.58	84,074,846	10	0.37
The Shoppes at Carlsbad	173,987,418	8	0.50	101,354,271	8	0.44
Park Hyatt Aviara Resort	157,395,000	9	0.45	215,939,676	2	0.94
La Costa Town Center, LLC	146,563,211	10	0.42	-		-
Carlsbad Premium Outlets	-			113,760,447	7	0.49
Pacific View Apartments	-			121,152,686	6	0.53
Callaway Golf Company	-			95,444,058	9	0.41
Total	<u>\$ 2,452,979,774</u>		<u>6.99%</u>	<u>\$ 1,493,823,523</u>		<u>6.49%</u>
Net assessed valuation	<u>\$ 35,109,400,875</u>			<u>\$ 23,012,997,313</u>		

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

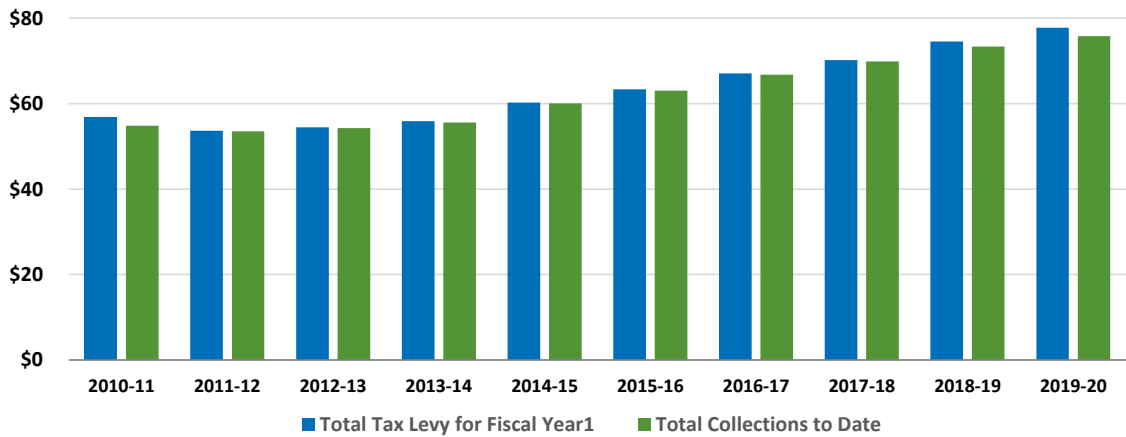


Property Tax Levies and Collections

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
2010-11	\$56,792,002	\$53,953,149	95.00%	\$884,845	\$54,837,994	96.56%
2011-12	53,682,809	52,778,359	98.32	747,743	53,526,102	99.71
2012-13	54,469,819	53,677,921	98.55	574,299	54,252,220	99.60
2013-14	55,883,499	55,042,944	98.50	524,247	55,567,191	99.43
2014-15	60,266,230	59,509,285	98.74	543,544	60,052,829	99.65
2015-16	63,363,527	62,595,504	98.79	478,495	63,073,999	99.54
2016-17	67,116,590	66,233,111	98.68	542,629	66,775,740	99.49
2017-18	70,221,876	69,383,391	98.81	498,921	69,882,312	99.52
2018-19	74,560,530	72,869,105	97.73	474,096	73,343,201	98.37
2019-20	77,782,836	75,764,088	97.40	N/A	75,764,088	97.40

Property Tax Levies & Collections
Last Ten Fiscal Years
(in millions)



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

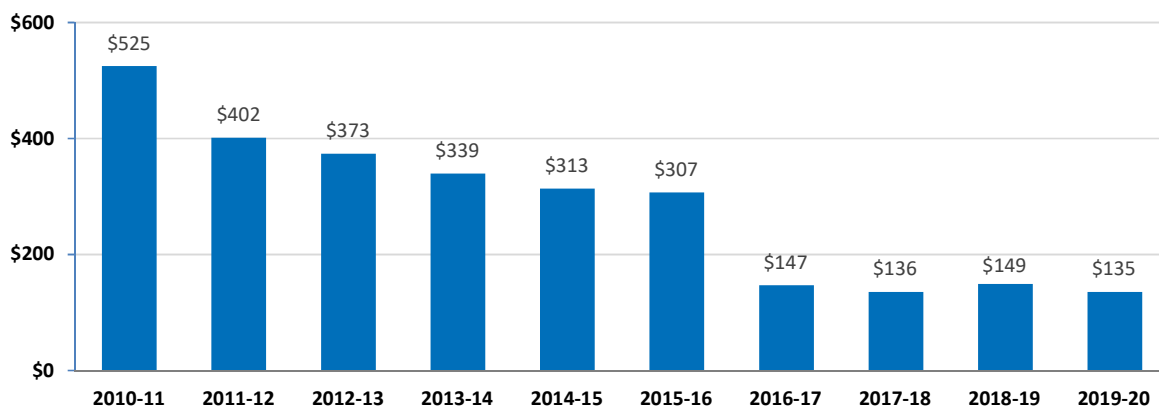
(dollars in thousands except per capita)

Fiscal Year	Governmental Activities			
	Bonds/Special Debt ⁴	Certificates of Participation	Capital Leases	Loans Payable
2010-11	\$ 9,735 ¹	\$ -	\$ -	\$ 581
2011-12	-	-	-	475
2012-13	-	-	-	159
2013-14	-	-	-	-
2014-15	-	-	-	-
2015-16	-	-	970	-
2016-17	-	-	784	-
2017-18	-	-	588	-
2018-19	-	-	378	-
2019-20	-	-	156	-

Outstanding Debt per Capita

Last Ten Fiscal Years

(in dollars)



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 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 During FY 2006-07, Carlsbad Municipal Golf Course Revenue Bonds were issued for \$18.5 million.

³ The State Water Resources Control Board issued low interest loans for the Carlsbad Water Recycling Facility in 2005, 2006 and 2014. Varying amounts of principal and interest are due annually. Payments are funded from recycled water user fees.

⁴ The Bond/Special Debt is net of amortized premiums and the Loan Payable is net of unamortized discounts.

⁵ The Carlsbad Municipal Golf Course Revenue Bonds were defeased during FY 2016-17.

Business-Type Activities						
Bonds/Special Debt ⁴	Installment Purchase Agreements	Loan Payable ³	Capital Leases	Total	Percentage of Personal Income	Per Capita
\$ 17,670 ²	\$ 3,365	\$ 24,290	\$ 256	\$ 55,897	1.38%	\$ 524.58
17,345	2,585	22,830	14	43,249	1.00	401.67
17,237	1,697	21,335	-	40,428	0.92	373.48
16,645	905	19,837	-	37,387	0.77	339.36
16,260	-	18,429	-	34,689	0.71	313.49
16,058	-	17,670	-	34,698	0.60	307.25
- ⁵	-	15,901	-	16,685	0.28	146.71
-	-	14,944	-	15,532	0.24	135.51
-	-	16,827	-	17,205	0.25	149.30
-	-	15,327	-	15,483	0.25	135.27



Schedule of Direct and Overlapping Bonded Debt Current Fiscal Year

Fiscal Year 2019-20 Assessed Valuation:	\$35,109,400,875
Redevelopment Incremental Valuation:	1,459,125,344
Adjusted Assessed Valuation:	<u>\$33,650,275,531</u>

	Total Debt 06/30/20	Percent Applicable ¹	City's Share of Debt 6/30/20
<u>Overlapping Tax and Assessment Debt:</u>			
Metropolitan Water District	\$ 37,300,000	1.141%	\$ 425,593
Mira Costa Community College District	71,270,000	27.864	19,858,673
Palomar Community College District	610,657,763	2.715	16,579,358
Carlsbad Unified School District	238,049,662	98.165	233,681,451
Carlsbad Unified School District Community Facilities District No 1	1,325,000	100	1,325,000
Oceanside Unified School District	239,595,394	0.004	9,584
Vista Unified School District	134,624,882	0.684	920,834
Encinitas Union School District	46,395,383	30.534	14,166,366
San Marcos Unified School District	285,225,402	17.941	51,172,289
San Marcos Unified School District School Facility Improvement District	683,194	19.412	132,622
San Marcos Unified School District CFD No. 4	14,985,000	32.779	4,911,933
San Marcos Unified School District CFD No. 5	13,580,000	100	13,580,000
San Dieguito Union High School District	347,365,000	8.962	31,130,851
San Dieguito Union HS District CFD No. 94-2	25,175,000	98.346	24,758,606
San Dieguito Union HS District CFD No. 95-2	5,970,000	9.338	557,479
Palomar Health District	422,024,019	1.688	7,123,765
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	8,865,000	22.073	1,956,771
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	18,890,000	100	18,890,000
City of Carlsbad 1915 Act Bonds	30,020,000	100	30,020,000
Total Overlapping Tax and Assessment Debt	<u>\$ 2,552,000,699</u>		<u>\$ 471,201,175</u>

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.



Schedule of Direct and Overlapping Bonded Debt (continued)
Current Fiscal Year

	Total Debt 06/30/20	Percent Applicable ¹	City's Share of Debt 6/30/20
<u>Overlapping General Fund Obligation Debt:</u>			
San Diego County General Fund Obligations	\$ 231,350,000	6.34%	\$ 14,676,844
San Diego County Pension Obligation Bonds	456,040,000	6.344	28,931,178
San Diego County Superintendent of Schools General Fund Obligations	9,350,000	6.344	593,164
Mira Costa Community College District Certificates of Participation	-	27.65	-
Palomar Community College District General Fund Obligations	1,675,000	2.715	45,476
Carlsbad Unified School District General Fund Obligations	40,300,000	98.165	39,560,495
San Marcos Unified School District General Fund Obligations	75,119,715	17.941	13,477,228
Vista Unified School District Certificates of Participation	1,455,000	0.684	9,952
San Dieguito Union High School District General Fund Obligations	12,730,000	8.962	1,140,863
Total Overlapping General Fund Obligation Debt	\$ 828,019,715		\$ 98,435,200
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	3,705,000	100	3,705,000 ²
Total Overlapping Debt:	\$ 3,383,725,414		\$ 573,341,375
<u>City of Carlsbad Direct Debt:</u>			
City of Carlsbad Governmental Activities Obligations	\$ 155,922	100	\$ 155,922
Total City of Carlsbad Direct Debt	\$ 155,922		\$ 155,922
Combined Total Debt	\$ 3,383,881,336		\$ 573,497,297 ³

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 Created by the dissolution of the Redevelopment Agency in FY 2011-12.

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds.

Ratios to FY 2019-20 Assessed Valuation:

Total Overlapping Tax and Assessment Debt 1.3421%

Ratios to FY 2019-20 Adjusted Assessed Valuation:

Governmental Activities Direct Debt 0.0005%

Combined Total Debt 1.7043%



Direct and Overlapping Debt
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

	2010-11	2011-12	2012-13	2013-14
<u>Overlapping Tax and Assessment Debt:</u>				
Metropolitan Water District	\$ 0.129	\$ 0.110	\$ 0.080	\$ 0.062
Mira Costa Community College District	-	-	-	-
Palomar Community College District	0.447	0.448	0.375	0.361
Carlsbad Unified School District	8.660	8.527	8.312	7.921
Carlsbad Unified School District CFD No. 1	0.192	0.149	0.103	0.052
Oceanside Unified School District	0.001	0.001	0.001	-
Vista Unified School District	0.039	0.038	0.031	0.028
Encinitas Union School District	0.357	0.338	0.454	0.426
San Marcos Unified School District	-	3.103	1.711	2.248
San Marcos Unified School District Facility Improvement District	0.202	0.176	0.076	0.057
San Marcos Unified School District CFD No. 4	0.241	0.236	0.230	0.292
San Marcos Unified School District CFD No. 5	0.979	0.950	0.918	0.864
San Dieguito Union High School District	-	-	0.621	0.607
San Dieguito Union HS District CFD No. 94-1	0.004	0.004	0.004	0.004
San Dieguito Union HS District CFD No. 94-2	1.093	1.106	1.082	1.032
San Dieguito Union HS District CFD No. 95-2	0.022	0.022	0.022	0.023
San Dieguito Union HS District combined CFD	0.215	-	-	-
Palomar Health District	0.444	0.434	0.353	0.336
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.147	0.142	0.138	0.139
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	1.080	1.063	1.045	1.000
City of Carlsbad 1915 Act Bonds	2.640	2.569	2.107	2.018
Total Overlapping Tax and Assessment Debt	\$ 16.892	\$ 19.416	\$ 17.663	\$ 17.470
<u>Overlapping General Fund Obligation Debt:</u>				
San Diego County General Fund Obligations	\$ 1.133	\$ 1.155	\$ 1.070	\$ 0.983
San Diego County Pension Obligation Bonds	2.410	2.300	2.017	1.865
San Diego City Superintendent of Schools General Fund Obligations	0.059	0.055	0.047	0.042
Mira Costa Community College District Certificates of Participation	0.036	0.032	0.028	0.023
Palomar Community College District General Fund Obligations	0.009	0.008	0.006	0.006
Carlsbad Unified School District General Fund Obligations	2.089	2.028	1.967	2.086
San Marcos Unified School District General Fund Obligations	0.831	0.837	0.458	0.441
Vista Unified School District Certificates of Participation	-	-	0.001	0.001
San Dieguito Union High School District General Fund Obligations	0.049	0.059	0.051	0.049
Other Unified School District Certificates of Participation	0.002	0.002	-	-
Total Overlapping General Fund Obligation Debt	\$ 6.618	\$ 6.476	\$ 5.645	\$ 5.496
<u>Overlapping Tax Increment Debt (Successor Agency):</u>				
	\$ -	\$ -	\$ 0.376	\$ 0.341
Total Overlapping Debt:	23.510	25.892	23.684	23.307
<u>City of Carlsbad Direct Debt:</u>				
City of Carlsbad Governmental Activities Obligations	0.025	0.021	0.007	-
Total City of Carlsbad Direct Debt	\$ 0.025	\$ 0.021	\$ 0.007	\$ -
Combined Total Debt	\$ 23.535	\$ 25.913	\$ 23.691	\$ 23.307

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

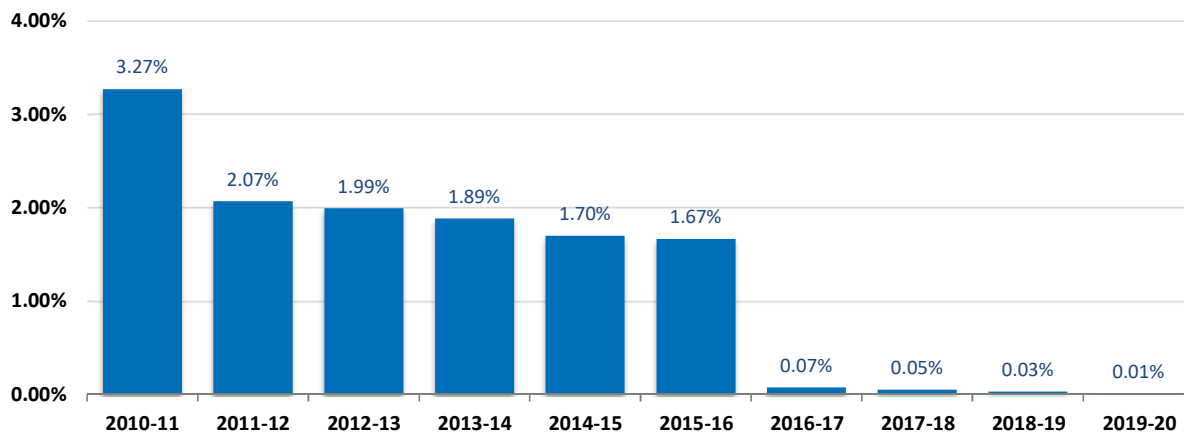
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$ 0.049	\$ 0.039	\$ 0.030	\$ 0.023	\$ 0.017	\$ 0.013
-	-	-	0.918	0.750	0.590
0.562	0.520	0.619	0.571	0.530	0.493
7.073	6.370	5.816	5.298	7.474	6.944
-	-	-	0.051	0.045	0.039
-	-	-	-	-	-
0.025	0.022	0.024	0.018	0.028	0.027
0.385	0.515	0.551	0.506	0.461	0.421
2.087	1.922	1.797	1.706	1.571	1.521
0.035	0.027	0.020	0.014	0.009	0.004
0.254	0.232	0.199	0.181	0.164	0.146
0.690	0.626	0.566	0.509	0.456	0.404
0.967	0.906	1.031	1.032	0.956	0.925
0.003	0.003	0.003	0.003	-	-
0.928	0.855	0.983	0.908	0.800	0.736
0.021	0.019	0.017	0.016	0.018	0.017
-	-	-	-	-	-
0.308	0.285	0.258	0.244	0.228	0.212
0.031	0.102	0.091	0.079	0.069	0.058
0.903	0.836	0.750	0.684	0.623	0.561
1.727	1.564	1.379	1.240	1.024	0.892
\$ 16.048	\$ 14.843	\$ 14.134	\$ 14.001	\$ 15.223	\$ 14.003
\$ 0.857	\$ 0.709	\$ 0.648	\$ 0.572	\$ 0.510	\$ 0.436
1.664	1.497	1.347	1.168	1.016	0.860
0.036	0.031	0.025	0.023	0.020	0.018
0.018	0.014	0.119	0.005	0.001	-
0.005	0.004	0.003	0.002	0.002	0.001
1.846	1.692	1.598	1.447	1.313	1.176
0.407	0.376	0.378	0.459	0.421	0.401
0.001	0.001	0.001	-	-	-
0.047	0.044	0.041	0.039	0.036	0.034
-	-	-	-	-	-
\$ 4.881	\$ 4.368	\$ 4.160	\$ 3.715	\$ 3.319	\$ 2.926
\$ 0.290	\$ 0.250	\$ 0.212	\$ 0.177	\$ 0.143	\$ 0.110
21.219	19.461	18.506	17.893	18.685	17.039
-	0.036	0.028	0.020	0.012	0.005
\$ -	\$ 0.036	\$ 0.028	\$ 0.020	\$ 0.012	\$ 0.005
\$ 21.219	\$ 19.497	\$ 18.534	\$ 17.913	\$ 18.697	\$ 17.044



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

	2010-11	2011-12	2012-13	2013-14
Net assessed valuation	\$ 23,012,997	\$ 22,982,172	\$ 22,956,650	\$ 23,522,746
Debt limit (25% x 15%)	862,987	861,831	860,874	882,103
Less amount of debt applicable to limit:				
Bonded debt	27,405	17,345 ¹	17,005	16,645
Loan payable	581	475	159	-
Obligations under capital leases	256	14	-	-
Total net debt applicable to limit	28,242	17,834	17,164	16,645
Legal debt margin	<u>\$ 834,745</u>	<u>\$ 843,997</u>	<u>\$ 843,710</u>	<u>\$ 865,458</u>
Total net debt applicable to the limit as a percentage of debt limit	3.27%	2.07%	1.99%	1.89%

Percent of Debt Applicable to the Legal Debt Limit
Last Ten Fiscal Years



Source: City of Carlsbad Comprehensive Annual Financial Reports

Note: Under state finance law, the city's outstanding general obligation debt should not exceed 15% (as adjusted by 25% per the law) of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

¹ 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.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$ 25,489,468	\$ 26,924,891	\$ 28,423,782	\$ 29,994,964	\$ 31,635,528	\$ 35,109,401
955,855	1,009,683	1,065,892	1,124,811	1,186,332	1,316,603
16,260	15,855	- ²	-	-	-
-	-	-	-	-	-
-	970	785	588	378	156
16,260	16,825	785	588	378	156
<u>\$ 939,595</u>	<u>\$ 992,858</u>	<u>\$ 1,065,107</u>	<u>\$ 1,124,223</u>	<u>\$ 1,185,954</u>	<u>\$ 1,316,447</u>
1.70%	1.67%	0.07%	0.05%	0.03%	0.01%



Pledged-Revenue Coverage Last Ten Fiscal Years

	2010-11	2011-12	2012-13	2013-14
Wastewater Revenue Bonds				
Gross revenues ^{1, 5}	\$ 11,564,398	\$ 12,391,225	\$ 12,599,601	\$ 13,699,286
Less expenses ^{2, 5}	6,060,142	6,645,436	7,094,310	6,989,194
Net available revenue	<u>\$ 5,504,256</u>	<u>\$ 5,745,789</u>	<u>\$ 5,505,291</u>	<u>\$ 6,710,092</u>
Debt service				
Principal ⁵	\$ 740,000	\$ 780,000	\$ 820,000	\$ 860,000
Interest ⁵	191,419	152,468	111,469	68,419
Total debt service	<u>\$ 931,419</u>	<u>\$ 932,468</u>	<u>\$ 931,469</u>	<u>\$ 928,419</u>
Coverage	5.91	6.16	5.91	7.23
Recycled Water Loans				
Gross revenues ³	\$ 5,942,531	\$ 7,002,009	\$ 8,160,109	\$ 9,392,061
Less expenses ⁴	3,629,787	4,133,530	4,019,176	3,640,786
Net available revenue	<u>\$ 2,312,744</u>	<u>\$ 2,868,479</u>	<u>\$ 4,140,933</u>	<u>\$ 5,751,275</u>
Debt service				
Principal	\$ 1,282,018	\$ 1,312,398	\$ 1,343,498	\$ 1,375,337
Interest	594,463	564,084	532,983	501,144
Total debt service	<u>\$ 1,876,481</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,481</u>	<u>\$ 1,876,481</u>
Coverage	1.23	1.53	2.21	3.06
Golf Course Revenue Bonds				
Gross revenues ^{1, 6}	\$ 7,582,458	\$ 7,863,951	\$ 6,777,292	\$ 7,747,116
Less expenses ^{2, 6}	6,356,592	6,177,438	5,954,896	6,125,159
Net available revenue	<u>\$ 1,225,866</u>	<u>\$ 1,686,513</u>	<u>\$ 822,396</u>	<u>\$ 1,621,957</u>
Debt service				
Principal ⁶	\$ 305,000	\$ 325,000	\$ 340,000	\$ 360,000
Interest ⁶	798,350	785,750	771,600	755,850
Total debt service	<u>\$ 1,103,350</u>	<u>\$ 1,110,750</u>	<u>\$ 1,111,600</u>	<u>\$ 1,115,850</u>
Coverage	1.11	1.52	0.74	1.45

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. In FY 2019-20, a reconciling expense related to FY 2018-19 was received; this amount has been allocated to the appropriate fiscal year.

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.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
\$ 13,723,835	\$ 13,723,835	\$ -	\$ -	\$ -	\$ -
7,249,798	7,249,798	-	-	-	-
<u>\$ 6,474,037</u>	<u>\$ 6,474,037</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 905,000	\$ 905,000	\$ -	\$ -	\$ -	\$ -
23,191	-	-	-	-	-
<u>\$ 928,191</u>	<u>\$ 905,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
6.97	7.15	n/a	n/a	n/a	n/a
\$ 9,210,258	\$ 8,216,362	\$ 8,371,467	\$ 9,869,958	\$ 8,198,882	\$ 7,557,893
3,826,699	4,679,706	4,863,054	5,559,509	6,472,817	5,926,215
<u>\$ 5,383,559</u>	<u>\$ 3,536,656</u>	<u>\$ 3,508,413</u>	<u>\$ 4,310,449</u>	<u>\$ 1,726,065</u>	<u>\$ 1,631,678</u>
\$ 1,407,932	\$ 1,441,301	\$ 1,475,461	\$ 1,510,433	\$ 1,546,234	\$ 1,582,886
468,550	435,182	401,021	366,049	330,248	293,596
<u>\$ 1,876,482</u>	<u>\$ 1,876,483</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>	<u>\$ 1,876,482</u>
2.87	1.88	1.87	2.30	0.92	0.87
\$ 8,428,375	\$ 8,196,853	\$ -	\$ -	\$ -	\$ -
6,302,019	6,273,320	-	-	-	-
<u>\$ 2,126,356</u>	<u>\$ 1,923,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 385,000	\$ 405,000	\$ -	\$ -	\$ -	\$ -
739,088	721,313	-	-	-	-
<u>\$ 1,124,088</u>	<u>\$ 1,126,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1.89	1.71	n/a	n/a	n/a	n/a



Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Total Population	% of S.D. County Population	% Change from Previous Year	Educational Attainment		Median Age
				% High School Graduate	% Bachelor's Degree or Higher	
2010-11	106,555	3.42%	1.43%	96.2%	51.6%	39.4
2011-12	107,674	3.43	1.05	95.3	50.6	40.3
2012-13	108,246	3.44	0.53	88.5	35.4	39.3
2013-14	110,169	3.45	1.78	95.6	51.3	40.3
2014-15	110,653	3.43	0.44	96.0	51.9	41.1
2015-16	112,930	3.43	2.06	95.6	54.8	42.1
2016-17	113,725	3.43	0.70	95.8	54.2	41.9
2017-18	114,622	3.43	0.79	95.7	55.0	42.3
2018-19	115,241	3.44	0.54	95.7	58.1	42.6
2019-20	114,463	3.42	-0.68	95.0	59.5	44.4

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 Unemployment increase in FY 2019-20 is due to the COVID-19 pandemic.

Average Household Size	Personal Income (millions) ¹	Per Capita Personal Income	City Unemployment Rate
2.53	\$ 4,048	\$ 37,985	6.80%
2.58	4,304	39,975	6.30
2.63	4,403	40,672	5.90
2.53	4,862	44,134	6.30
2.30	4,907	44,345	4.30
2.68	5,741	50,838	5.20
2.58	6,060	53,285	4.20
2.60	6,496	56,675	3.00
2.60	6,889	59,780	2.60
2.60	6,101	53,300	13.5 ²



Principal Employers
Current Fiscal Year and Nine Years Ago

Employer	Industry	Fiscal Year 2019-20			Fiscal Year 2010-11		
		Employees	Rank	% of Total City Employment	Employees	Rank	% of Total City Employment
ViaSat, Inc.	Information Technology	2,345	1	2.97%	2,114	3	3.88%
Legoland California	Hospitality/Tourism	2,300	2	2.91%	1,140	6	2.09%
Thermo Fisher Scientific	Life Sciences	1,982	3	2.51%	4,121	1	7.56%
Omni La Costa Resort & Spa	Hospitality/Tourism	1,300	4	1.64%	871	9	1.60%
Carlsbad Unified School District	Education	1,056	5	1.34%	1,004	7	1.84%
TaylorMade Golf Company	Action Sports	960	6	1.21%	2,498	2	4.58%
Gemological Institute of America	Research/Education	856	7	1.08%	1,206	5	2.21%
City of Carlsbad	Government	748	8	0.95%	699	10	1.28%
Nortek Security & Control	Information Technology	637	9	0.81%	-	-	-
HM Electronics, Inc.	Information Technology	571	10	0.72%	-	-	-
Optum RX, Inc.	Mail Order Pharmacy	571	10	0.72%	-	-	-
Callaway Golf Company	Action Sports	-	-	-	1,637	4	3.00%
Genoptix, Inc.	Life Sciences	-	-	-	984	8	1.81%
Subtotal Employees		13,326		16.86%	16,274		29.86%
Total Employees Citywide (estimate)		79,030			54,500		

Source: City of Carlsbad Business License Data





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

<u>Program Area</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Policy and Leadership Group				
City Attorney	7.00	7.00	7.00	7.00
City Clerk and Records Management	8.00	6.25	6.00	5.00
City Council	1.00	1.00	1.00	1.00
City Manager	8.00	7.00	7.00	7.00
City Treasurer	0.75	0.75	0.75	0.75
Communications & Engagement	2.75	2.75	2.75	2.75
Administrative Services				
Finance & Risk Management	30.50	30.50	30.50	31.50
Human Resources & Workers Comp.	9.00	9.00	9.00	9.00
Information Technology	22.50	22.50	22.50	22.50
Public Safety				
Police	162.00	162.00	161.00	161.00
Fire	88.75	87.75	87.75	88.00
Community Services				
Community and Economic Development	54.00	50.00	47.00	44.00
Housing and Neighborhood Services	11.00	13.00	10.00	10.00
Library and Arts	52.25	51.25	51.25	51.25
Parks and Recreation	71.95	70.95	68.40	67.60
Public Works				
Environmental Management	-	-	-	-
General Services	41.60	39.60	39.55	40.60
Public Works Administration	-	-	-	-
Transportation	58.40	54.40	54.40	53.40
Utilities	69.55	68.55	67.65	65.40
Limited Term Personnel (Full-Time)	-	-	1.00	2.00
Total Full Time Authorized Employees	699.00	684.25	674.50	669.75
Net Increase/(decrease) over prior year	(17.25)	(14.75)	(9.75)	(4.75)

Source: City of Carlsbad Operating Budget

Notes: Table Includes both full-time and 3/4 time employees

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 2014-15, the Policy and Leadership and Community Services divisions were reorganized.

² During FY 2015-16, FY 2016-17 and FY 2019-20, the Public Works division restructured divisions.

³ During FY 2018-19, Police IT was consolidated with city IT, resulting in the transfer of 5.0 FTEs.

⁴ During FY 2018-19, Housing and Neighborhood Services was combined with Community and Economic Development.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
7.00	7.00	6.00	7.00	7.00	8.00
5.00	5.00	5.00	6.00	6.00	7.00
1.00	1.00	1.00	1.00	2.00	2.00
7.00	7.00	8.00	8.00	9.00	12.00
0.75	0.75	0.75	0.75	0.75	1.00
4.75 ¹	5.00	5.00	5.00	7.00	7.00
31.50	32.50	33.00	32.00	32.00	33.00
11.00	11.00	11.00	11.00	11.00	14.00
22.50	19.50	20.00	27.00	32.00 ³	35.00
162.00	168.00	168.00	168.00	170.00 ³	183.00
89.00	89.00	90.00	90.00	92.00	97.75
44.00	44.00	44.00	44.00	59.00 ⁴	67.00
12.00	13.00	13.00	13.00	-	-
50.25 ¹	50.50	50.50	50.50	50.50	52.50
61.60 ¹	58.15	57.15	57.00	55.00	55.00
-	8.50 ²	9.50 ²	9.70	9.60	11.05
39.90	28.10 ²	51.30 ²	52.00	53.00	47.85 ²
-	8.05 ²	9.85 ²	12.30	7.40	7.60
55.90	57.35 ²	33.00 ²	32.00	35.00	44.15 ²
64.60	60.85 ²	60.20 ²	59.00	61.75	62.10
-	3.75	6.75	7.75	4.75	0.75
669.75	678.00	683.00	693.00	704.75	747.75
-	8.25	5.00	10.00	11.75	43.00



Operating Indicators by Function/Program

Last Ten Fiscal Years

	2010-11	2011-12	2012-13	2013-14
General Government				
Number of applications processed (full and part-time)	2,416	1,998	10,904 ¹	9,527
Number of external new hires (full and part-time)	31	16	151 ¹	284
Number of internal promotions / transfers (full-time only)	5	6	6	47
Business licenses processed	9,539	9,303	9,422	10,327
Number of outgoing payments processed	41,344	39,075	38,441	39,310
Public Safety				
Police				
Calls for service	97,414	93,248	90,122	87,976
Average priority one response (minutes)	5.5	5.9	5.8	5.8
Cases	8,188	7,963	8,314	8,296
Fire				
Emergency responses	9,084	9,106	10,755	9,925
Response time: arrivals on scene within goal standard	71%	72%	71%	63%
Community Development				
Affordable housing units completed	5	-	59	-
Financial assistance to affordable housing projects	\$ 525,000	\$ 780,000	\$ 7,408,000	\$ -
Building permits issued	2,600	1,400	1,500	1,400
Building inspections conducted	19,500	19,000	24,000	19,000
Final inspections (residential dwelling units)	260	271	440	190
Final inspections (commercial square feet)	n/a	n/a	n/a	45,000
Code Enforcement Actions (activities)	4,320	3,827	4,943	4,794
Community Services				
Library - total material circulation	1,362,700	1,358,839	1,348,333	1,369,369
Library - patron visits	858,788	858,422	821,045	791,533
Cultural Arts - number of events	44	50	50	62
Arts - attendance of events	80,000	75,000	80,000	75,000
Recreation - youth sports participants	1,200	1,200	1,200	2,292 ²
Recreation - adult sports participants	5,400	5,450	5,200	5,600
Recreation - enrichment class enrollees	13,300	12,650	12,200	10,350
Recreation - special events participants	9,000	10,000	13,000	13,600
Recreation - aquatics classes conducted	470	557	575	1,018 ²
Trees trimmed	2,221	1,863	1,936	1,920
Public Works				
Streets				
Centerline road miles resurfaced with overlay or slurry seal	3.8	25.2	24.3	14.8
Carlsbad Municipal Water District				
Average consumption (millions of gallons per day)	14.1	14.4	15.4	15.9
Annual water deliveries (acre feet)	15,786	16,104	17,248	17,801
Water connections	27,978	28,379	28,947	29,045
Wastewater				
Sewage pumped (millions of gallons per day)	7.57	6.92	6.65	6.53
Annual flow (millions of gallons)	2,762	2,524	2,426	2,384
Wastewater connections	22,342	22,631	22,955	23,282

Source: City of Carlsbad

¹ Beginning in FY 2012-13, part-time applicants were added to the number of applicants and new hires.

² Increases in the number of participants is the result of the opening of the Alga Norte Community Park in FY 2013-14.

³ Increases in the number of enrichment class and special events participants are the results of overall higher attendance and including recategorized classes previously not classified or included as enrichment classes or special events in prior years.

⁴ The decrease in patron visits is due to the temporary closures of library facilities for remodeling during FY 2015-16.

⁵ The decrease is due to the time involved with the implementation of a new licensing system during FY 2016-17.

⁶ Restated in FY 2019-20. Various large commercial, industrial and residential projects were permitted.

⁷ Reporting of information is not available for FY 2016-17 due to the implementation of a new permitting system.

⁸ Beginning in FY 2016-17, 2,500 acre feet of contracted desalinated water is included in the water purchase totals.

¹⁰ Data is for the calendar year.

¹¹ FY 2019-20 had decreases in some public facing programs and services due to the impacts of the COVID-19 pandemic.

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
8,551	8,037	9,544	9,455	8,495	8,012
299	260	292	311	345	248
41	31	58	44	66	66
10,735	11,449	8,142 ⁽⁵⁾	11,267	9,546	10,180
40,663	41,398	41,304	41,869	43,520	44,128
91,314	92,061	84,858	90,760	99,562	112,323
6.5	6.1	5.9	5.8	5.7	5.5
8,349	9,253	8,884	8,643	8,705	8,774
9,830	11,455	12,183 ⁶	12,520 ⁶	12,833 ⁶	13,331 ⁶
63%	64%	78% ⁶	76% ⁶	76% ⁶	75% ⁶
-	-	-	-	-	157 ¹⁰
\$ 2,646,000	\$ -	\$ 1,280,000	\$ -	\$ -	\$ -
1,600	3,000	4,500	4,392	4,468 ⁶	4,884
21,000	23,000	27,000	22,671	21,205 ⁶	21,527
200	200	600	289	268 ⁶	215
60,000	60,000	95,000	155,292	2,350,975 ⁶	365,644
5,389	10,994	n/a ⁷	9,538	7,226 ⁶	8,660
1,293,282	1,103,090	1,243,228	1,169,247	1,185,390	975,024 ¹¹
804,003	609,679 ⁴	720,205	685,188	668,973	483,233 ¹¹
80	88	79	82	96	51 ¹¹
87,000	85,000	79,067	65,817	61,531	37,913 ¹¹
1,000	1,000	968	1,003	1,260	993 ¹¹
6,150	5,600	4,500	4,800	4,800	2,400 ¹¹
19,030 ³	19,632	17,402	12,996	17,900	9,641 ¹¹
17,841 ³	19,474	12,150	11,645	9,600	3,705 ¹¹
1,224	684	733	778	830	770 ¹¹
2,018	1,965	1,971	1,954	4,340	4,678
18.1	20.0	23.8	25.8	8.3	14.9
14.6	12.1	13.1	14.3	13.0	12.7
16,368	13,578	14,616 ⁸	16,032	14,563	14,249
29,190	29,190	29,782	30,054	30,131	30,265
5.90	6.17	5.82	6.32	6.03	6.31
2,152	2,252	2,125	2,306	2,200	2,305
23,431	23,431	23,747	23,863	23,959	24,040



Capital Asset Statistics

Last Ten Fiscal Years

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Community Services				
Number of parks and community fields	31	31	31	33
Acres of developed parks and community fields	183	183	183	281
Acres of open space and community fields	790	790	755	728
Miles of open space trails	47	47	47	47
Number of pools	1	1	1	3
Number of community centers	4	4	4	4
Number of libraries	3	3	3	3
Number of Materials in Library Collections	645,414	645,414	625,893	581,865
Public Safety				
Fire Protection				
Number of stations	6	6	6	6
Number of fire trucks	11	12	12	13
Number of ambulances	5	5	6	8
Number of other fire vehicles	14	15	15	16
Police Protection				
Number of patrol and other vehicles	90	90	88	114
Number of motorcycles	11	11	13	13
Public Works				
Carlsbad Municipal Water District				
Miles of lines and mains	518	527	534	534
Wastewater				
Miles of sewers	284	288	288	288
Streets				
Miles of streets	340	340	343	346
Number of street lights	7,126	7,142	7,179	7,236
Number of traffic signals	172	172	174	174

Source: City of Carlsbad

¹ During FY 2018-19, the number of vehicles was updated to include both active and reserve vehicles.

² In FY 2019-20, a change in the reporting methodology was implemented to include all first responder vehicles.

³ In FY 2019-20, only active lines were counted. Prior years included abandoned and future lines.

<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
33	33	33	33	33	33
319	319	319	319	319	319
728	728	728	728	787	802
47	47	47	47	52	52
3	3	3	3	3	3
4	4	4	5	5	5
3	3	3	3	3	3
574,775	563,581	491,956	477,149	473,154	477,042

6	6	6	6	6 ¹	6
12	12	12	13	14 ¹	13 ²
7	6	5	5	5 ¹	6 ²
15	18	20	20	25 ¹	25 ²

114	106	106	96	119 ¹	142
14	15	12	13	13 ¹	20

534	559	559	559	559	535 ³
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288	288	288	288	288	272
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347	348	350	350	350	350
7,262	7,265	7,334	7,337	7,388	7,520
177	177	177	178	179	181

