CITY OF
CARLSBAD
CALIFORNIA

Fiscal Year Ended June 30, 2012

Comprehensive Annual Financial Report

CITY OF
CARLSBAD
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2012

1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department

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CITY OF CARLSBAD

Comprehensive Annual Financial Report

Year Ended June 30, 2012

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Introductory Section

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Carlsbad City Council
2012
Strategic Goals

City Council continues to clarify and pursue the vision of Carlsbad that reflects the pride and quality of life.

City of Carlsbad provides exceptional, top quality services on a daily basis by proactively listening, engaging and responding to its residents.

- **Balanced community development:** Be a city that connects community, place and spirit, through balanced and economically sustainable land uses.
- **Resident connection and partnership:** Be a city that embraces community connectivity through the effective use of technological and interpersonal mediums.
- **Communication:** Ensure that community members, council and staff are well informed, continuing to be a more responsive government while providing a high level of citizen confidence in its government.
- **Economic Development:** Strengthen the city's strong and diverse economy, supporting local businesses, attracting new businesses in targeted industries and solidifying the city's position as a key employment hub.
- **Environmental management:** An environmentally sensitive community by focusing on conservation, storm water, sewage collection and treatment, solid waste, and cost effective and efficient use of energy including alternative energy sources.
- **Financial health:** Pursue and implement proactive strategies that support sustainable economic health and manage city resources effectively.
- **Learning, culture and arts:** Promote and support continuous learning, cultural opportunities and the arts within the community and the city organization.
- **Parks, open spaces and trails:** Acquire, develop and maintain a broad range of open space and recreational facilities that actively address citizen needs which are fiscally responsible, and are consistent with the general plan and growth management standards.
- **Safe community:** Maintain a safe and secure community through collaborative partnerships. Public safety providers support high standards, deliver protection of life and property and encourage community involvement in prevention and preparedness efforts.
- **Transportation and circulation:** Provide and support a safe and efficient transportation system that moves people, services and goods throughout the city.
- **Water:** Ensure, in the most cost-effective manner, water quality and reliability to the maximum extent practical, to deliver high quality potable and reclaimed water incorporating drought-resistant community principles.

CITY OF CARLSBAD
FINANCE DEPARTMENT

November 16, 2012

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

LETTER OF TRANSMITTAL
2011-12 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2011-12 Comprehensive Annual Financial Report for the City of Carlsbad. The information found in this report is provided by management to the City Council and the public to assist those interested in understanding the fiscal condition of the city as of June 30, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that it has established for this purpose. Because the cost of internal controls should not outweigh its benefits, the city's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

State law and the city's Municipal Code require that an annual financial report is prepared. This report fulfills that obligation. It has been prepared in conformity with generally accepted accounting principles (GAAP) and with the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB). The independent auditing firm of Mayer Hoffman McCann has issued an unqualified ("clean") opinion on the City of Carlsbad's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

Also, as a recipient of federal and state financial assistance, the city is required to have a "Single Audit" performed by our independent audit firm. The Single Audit was designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require that the independent auditor report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the city's separately issued Compliance Reports and Other Financial Information. The results of the city's Single Audit for the fiscal year ended June 30, 2012 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

PROFILE OF THE CITY OF CARLSBAD

Carlsbad incorporated in 1952 as a General Law City, although its "village" area dates back more than 100 years. In June 2008, the voters of Carlsbad overwhelmingly approved the city to change to a Charter City. Carlsbad is located on the southern California coast, about 35 miles north of the City of San Diego. The city is governed by a five-member City Council under the Council/Manager form of government. The City

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BUSINESS LICENSE 760-602-2495, UTILITY BILLING 760-602-2420, PURCHASING 760-602-2460 – FAX 760-602-8556

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

The city covers approximately 39 square miles and has a population of 107,674, with an expected built out population of 117,000 residents. Industries in the city include a major regional shopping center; a specialty outlet center; 34 hotels offering over 3,600 rooms for tourist lodging; over 20 auto dealers; high technology, multimedia and biomedical businesses; electronics, golf apparel and equipment manufacturers; several business and light industry parks; and numerous land developers building single and multi-family housing in a variety of community settings.

This report includes financial statements for the city, the Housing Authority of the City of Carlsbad, the Carlsbad Public Improvement Corporation, the former Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority, and the Carlsbad Municipal Water District. Through these entities, Carlsbad provides a full range of services to its citizens and customers including:

- Police protection services
- Development services
- Fire and paramedic services
- Street construction and maintenance
- Water delivery system
- Library and arts programs
- Wastewater system
- Recreation programming for all ages
- Solid waste services
- Park lands
- Housing programs

In addition to the full range of services normally associated with a municipality, Carlsbad offers programs to help local residents and businesses. Low-income families in Carlsbad receive assistance from the city's Housing Authority and older residents can take advantage of Carlsbad's senior citizen programs.

Budget Process

The Carlsbad Municipal Code requires that the City Manager annually prepare a budget for the City Council with a message describing important features, and assume responsibility for the budget's administration after adoption. The budget process begins in January each year with a review and update of the City Council's five-year vision statements and strategic goals for the city. The City Council also provides the city with its top priority projects, which further defines the Council's vision. The goals and priority projects outline the methods used to achieve the vision and call out areas upon which the City Council would like to place special emphasis during

City of Carlsbad Community Vision

Small town feel, beach community character and connectedness
Enhance Carlsbad's defining attributes - its small town feel and beach community character. Build on the city's culture of civic engagement, volunteerism and philanthropy.

Open space and the natural environment - Prioritize protection and enhancement of open space and the natural environment. Support and protect Carlsbad's unique open space and agricultural heritage.

Access to recreation and active, healthy lifestyles - Promote active lifestyles and community health by furthering access to trails, parks, beaches and other recreation opportunities.

The local economy, business diversity and tourism - Strengthen the city's strong and diverse economy and its position as an employment hub in north San Diego County. Promote business diversity, increased specialty retail and dining opportunities, and Carlsbad's tourism.

Walking, biking, public transportation and connectivity - Increase travel options through enhanced walking, bicycling and public transportation systems. Enhance mobility through increased connectivity and intelligent transportation management.

Sustainability - Build on the city's sustainability initiatives to emerge as a leader in green development and sustainability. Pursue public/private partnerships, particularly on sustainable water, energy, recycling and foods.

History, the arts and cultural resources - Emphasize the arts by promoting a multitude of events and productions year round. Cutting edge venues to host world class performances, and celebrate Carlsbad's cultural heritage in dedicated facilities and programs.

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

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

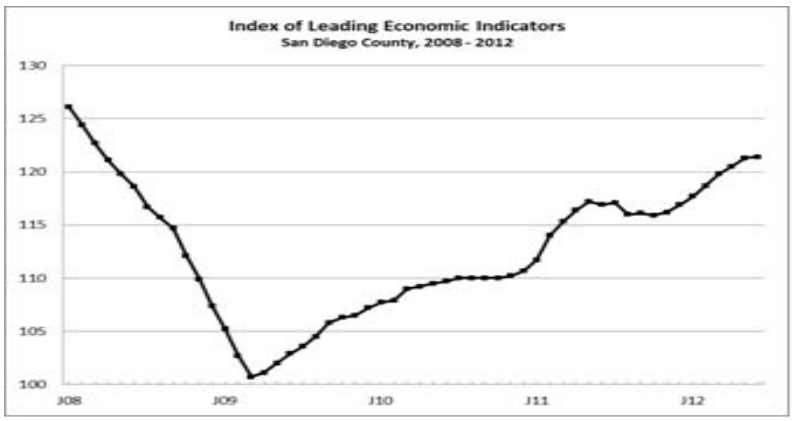
the year. Once the vision and priority projects are developed, city staff develops operational goals and work plans based on the City Council's direction. These goals and work plans provide the basis for the development of the annual budget. The City Council adopts the formal budget for all funds at the beginning of each fiscal year and may amend those budgets throughout the year as necessary.

Budgetary control for the city is maintained through its accounting systems. Expenditures may not exceed budgeted figures at the fund level. Monthly reports summarizing the results of operations for the city's more significant funds are provided to the City Council.

FACTORS AFFECTING FINANCIAL CONDITION

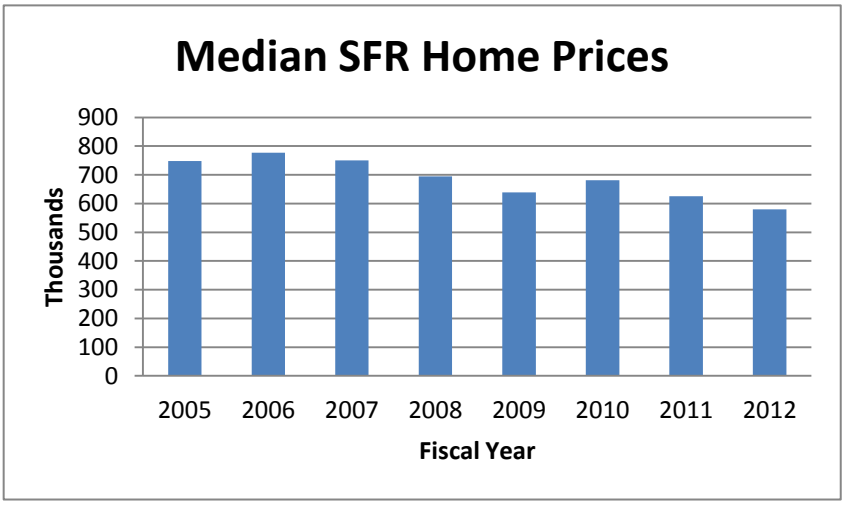
Economic Profile

The University of San Diego (USD) monitors the health of the San Diego economy through its Index of Leading Economic Indicators. The USD index tracks six variables to evaluate growth trends in the San Diego economy: unemployment filings, help wanted advertising, local stock prices, consumer confidence, building permits and the strength of the national economy. The index shows a continued three-year upward trend, as the Index has improved by almost 4 percent from June of last year.



Carlsbad's economy is tied closely to that of the San Diego region. The stabilizing economy is providing a boost to our General Fund revenues, although continued weakness in the housing market continues to put a drag on property tax revenue, which is expected to decrease by 0.6 percent in Fiscal Year 2012-13. Overall, General Fund revenues are expected to increase by $1.5 million, or 1.3 percent in Fiscal Year 2012-13, as revenues from sales taxes and transient occupancy taxes are projected to continue a strong growth trend.

Development related revenues have stagnated in the past year, as the city matures and growth declines. From 1992 to 2008, commercial and industrial development in Carlsbad averaged approximately 1.1 million square feet per year. As opportunities for new development diminish, commercial and industrial development is tapering off, falling to an average of approximately 270,000 square feet per year over the next five fiscal years. Large industrial commercial developments in the next five years include Bressi Ranch, Carlsbad Raceway and Palomar Forum, Dos Colinas Retirement Community, and the Floral Trade Center. Commercial office space vacancy has witnessed a decline over the past two years, falling from over 30 percent in the last quarter of 2009 to just over 23 percent in the first quarter of 2012. Industrial vacancy remained stable at around 15 percent.



Housing prices in Carlsbad continued their downward trend during the last year. Data on single family residence (SFR) sales from DataQuick indicates that the median sales price fell to approximately $580,000 in the first quarter of 2012, a decrease of over 8 percent compared to the same quarter in 2011. Only one zip code, 92011, showed an increase in this time period. The total assessed values in the city are close to $24 billion, a decrease of less than one percent compared to the prior fiscal year (Fiscal Year 2010-11). According to recent growth projections prepared for the city, Carlsbad will add 903 residential units over the next five fiscal years.

Commercial development has brought much needed entertainment and shopping venues to citizens and visitors alike, as well as generating additional sales taxes to help pay for city services. Carlsbad is home to Car Country Carlsbad – an auto mall; the Carlsbad Premium Outlets – a specialty outlet center; Plaza Camino Real – a regional shopping mall; a Costco center; and the Forum at Carlsbad – a commercial center with upscale retail shops, restaurants and other commercial uses. A new Lowe's is expected to open in summer 2013.

Development has also enhanced Carlsbad's reputation as a destination resort for tourism. The city is host to a major family theme park, Legoland, and has two luxury resorts available for its visitors, the Park Hyatt at Aviara and the La Costa Resort & Spa. There are also a number of other quality hotels and motels in the city, with the most recent additions being the Sheraton Carlsbad Resort and Spa, Homewood Suites and Hampton Inn. A new Hilton will open in summer 2012 at Ponto Beach.

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

Overall, for Fiscal Year 2012-13, General Fund revenue is projected to increase by 1.3 percent from the previous year's estimates. Most sources of tax revenue are expected to increase slightly in Fiscal Year 2012-13, although property taxes are projected to decrease by less than 1 percent. Sales tax is expected to increase by a little more than 4 percent and transient occupancy tax (TOT) revenues are projected to increase by over 7 percent due, in part, to the addition of the Ponto Hilton. Home values, as discussed earlier, continue to decline, and we expect assessed values to decrease slightly again in Fiscal Year 2012-13. Development related revenue items have been decreased for Fiscal Year 2012-13, in anticipation of slower building activity. More information on all of the city's revenues and programs can be found in the later sections of the document.

State of California – Governor Jerry Brown continues to face the ongoing budgetary crisis that has plagued California since the economic downturn. The State of California has been in a severe fiscal crisis for a number of years and has relied on a number of dubious strategies to balance its budget, including reliance on one-time revenues, borrowing from various state funds, and raiding city, county and special district funds.

In June, the Governor signed the budget for Fiscal Year 2012-13. This budget addressed a $15.7 billion budget deficit by increases in projected revenues, decreases in expenditures, and some budget closing measures, such as extensions to loan repayments by the state. The primary source of additional revenues is

from temporary taxes and is expected to generate approximately $5.8 billion in the coming fiscal year. However, these projections assume the passage of Proposition 30 in the November 2012 election. If this measure does not pass, automatic expenditure cuts of almost $6 billion will be triggered, reducing funding to California schools and universities by $5.9 billion. Expenditure reductions of $8 billion came primarily from health and human services ($1.8 billion), education ($2.3 billion), and other sources ($3.9 billion). Other sources include reductions in redevelopment assets, reduced expenditures for the judiciary, and reduced employee compensation.

In June 2011, the state legislature passed ABx1 26 and ABx1 27, dissolving Redevelopment Agencies (RDA) in the State of California. In December 2011, the California Supreme Court upheld ABx1 26 and invalidated ABx1 27, which upheld the California legislature's decision to dissolve RDAs and eliminated alternative options allowed under ABx1 27. Local RDAs were required to transfer all assets and obligations to successor agencies, effective February 1, 2012, as the wind down process begins. AB 1484 was passed in June 2012 in order to provide further guidance in the unwinding of redevelopment agencies. Under this legislation, former redevelopment agencies and the related low and moderate income housing funds will begin distributing unencumbered funds to affected taxing entities.

Long-Term Financial Planning

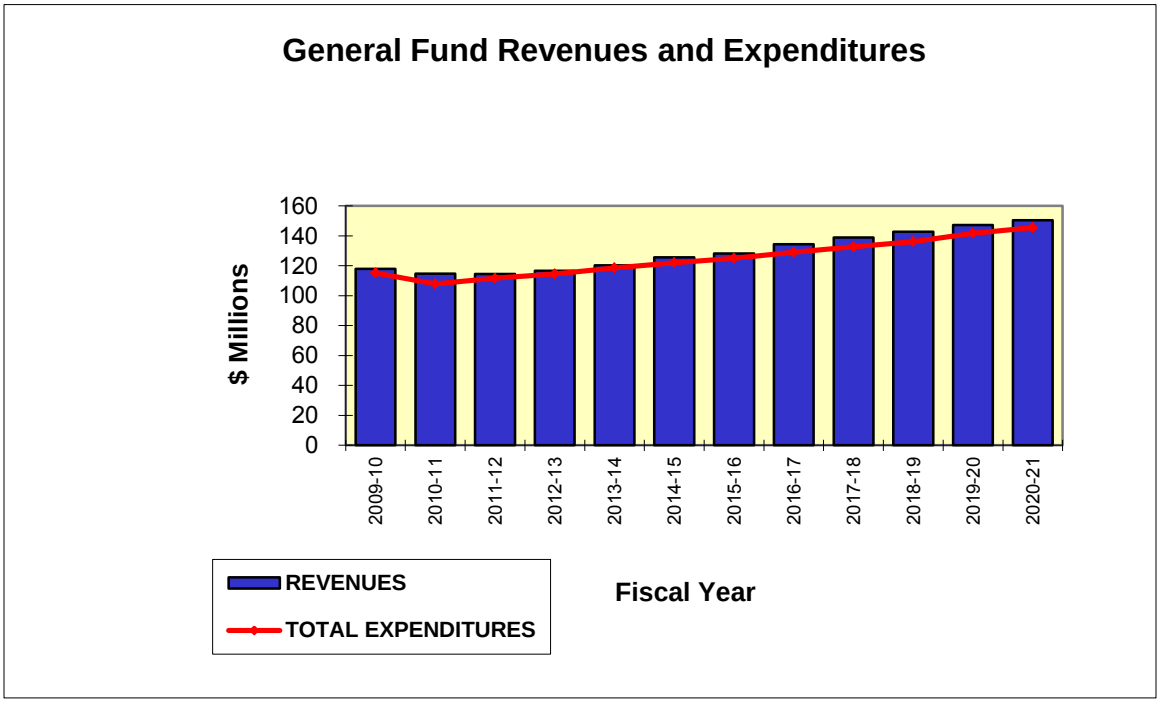
It is the City Council's goal to ensure that the city remains in good financial health, and the city has taken a number of steps to attain this goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed along with development or that a financing plan is in place to pay for the facilities prior to the development of the property. Thus, the initial capital facilities needed to support the growing population are provided without financially impacting the city or its current residents. The city also prepares 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 as well as the anticipated operating budget impacts from those projects. In this way, the city can anticipate the effects of development from both a capital and an operating perspective.

In order to ensure that the city has the funds to replace these facilities as they age, an Infrastructure Replacement Fund was created. With this fund, the city sets aside money on an annual basis for major maintenance and replacement of its infrastructure. Much of the city's infrastructure is relatively new; thus, the city is just now beginning to experience the impact of major maintenance requirements. By setting aside funds now, the citizens of Carlsbad can be assured that the proper maintenance and replacement, as needed, will be performed on streets, parks, and the many facilities for which the city is responsible. For Fiscal Year 2012-13, the City Council approved allocating 6.5 percent of General Fund revenues, or $7.5 million, to the Infrastructure Replacement Fund.

While the City of Carlsbad has a long-term history of maintaining sufficient reserves, the City Council took formal action during Fiscal Year 2007-08 to adopt a reserve policy, which was revised in Fiscal Year 2010-11. The General Fund Reserve Policy sets a minimum reserve of 30 percent of the General Fund expenditures and also establishes a target reserve of between 40 percent to 50 percent. This reserve can be used by the City Council for emergencies or one-time purposes.

In addition to these steps, the city also prepares a ten-year financial forecast for the General Fund each year, in order to understand the fiscal impact of actions taken today on the city's future. The current forecast assumes limited growth in residential and commercial development over the next decade and captures the expected revenue impacts from major projects that are expected to be completed during the forecast period. The operating costs of new city facilities supported by the General Fund, such as Alga Norte Park, are also captured in the ten-year forecast. The forecast also assumes that the Carlsbad Crossings Golf Course will require an ongoing subsidy from the General Fund and, while this subsidy is expected to decrease over time, it is no longer treated as a loan.

Economic conditions at the national, state, and local level are expected to continue improving at a modest rate and to provide a boost to most of our major sources of revenue. Home sales, however, are not expected to increase in the next fiscal year and values will continue to subdue property tax receipts. Overall, General Fund revenues are expected to cover ongoing costs in the coming decade, as depicted on the following graph:



The forecast assumes that General Fund revenues will increase by less than 2 percent in Fiscal Year 2012-13, as improving economic conditions buoy revenues from sales taxes and transient occupancy taxes (TOT). To project the expenditures, all known changes in personnel and maintenance and operations costs are accounted for. However, the effects of future negotiations with employee bargaining units are not contemplated in the current ten-year forecast. The city is currently undertaking an evaluation of services in order to pursue a managed competition process, known as Best Value Services. The financial impact of a change in service delivery is also not considered in the ten-year forecast.

The forecast assumes that the city's cost for employee health care will increase by 5 percent, annually, over the life of the forecast. Pension plan costs will increase in Fiscal Year 2012-13 by approximately 3.25 percent for miscellaneous employees and 3.5 percent for safety employees, due primarily to investment losses sustained by CalPERS in Fiscal Year 2008-09 and updated actuarial assumptions. The forecast also assumes that $1.8 million is set aside in Fiscal Year 2012-13 to stabilize future CalPERS increases or to address unfunded liabilities in both the safety and miscellaneous retirement plans. The forecast further assumes that no new positions are authorized, except those that may be related to the operating costs of new city facilities supported by the General Fund. Negotiated salary step increases and cost of living increases between 0.5 percent and 2 percent have been added to personnel costs. The contribution from the General Fund to the Infrastructure Replacement Fund is forecasted to remain at 6.5 percent of General Fund revenues. Finally, the forecast includes estimated operating costs for all capital projects in the timeframes shown in the Capital Improvement Program (CIP).

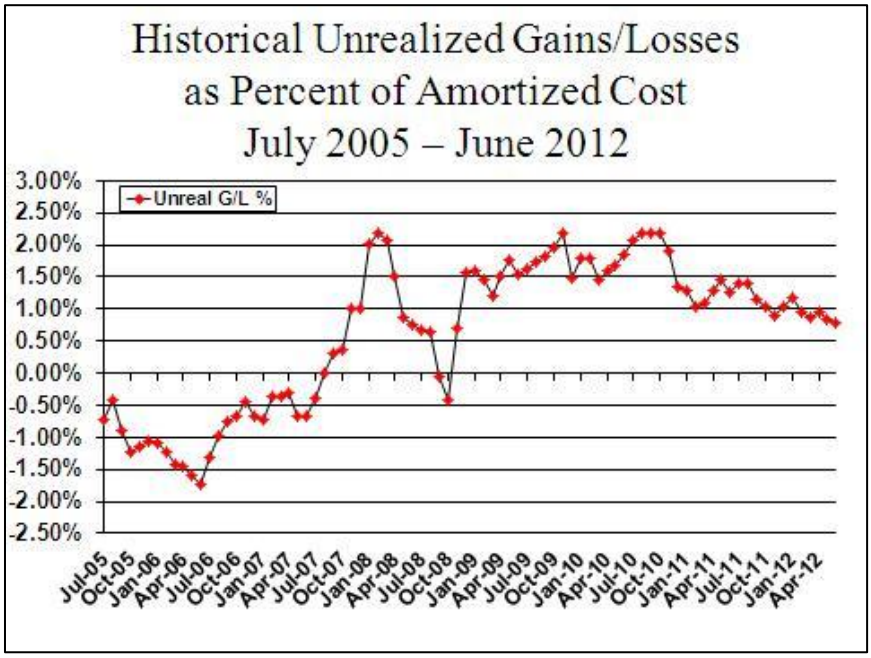
As indicated in the above graph, the General Fund is balanced for Fiscal Year 2012-13 and modest surpluses are anticipated after that. However, Carlsbad still faces economic challenges from a fluctuating economy, continued fixed costs increases, and concerns over the impact that budget decisions at the state and federal levels could have on the city's financial situation. While the ten-year forecast employs conservative estimates, these modest surpluses could evaporate if the economy stumbles.

The ability to anticipate changes in revenue sources and to balance those resources against the costs related to ongoing and future programs, services, and infrastructure requirements is critical to the financial health of the city. The city relies on the General Fund forecast to effectively manage fiscal resources and map a sustainable and responsible path for attaining the goals of the community.

Cash Management

The City Treasurer, an elected official, is charged with the design of an effective cash management and investment program consistent with legal requirements and the city's Investment Policy. The city annually adopts a comprehensive investment policy specifying investment objectives, such as type and term of investments, reporting requirements, and investment oversight. The city's investments generally include federal agencies, corporate notes, and investments in the State Treasurer's investment pool. The modified duration of the investments in the city's investment pool as of June 30, 2012 was 2.128. The average return realized on the pooled investments declined from 2.06 percent in Fiscal Year 2010-11 to 1.65 percent for Fiscal Year 2011-12, and it is expected to further decline this fiscal year.

Investment income shown in the financial statements includes changes in the fair value of investments as required under GAAP. Increases or declines in fair value during the current year, however, do not necessarily represent trends that will continue, nor is it always possible to realize such amounts. This is especially true as the city holds most of its investments to maturity rather than selling them at fair value.



The graph at the right shows the amount of unrealized income reflected in the portfolio over the last few years. The total portfolio had an unrealized gain of 0.79 percent for Fiscal Year 2011-12. According to the City Treasurer, "It is likely that a downward trend will continue in Fiscal Year 2012-13 as investments with higher interest rates are called and reinvested at today's lower market rates."

Major Initiatives and Projects

In the city's Fiscal Year 2012-13 Capital Budget, several significant projects are in design or under construction over the next few years. Some of the notable capital projects include the following:

- **Alga Norte Park and Aquatic Center** – The park site is located on 32 acres in the Southeast Quadrant along Poinsettia Lane between El Camino Real and Alicante Road. Planned amenities include lighted ball fields, soccer fields, picnic areas, tot lots, a skate park, a dog park, restrooms, parking facilities, an aquatic center featuring a 56-meter competition pool, a 25-meter 12-lane instruction pool, a warm water therapy pool, and a water play area for toddlers. The swimming pool complex was one of the projects approved by the voters through Proposition C in 2002. Construction is expected to be complete by the end of Calendar Year 2013. The Capital Improvement Budget programs $50.4 million for this project.

- **Leo Carrillo Phase III** – Phase III includes the renovation of additional buildings, construction of additional restrooms and an arboretum area. The total cost of the remainder of Phase III is approximately $1.9 million and design is expected to begin in Fiscal Year 2014-15.

- **Relocation of Fire Station No. 3** – Fire Station No. 3 is currently located at the corner of Chestnut and Catalina. As the city grows eastward, relocation of this station is needed to help ensure the six minute response time. The site for the new station is in Robertson Ranch. Total cost is projected at $9.2 million.

- **Maintenance and Operations Center** – The city has planned the construction of a Maintenance and Operations Center (M&O Center) to physically bring together the maintenance functions to a single facility. The M&O Center will be located on the available property adjacent to the Fleet Maintenance/Public Safety Center. It is anticipated that the M&O Center will include offices and support space, workshops, outside storage, warehouse and parking to accommodate the city's maintenance personnel. This combined group of maintenance functions includes segments of the Utilities, Transportation, Parks and Recreation, and Property and Environmental Management departments. The cost of the project is approximately $28.1 million.

- **Facilities Maintenance** – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. Four projects have currently been identified at a total cost of about $700,000. Included are roof renovation and replacement projects, City Hall electrical upgrades, and exterior waterproofing at the Safety Center.

- **Traffic Signal Program** – In keeping with the City Council's goal of improving traffic flow, the Fiscal Year 2012-13 CIP includes additional funding of $2.5 million for the Traffic Signal Program. This project will upgrade traffic signal hardware and software in conjunction with the creation of a communications network that will be used to manage traffic signal operations and thereby improve the flow of traffic.

- **Avenida Encinas Widening** – Widening to full secondary arterial standards along Avenida Encinas from Palomar Airport Road to just south of Embarcadero Lane is scheduled for design in Fiscal Year 2012-13. The CIP includes $5.4 million to fund this project.

- **El Camino Real Widening** – There are a number of projects that are scheduled over the next five years that will focus on the widening of El Camino Real to prime arterial roadway standards. The projects include widening from Cassia Road to Camino Vida Roble, Arenal Road to La Costa Avenue, Lisa Street to Crestview Drive and Tamarack to Chestnut. The total estimated costs for these projects are $19.7 million.

- **Pavement Management** – Carlsbad's local streets are maintained on a regular cycle to ensure a good riding surface and to extend the life of the street. Part of the maintenance program is the sealing and overlay of the existing street surface. In addition, any problem areas are addressed as they are identified. The Fiscal Year 2012-13 CIP has $3.7 million budgeted for this program.

- **Magnolia and Valley Sidewalk and Street Construction** – Planned construction includes street widening and sidewalk improvements along portions of Valley Street and Magnolia Avenue in the vicinity of Carlsbad High School, Valley Middle School, and Magnolia Elementary School. The total cost is estimated at $2 million.

- **Vista/Carlsbad Interceptor & Agua Hedionda Lift Station Replacement** – This project consists of a set of individual projects that will ultimately construct a parallel sewer interceptor system to accommodate existing and future sewer flows from the cities of Vista and Carlsbad. The individual projects include a main in Jefferson Street, replacement of the Agua Hedionda Lift Station, and a main from the lift station to the Encina Wastewater Facility. The overall total cost estimate for this set of projects totals $55.1 million, of which $17.3 million is to be funded by the City of Carlsbad, with the remainder of $37.8 million to be funded by the City of Vista.

- **Wastewater** – Other major wastewater facilities scheduled for construction or replacement within the next five years include:

    - Buena Interceptor Sewer Improvements
    - Foxes Landing Lift Station and Forcemain
    - Home Plant Lift Station Replacement and Forcemain
    - Terramar Sewer Replacement
    - Vancouver Sewer Extension

- **Water/Recycled Water Lines** – Major water/recycled water facilities scheduled for construction or replacement within the next five years include:

    - College Boulevard – Cannon to Badger Lane
    - Maerkle Floating Cover Replacement and Pump Station Improvements
    - Robertson Ranch Water Transmission Main
    - Tri-Agencies Water Transmission Pipeline Replacement
    - Reservoir Repair/Maintenance Program
    - Recycled Water Service to South Carlsbad

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carlsbad for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2011. This was the fourteenth consecutive year that the city has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The city strives to develop a Comprehensive Annual Financial Report which will continue to meet the Certificate of Achievement Program's requirements, and this report will be submitted to GFOA to determine its eligibility for another certificate.

This report has been a joint effort by many people from many different areas of responsibility. It could not have been accomplished without their help and the dedicated efforts of all of the accounting staff, especially Kevin Branca, Assistant Finance Director. I also appreciate the staff of Mayer Hoffman McCann for the professional way in which the audit of this financial report was conducted. It has been a pleasure to work with them throughout this period. Additionally, I would like to thank the City Council, City Manager and the city's Leadership Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the City of Carlsbad's finances.

Respectfully submitted,

Chuck McBride
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

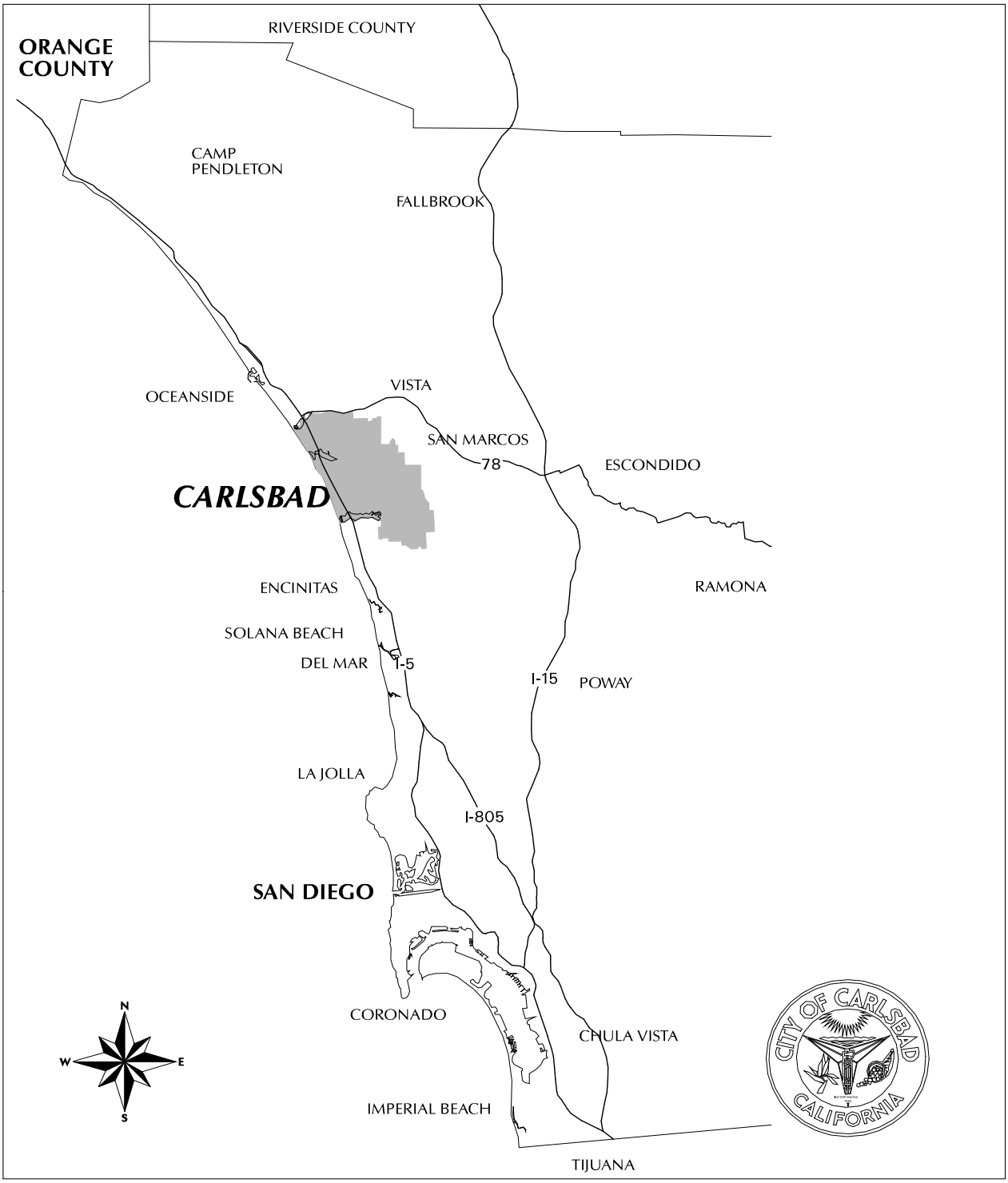
City of Carlsbad California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director


ORANGE COUNTY
RIVERSIDE COUNTY
CAMP PENDLETON
FALLBROOK
OCEANSIDE
VISTA
SAN MARCOS
78
ESCONDIDO
CARLSBAD
ENCINITAS
RAMONA
SOLANA BEACH
DEL MAR
I-5
I-15
POWAY
LA JOLLA
I-805
SAN DIEGO
CORONADO
CHULA VISTA
IMPERIAL BEACH
TIJUANA
N
W
E
S
CITY OF CARLSBAD
CALIFORNIA

CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Matt Hall, Mayor
Ann J. Kulchin, Mayor Pro Tem
Mark Packard, Council Member
Keith Blackburn, Council Member
Farrah Douglas, Council Member

Lorraine M. Wood, City Clerk
Jim Comstock, City Treasurer

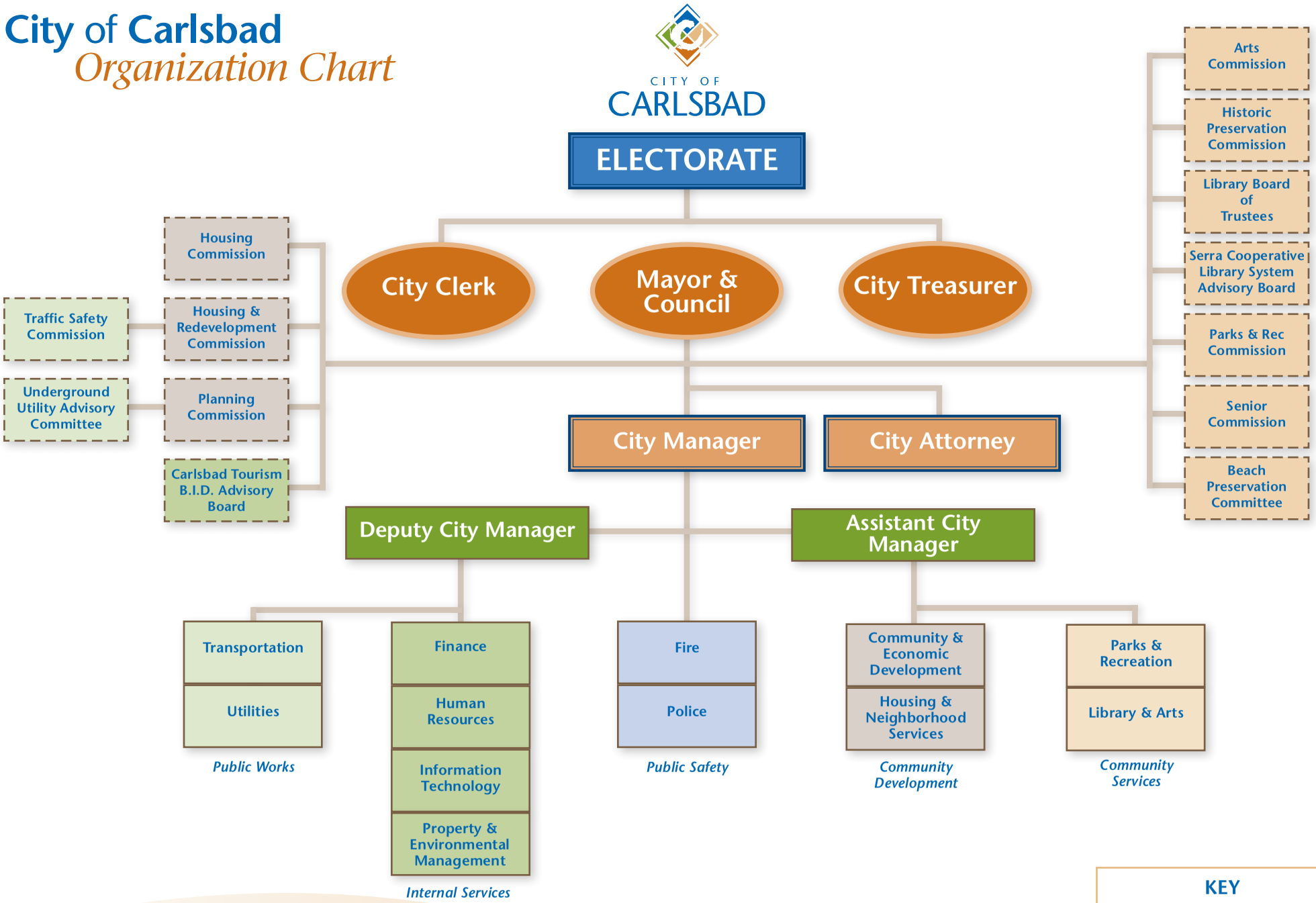
LEADERSHIP TEAM

John Coates, Interim City Manager
Vacant, Assistant City Manager
Cynthia Haas, Deputy City Manager
Ron Ball, City Attorney
Heather Pizzuto, Library Director
Gary Barberio, Community & Economic Development Director
Debbie Fountain, Housing & Neighborhood Services Director
David Hauser, Property & Environmental Management Director
Tina Steffan, Interim Information Technology Director
Julie Clark, Human Resources Director
Chuck McBride, Finance Director
Skip Hammann, Transportation Director
Wendy Chambers, Interim Utilities Director
Gary Morrison, Police Chief
Kevin Crawford, Fire Chief

CHAIRPERSONS, COMMISSIONS AND BOARDS

Vacant	Arts Commission
Linda Petrucci	Beach Preservation Committee
Timothy Stripe	Carlsbad Tourism Business Improvement District Board
Vacant	Historic Preservation Commission
Bobbie Smith	Housing Commission
Bob Benson	Library Board of Trustees
Vacant	Parks and Recreation Commission
Vacant	Planning Commission
Jack Nelson	Senior Commission
Vacant	Serra Cooperative Library System Advisory Board
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

City of Carlsbad
Organization Chart



KEY

- Elected
- Council Appointed
- Reporting Relationship
- Programs

Revised Feb. 2011

Financial Section

Financial Section

Financial Section

Financial Section

Mayer Hoffman McCann P.C.
An Independent CPA Firm

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City Council
City of Carlsbad, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Carlsbad. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Carlsbad for the year ended June 30, 2011 and, in our report dated November 12, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, California, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, of the City of Carlsbad, California for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described further in notes 1 and 22 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of deferred inflows and outflows, net position and certain items previously reported as assets and liabilities due to the implementation of Governmental Accounting Standards Board (GASB) Statements Nos. 63 and 65.

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* 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 the 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 regarding 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 to not provide us with sufficient evidence to express and opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Carlsbad's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

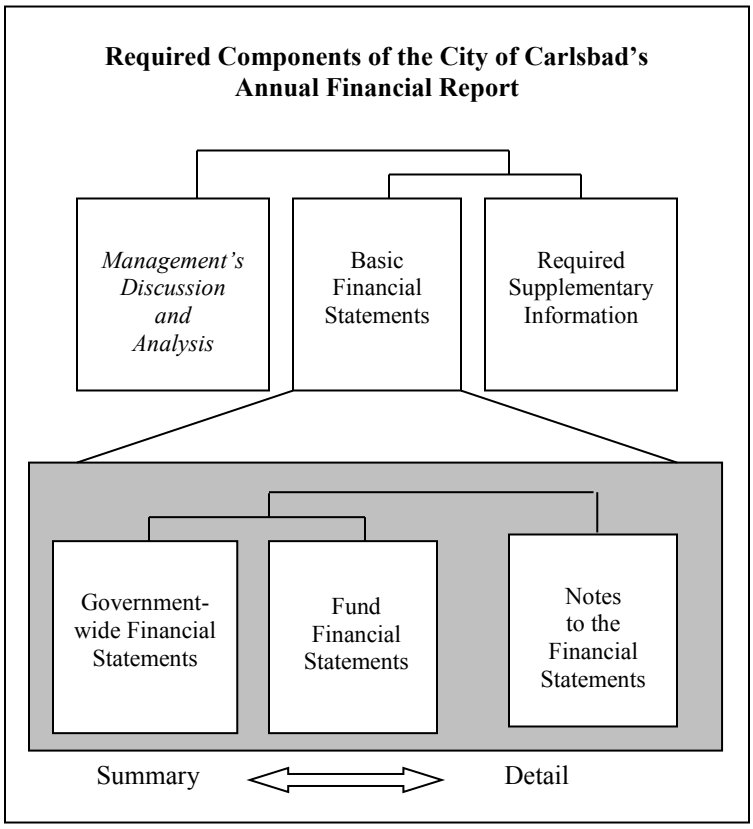
Irvine, California
November 15, 2012

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, 2012. The intent is to assist the reader of these financial statements in better understanding the impact of financial decisions made by the city. This analysis will focus on the significant changes in an effort to explain the city's overall financial condition. The information presented here should be considered in conjunction with the additional information furnished in the letter of transmittal.

Overview of the Financial Statements

This section of the annual report consists of four parts – *management's discussion and analysis* (this section), the basic *financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the city.



- The first two statements are *Government-wide Financial Statements* that provide both *long-term* and *short-term* information about the city's overall financial status.

- The remaining statements are *Fund Financial Statements* that focus on *individual* parts of the city government, reporting the city's operations in *more detail* than the Government-wide Statements.

  - The *Governmental Funds Statements* detail how *general government* services such as public safety were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary Fund Statements* offer *short-* and *long-term* financial information about the activities the city operates *like businesses*, such as the providing water and wastewater services.
  - *Fiduciary Fund Statements* provide information about the financial relationships – such as contractor and miscellaneous deposits – in which the city acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide greater detail. The statements are accompanied by *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, included is a section with combining fund statements that provides financial information about the non-major governmental funds, internal service funds, and fiduciary funds, which are added together and presented in single columns in the basic financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements report information about the city as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes *all* of the city's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide Financial Statements report the city's *net* position and how it has changed. Net position – the difference between the city's assets and liabilities – is one way to measure the city's financial health, or *position*. Over time, increases or decreases in the city's net position is an indicator of whether the city's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the city's property tax base and the condition of the city's infrastructure, to assess the overall health of the city.

The Government-wide Financial Statements of the city are divided into two categories:

- *Governmental activities* – Most of the city's basic services, such as police, fire, public works, community services, community development, and internal services are included here. Taxes, revenues from other governments and agencies, income from property and investments, grants and contributions, and charges for services finance most of these activities.

- *Business-type activities* – The city charges fees to customers to cover the cost of certain services it provides. The city's water, wastewater, solid waste and municipal golf course operations are the primary business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the city's most significant *funds* – not the city as a whole. Funds are accounting devices that the city uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by state law and bond covenants, while the city establishes other funds to control and manage money for particular purposes (such as the developer impact fee funds) or to show that it is properly using certain taxes and grants (such as the Section 8 Rental Assistance Fund).

The city has three kinds of funds:

- *Governmental funds* – Most of the city's basic services are included in governmental funds. These funds are used to account for (1) *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) balances left at year-end that are available for future spending. Consequently, the Governmental Funds Statements provide a detailed *short-term* view that helps the reader determine the amount of financial resources that can be spent in the near future to finance the city's programs. These statements are presented on a modified accrual basis of accounting. A reconciliation between the long-term and short-term focus of the Government-wide Financial Statements is provided immediately following each statement. There are currently four governmental fund types being used by the city: the *General Fund, special revenue funds, debt service funds* and *capital project funds*.

- *Proprietary funds* – Services for which the city charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the Government-wide Financial Statements, provide both long- and short-term financial information, and are presented on an accrual basis of accounting.

  - There are two types of proprietary funds: *enterprise funds* and *internal service funds*.
  - *Enterprise funds* are used to report activities that provide business-type services, generally to external customers – such as water, wastewater, solid waste and golf services. In both the Government-wide Financial Statements and the Fund Financial Statements, these funds are shown under business-type activities.

- *Internal service funds* are used to report activities that provide services and supplies for the city's other programs and activities – such as fleet, workers' compensation, and information technology.

- *Fiduciary funds* – These funds are used to account for situations where the city's role is purely custodial, such as the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. All of the city's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the city's Government-wide Financial Statements because the city cannot use these assets to finance its operations.

Financial Analysis of the City as a Whole

Net Position

The city's *combined* net position as of June 30, 2012, as shown below, was $1.734 billion. The city's net position increased by $41 million during the current fiscal year. Over $39 million of the increase was in current and other assets which was the result of revenues exceeding expenditures by over $24.5 million (excluding the extraordinary gain due to dissolving the former Redevelopment Agency). The decrease in capital assets was the result of current year depreciation expenses exceeding the addition of new capital assets. The large decrease in long-term debt outstanding was created from dissolving the former Redevelopment Agency (the bonds payable have been transferred to the Successor Agency Trust Fund). Other liabilities decreased due to the application of GASB 65 which required the city to write off the issuance costs associated with the golf course bonds as a prior period adjustment (see footnote 21 for additional information).

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-12
Current and other assets	$538.4	$567.2	$95.4	$105.6	$633.8	$672.8	6.2%
Capital assets	784.6	781.2	358.2	352.0	1,142.8	1,133.2	-0.8%
Total assets	**1,323.0**	**1,348.4**	**453.6**	**457.6**	**1,776.6**	**1,806.0**	**1.7%**
Long-term debt outstanding	10.3	0.2	45.7	40.2	56.0	40.4	-27.9%
Other liabilities	16.4	16.8	10.0	13.0	26.4	29.8	12.9%
Total liabilities	**26.7**	**17.0**	**55.7**	**53.2**	**82.4**	**70.2**	**-14.8%**
Net position							
Net investment in capital assets	774.3	780.7	314.7	311.4	1,089.0	1,092.1	0.3%
Restricted	237.2	242.2	45.0	45.5	282.2	287.7	1.9%
Unrestricted	284.8	308.5	38.3	47.5	323.1	356.0	10.2%
Total net position	**$1,296.3**	**$1,331.4**	**$398.0**	**$404.4**	**$1,694.3**	**$1,735.8**	**2.4%**

As noted earlier, over time net position may serve as a useful indicator of the city's financial position. For the City of Carlsbad, assets currently exceed liabilities by $1.74 billion at the close of the most recent fiscal year.

A large portion of the city's net position (63 percent) reflects its net investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the city's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves would not be used to pay for these liabilities.

An additional portion of the city's net position (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($356 million) may be used to meet the government's ongoing obligations to citizens and creditors.

Just over 45 percent of the $356 million in unrestricted governmental activities net position is attributable to the General Fund. The net investment in capital assets for the city increased by $3.1 million during Fiscal Year 2011-12 due primarily to the receipt of developer donated assets during the year (infrastructure assets in La Costa Ridge and Rancho Carrillo), and the construction of several large road projects including Poinsettia Lane and the extension of Faraday Avenue. A portion of business-type net position represents the city's municipal golf course. At the end of Fiscal Year 2011-12, 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.

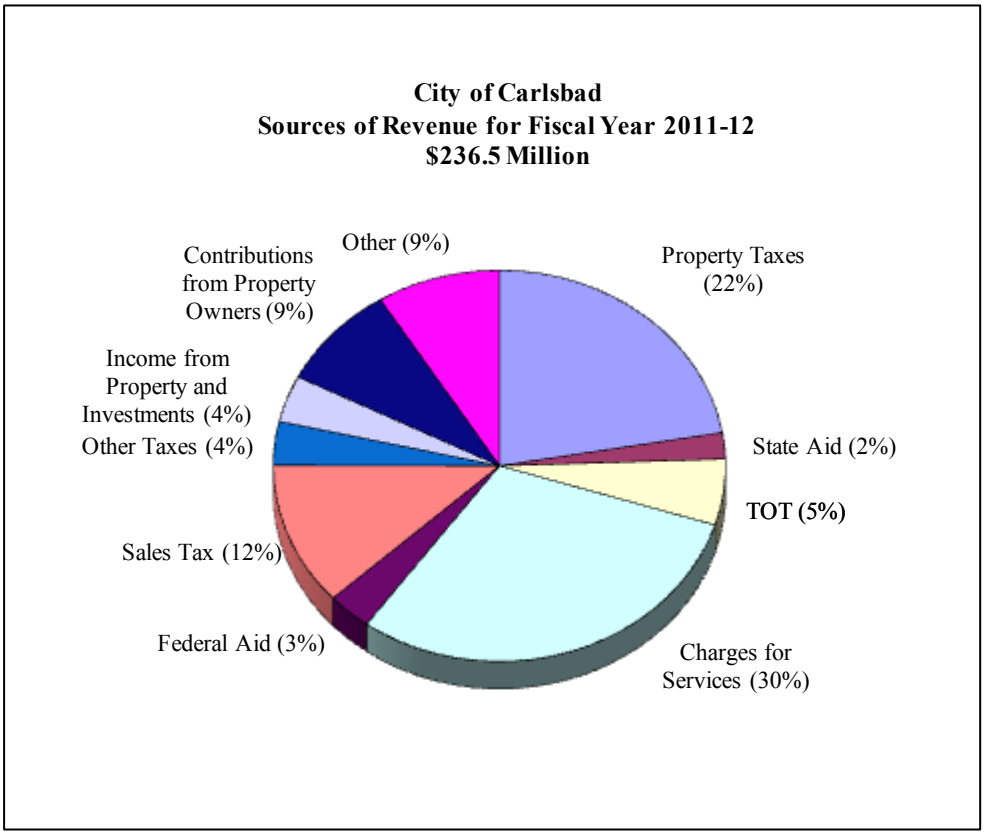
Changes in Net Position

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-12
Revenues							
Program revenues							
Charges for services	$17.1	$14.7	$49.6	$55.9	$66.7	$70.6	5.8%
Operating grants and contributions	12.0	11.8	1.3	1.2	13.3	13.0	-2.3%
Capital grants and contributions	13.6	15.5	5.6	4.6	19.2	20.1	4.7%
General revenues							
Property taxes	54.0	51.5	2.8	2.7	56.8	54.2	-4.6%
Sales and use taxes	25.7	28.1	-	-	25.7	28.1	9.3%
Other taxes	21.1	21.4	-	-	21.1	21.4	1.4%
Income from property and investments	8.4	6.1	2.1	2.0	10.5	8.1	-22.9%
Other	0.3	0.4	3.6	0.1	3.9	0.5	-87.2%
Extraordinary gain	-	20.5	-	-	-	20.5	100.0%
Total revenues	**152.2**	**170.0**	**65.0**	**66.5**	**217.2**	**236.5**	**8.9%**
Expenses							
General government	16.9	16.7	-	-	16.9	16.7	-1.2%
Public safety	45.0	45.6	-	-	45.0	45.6	1.3%
Community development	17.0	17.7	-	-	17.0	17.7	4.1%
Community services	25.1	25.4	-	-	25.1	25.4	1.2%
Public works	25.8	28.4	-	-	25.8	28.4	10.1%
Interest on long-term debt	0.5	0.3	-	-	0.5	0.3	-40.0%
Carlsbad Municipal Water District	-	-	35.0	36.0	35.0	36.0	2.9%
Golf course	-	-	11.5	11.2	11.5	11.2	-2.6%
Wastewater	-	-	11.7	11.3	11.7	11.3	-3.4%
Solid waste	-	-	2.6	2.9	2.6	2.9	11.5%
Total expenses	**130.3**	**134.1**	**60.8**	**61.4**	**191.1**	**195.5**	**2.3%**
Excess (deficiency) before transfers	21.9	35.9	4.2	5.1	26.1	41.0	57.1%
Transfers	(0.1)	(1.8)	0.1	1.8	-	-	
Increase (decrease) in net position	**21.8**	**34.1**	**4.3**	**6.9**	**26.1**	**41.0**	**57.1%**
Beginning position (as restated)	1,274.5	1,297.3	393.6	397.5	1,668.1	1,694.8	1.6%
Ending net position	**$1,296.3**	**$1,331.4**	**$397.9**	**$404.4**	**$1,694.2**	**$1,735.8**	**2.5%**

The condensed summary of activities shows that net position increased by $41 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: an emphasis on efficiencies resulting in a reduction in expenses/expenditures; a citywide restructuring initiative that either eliminated or unfunded 14.75 positions; $17.2 million in "savings" in the General Fund being carried forward into the new fiscal year by various major service areas within the city to enhance and provide for future services and programs; the build-up of cash reserves in the city's capital project and enterprise funds for future capital project construction and acquisition; revenues received in the city's special revenue funds for future services and programs; the dissolving of the city's Redevelopment Agency creating an extraordinary gain of $20.5 million; and the donation of infrastructure assets from developers.

Approximately 67 percent of the revenues of the city's governmental funds (excluding extraordinary gains) are generated through taxes collected (property, sales, transient occupancy tax, etc.), and just over 84 percent of the city's business-type revenue is generated through charges for services. The chart to the right graphically depicts the city's revenue sources.

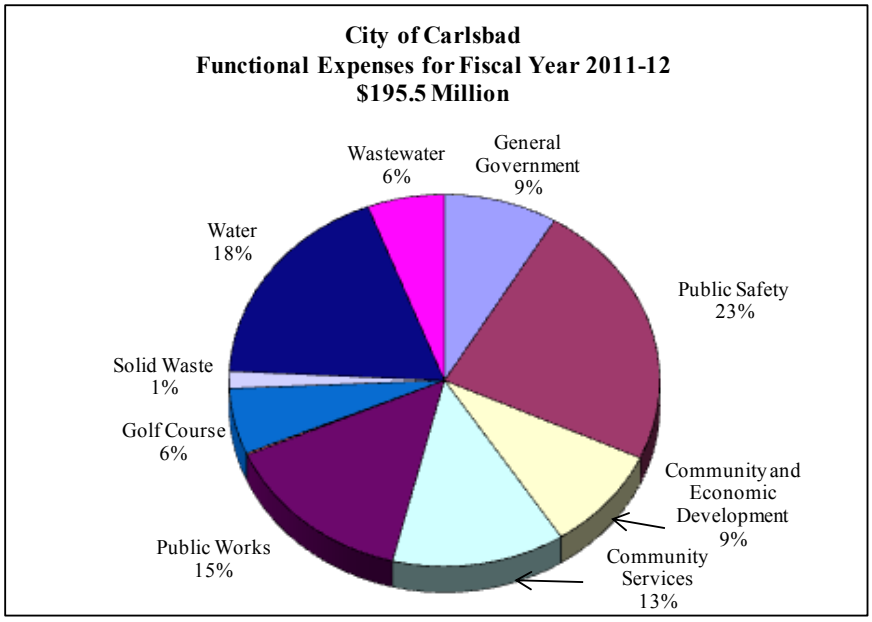


The continuous recovery from the great recession has resulted in increases in our leading revenues: sales taxes and transient occupancy taxes. Property taxes tend to be a lagging revenue, meaning they don't rebound as quickly as the leading revenues. This reason, as well as the dissolution of the city's Redevelopment Agency (a reduction in tax increment within governmental funds), explains the decrease in property tax revenues. The Federal Reserve, in an effort to stimulate the economy, continues to lower interest rates to historic lows, affecting the city's income from property and investments. Development throughout the city continues to increase from prior years, resulting in increased developer impact fees (capital contributions), developer contributed assets (capital contributions) and permitted activity (charges for services). Another factor affecting charges for services was water and wastewater rate increases that went into effect in January 2012. The extraordinary gain was created by dissolving the city's Redevelopment Agency.

The total cost of all programs and services was just over $195.5 million in Fiscal Year 2011-12. This was a $4.4 million, or 2.3 percent, increase over Fiscal Year 2010-11 costs. The increase in governmental activity expenses (public works in particular) was driven by expensing a project that was previously accounted for in construction in progress. The project will go through a redesign if it is built in the future, and the costs to date represented the previous design of the project. Higher purchased water costs and solid waste interdepartmental costs (an updated cost allocation plan reflecting the city's new realignment done in Fiscal Year 2010-11) created the slight increase for the year in business-type activities.

- General Government (9 percent)

  This segment of the city is divided into three major groups: the Policy and Leadership group, the Internal Services group and non-departmental charges. The Policy and Leadership group encompasses all elected officials, the chief executive offices for the city, the Communications team and Records Management. The Internal Services group includes Finance, Human Resources, Information Technology, Risk Management, and Property and Environmental Management. Also included in General Government are any Council directed special projects.



- Public Safety (23 percent)

  Public Safety has always been a top City Council priority. This major service area includes the Police Department, whose goal is to provide quality service to the community to ensure the preservation of life and property and the maintenance of law and order. The Fire Department is also part of this major service area with a mission to enhance the quality of life by delivering exceptional services in safeguarding lives, property, and our environment.

- Community and Economic Development (9 percent)

  The mission of Community and Economic Development is helping people build a strong community by guiding and facilitating high quality projects, preserving the environment, providing for, and maintaining a strong economic base and strengthening neighborhoods through partnerships and collaboration to improve or enhance the quality of life and sense of community within Carlsbad. Community Development encompasses Land Use Planning, Economic Development, the Hiring Center, Housing and Neighborhood Services, and Building Inspection.

- Community Services (13 percent)

  Community Services consists of the Libraries, Cultural Arts, Parks and Recreation, and Senior Citizen programs. These programs are provided to a wide range of people, and enhance their education and cultural development.

- Public Works (15 percent)

  Public Works is responsible for building and maintaining all of the infrastructure assets of the city. This service area includes Transportation, Storm Drains, Medians, Street Trees, the Buena Vista Channel, Street Lighting, and Traffic Sign and Signal Maintenance programs.

- Golf Course (6 percent)

  The City of Carlsbad opened a municipal golf course in the summer of 2007, which further enhances the tourist attractions the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole, destination golf course set in the rolling hills and canyons of Carlsbad. With ocean views, a high quality golf experience, a first

class restaurant and clubhouse, and linkages to hiking trails, The Crossings at Carlsbad is a destination spot for golfers and non-golfers alike.

- Solid Waste (1 percent)

  The Solid Waste Division of the Utilities Department administers and monitors the solid waste contract and the Palomar Transfer Station agreement, and is responsible for the waste reduction and recycling components of the Source Reduction and Recycling Element and Household Hazardous Waste Element to comply with state mandated AB939 and SB1016 diversion and disposal requirements.

- Water Operations (18 percent)

  The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable and recycled water service to approximately 85 percent of the city (approximately 28,000 customers). The District purchases 100 percent of its potable water as treated water from the Metropolitan Water District and the San Diego County Water Authority. The District also provides recycled water for irrigation purposes.

- Wastewater Operations (6 percent)

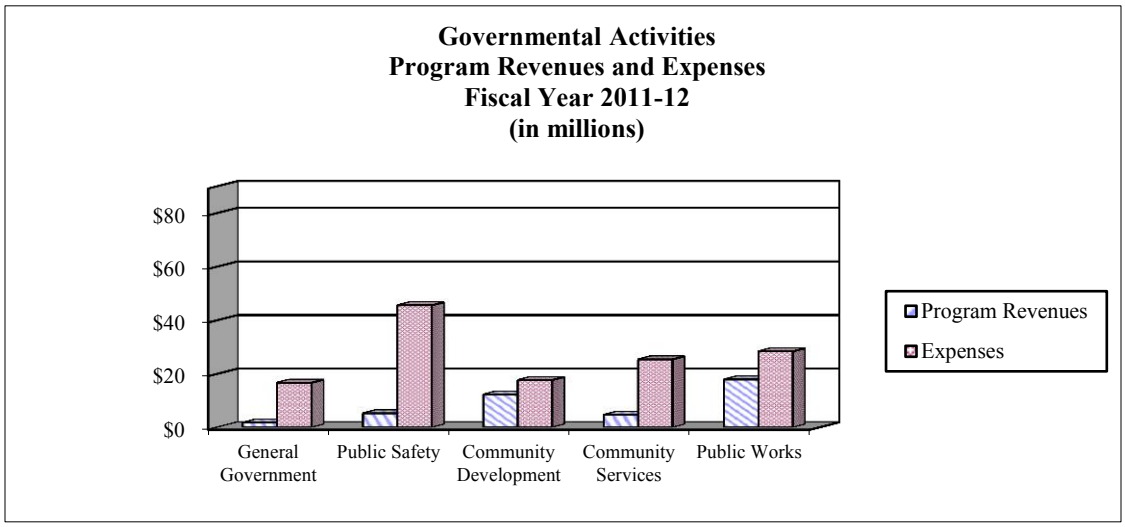
  The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad and Vista, the Leucadia Wastewater District, the Vallecitos Water District, the Buena Sanitation District, and the City of Encinitas.

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 $34.1 million. This increase was generated by total revenues of *governmental* activities of $170 million ($42 million in program revenues and $128 million in general revenues) offset by $134.1 million in total costs of *governmental* activities and a $1.8 in transfers to the Golf Course and Solid Waste funds.

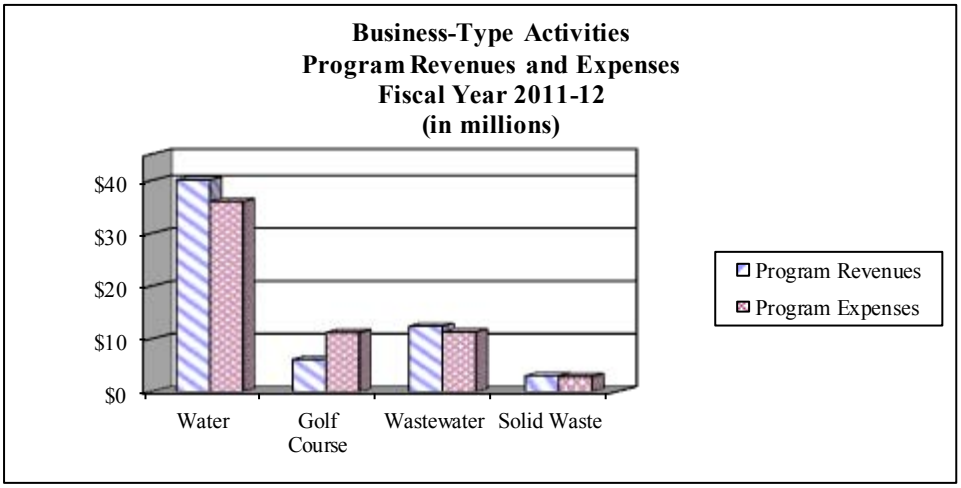
The table below presents the total cost of each of the city's major programs, as well as each function's program revenue (fees generated by the activities, contributions, and intergovernmental aid). The net cost (the difference between adjoining bars in the graph) shows the financial burden that was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



Revenues are generated through several sources to cover the cost of the city's programs. These revenues include fees and charges paid by those who directly benefit from the programs ($14.7 million), grants and contributions from other governments and organizations which subsidize certain programs ($27.3 million), and taxes and other revenues (such as income from property and investments) received by the city to pay for the "public benefit" portion, totaling $128 million.

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 revenue has been accumulated to pay for the cost. The city has entered into a new stage of its lifecycle, from a developing or growing stage to a mature stage. As the city continues to mature and approach build-out, there will be fewer master planned projects being developed. In past years, these projects constructed new facilities, roads, parks, and other city-owned infrastructure. The city is now moving to a more maintenance oriented city and will use funding sources such as the Infrastructure Replacement Fund to maintain and replace these assets. However, there are still some master planned communities that were recently completed or are near completion (La Costa Greens, La Costa Oaks, La Costa Ridge and Robertson Ranch); the developers of these communities recently dedicated infrastructure to the city, a requirement for development.

Business-Type Activities



Program revenues for the city's business-type activities totaled $61.6 million for the year, while program expenses equaled $61.4 million.

Water program revenues are higher than program expenses primarily due to capital contributions in the form of capital connection fees and developer constructed assets donated to the city; the combined amount of these contributions was just under of $3.2 million. Capital construction expenses are spread over the life of an asset as annual depreciation charges (program expenses).

The city's golf course enterprise was in its fifth full year of operation. Golf course operating expenses included interest on the advance from the General Fund and interest related to the golf course bonds issued for the construction of the course, and depreciation related to the new golf course assets, resulting in a net loss of $5.0 million.

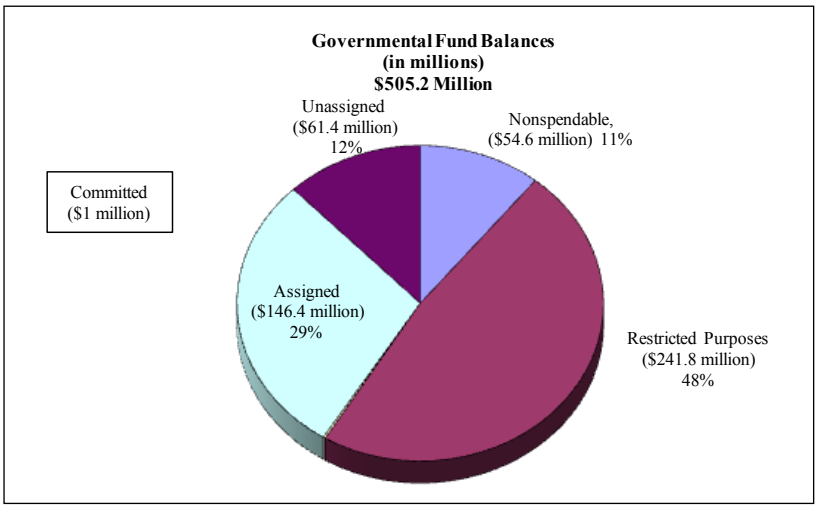
A more detailed discussion of each of the enterprises can be found in the Proprietary Funds Section.

Financial Analysis of the City's Funds

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

Governmental Funds

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



The city implemented GASB 54 in the prior fiscal year which created five fund balance classifications instead of the three shown in prior years. These new fund balance classifications: nonspendable, restricted, committed, assigned and unassigned, comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detail of the fund balances by classification is shown in note 11.

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

	Total		Increase (Decrease)	Total Percentage Change
	2011	2012	2011-12	
Revenues				
Taxes	$95.5	$99.2	$3.7	3.9%
Intergovernmental	1.9	1.1	(0.8)	-42.1%
Licenses and permits	1.6	1.9	0.3	18.8%
Charges for services	6.5	6.6	0.1	1.5%
Fines and forfeitures	1.0	0.8	(0.2)	-20.0%
Income from property and investments	2.2	2.1	(0.1)	-4.5%
Miscellaneous	2.5	0.7	(1.8)	-72.0%
Total revenues	**111.2**	**112.4**	**1.2**	**1.1%**
Expenditures				
General government	16.5	16.7	0.2	1.2%
Interdepartmental charges	(3.0)	(3.7)	(0.7)	23.3%
Public safety	43.9	44.5	0.6	1.4%
Community development	7.7	7.5	(0.2)	-2.6%
Community services	22.3	22.6	0.3	1.3%
Public works	8.6	8.6	0.0	0.0%
Total expenses	**96.0**	**96.2**	**0.2**	**0.2%**
Excess (deficiency) before transfers	15.2	16.2		
Transfers in	0.2	0.0		
Transfers out	(8.9)	(12.7)		
Increase (decrease) in fund balance	**6.5**	**3.5**		
Beginning fund balance (as restated)	129.6	136.1		
Ending fund balance	**$136.1**	**$139.6**		

As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of $505.2 million, up $25.6 million from the year before. Approximately 11 percent of this ($54.6 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 48 percent ($241.8 million). Assigned fund balances are intended to be used by the city for specific purposes but do not meet the criteria to be classified as restricted or committed. These make up 29 percent ($146.4 million) of the city's fund balance. Approximately 12 percent ($61.4 million) of the fund balance is unassigned which is available for spending at the city council's discretion.

The General Fund is the main operating fund of the city, and at the end of the fiscal year had a total fund balance of $139.6 million, an increase of $3.5 million. The unassigned fund balance portion of the General Fund was $61.4 million.

The increase in revenues was primarily due to the increases in the leading tax revenues, sales tax and transient occupancy taxes. As the economy continues to show signs of improvement, these revenues rose which resulted in the majority of the increases in the General Fund. Decreases were realized in property taxes, which are lagging revenues, and in the yield on the Treasurer's portfolio (decreased income from property and investments); and miscellaneous revenues which were the result of one-time prior year business licenses tax refunds and a reduction in reimbursed costs received from the administration of developer deposits.

As the city was preparing its 2011-12 Fiscal Year budget, maintenance and operations budgets were kept relatively flat for all departments. A total of 14.75 full-time positions were eliminated. These reductions were partially offset by anticipated increases in health, retirement and previously negotiated salary and benefit increases. Overall the General Fund budget increased by $2.4 million. The majority of this increase ($1.9 million) was due to an increase in budgeted transfers out from the General Fund to other city funds for infrastructure replacement, median and street tree maintenance and $1.4 million to the city's municipal golf course for debt service and operations. In previous years, the city subsidized the golf course through advances from the General Fund versus transfers out.

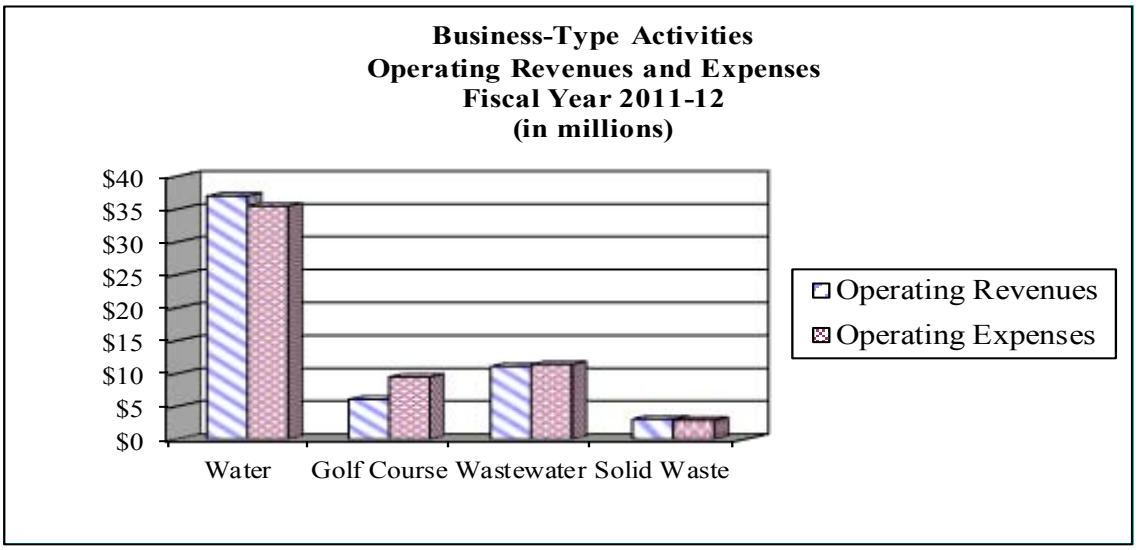
In previous fiscal years, the Redevelopment Debt Service Fund was considered a major fund for financial statement presentation. On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 that provided for the dissolution of all redevelopment agencies in the State of California. This action impacted the City of Carlsbad that previously reported the redevelopment agency within the reporting entity of the city as a blended component unit (debt service, capital project, and special revenue funds). The majority of the capital assets and loans receivable of these funds were transferred to the city while the remaining assets and liabilities were transferred to the city acting as the "successor agency" (trust funds) to hold the assets until they are distributed to other units of state and local government. In accordance with the timeline set forth in the Assembly Bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012. Due to these actions by the state, the city's Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Project Fund and Low and Moderate Income Housing Fund no longer exist as of February 1, 2012.

The General Capital Construction Fund had just under $9.8 million in capital expenditures during the fiscal year which was predominantly for the construction of the Safety Training Facility, Alga Norte Park, the traffic signal program and the Human Capital Management System project. These costs led to a reduction in the General Capital Construction fund balance of just under $7.6 million.

The three remaining major governmental funds, which are all capital project funds, had increases in their fund balances during the year. These increases in fund balances are predominantly designated for the construction or purchase of future capital assets.

Proprietary Funds

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



The Carlsbad Municipal Water District (CMWD) funds had an operating gain of approximately $1.5 million for the year. Operating revenues were $37.0 million and operating expenses were $35.5 million. The largest factor resulting in the operating gain is the increase in water sales revenue due to increased rates. Impacted by the continued annual increases in water rates (about 10 percent in January 2012), residents continued to conserve water during the year. The drought, technically speaking, is "officially over" and most restrictions have been lifted. Consumers are being advised however, to continue to use water wisely and reduce where practical because water in general, is a dwindling resource. The cost of purchased water from the Metropolitan Water District and the San Diego County Water Authority (suppliers of the District's potable water) continues to increase, and therefore CMWD rates must increase to cover the added cost. Non-operating revenues from investment earnings on the capital replacement funds and property tax receipts added to the operating gain, resulting in income before transfers and capital contributions of $4.8 million.

In the fifth year of operation, the Golf Course Fund had an operating loss of $3.4 million, due to depreciating the enterprise's assets ($3.5 million). When golf course operating revenues are not sufficient to cover golf course operating expenses, the General Fund will make contributions in the form of lease payments to pay for the shortfall. Food and beverage sales at the golf course restaurant (The Canyons) remain strong, and golf rounds and revenues are on the rise.

The Wastewater Funds had an annual operating loss of $272,000 for the fiscal year. Total revenues from operations increased $769,000 from the previous year due to service charge rate increases. Non-operating revenues of $645,000 offset the operating loss, resulting in a net gain of $373,000 before transfers and capital contributions.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports, and showed a net operating income of $124,000 for the year. Revenues were relatively flat when compared to the prior fiscal year, and expenses increased about $400,000, primarily due to a reallocation of interdepartmental charges to better reflect the enterprise's share of those charges.

Unrestricted net position for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to $47.2 million, or approximately 11.7 percent of the total enterprise fund net position. The unrestricted net position may be used for rate stabilization, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately $45.5 million or 11.3 percent 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 the funding for the replacement of infrastructure assets is not restricted, it is reflected in the Statement of Net Position as unrestricted. The city does, however, account for and monitor these amounts in separate funds to ensure that water and wastewater assets can be replaced when needed. The large unrestricted net position deficit balance in the Golf Course Fund represents funds advanced from the city's General Fund that were used to fund construction and operating losses of the municipal golf course.

General Fund Budgetary Highlights for Fiscal Year 2012

Management monitors revenues during the year and updates estimated revenue figures when new information is received by the city. General Fund revenue estimates were only modified slightly during the year as compared to the originally budgeted estimates. Some of the factors that led to the $921,000 increase in revenue estimates included:

- Several new federal and state grants were applied for and received during the year.
- Funds received from developers for Expedited Fire Plan Check fees.
- Increased sales tax revenue received as a result a slight recovery in the economy.
- Higher than expected rebound in the tourism industry affecting TOT.
- Increased development activity affecting licenses and permits revenue, as well as charges for services.

The slight increase from the total original expenditure budget to the final budget amounted to $381,000, due predominantly to the appropriations of the grant money received, sales tax audit expenses, and developer funded studies.

The $3.3 million increase in transfers was predominantly due to a $1.6 million transfer to the General Capital Construction Fund for monies received from the Brownley Trust for future Cole Library modifications and a $1.4 million transfer to the Self Insured Benefits Fund to assist in the stabilization of future PERS rates.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of $20.7 million can be generally summarized as follows:

- $17.2 million in "savings" by the various major service areas within the city. Current year savings were generated from:
  - Unfilled vacancies.
  - Overall awareness of fiscal responsibility throughout the city.
  - Deferral of projects.
  - Accumulated savings set aside for future technology and innovation enhancements.

  - $17.2 million in "savings" are planned to be used for:
    - ⇒ The continuation of the human capital management system software upgrade.
    - ⇒ Facilities work order software replacement/upgrade.
    - ⇒ Lighting retrofits at several city parks.
    - ⇒ Synthetic turf replacement/installation at several park sites.
    - ⇒ Innovation projects throughout the city.
    - ⇒ Conversion to a new integrated library system.
    - ⇒ Other one-time capital outlay items, as needed, throughout the City.

- Contributing to the increase in the unassigned General Fund balance of $3.8 million.

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

Capital Asset and Debt Administration

Capital Assets

At the end of Fiscal Year 2011-12, the city had recorded investments of just over $1.1 billion in a broad range of capital assets, including park facilities, land, buildings, roads, bridges, drainage facilities, water and sewer lines, police and fire vehicles, and other maintenance equipment. This number includes infrastructure assets of the general government which are required per GASB 34.

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

	Governmental Activities		Business-Type Activities		Total		Change	Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-12	2011-12
Land	$146.7	$146.9	$9.3	$9.3	$156.0	$156.2	$0.2	0.1%
Construction in progress	156.9	95.5	22.4	8.0	179.3	103.5	(75.8)	-42.3%
Buildings and other structures	78.9	79.3	40.2	47.5	119.1	126.8	7.7	6.5%
Improvements other than buildings	45.4	45.5	50.9	50.9	96.3	96.4	0.1	0.1%
Machinery and equipment	27.1	28.4	2.4	2.4	29.5	30.8	1.3	4.4%
Infrastructure	544.1	614.0	290.4	304.0	834.5	918.0	83.5	10.0%
Intangibles	-	2.9	-	-	-	2.9	2.9	100.0%
Wastewater treatment facility	-	-	52.2	51.0	52.2	51.0	(1.2)	-2.3%
	999.1	1,012.5	467.8	473.1	1,466.9	1,485.6	18.7	1.3%
Accumulated depreciation	(214.5)	(231.3)	(109.6)	(121.1)	(324.1)	(352.4)	(28.3)	8.7%
Total	**$784.6**	**$781.2**	**$358.2**	**$352.0**	**$1,142.8**	**$1,133.2**	**($9.6)**	**-0.8%**

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

- Developer-dedicated streets, drainage facilities, traffic signals, water and sewer lines and streetlights at:
  - Rancho Carrillo
  - La Costa Ridge
- Faraday Avenue extension
- Construction of Poinsettia Lane East
- Several waterline projects
- Several storm drain projects

In addition to carrying forward appropriations of $201.7 million for previously budgeted projects, the city's Fiscal Year 2012-13 capital budget appropriates an additional $28.9 million for capital projects. These additional appropriations are principally for the pavement management program, the traffic signal program, the acquisition of open space (Prop C projects), facilities maintenance projects, new traffic signals, miscellaneous street projects, enhancing the wastewater collection system, additional water and recycled water lines, the water reservoir repair/replacement program, several drainage projects, improvements at the Encina water pollution control facility, and miscellaneous civic projects, loans and repayments. These projects will be financed by development fees, infrastructure and replacement transfers from the General Fund, special district fees and taxes, water and wastewater replacement reserves, and other sources including grants and contributions from other agencies. More detailed information about the city's capital assets is presented in Note 6 to the financial statements and in the city's Capital Improvement Program document, which can be obtained from the Finance Department.

Long-Term Debt

At year-end, the city had $43.4 million in bonds, loans, capital leases and agreements, a decrease of $12.6 million from last year, as shown in the table below. Although payments made on all of the city's outstanding debt created a portion of the reduction in the city's debt, the largest factor in the reduction in debt was the transfer of the 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds from the Redevelopment Agency to the Successor Agency (trust fund) due to actions taken by the state to dissolve all redevelopment agencies. More detail about the city's long-term liabilities is presented in note 8 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2011	2012	2011	2012	2011	2012	2011-12
Bonds	$9.7	$0.0	$17.7	$17.3	$27.4	$17.3	-36.9%
Loans	0.6	0.5	24.2	22.8	24.8	23.3	-6.0%
Installment purchase agreement	-	-	3.4	2.6	3.4	2.6	-23.5%
Obligations under capital leases	-	-	0.3	0.1	0.3	0.1	-66.7%
Adjusted by: premiums/discounts	-	-	0.1	0.1	0.1	0.1	0.0%
Total	**$10.3**	**$0.5**	**$45.7**	**$42.9**	**$56.0**	**$43.4**	**-22.5%**

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2013

- The State of California adopted its Fiscal Year 2012-13 Annual Budget with the following provisions affecting the city:
  - The state implemented the "Triple Flip" in Fiscal Year 2004-05, whereby the city's sales tax receipts were reduced by one-quarter, and this reduction was made up with property taxes equating to the same amount. This will continue in the 2012-13 Fiscal Year.
  - The "Triple Flip" swap will have no effect on the ultimate amount of revenue the city receives, but it will result in a delay in the timing of the receipt of money by the city.
  - ABX1 26 and AB1484 were passed by the state, dissolving all redevelopment agencies within the State of California. The city has reduced prior redevelopment staffing levels in order to reduce administrative expenses to the level the state will now allow. Future redevelopment projects have either been canceled or alternative funding sources were identified.
  - If state revenues fall short of projections there is a trigger to determine if cuts are necessary which could impact local agencies.
- Net assessed values in the city stand at almost $23.3 billion, a 0.2 percent decrease from the prior fiscal year.
- Sales tax revenues are projected to continue to grow moderately with a 4.4 percent forecasted increase in the Fiscal Year 2012-13 Budget.
- Due to the opening of a new hotel and a rebound in tourism, transient occupancy taxes (TOT) are expected to grow by 8 percent.
- PERS rates for the miscellaneous plan have increased for Fiscal Year 2012-13 from 22.3 percent to 23.1 percent, and have also increased from 32.1 percent to 33.2 percent for the safety plan.
- The city will make additional payments to PERS to assist in the stabilization of future PERS rates.
- Median home prices in Carlsbad have decreased by 7.3 percent from March 2011 ($626,000) to March 2012 ($580,000).
- Due to the overall downturn in the economy, most city departments were not given additional maintenance and operational funding to cover changes in the Consumer Price Index (CPI) and growth in the city, minimal new capital outlay, and additional personnel funding for only existing contractual obligations.
- Through a Memorandum of Understanding (MOU), the Carlsbad City Employees' Association (CCEA), the Employer Paid Member Contribution (EPMC) paid by the city will decrease from 3.5 percent to 0 percent effective December 1, 2012. For management employees, the Employer Paid Member Contribution (EPMC)

paid by the city will decrease from 3.5 percent to 0 percent effective December 1, 2012. The Carlsbad Firefighters' Association (CFA), the Carlsbad Police Officers' Association (CPOA) and the Carlsbad Police Management Association (CPMA) are currently negotiating new contracts, with the expiration of their existing contracts on December 31, 2012.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2012-13. Budgeted expenditures are expected to increase 3 percent to $115.1 million. The total personnel budget for Fiscal Year 2012-13 is $73.3 million, which is 0.7 percent more than the previous year's personnel budget of $72.8 million. The total maintenance and operations (M&O) budget for Fiscal Year 2012-13 is $30.7 million, which is 4.4 percent higher than the previous year's budget of $29.4 million. The increase in personnel and M&O budgets is due primarily to the opening of the new Carlsbad Safety Training Center. There is $110,000 in major capital outlay purchases planned in the General Fund for Fiscal Year 2012-13 for three EKG monitors. Operating transfers out of the General Fund are budgeted at $11 million, a $1.5 million increase from the prior fiscal year. This increase is due to the city budgeting a $1.8 million transfer to the city's Self-Insured Benefits Fund as a set aside to address anticipated future pension rate increases from CalPERS. Adding to the adopted budget of $115.1 million for the General Fund, approximately $17.2 million in unspent Fiscal Year 2011-12 budgeted expenditures will be carried over to Fiscal Year 2012-13, as well as $5.8 million in open encumbrances as of June 30, 2012.

As the city is approaching the buildout of its remaining vacant land, the city is now ushering in a new era focusing on maintaining infrastructure rather than building it. In an effort to address this issue, the city has developed an Infrastructure Replacement Fund (IRF). In this fund, the city sets aside money on an annual basis for major maintenance and replacement of its infrastructure. In the Fiscal Year 2012-13 Operating Budget, the city has budgeted a $7.5 million transfer from the General Fund to the IRF to meet future needs.

During the current fiscal year, the unassigned fund balance in the General Fund increased by $3.8 million to $61.4 million due to fiscal discipline and the elimination and/or unfunding of 14.75 positions. Based on Fiscal Year 2012-13 projections, the unassigned General Fund balance is expected to grow approximately $1 million.

There appears to be sufficient revenue projected to build the projects listed in the Fiscal Year 2012-13 Capital Improvement Program (CIP).

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

- The combined fixed and variable costs of water purchased from the San Diego County Water Authority are projected to rise about 9 percent and 10 percent respectively in Fiscal Year 2012-13. In December 2012, a public meeting will be held to determine how much water rates will increase effective January 1, 2013. The proposed rate increases are needed to fund the additional cost of purchased water, and to maintain an adequate reserve balance.
- Proposed wastewater rate increases will also be discussed during the public meeting to be held in December 2012. If approved, these rates would be effective January 1, 2013. This proposed rate increase is needed to assist with higher depreciation expenses from the addition of completed facilities to the inventory, and to maintain an adequate reserve balance.
- The golf course budget is brought forward on a calendar year basis in December of each year. The Calendar Year 2012 budget reflects a projected operating loss of over $945,000. The City Council authorized the General Fund to transfer the anticipated loss to the Golf Course Fund in January 2012.
- There are no projected significant changes in other revenue sources.

Contacting the City's Financial Management

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

CITY OF CARLSBAD

Statement of Net Position
June 30, 2012

	Primary Government		
ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	$ 465,677,868	$ 149,020,101	$ 614,697,969
Receivables:			
Taxes	6,936,519	24,615	6,961,134
Accounts, net	751,246	7,110,253	7,861,499
Other	471,654	43,408	515,062
Due from other governments	826,139	2,566,900	3,393,039
Inventories	220,035	818,315	1,038,350
Prepaid items	465,412	15,937	481,349
Loan and reimbursement receivables	19,113,774	-	19,113,774
Due from Successor Agency	18,758,763	-	18,758,763
Internal balances	53,977,972	(53,977,972)	-
Subtotal	567,199,382	105,621,557	672,820,939
Capital assets:			
Land	146,884,992	9,318,388	156,203,380
Construction in progress	95,537,444	8,031,914	103,569,358
Buildings and other structures	79,344,933	47,499,130	126,844,063
Improvements other than buildings	45,458,749	50,856,805	96,315,554
Machinery and equipment	28,356,779	2,398,792	30,755,571
Infrastructure	614,007,619	304,001,448	918,009,067
Wastewater treatment facility	-	51,047,082	51,047,082
Intangible assets	2,940,681	-	2,940,681
Less accumulated depreciation	(231,329,368)	(121,112,120)	(352,441,488)
Total capital assets	781,201,829	352,041,439	1,133,243,268
Total assets	$ 1,348,401,211	$ 457,662,996	$ 1,806,064,207

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

Statement of Net Position (Continued)
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accrued liabilities	$ 8,734,799	$ 2,442,062	$ 11,176,861
Accrued interest payable	-	423,243	423,243
Due to other governments	433	6,168,376	6,168,809
Estimated claims payable	5,784,524	-	5,784,524
Deposits payable	475,111	1,027,584	1,502,695
Unearned revenue	1,520,930	250,471	1,771,401
Noncurrent liabilities:			
Due within one year, net of unamortized discounts ($41,749) and unamortized premiums ($9,895)	315,736	2,637,100	2,952,836
Due in more than one year, net of unamortized discounts ($67,543) and unamortized premiums ($232,266)	159,052	40,269,859	40,428,911
Total liabilities	16,990,585	53,218,695	70,209,280
NET POSITION			
Net investment in capital assets	780,727,041	311,391,603	1,092,118,644
Restricted for:			
Capital assets	192,712,984	45,522,542	238,235,526
Affordable housing	38,433,641	-	38,433,641
Habitat and agricultural mitigation management	4,798,649	-	4,798,649
Other purposes	6,267,742	-	6,267,742
Unrestricted	308,470,569	47,530,156	356,000,725
Total net position	$ 1,331,410,626	$ 404,444,301	$ 1,735,854,927

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

CITY OF CARLSBAD

Statement of Activities
For the Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 16,675,369	$ 314,687	$ 1,417,081	$ 25,300
Public safety	45,576,344	4,379,230	265,530	686,527
Community development	17,689,210	3,567,571	6,414,025	2,310,455
Community services	25,397,492	2,747,464	563,304	1,363,810
Public works	28,440,696	3,717,167	3,152,686	11,042,569
Interest and fiscal charges on long-term debt	298,004	-	-	-
Total governmental activities	134,077,115	14,726,119	11,812,626	15,428,661
Business-type activities:				
Carlsbad Municipal Water District	35,984,696	35,776,102	1,137,163	3,199,142
Golf course	11,190,088	6,127,068	-	-
Wastewater	11,329,983	10,989,169	-	1,360,723
Solid waste	2,922,027	2,960,756	63,907	-
Total business-type activities	61,426,794	55,853,095	1,201,070	4,559,865
Total primary government	$ 195,503,909	$ 70,579,214	$ 13,013,696	$ 19,988,526

General revenues:
- Property taxes
- Sales and use taxes
- Transient occupancy taxes
- Franchise taxes
- Business license taxes
- Real property transfer taxes
- Vehicle license taxes (VLF)
- Income from property and investments
- Other general revenues

Extraordinary gain
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
$ (14,918,301)	$ -	$ (14,918,301)
(40,245,057)	-	(40,245,057)
(5,397,159)	-	(5,397,159)
(20,722,914)	-	(20,722,914)
(10,528,274)	-	(10,528,274)
(298,004)	-	(298,004)
(92,109,709)	-	(92,109,709)
-	4,127,711	4,127,711
-	(5,063,020)	(5,063,020)
-	1,019,909	1,019,909
-	102,636	102,636
-	187,236	187,236
(92,109,709)	187,236	(91,922,473)
51,538,001	2,720,912	54,258,913
28,094,056	-	28,094,056
12,872,424	-	12,872,424
4,851,742	-	4,851,742
2,694,565	-	2,694,565
924,806	-	924,806
52,838	-	52,838
6,087,842	2,053,510	8,141,352
419,267	106,273	525,540
20,476,774	-	20,476,774
(1,810,089)	1,810,089	-
126,202,226	6,690,784	132,893,010
34,092,517	6,878,020	40,970,537
1,297,318,109	397,566,281	1,694,884,390
$ 1,331,410,626	$ 404,444,301	$1,735,854,927

CITY OF CARLSBAD

Balance Sheet
Governmental Funds
June 30, 2012

ASSETS	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Cash and investments	$ 82,137,294	$ 64,021,253	$ 54,383,131	$ 69,418,651
Receivables:				
Taxes	6,935,788	731	-	-
Other	22,909	-	-	-
Accounts, net	688,386	6,932	-	-
Due from other governments	43,838	-	-	-
Inventories	13,690	-	-	-
Prepaid items	-	-	-	-
Loans receivable	118,385	-	-	-
Due from Successor Agency	18,758,763	-	-	-
Advances to other funds	56,051,609	2,597,039	-	-
Total assets	$ 164,770,662	$ 66,625,955	$ 54,383,131	$ 69,418,651
LIABILITIES				
Accrued liabilities	$ 3,461,767	$ 35,782	$ 114,251	$ 22,987
Deposits payable	97,360	6,388	1,333	-
Due to other governments	433	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	929,623	-	198,350	-
Total liabilities	4,489,183	42,170	313,934	22,987
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - interest on advances	$ 20,714,256	$ -	$ -	$ -
FUND BALANCES				
Nonspendable	54,228,191	-	-	-
Restricted	-	66,583,785	-	-
Committed	1,000,000	-	-	-
Assigned	22,955,372	-	54,069,197	69,395,664
Unassigned	61,383,660	-	-	-
Total fund balances (deficit)	139,567,223	66,583,785	54,069,197	69,395,664
Total liabilities, deferred inflows of resources, and fund balances	$ 164,770,662	$ 66,625,955	$ 54,383,131	$ 69,418,651

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
$ 49,413,587	$ 112,396,928	$ 431,770,844
-	-	6,936,519
-	168,240	191,149
-	49,920	745,238
-	782,301	826,139
-	-	13,690
-	439,654	439,654
-	18,995,389	19,113,774
-	-	18,758,763
4,550,000	-	63,198,648
$ 53,963,587	$ 132,832,432	$ 541,994,418
$ 49,316	$ 787,995	$ 4,472,098
1,564	367,466	474,111
-	-	433
-	8,889,780	8,889,780
-	1,070,667	2,198,640
50,880	11,115,908	16,035,062
$ -	$ -	$ 20,714,256
-	439,654	54,667,845
53,912,707	121,276,870	241,773,362
-	-	1,000,000
-	-	146,420,233
-	-	61,383,660
53,912,707	121,716,524	505,245,100
$ 53,963,587	$ 132,832,432	$ 541,994,418

CITY OF CARLSBAD

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2012

Total fund balances - governmental funds.	$ 505,245,100
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental funds	774,337,885
Internal service funds	6,863,944
Total capital assets	781,201,829
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	31,241,359
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(330,896)
Internal service fund net assets included as part of total capital assets	(6,863,944)
Internal service fund net assets less capital assets	24,046,519
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.	20,714,256
A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	429,953
A portion of the unearned revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	247,757
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(474,788)
Net position of governmental activities.	$1,331,410,626

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

CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Revenues:				
Taxes	$ 99,231,737	$ 1,786,981	$ -	$ -
Intergovernmental	1,127,009	-	-	-
Licenses and permits	1,851,859	-	-	-
Charges for services	6,607,024	-	-	-
Fines and forfeitures	842,846	-	-	-
Income from property and investments	2,074,491	764,121	596,664	885,968
Contributions from property owners	-	831,761	-	-
Donations	-	-	-	-
Miscellaneous	647,722	-	-	-
Total revenues	112,382,688	3,382,863	596,664	885,968
Expenditures:				
Current:				
General government	16,722,825	77,920	-	-
Less: interdepartmental charges	(3,751,783)	-	-	-
Public safety	44,540,838	-	-	-
Community development	7,536,003	-	-	-
Community services	22,578,956	-	-	-
Public works	8,564,211	-	-	-
Capital outlay	-	1,293	9,780,427	971,791
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	96,191,050	79,213	9,780,427	971,791
Excess (deficiency) of revenues over (under) expenditures	16,191,638	3,303,650	(9,183,763)	(85,823)
Other financing sources (uses):				
Transfers in	10,000	-	1,629,806	7,382,000
Transfers out	(12,694,895)	-	-	-
Total other financing sources (uses)	(12,684,895)	-	1,629,806	7,382,000
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	3,506,743	3,303,650	(7,553,957)	7,296,177
Fund balances (deficits) at beginning of year, as restated	136,060,480	63,280,135	61,623,154	62,099,487
Fund balances (deficits) at end of year	$ 139,567,223	$ 66,583,785	$ 54,069,197	$69,395,664

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
$ -	$ 4,576,082	$ 105,594,800
-	8,475,797	9,602,806
-	-	1,851,859
-	3,484,534	10,091,558
-	49,661	892,507
583,845	1,348,087	6,253,176
2,640,430	6,455,076	9,927,267
-	205,699	205,699
-	49,264	696,986
3,224,275	24,644,200	145,116,658
12,897	178,387	16,992,029
-	-	(3,751,783)
-	374,319	44,915,157
-	10,051,266	17,587,269
-	236,419	22,815,375
-	3,209,179	11,773,390
163,398	6,450,442	17,367,351
-	851,187	851,187
-	308,253	308,253
176,295	21,659,452	128,858,228
3,047,980	2,984,748	16,258,430
-	10,865,331	19,887,137
-	(10,402,331)	(23,097,226)
-	463,000	(3,210,089)
-	12,847,381	12,847,381
3,047,980	16,295,129	25,895,722
50,864,727	105,421,395	479,349,378
$53,912,707	$ 121,716,524	$ 505,245,100

CITY OF CARLSBAD

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Net change in fund balances - total governmental funds.	$ 25,895,722
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	8,444,639
Depreciation expense	(15,938,052)
Governmental funds do not reflect the donation of capital assets as revenues.	3,915,181
Governmental funds report the entire proceeds from the sale of capital assets as revenue. However, in the statement of activities, the net gain or loss from the sale of capital assets is reported.	(2,270)
The issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds but has no effect on net assets.	646,624
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in governmental funds.	(30,933)
Through the dissolution of the redevelopment agency, the following items were transferred to the Successor Agency:	
Capital assets	(7,635)
Accrued interest adjustment on loan from the city	(1,758,753)
Bonds payable	9,195,000
Accrued interest on bonds payable	201,913
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	878,208
A portion of the sales tax receivable grant revenues are not available to pay for current-period expenditures and, therefore, is deferred in the funds.	438,415
The net revenue of activities of internal service funds is reported with governmental activities.	2,377,265
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(162,807)
Change in net position of governmental activities.	$ 34,092,517

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

CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over
	Original	Final	(Budgetary Basis)	(Under)
Revenues:				
Taxes	$ 96,464,000	$ 97,637,000	$ 99,231,737	$ 1,594,737
Intergovernmental	1,617,163	1,227,000	1,127,009	(99,991)
Licenses and permits	1,373,000	1,535,000	1,851,859	316,859
Charges for services	5,946,140	6,316,000	6,607,024	291,024
Fines and forfeitures	1,021,600	900,000	842,846	(57,154)
Income from property and investments	2,598,100	2,326,000	2,392,876	66,876
Miscellaneous	976,850	977,000	647,722	(329,278)
Total revenues	109,996,853	110,918,000	112,701,073	1,783,073
Expenditures:				
Current:				
General government	31,922,488	32,492,006	18,571,454	(13,920,552)
Less: interdepartmental charges	(3,592,600)	(3,700,000)	(3,751,783)	(51,783)
Public safety	45,786,096	45,718,689	44,763,084	(955,605)
Community development	10,263,819	10,392,645	9,216,168	(1,176,477)
Community services	26,690,605	26,668,442	23,579,115	(3,089,327)
Public works	11,232,496	11,111,894	9,612,672	(1,499,222)
Total expenditures	122,302,904	122,683,676	101,990,710	(20,692,966)
Excess (deficiency) of revenues over (under) expenditures	(12,306,051)	(11,765,676)	10,710,363	22,476,039
Other financing sources (uses):				
Transfers in	-	-	10,000	10,000
Transfers out	(9,475,750)	(12,744,398)	(12,694,895)	49,503
Total other financing sources (uses)	(9,475,750)	(12,744,398)	(12,684,895)	59,503
Net change in fund balances	(21,781,801)	(24,510,074)	(1,974,532)	$ 22,535,542
Fund balance at beginning of year	136,060,480	136,060,480	136,060,480	
Fund balance at end of year	$ 114,278,679	$ 111,550,406	$ 134,085,948	

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

CITY OF CARLSBAD

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund (Continued)
For the Year Ended June 30, 2012

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	$ 112,701,073
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.	(318,385)
	$ 112,382,688
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	$ 101,990,710
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	(5,799,660)
	$ 96,191,050

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

CITY OF CARLSBAD

Statement of Net Position
Proprietary Funds
June 30, 2012

	Business-type Activities -		
ASSETS	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	$ 83,103,713	$ 897,607	$ 52,648,680
Receivables:			
Taxes	24,615	-	-
Accounts, net	5,229,493	65,270	1,423,768
Other	-	-	-
Due from other governments	414,770	-	2,152,130
Inventories	574,695	234,602	9,018
Prepaid items	15,937	-	-
Total current assets	89,363,223	1,197,479	56,233,596
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,303,417	953,706
Accrued interest - restricted for debt service	-	22,108	21,300
Subtotal	-	1,325,525	975,006
Capital assets:			
Land	1,905,206	4,841,667	2,571,515
Construction in progress	1,220,429	-	6,811,485
Buildings and other structures	27,430,149	20,068,981	-
Improvements other than buildings	2,322,549	42,670,657	5,863,599
Machinery and equipment	929,570	1,170,745	298,477
Infrastructure	201,456,247	-	102,545,201
Wastewater treatment facility	-	-	51,047,082
Less accumulated depreciation	(50,039,360)	(14,119,137)	(56,953,623)
Total capital assets (net of accumulated depreciation)	185,224,790	54,632,913	112,183,736
Total noncurrent assets	185,224,790	55,958,438	113,158,742
Total assets	$ 274,588,013	$ 57,155,917	$ 169,392,338

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
$ 10,112,978	$ 146,762,978	$ 33,907,024
-	24,615	-
391,722	7,110,253	6,008
-	-	280,505
-	2,566,900	-
-	818,315	206,345
-	15,937	25,758
10,504,700	157,298,998	34,425,640
-	2,257,123	-
-	43,408	-
-	2,300,531	-
-	9,318,388	-
-	8,031,914	-
-	47,499,130	-
-	50,856,805	-
-	2,398,792	19,814,597
-	304,001,448	-
-	51,047,082	-
-	(121,112,120)	(12,950,653)
-	352,041,439	6,863,944
-	354,341,970	6,863,944
$ 10,504,700	$ 511,640,968	$ 41,289,584

(Continued)

CITY OF CARLSBAD

Statement of Net Position
Proprietary Funds (Continued)
June 30, 2012

	Business-type Activities -		
LIABILITIES	Carlsbad Municipal Water District	Golf Course	Wastewater
Current liabilities:			
Accrued liabilities	$ 745,455	$ 299,103	$ 959,433
Accrued interest payable	108,292	259,750	55,201
Due to other governments	4,683,189	10,123	1,454,285
Estimated claims payable	-	-	-
Current portion of long-term debt, net of unamortized discounts of $41,749 and unamortized premiums of $9,895	1,495,056	363,793	778,251
Deposits payable	155,723	394,676	477,185
Total current liabilities	7,187,715	1,327,445	3,724,355
Noncurrent liabilities:			
Advance from other funds	-	54,308,868	-
Deferred revenue	-	-	250,471
Loans payable	21,335,136	-	-
Revenue bonds payable, net of unamortized premiums of $232,266	-	17,237,266	-
Installment purchase agreement, net of unamortized discounts of $67,543	-	-	1,697,457
Total noncurrent liabilities	21,335,136	71,546,134	1,947,928
Total liabilities	28,522,851	72,873,579	5,672,283
NET POSITION			
Net investment in capital assets	162,394,598	38,335,271	110,661,734
Restricted for:			
Capital assets	24,525,923	-	20,996,619
Unrestricted	59,144,641	(54,052,933)	32,061,702
Total net position	$ 246,065,162	$ (15,717,662)	$ 163,720,055
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 Activities - Internal Service Funds
Solid Waste	Totals	
$ 438,071	$ 2,442,062	$ 4,262,701
-	423,243	-
20,779	6,168,376	-
-	-	5,784,524
-	2,637,100	-
-	1,027,584	1,000
458,850	12,698,365	10,048,225
-	54,308,868	-
-	250,471	-
-	21,335,136	-
-		
-	17,237,266	-
-	1,697,457	-
-	94,829,198	-
458,850	107,527,563	10,048,225
-	311,391,603	6,863,944
-	45,522,542	-
10,045,850	47,199,260	24,377,415
$ 10,045,850	404,113,405	$ 31,241,359
	330,896	
	$ 404,444,301	

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	$ 35,055,984	$ -	$ -
Wastewater service charges pledged as security for revenue bonds	-	-	11,083,660
Golf course operations	-	6,127,068	-
Other charges for services	720,118	-	-
Miscellaneous	1,202,981	-	14,042
Total operating revenues	36,979,083	6,127,068	11,097,702
Operating expenses:			
Encina plant operations	739,130	-	2,936,040
Purchased water	16,821,661	-	-
Golf course operations	-	6,043,129	-
Depreciation	4,435,084	3,477,727	3,670,862
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	13,527,921	-	4,762,781
Total operating expenses	35,523,796	9,520,856	11,369,683
Operating income (loss)	1,455,287	(3,393,788)	(271,981)
Nonoperating revenues (expenses):			
Income from property and investments	1,147,701	91,652	661,323
Interest expense and fees	(554,277)	(1,669,232)	(16,749)
Gain (loss) on sale of property	32,412	639	-
Property taxes	2,746,881	-	-
Total nonoperating revenues (expenses)	3,372,717	(1,576,941)	644,574
Income (loss) before transfers and capital contributions	4,828,004	(4,970,729)	372,593
Transfers in	-	1,644,592	-
Capital contributions:			
Capital restricted fees	1,280,562	-	824,178
Developer constructed assets	1,878,996	-	448,192
Other	-	-	-
Change in net position	7,987,562	(3,326,137)	1,644,963
Total net position at beginning of year (as restated)	238,077,600	(12,391,525)	162,075,092
Total net position (deficit) at end of year	$ 246,065,162	$ (15,717,662)	$ 163,720,055

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 Activities - Internal Service Funds
Solid Waste	Totals	
$ -	$ 35,055,984	$ -
-	11,083,660	-
-	6,127,068	-
2,960,756	3,680,874	15,066,649
97,797	1,314,820	352,562
3,058,553	57,262,406	15,419,211
-	3,675,170	-
-	16,821,661	-
-	6,043,129	-
-	11,583,673	1,497,568
-	-	1,371,248
-	-	3,982,252
-	-	356,181
2,935,008	21,225,710	7,810,436
2,935,008	59,349,343	15,017,685
123,545	(2,086,937)	401,526
119,783	2,020,459	310,319
-	(2,240,258)	-
-	33,051	3,387
-	2,746,881	-
119,783	2,560,133	313,706
243,328	473,196	715,232
165,497	1,810,089	1,400,000
-	2,104,740	-
-	2,327,188	-
-	-	262,033
408,825	6,715,213	2,377,265
9,637,025	397,566,281	28,864,094
$ 10,045,850	404,281,494	$ 31,241,359
	162,807	
	$ 404,444,301	

CITY OF CARLSBAD

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	$ 35,115,878	$ 6,096,101	$ 10,952,980
Payments to suppliers	(24,181,502)	(6,107,269)	(3,817,996)
Payments to employees	(4,037,472)	-	(1,716,878)
Internal activity - payments to other funds	(2,264,692)	-	(1,061,865)
Claims and premiums paid	-	-	-
Other receipts (payments)	1,202,981	-	108,533
Increase (decrease) in deposits payable	(4,015)	(102,241)	51,984
Net cash provided (used) by operating activities	5,831,178	(113,409)	4,516,758
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from (to) other funds	-	1,644,592	-
Net cash provided (used) by capital and related financing activities	-	1,644,592	-
Cash flows from capital and related financing activities:			
Capital restricted fees	1,280,562	-	824,178
Purchase of capital assets	(276,285)	(125,572)	(1,831,967)
Gross proceeds from the sale of capital assets	32,412	639	-
Principal paid on capital debt	(1,459,685)	(567,267)	(780,000)
Interest and other fees paid	(576,120)	(801,962)	(169,138)
Property taxes received	2,744,713	-	-
Net cash (used in) capital and related financing activities	1,745,597	(1,494,162)	(1,956,927)
Cash flows from investing activities:			
Interest on investments	1,147,701	91,652	661,323
Net increase (decrease) in cash and cash equivalents	8,724,476	128,673	3,221,154
Cash and cash equivalents at beginning of year	74,379,237	2,072,351	49,427,526
Cash and cash equivalents at end of year	$ 83,103,713	$ 2,201,024	$ 52,648,680

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
$ 2,962,773	$ 55,127,732	$ 15,114,465
(1,214,077)	(35,320,844)	(4,465,751)
(1,173,824)	(6,928,174)	(4,098,955)
(508,207)	(3,834,764)	(1,015,728)
-	-	(4,178,871)
97,797	1,409,311	72,059
-	(54,272)	-
164,462	10,398,989	1,427,219
165,497	1,810,089	1,400,000
165,497	1,810,089	1,400,000
-	2,104,740	-
-	(2,233,824)	(1,442,545)
-	33,051	5,995
-	(2,806,952)	-
-	(1,547,220)	-
-	2,744,713	-
-	(1,705,492)	(1,436,550)
119,783	2,020,459	310,319
449,742	12,524,045	1,700,988
9,663,236	135,542,350	32,206,036
$ 10,112,978	$ 148,066,395	$ 33,907,024

(Continued)

CITY OF CARLSBAD

Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2012

	Business-type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ 1,455,287	$ (3,393,788)	$ (271,981)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,435,084	3,477,727	3,670,862
Change in assets and liabilities:			
(Increase) decrease in receivables	(660,224)	(30,967)	(36,189)
(Increase) decrease in due from other governments	(21,846)	-	1,589,155
(Increase) decrease in inventories	(11,150)	6,357	(6,308)
(Increase) decrease in prepaid items	1,203	-	-
(Decrease) increase in accrued liabilities	167,447	(70,497)	2,020
(Decrease) increase in due to other governments	469,392	-	(482,785)
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	(4,015)	(102,241)	51,984
Net cash provided by operating activities	$ 5,831,178	$ (113,409)	$ 4,516,758
Noncash capital financing activities:			
Capital assets contributed by other sources	$ 1,878,996	$ -	$ 448,192
Unrealized gains (losses)	$ (236,452)	$ (2,509)	$ (173,533)
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	$ 83,103,713	$ 897,607	$ 52,648,680
Restricted assets:			
Cash and investments	-	1,303,417	953,706
Less investments not meeting the definition of cash equivalents:			
Investment contracts	-	-	(953,706)
Cash and cash equivalents at end of year	$ 83,103,713	$ 2,201,024	$ 52,648,680

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
$ 123,545	$ (2,086,937)	$ 401,526
-	11,583,673	1,497,568
2,017	(725,363)	(232,689)
-	1,567,309	-
-	(11,101)	(59,706)
-	1,203	(1,193)
38,900	137,870	74,824
-	(13,393)	-
-	-	(253,111)
-	(54,272)	-
$ 164,462	$ 10,398,989	$ 1,427,219
$ -	$ 2,327,188	$ 262,033
$ (35,097)	$ (447,591)	$ (104,608)
$ 10,112,978	$ 146,762,978	$ 33,907,024
-	2,257,123	-
-	(953,706)	-
$ 10,112,978	$ 148,066,395	$ 33,907,024

CITY OF CARLSBAD

Statement of Net Position
Fiduciary Funds
June 30, 2012

ASSETS	Agency Funds	Private Purpose Trust Funds	Total Fiduciary Funds
Current assets:			
Cash and investments	$ 19,225,278	$ 8,849,878	$ 28,075,156
Receivables:			
Other	64,110	2,146	66,256
Prepaid items	1,735,535	-	1,735,535
Total current assets	21,024,923	8,852,024	29,876,947
Restricted assets:			
Cash and investments	6,836,756	-	6,836,756
Capital assets:			
Machinery and equipment	-	26,946	26,946
Less accumulated depreciation	-	(19,311)	(19,311)
Total capital assets (net of accumulated depreciation)	-	7,635	7,635
Total noncurrent assets	6,836,756	7,635	6,844,391
Total assets	$ 27,861,679	$ 8,859,659	$ 36,721,338
LIABILITIES			
Current liabilities:			
Accrued liabilities	$ 1,260,883	$ 493,952	$ 1,754,835
Accrued interest payable	-	161,530	161,530
Deposits held for others	26,600,796	-	26,600,796
Current portion of long-term debt	-	570,000	570,000
Total current liabilities	27,861,679	1,225,482	29,087,161
Noncurrent liabilities:			
Due to the City of Carlsbad	-	18,758,763	18,758,763
Tax allocation bonds payable	-	8,625,000	8,625,000
Total noncurrent liabilities	-	27,383,763	27,383,763
Total liabilities	27,861,679	28,609,245	56,470,924
NET POSITION			
Held in trust for redevelopment obligation retirement purposes	$ -	$ (19,749,586)	$ (19,749,586)

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

CITY OF CARLSBAD

Statement of Changes in Net Position
Fiduciary Funds
June 30, 2012

		Private Pupose Trust Funds
ADDITIONS		
Contributions:		
Tax increment	$	1,237,342
Income from property and investments		23,676
Miscellaneous		36,453
Total additions		1,297,471
DEDUCTIONS		
Extraordinary loss		20,476,774
General and administrative		339,613
Interest expense and fees		230,670
Total deductions		21,047,057
Change in net position		(19,749,586)
Net position - beginning		-
Net position - ending	$	(19,749,586)

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

Note 1. Summary of Significant Accounting Policies

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

The accounting policies of the city and its component units conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

Description and scope of the reporting entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position of the city and its component units, entities for which the city is considered to be financially accountable. The city is considered to be financially accountable for an organization if the city appoints a voting majority of that organization's governing body and the city is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the city. The city is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the city (i.e., it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval from the city). In certain cases, other organizations are included as component units if the nature and significance of their relationship with the city are such that their exclusion would cause the city's financial statements to be misleading or incomplete.

Based upon the above criteria, the component units of the city are the Housing Authority of the City of Carlsbad, the City of Carlsbad Public Improvement Corporation, the Carlsbad Redevelopment Agency, the Carlsbad Public Financing Authority and the Carlsbad Municipal Water District (district). On February 1, 2012, the Carlsbad Redevelopment Agency, along with all redevelopment agencies in the State of California, was dissolved and all assets and liabilities were transferred to the Successor Agency responsible for managing these assets and liabilities pending their liquidation and distribution (see footnote 20 for additional information).

Since the City Council serves as the governing board for these component units and there is either a financial benefit/ burden relationship between the component unit and city or the management of the city has the operational responsibility for the component unit, all of the city's component units are considered to be blended component units. Blended component units, although legally separate entities, are in substance part of the city's operations, and so data from these units is reported with the interfund data of the primary government.

Government-wide and Fund Financial Statements

The Government-wide Financial Statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the city and its blended component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly classified as program revenues are reported as general revenues.

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

Note 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

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

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

The city reports the following major governmental funds:

The **General Fund** is the city's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Community Facilities District No. 1** capital project fund is used to account for proceeds of no commitment debt issued by Community Facilities District No. 1 that are restricted for civic facilities, parks, and road segments.

The **General Capital Construction** capital project fund is used to account for transfers from the General Fund and expenditures for various capital projects not financed through another capital project fund.

The **Infrastructure Replacement** capital project fund is used to account for transfers from the General Fund and expenditures for the replacement of major infrastructure throughout the city.

The **Public Facilities Construction** capital project fund is used to account for the receipt of fees charged to developers, and expenditures that are restricted for specific public facilities such as parks and fire stations necessitated by growth.

The city reports the following major enterprise funds:

The **Carlsbad Municipal Water District** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the city's water system.

The **Golf Course** enterprise fund is used to account for revenues and expenses for the construction, maintenance and operating activities of the city's municipal golf course.

The **Wastewater** enterprise funds are used to account for the operation, maintenance, and capital facility financing of the city's wastewater system.

Note 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The **Solid Waste** enterprise funds are used to account for the revenues and expenses of the city's solid waste source-reduction, recycling and storm water programs.

Additionally, the city reports the following fund types:

Internal Service funds account for fleet management, self insured benefits, information technology, risk management and workers' compensation services provided to other departments or agencies of the city.

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

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

Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, generally are followed in both the Government-wide and Proprietary Fund Financial Statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The city has elected to follow the standards set by the GASB as opposed to subsequently issued private-sector guidance.

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

Cash and investments (continued)

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 vested sick benefits for certain former district employees. Vacation pay is payable to employees at the time used or upon termination of employment. For governmental funds, the cost of accumulated vacation 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 employees are allowed to have on the books at any point in time, for compensated absences recorded at June 30, 2012, all balances are expected to be paid within the following 12 months. For proprietary funds, the cost of vacation is recorded as a liability when earned.

Risk management

The city accounts for its general liability, self insured dental and life insurance programs, and workers' compensation activities in internal service funds. The funds are responsible for collecting premiums from other city funds and departments and paying claims, settlements and insurance premiums. Interfund premiums are based on the insured fund's claims experience. Incurred but not reported claims are accrued at year-end, if material.

Unbilled services

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

Capital assets

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Capital assets (continued)

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:

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

The city has capitalized all general infrastructure assets acquired or constructed in compliance with GASB 34. In addition the land upon which the streets and roads are constructed (right-of-way) has also been valued and capitalized.

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, or is not available to, 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 or becomes available.

Deferred inflows

The statement of financial position will sometimes report 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 only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: interest on advances. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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 2.0 percent of outstanding billings at June 30, 2012, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2012, and the trade and false alarm receivable allowance is equal to the total of all outstanding receivables that are over 90 days past due plus 30 percent of all remaining balances. The only exceptions to these rules are receivables that were subsequently paid or were known to be collectible at year-end, which were not reserved for at June 30, 2012.

Note 1. Summary of Significant Accounting Policies (continued)

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. An estimate of the loss (if any) associated with non-repayment cannot be reasonably estimated at this time.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as an extension of formal budgetary integration in the governmental funds. Unexpended and unencumbered appropriations lapse at fiscal year-end unless City Council takes action in the form of a resolution to continue the appropriation into the following fiscal year. Encumbrances at year end are reported as restricted, committed, or assigned fund balance depending on the resources that have been identified to fund the applicable encumbrance.

Net position

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

Cash flows

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

Long-term obligations

In the Government-wide Financial Statements, and proprietary fund types in the Fund Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Long-term bonds payable are reported net of the applicable bond premium or discount.

In the Fund Financial Statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. In the Fund Financial Statements, issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 2. Budgetary Data

The city follows these procedures in establishing its budgetary data:

- During May or June, the City Manager submits to the City Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The budget includes estimated revenues and proposed expenditures on a departmental and/or project basis.
- Public hearings are conducted at City Council meetings to obtain citizens' comments during June.
- Prior to July 1, the budget is enacted legally through passage of an appropriation resolution.

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

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

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, debt service funds, and the Redevelopment Agency capital project fund. 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 former Redevelopment Areas Funds; 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, which is reviewed by the Investment Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the city's investment policy objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The risk disclosures below apply to the city's internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits); concentration; default; event; and market or interest rate risk.

The City of Carlsbad and its agencies invest a portion of the funds in an external investment pool known as the Local Agency Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2012, the LAIF performance report shows a fair value factor of 1.001219643. The City of Carlsbad's position in the LAIF pool is calculated as a percentage of the fair value of the city's shares to the fair value of the pooled shares.

Investments held outside the Treasurer's Pool consist mainly of required reserve funds for various bond issues. They are held by trustees, and are not available for the city's general expenditures.

Note 3. Deposit and Investment Risk (continued)

As of June 30, 2012 the city had the following investments in its portfolio:

Treasurer's Pool investments	Fair Market Value	% of Total	Modified Duration
U.S. agencies:			
Federal National Mortgage Association	$ 141,046,601	22.4%	3.511
Federal Home Loan Bank	66,235,110	10.5%	1.401
Federal Farm Credit Bank	64,213,292	10.2%	2.669
Federal Home Loan Mortgage Corporation	34,407,536	5.5%	2.472
Financing Corporation	5,044,912	0.8%	0.893
Tennessee Valley Authority	4,087,857	0.6%	1.329
United States Treasury Bills & Notes	2,086,700	0.3%	1.182
Federal Agricultural Corporation	1,010,365	0.2%	0.109
Subtotal U.S. agencies	318,132,373	50.5%	2.359
Corporate notes:			
Medium-term corporate notes	164,848,929	26.1%	2.833
Subtotal corporate notes	164,848,929	26.1%	1.608
Certificates of deposit	8,736,724	1.4%	-
LAIF	136,961,966	21.7%	-
Cash accounts	2,253,443	0.4%	-
Total Treasurer's Pool	630,933,435	100.0%	2.128
Investments held outside the Treasurer's Pool			
Money market funds	13,123,746		
Guaranteed investment contracts	4,583,462		
Subtotal debt service funds/bond proceeds	17,707,208		
Other deposits	963,588		
Petty cash funds	5,650		
Total cash and investments	$ 649,609,881		
Statement of Net Position, Primary Government			
Cash and investments	$ 612,440,846		
Restricted cash and investments	2,257,123		
Statement of Net Position, Fiduciary Funds			
Cash and investments	28,075,156		
Restricted cash and investments	6,836,756		
Total cash and investments	$ 649,609,881		

Custodial credit risk (investments)

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

Note 3. Deposit and Investment Risk (continued)

Custodial credit risk (deposits)

The city maintains cash accounts at two major banking institutions. At the conclusion of each business day, balances in these accounts are "swept" into overnight pooled investments, which are pooled into funds collateralized with U.S. government securities (guaranteed) or U.S. agency securities (government sponsored). The California Code authorizes both of these types of investments. A small amount of cash is not swept from the checking accounts to cover checks that may be presented for payment. Amounts up to $250,000 are Federal Deposit Insurance Corporation (FDIC) insured. All funds in non-interest bearing transaction accounts are fully insured under the Dodd-Frank provision.

Concentration credit risk

Concentration credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The California state code requires that total investments in medium-term corporate notes of all issuers not exceed 30 percent of the portfolio. As of June 30, 2012, approximately 26 percent of the city's total portfolio investments, based on cost, were in medium-term corporate notes.

For concentration of investments, the city's Investment Policy requires that no more than 5 percent of investments in corporate notes be in any one issuer. There is no similar requirement in either the state code or the city's Investment Policy for U.S. agencies. As of June 30, 2012, 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 Poors downgraded U.S. long term debt one step to AA+. Competing agencies, Moody's Investors Service and Fitch Ratings, maintained their AAA rating on U.S. debt. Although the default credit risk of these investments has increased, we believe the risk of default remains low.

California state code limits investments in medium-term corporate notes to the top three credit ratings (AAA, AA, and A). However, it is the city's policy to limit investments to the top two credit ratings (AAA and AA). As of June 30, 2012, approximately 19.3 percent of the investments in medium-term corporate notes did not have one of these two credit ratings. These investments were made when the credit ratings were AA. California state code and the city's Investment Policy allow the City Treasurer to determine the course of action to correct exceptions to the Policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is greater than U.S. federal agencies, but is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within state code purchase requirements.

The Local Agency Investment Fund (LAIF) is an external investment pool managed by the California State Treasurer. Its investments are short-term and follow the investment requirements of the State. LAIF is not rated; however, the City Treasurer considers the default credit risk of LAIF to be minimal.

Money market funds held by bond trustees are rated AAA. Investment contracts held by bond trustees are not rated by rating agencies.

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2012, the portfolio had a 0.10 percent gain in market value.

The city's Investment Policy 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:

Note 3. Deposit and Investment Risk (continued)

1. As of June 30, 2012, the modified duration of the portfolio was 2.128. Modified duration is a prospective measure of the sensitivity of a fixed-income security's value to changes in market rates of interest. Modified duration identifies the potential gain/loss in value before it actually occurs. For example, a modified duration of 1.5 indicates that when and if a 1 percent change in market interest rates occurs, a 1.5 percent change in the security's value will result. Investments with modified durations of one to three are considered to be relatively conservative.

2. As of June 30, 2012, maturities within one year exceeded the required minimum of $193,817,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2011-12 Operating Budget adopted by the City Council).

3. As of June 30, 2012, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 270 days. As of June 30, 2012, LAIF had a 0.12 percent gain in market value.

4. As of June 30, 2012, the City's investment portfolio included $36,655,000 of callable step-up notes.

Note 4. Due To and From Other Funds

There were no amounts due from funds within the city to other funds within the city at June 30, 2012.

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, 2012:

Total position	Advances To	Amount	
General Fund	Financing Districts Special Revenue Funds	$ 1,404,251	
General Fund	Habitat Mitigation Fee Special Revenue Fund	338,490	(1)
General Fund	Golf Course Enterprise Fund	54,308,868	(2)
Capital Projects Funds:	Capital Project Funds:		
Community Facilities District No. 1	Traffic Impact Projects	2,597,039	(3)
Public Facilities Construction	Park Development	4,550,000	(4)
		$ 63,198,648	
General Fund	Fiduciary Funds:		
	Redevelopment Obligation Retirement Trust Funds	$ 18,758,763	(5)

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

(1) The advance between the General Fund and the Habitat Mitigation Fee Fund is estimated to be repaid from future Habitat Mitigation Fees. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
(2) The advance between the General Fund and the Golf Course Fund is estimated to be repaid over a 35-40 year period through residual operating income from golf course operations. Interest on the advance will compound annually at the average interest rate earned by the Treasurer's Pool during the fiscal year.
(3) The advance between the Community Facilities District No. 1 Fund and the Traffic Impact Projects Fund is estimated to be repaid over a 10-15 year period as Traffic Impact Fees are collected.
(4) The advance between the Public Facilities Construction Fund and the Park Development Funds is estimated to be repaid at build-out.

Note 5. Advances To and From Other Funds (continued)

(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.

Note 6. Capital Assets

Capital asset activity was as follows for the year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	$ 146,667,916	$ 217,076	$ -	$ 146,884,992
Construction in progress	156,879,839	11,821,815	(73,164,210)	95,537,444
Total capital assets, not being depreciated	303,547,755	12,038,891	(73,164,210)	242,422,436
Capital assets, being depreciated:				
Buildings	78,861,936	482,997	-	79,344,933
Improvements, other than buildings	45,458,749	-	-	45,458,749
Machinery and equipment	27,055,545	1,872,419	(571,185)	28,356,779
Infrastructure	544,139,621	69,867,998	-	614,007,619
Intangible assets	-	2,940,681	-	2,940,681
Total capital assets, Net decrease to net position o	695,515,851	75,164,095	(571,185)	770,108,761
Less accumulated depreciation for:				
Buildings	(23,555,944)	(1,810,480)	-	(25,366,424)
Improvements, other than buildings	(12,263,481)	(2,049,369)	-	(14,312,850)
Machinery and equipment	(18,607,071)	(1,902,317)	584,489	(19,924,899)
Infrastructure	(160,051,740)	(11,673,455)	-	(171,725,195)
Total accumulated depreciation	(214,478,236)	(17,435,621)	584,489	(231,329,368)
Total capital assets being depreciated, net	481,037,615	57,728,474	13,304	538,779,393
Governmental activities capital assets, net	$ 784,585,370	$ 69,767,365	$ (73,150,906)	$ 781,201,829

Note 6. Capital Assets (continued)

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	$ 9,318,388	$ -	$ -	$ 9,318,388
Construction in progress	22,398,596	2,972,638	(17,339,320)	8,031,914
Total capital assets, not being depreciated	31,716,984	2,972,638	(17,339,320)	17,350,302
Capital assets, being depreciated:				
Buildings	40,174,429	7,324,701	-	47,499,130
Improvements, other than buildings	50,856,805	-	-	50,856,805
Machinery and equipment	2,418,124	12,919	(32,251)	2,398,792
Infrastructure	290,428,237	13,573,211	-	304,001,448
Wastewater treatment facility	52,143,129	-	(1,096,047)	51,047,082
Total capital assets, being depreciated	436,020,724	20,910,831	(1,128,298)	455,803,257
Less accumulated depreciation for:				
Buildings	(4,451,509)	(907,460)	-	(5,358,969)
Improvements, other than buildings	(11,967,417)	(3,243,741)	-	(15,211,158)
Machinery and equipment	(1,914,732)	(287,017)	32,251	(2,169,498)
Infrastructure	(63,902,475)	(5,895,222)	-	(69,797,697)
Wastewater treatment facility	(27,324,565)	(1,250,233)	-	(28,574,798)
Total accumulated depreciation	(109,560,698)	(11,583,673)	32,251	(121,112,120)
Total capital assets being depreciated, net	326,460,026	9,327,158	(1,096,047)	334,691,137
Business-type activities capital assets, net	$ 358,177,010	$ 12,299,796	$ (18,435,367)	$ 352,041,439

Note 6. Capital Assets (continued)

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

General government	$ 711,562
Community development	305,030
Public safety	415,627
Community services	2,586,792
Public works	11,919,043
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	1,497,567
Total depreciation expense - governmental activities	$ 17,435,621
Business-type activities:	
Carlsbad Municipal Water District	$ 4,435,084
Wastewater	3,670,862
Golf course	3,477,727
Total depreciation expense - business-type activities	$ 11,583,673

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2012:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	$ 2,352,525	$ 970,901	$ 138,341	$ -	$ 3,461,767
Community Facilities District No. 1	35,782	-	-	-	35,782
General Capital Construction	114,251	-	-	-	114,251
Infrastructure Replacement	22,987	-	-	-	22,987
Public Facilities Construction	49,316	-	-	-	49,316
Other Governmental Funds	764,746	23,249	-	-	787,995
Subtotals	3,339,607	994,150	138,341	-	4,472,098
Internal Service Funds*	389,239	3,873,462	-	-	4,262,701
Total governmental activities	$ 3,728,846	$ 4,867,612	$ 138,341	$ -	$ 8,734,799
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water District	$ 412,102	$ 333,353	$ -	$ -	$ 745,455
Golf Course	299,103	-	-	-	299,103
Wastewater	826,695	132,738	-	-	959,433
Solid Waste	95,789	60,716	-	281,566	438,071
Total business-type activities	$ 1,633,689	$ 526,807	$ -	$ 281,566	$ 2,442,062

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

Note 8. Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2012:

	Principal Balance at July 1, 2011	Increases	Decreases	Principal Balance at June 30, 2012	Due Within One Year
Governmental activities:					
Bonds	$ 10,316,412	$ -	$10,316,412	$ -	$ -
Loans payable	581,412	204,563	311,187	474,788	315,736
Total governmental activities	$ 10,897,824	$ 204,563	$10,627,599	$ 474,788	$ 315,736
Business-type activities:					
Bonds	$ 17,670,000	$ -	$ 325,000	$ 17,345,000	$ 340,000
Installment purchase agreement	3,365,000	-	780,000	2,585,000	820,000
Loans payable	24,289,877	-	1,459,685	22,830,192	1,495,056
Obligations under capital leases	256,166	-	242,268	13,898	13,898
	45,581,043	-	2,806,953	42,774,090	2,668,954
Less discounts	(155,457)	-	(46,165)	(109,292)	(41,749)
Plus premiums	252,055	-	9,894	242,161	9,895
Total business type activities	$ 45,677,641	$ -	$ 2,770,682	$ 42,906,959	$ 2,637,100

Long-term debt at June 30, 2012 is comprised of the following issues:

Governmental long-term debt	Balance at June 30, 2012
2009 City of Carlsbad loan agreement with the California Energy Resources Conservation and Development Commission for the streetlight retrofit project totaling $785,975. Principal and interest are due in June and December of each year. Principal is due in amounts ranging from $157,469 to $159,052. The loan term is 2.5 years with an interest rate of 1.00%. Payable from streetlight assessments.	$ 474,788
Sub-total governmental long-term debt	474,788
Less current portion	315,736
Total long-term portion of governmental debt	$ 159,052

Note 8. Long-term Debt (continued)

	Balance at June 30, 2012
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds were issued totaling $18,540,000. Principal is due in varying amounts ranging from $340,000 to $1,185,000 on September 1 of each year beginning in 2008 through 2036, interest payable on March 1 and September 1 of each year through 2036, at rates varying from 4.5% to 5.00% per annum. The required reserve amount is $1,238,325. Payable from golf course operating revenues and lease payments by the City.	$ 17,345,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement bonds were issued totaling $11,080,000. Principal is due in varying amounts decrease to net position of the Successor Agency Trust Fund payable on February 1 and August 1 each year at 5.125% per annum. The required reserve amount is $937,169. Payable from sewer user fees.	2,585,000
1993 Carlsbad Municipal Water District loan agreement with the State Net decrease to net position of the Successor Agency Trust Fund as a result of amounts ranging from $123,222 to $151,558 on November 30 of each year through 2013, interest payable on November 30 of each year at 2.90% per annum. Payable from recycled water user fees.	274,780
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 $469,245 to $631,082 on June 1 of each year through 2025, interest payable on June 1 of each year at 2.50% per annum. Payable from recycled water user fees.	7,104,576
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 $874,253 to $1,201,978 on April 1 of each year through 2027, interest payable on April 1 of each year at 2.30% per annum. Payable from recycled water user fees.	15,450,836
The Carlsbad Public Financing Authority has entered into several golf course maintenance equipment lease purchase agreements and G.P.S. equipment lease purchase agreements. As of June 30, 2012, the City has purchased maintenance equipment and G.P.S. equipment totaling $1,170,745. The lease terms range from 50 to 60 months, with interest rates ranging from 4.75% to 7.71%. The leases expire between April 2012 and March 2013. Payable from golf course operating revenues and lease payments by the City.	13,898
Subtotal business-type long-term debt	42,774,090
Plus unamortized premiums and deferred charges	132,869
Less current portion	(2,637,100)
Total long-term portion of business-type debt	$ 40,269,859

Note 8. Long-term Debt (continued)

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

	Governmental Activities		Business-type Activities	
Year ended June 30:	Principal	Interest	Principal	Interest
2013	$ 315,736	$ 3,962	$ 2,668,954	$ 1,424,168
2014	159,052	798	2,718,559	1,328,096
2015	-	-	2,697,932	1,230,828
2016	-	-	1,846,301	1,156,494
2017	-	-	1,900,461	1,103,660
2018–2022	-	-	10,463,782	4,636,306
2023–2027	-	-	10,873,101	3,039,542
2028–2032	-	-	4,215,000	1,706,062
2033–2037	-	-	5,390,000	630,000
	$ 474,788	$ 4,760	$ 42,774,090	$ 16,255,156

Note 9. Rate Covenants and Pledged Revenue

Rate covenants

The 1997 Encina Financing Joint Powers Authority Installment Purchase Agreement requires that the Wastewater Fund set its charges for services each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the Fund, excluding depreciation) of at least 1.25 times debt service for that year.

The 2005 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board requires that the district set its charges for services and rates for fees each year at rates sufficient to produce net revenues (after paying the operating and maintenance expenses of the District, excluding depreciation) of at least 1.0 times debt service for that year.

The 2006 Carlsbad Public Financing Authority (authority) Revenue Bonds require the authority to set rates, fees and charges which, when added to other revenues received from the authority, are at least sufficient to yield gross revenues which are equal to or greater than amounts required to pay all operating and maintenance expenses estimated by the authority, and the principal and interest on the bonds as they become due and payable, reserve requirements, and all other payments required to meet any other obligations of the authority. If the authority is unable to generate adequate revenues to make the principal and interest payments on the bonds as they become due, the City of Carlsbad's General Fund will make the payments.

All of the revenues of the Wastewater Fund, Water District, and the Golf Course Fund are pledged to meet these rate covenants and to secure the related debt.

All rate covenants requirements were met for the year ended June 30, 2012.

Pledged revenue

The city and its component units have a number of debt issuances outstanding that are collateralized by the pledging of certain revenues. The amount and term of the remainder of these commitments are indicated in the debt service to maturity tables presented in the accompanying notes. The purpose for which the proceeds of the related debt issuances were utilized are disclosed in the debt descriptions of the accompanying notes. For the current year, debt service payments as a percentage of the pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table on the following page. These percentages also approximate the relationship of debt service to pledged revenues for the remainder of the term of the commitment:

Note 9. Rate Covenants and Pledged Revenue (continued)

Description of Pledged Revenue	Annual Amount of Pledged Revenue (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Water revenues	$ 2,868,479	$ 1,876,482	65%
Wastewater revenues	5,745,789	942,468	16%
Golf Course revenues	1,686,513	1,110,750	66%

Note 10. Debt without Government Commitment

In the opinion of city officials, the bonds listed below are not payable from any revenues or assets of the city, and neither the full faith and credit nor the taxing power of the City of Carlsbad, the State of California, nor any political subdivision thereof, is obligated to the payment of the principal or interest on the bond. Accordingly, no liability has been recorded in the accompanying financial statements.

Limited obligation improvement bonds

As of June 30, 2012, the city has four series of assessment district bonds outstanding in the amount of $59,040,000. 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, 2012, the city has two series of community facilities district (CFD) bonds outstanding in the amount of $24,435,000. 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, 2012 is $38,660,964. 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.

Note 11. Fund Balances

The following is a summary of the components of fund balances as of June 30, 2012:

	Governmental Funds			
Fund Balances	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Nonspendable:				
Inventory	$ 13,690	$ -	$ -	$ -
Prepaid items	-	-	-	-
Loans receivable	118,385	-	-	-
Due from Successor Agency*	8,107,055	-	-	-
Advances to other funds*	45,989,061	-	-	-
Totals	54,228,191	-	-	-
Restricted for:				
Affordable housing	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	66,583,785	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Totals	-	66,583,785	-	-
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	1,000,000	-	-	-
Assigned to:				
General government	14,544,241	-	-	-
Public safety	836,395	-	-	-
Community development	2,394,005	-	-	-
Community services	3,180,599	-	-	-
Public works	2,000,132	-	-	-
Capital projects	-	-	54,069,197	69,395,664
Totals	22,955,372	-	54,069,197	69,395,664
Unassigned:	61,383,660	-	-	-
Total fund balances (deficit)	$ 139,567,223	$ 66,583,785	$ 54,069,197	$69,395,664

* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of $20,714,256 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

Governmental Funds		
Public Facilities Construction	Other Governmental Funds	Total
$ -	$ -	$ 13,690
-	439,654	439,654
-	-	118,385
-	-	8,107,055
-	-	45,989,061
-	439,654	54,667,845
-	37,993,987	37,993,987
-	5,762,800	5,762,800
53,912,707	72,216,492	192,712,984
-	668,716	668,716
-	513,706	513,706
-	901,885	901,885
-	973,550	973,550
-	2,245,734	2,245,734
53,912,707	121,276,870	241,773,362
-	-	1,000,000
-	-	1,000,000
-	-	14,544,241
-	-	836,395
-	-	2,394,005
-	-	3,180,599
-	-	2,000,132
-	-	123,464,861
-	-	146,420,233
-	-	61,383,660
$ 53,912,707	$ 121,716,524	$ 505,245,100

Note 11. Fund Balances (continued)

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

Nonspendable Fund Balance

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

Spendable Fund Balance

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

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Council. It includes legislation (council action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the council action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The city considers a resolution to constitute the formal action of the City Council that is necessary to commit fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Council, but does not require a formal action like a resolution or ordinance. The Council may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes. Such delegation of authority has not yet been granted to persons or bodies other than the City Council.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the city's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

Note 12. General Fund Balance Policy

It is the policy of the City of Carlsbad to maintain a minimum reserve for unforeseen emergencies or catastrophic impacts upon the city, and whenever fiscally possible and financially prudent, to maintain a greater target reserve. The minimum reserve of the General Fund would be 30 percent of General Fund operating expenditures and the target reserve would be a range of 40 percent to 50 percent of General Fund operating expenditures. The minimum reserve would provide approximately three to four months of operating expenditures for unforeseen emergencies and the target reserve of 40 percent to 50 percent would provide approximately five to six months of operating expenditures for catastrophic events.

Note 13. Accumulated Fund Deficits/Negative Net Position

The following funds reported deficits in fund balances or net position as of June 30, 2012:

	Deficit Balance
Golf Course	$ (15,717,662)

Note 14. Interfund Transfers

Interfund transfers for the year ended June 30, 2012, consisted of the following:

Total position	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	$ 10,000
Infrastructure Replacement	General Fund	7,382,000
Capital Project Funds:		
General Capital Construction	General Fund	1,629,806
Redevelopment Agency	Redevelopment Debt Service Fund	315,000
Grants and Other Funds	Sales Tax/TransNet Capital Project Fund	58,012
Enterprise Funds:		
Storm Water Protection	General Fund	165,497
Golf Course	General Fund	1,644,592
Internal Service Funds:		
Worker's Compensation	General Fund	1,400,000
Special Revenue Funds:		
Affordable Housing	Low and Moderate Income Housing Special Revenue Fund	7,119,666
Affordable Housing	Redevelopment Agency Capital Project Fund	797,538
Affordable Housing	Tyler Court Apartments Special Revenue Fund	2,102,115
Financing Districts	General Fund	473,000
		$ 23,097,226

Transfers are used to (1) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (2) move revenues and expenditures to the appropriate funds, (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, (4) move certain cash and assets from the former Redevelopment Agency to the city per State Assembly Bills 1X 26 and 1484, and (5) move excess cash collected for future capital replacement in accordance with Council authorization.

Note 15. Risk Management

The city is exposed to various risks of loss related to its operations, including losses associated with errors and omissions and injuries to employees and members of the public. The city uses a Risk Management Self-Insurance Fund, a Self Insured Benefits Fund and a Workers' Compensation Fund (all internal service funds) to account for and finance its uninsured risks of loss. All other funds of the city make payments to these funds based on annual estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Since July 1, 1999, the city has been a member of Alliant Insurance Services, Inc.'s group purchase program for general liability coverage, known as the California Municipal Excess Liability Program (CAMEL), or this year known as the Alliant National Municipal Liability Program (ANML). Under this program the city's coverage is a maximum of $10,000,000 per occurrence with a self-insured retention (SIR) of $1,000,000 and a "corridor" deductible of $500,000, which counts as part of the $10,000,000 of coverage. The "corridor" deductible means the city will be responsible for a claim or claims up to $1,000,000 for each occurrence, and a total of $500,000 whether it's spent on one or more of those claims. After the $500,000 corridor deductible is spent the city's SIR is simply $1,000,000 per occurrence, with no additional deductible. At June 30, 2012, the unrestricted fund equity for the Risk Management Self-Insurance fund was approximately $295,000.

Note 15. Risk Management (continued)

Dental insurance coverage for city employees is administered by MetLife. Under the city's agreement with MetLife, MetLife will pay dental claims for each covered member, up to a maximum of $1,500 per calendar year.

The city is insured for workers' compensation claims by Safety National. Safety National provides coverage up to a maximum of $2,000,000 per occurrence for losses which exceed the city's self-insured retention of $1,000,000 per claim for police and fire employees, and $750,000 for all other employees. At June 30, 2012, the unrestricted fund equity for the Workers' Compensation Self-Insurance fund was approximately $1,488,000.

The estimated claims payable reported at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settled cases did not exceed insurance coverage during the past fiscal year.

Changes in the estimated claims payable amounts in Fiscal Years 2011 and 2012 for the three internal service funds are as follows:

	Claims			
	Beginning Balance	Expense and Changes in Estimates	Claim Payments	Ending Balance
Self-Insured Benefits Fund:				
2010-11	$ 76,967	$ 786,391	$ (787,776)	$ 75,582
2011-12	75,582	808,339	(805,977)	77,944
Risk Management Fund:				
2010-11	251,466	2,482,440	(1,894,644)	839,262
2011-12	839,262	684,177	(1,058,869)	464,570
Workers' Compensation Fund:				
2010-11	3,611,326	4,394,248	(2,882,783)	5,122,791
2011-12	5,122,791	2,236,625	(2,117,406)	5,242,010

Note 16. Joint Ventures

Encina Water Pollution Control Facilities

The Encina Water Pollution Control Facilities (the facilities) are wastewater facilities owned jointly by the cities of Carlsbad, Vista and Encinitas and the Leucadia County Water District, the Buena Vista Sanitation District and the Vallecitos Water District. The Encina Wastewater Authority (EWA) is a joint powers authority established to operate and administer the facilities. It is responsible for the management, maintenance and operations of the joint system. Ownership interests in the facilities are determined by joint agreement at the time the assets are acquired. As of June 30, 2012, the cities and districts have the following approximate ownership interest:

City of Carlsbad	25%
City of Vista	21%
Leucadia Wastewater District	21%
Vallecitos Water District	20%
Buena Sanitation District	8%
City of Encinitas	5%

Note 16. Joint Ventures (continued)

EWA's financial statements for the fiscal year ended June 30, 2011 (the latest available) reflect the following:

Total assets	$ 127,222,958
Total liabilities	2,788,259
Net position	$ 124,434,699

The EWA does not recognize net income or loss. Net operating expenditures in excess of users' assessments are treated as accounts receivable on EWA's books and charged to users' accounts in the following year. Conversely, users' assessments in excess of net operating expenditures are treated as a liability and credited against users' accounts, also in the following year. Under this basis, net operating loss (before member billings) for the EWA totaled $77,147 in Fiscal Year 2011. The financial statements of the EWA can be obtained at 6200 Avenida Encinas, Carlsbad, California 92011 or at www.encinajpa.com.

Encina Financing Joint Powers Authority

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

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

In August 1989, the Authority issued $33,500,000 of revenue bonds and executed installment purchase agreements for approximately the same amount. In February 1997, bonds were issued by the Authority to refinance and defease the outstanding bonds. Two of the members (Buena and Vista) defeased their 1989 obligations through available funds; while Carlsbad and Leucadia refinanced their obligations, and in 2011, Leucadia paid off their obligation in full. Repayment of the remaining bonds will be accomplished through payments made by Carlsbad pursuant to the new installment purchase agreement. The agreement sets forth the purchase price and specifies the debt service requirement for Carlsbad.

The following is a table of the outstanding balance owed as of June 30, 2012:

	Agreement Balance
City of Carlsbad	$ 2,585,000

The installment balances are secured by a pledge of the revenues from each member's wastewater system, net of a deduction for maintenance and operating costs. Significant covenants within the agreements require the members to maintain insurance on the facility, and establish wastewater rates which are sufficient to pay the operating costs and debt service on the bonds and which will result in net revenues equal to at least 1.25 times the annual installment payments due.

The city's share in the accounts of the Authority is recorded in the Wastewater Enterprise Fund. The expansion of the facility is shown as a capital asset of the Wastewater Enterprise Fund.

Note 17. Retirement Plan

Plan description

The City of Carlsbad contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions, and all other requirements, are established by state statutes and city ordinances. Copies of PERS' annual financial report may be obtained from their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

Participants are required to contribute 8 percent (9 percent for safety employees) of their annual covered salary. The city makes 3.5 percent of the required 8 percent contributions for non-safety employees. In June 2010, non-management fire employees began paying the entire 9 percent employee contribution. Non-management police employees began paying the entire 9 percent employee contribution in July 2011. The non-safety employees (excluding management and police management employees) will begin paying an additional 3.5 percent of the employee rate effective December 2012. The city is required to contribute at an actuarially determined rate. For the year ended June 30, 2012, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 32.065 percent for safety employees and 22.337 percent for miscellaneous employees. The contribution requirements of plan members and the city are established by PERS.

Annual pension cost

For Fiscal Year 2011-12, the city's annual pension cost (employer contribution) of $5,788,200 for safety and $7,397,030 for miscellaneous to PERS was equal to the city's required and actual contributions. For Fiscal Year 2011-12, the member contributions paid by the city and its employees were $50,398 for safety and $1,600,166 for miscellaneous. The required contribution was determined as part of the June 30, 2009, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.55 percent to 14.45 percent depending on age, service and type of employment, (c) 3.0 percent inflation factor, (d) payroll growth of 3.25 percent, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.0 percent and an annual production growth of 0.25 percent. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30 year rolling period, which results in an amortization of about 6 percent of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Three-year trend information for PERS (safety)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	$ 5,316,346	100%	$ -
6/30/11	5,108,849	100%	-
6/30/12	5,788,200	100%	-

Note 17. Retirement Plan (continued)

Three-year trend information for PERS (miscellaneous)

Fiscal Year Ending	Annual Pension Cost (Employer Contribution)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	$ 7,057,225	100%	$ -
6/30/11	6,997,307	100%	-
6/30/12	7,397,030	100%	-

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The Schedule of Funding Progress presented below presents multi-year trend information showing whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

Funded status of plan (safety)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Funded Ratios Market Value	Annual Covered Payroll	UAAL As a % of Payroll
6/30/08	$ 159,660,856	$ 133,696,152	$ 25,964,704	83.7%	85.1%	$ 18,238,046	142.4%
6/30/09	173,971,277	142,240,435	31,730,842	81.8%	59.6%	18,620,746	170.4%
6/30/10	186,693,481	150,887,842	35,805,639	80.8%	63.5%	19,077,182	187.7%

Funded status of plan (miscellaneous)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Funded Ratios Market Value	Annual Covered Payroll	UAAL As a % of Payroll
6/30/08	$ 198,837,324	$ 160,890,751	$ 37,946,573	80.9%	81.8%	$ 32,703,701	116.0%
6/30/09	218,434,013	172,143,755	46,290,258	78.8%	57.3%	34,104,832	135.7%
6/30/10	231,919,508	185,069,352	46,850,156	79.8%	62.8%	33,156,896	141.3%

Note 18. Postretirement Healthcare

During the year ended June 30, 2008, the city implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for postemployment benefits. Previously, the costs of such benefits were generally recognized as expenditures/expenses of local government employers on a pay-as-you-go basis. The new reporting requirements for these benefit programs, as they pertain the the City of Carlsbad and the Carlsbad Municipal Water District, are set forth below.

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

Plan descriptions

Carlsbad Municipal Water District

The first plan is for active and retired employees who were employed with the Carlsbad Municipal Water District (CMWD) at the time the district was acquired by the city. Per Resolution 614, all former employees of CMWD (including dependents) are eligible for postretirement health care benefits if they voluntarily retire after the age of 50, with no less than five years of service and whose age, combined with years of service, equals 70 or more. There are approximately five active and sixteen retired plan members as of June 30, 2012.

The city pays for 100 percent of the premiums for health insurance which is coordinated with Medicare and other benefits provided by federal and state law, when available, to the extent it reduces the cost of insurance premiums. This plan is administered by the Association of California Water Agencies (ACWA).

City of Carlsbad

City of Carlsbad (city) employees are offered health insurance coverage under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by the California Public Employees Retirement System (CalPERS). Under PEMHCA, the city is required to pay a small portion of the monthly medical premiums of retired employees (considered a subsidy), if the retired employees continue their medical coverage under PEMHCA. There are approximately 647 active and 140 retired plan members as of June 30, 2012. Surviving spouses of eligible retirees are eligible for the city subsidy. Surviving spouses/domestic partners of deceased active members are eligible for the city subsidy only if the employee had attained age 50 with five years of service.

The city pays a monthly subsidy per eligible employee/retiree regardless of coverage elected:

Calendar Year 2011	$108.00
Calendar Year 2012	112.00
Calendar Year 2013	115.00

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

California Public Employer's Retiree Benefit Trust Program

The city is participating in the California Employer's Retiree Benefit Trust Program (CERBT) through irrevocable trust agreements for both plans. CERBT, an agent multiple-employer plan, is administered by the California Public Employee's Retirement System (CalPERS). The city does not issue separate stand-alone financial reports for either of the two plans. The city's OPEB financial statements will be included in the CalPERS annual financial report. The CalPERS annual financial report can be obtained by contacting their executive office: Lincoln Plaza, 400 P Street, Sacramento, California 95814.

Funding policy

The obligation of the CMWD to contribute to the CMWD plan is established, and may not be amended by the CMWD Board. The obligation of the city to contribute to the city plan is established, and as long as the city is a member of PEMHCA, may not be amended by the City Council. The City Council does have the authority to change health insurance coverage outside of PEMHCA, which could change the funding obligation for city employees.

Note 18. Postretirement Healthcare (continued)

Employees are not required to contribute to the plan. The city and CMWD are required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years on a "closed" basis. The city's and CMWD's annual OPEB costs for the current year and the related information for each plan are as follows:

Annual OPEB cost

	CMWD	City
2011-12 Annual Required Contribution (ARC)	$ 176,552	$ 295,613
2011-12 Contributions Made	(176,552)	(295,613)
Funding of Prior Year Obligation	-	-
Increase (Decrease) in Net OPEB Obligation	-	-
Net OPEB Obligation - beginning of year	-	-
Net OPEB Obligation - end of year	$ -	$ -

The city's and CMWD's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2012 were as follows:

Three-year trend information for OPEB (CMWD)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$ 22,139	100.0%	$ -
6/30/11	160,397	100.0%	-
6/30/12	176,552	100.0%	-

Three-year trend information for OPEB (city)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$ 306,947	100.0%	$ -
6/30/11	405,465	100.0%	-
6/30/12	295,613	100.0%	-

Note 18. Postretirement Healthcare (continued)

Funded status and funding progress

The funded status of the plans as of June 30, 2012, was as follows:

	CMWD	City
Actuarial Accrued Liability (a)	$ 4,010,189	$ 6,304,638
Actuarial Value of Plan Assets (b)	2,414,763	6,587,204
Unfunded Actuarial Accrued Liability	$ 1,595,426	$ (282,566)
Funded Ratio (b)/(a)	60.2%	104.5%
Covered Payroll	$ 412,676	$ 50,750,171
UAAL as a percentage of Covered Payroll	386.6%	-0.6%

During Fiscal Year 2007-08, the city and CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006. The city and CMWD are required to have bi-annual actuarial valuations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

Actuarial methods and assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Unfunded liabilities are amortized over a closed period based on a level dollar amortization over 30 years.

In the June 30, 2011 actuarial valuation, the projected unit credit cost method was used to determine the benefit obligations. The actuarial assumptions for the CMWD plan included a 7.61 percent investment rate of return (net of administrative expenses) and a medical inflation rate of 8.5 percent per annum graded down each year in quarter percent increments to an ultimate rate of 5.86 percent. The actuarial assumptions for the city plan included a 7.61 percent investment rate of return (net of administrative expenses), a medical inflation rate of 8.5 percent per annum graded down each year in one half percent increments to an ultimate rate of 5 percent, and a city subsidy rate increasing at a rate of 4.25 percent.

The annual required contribution under this method equals the normal cost plus the amortization of the unfunded actuarial accrued liability. The plan costs are derived by making certain specific assumptions as to the rates of interest, mortality, turnover, and the like, which are assumed to hold for many years into the future. Actual experience may differ somewhat from the assumptions and the effect of such differences is spread over all periods. Due to these differences, the costs determined by the valuation must be regarded as estimates of the true plan costs.

Note 18. Postretirement Healthcare (continued)

Funded status of plan (CMWD)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Annual Covered Payroll	UAAL As a % of Payroll
6/30/08	$ 2,355,945	$ 2,508,087	$ (152,142)	106.5%	$ 491,788	-30.9% *
6/30/10	3,561,082	1,958,554	1,602,528	55.0%	319,932	500.9%
6/30/11	4,010,189	2,414,763	1,595,426	60.2%	412,676	386.6%

Funded status of plan (city)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Annual Covered Payroll	UAAL As a % of Payroll
06/30/08	$ 5,427,245	$ 5,317,868	$ 109,377	98.0%	$ 50,449,959	0.2% *
6/30/10	6,147,434	5,098,017	1,049,417	82.9%	51,741,620	2.0%
6/30/11	6,304,638	6,587,204	(282,566)	104.5%	50,750,171	-0.6%

* During Fiscal Year 2007-08, the city and the CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006. This was done in conjunction with the implementation of GASB No. 45. At time of implementation, the city elected to retroactively apply GASB No. 45 for a number of years equivalent to the payment made.

Note 19. Commitments and Contingencies

Operating leases

The city acting as the Successor Agency for the former City of Carlsbad Redevelopment Agency has one parking lot lease and one building lease, each on a month-to-month lease term.

Water purchase agreements

On March 25, 1991, CMWD entered into a twenty year agreement with the Leucadia County Water District, to purchase recycled water to be used primarily for irrigation at the La Costa Resort & Spa golf course, and for other appropriate uses within the Carlsbad Municipal Water District (CMWD) boundaries. CMWD agreed to purchase a minimum of 394 acre feet of recycled water per fiscal year, at a basic price of retail potable water charged to residential users within the CMWD boundary. The current cost is $1,222.84 per acre foot or a minimum of $481,800 per fiscal year, regardless of the actual amount used.

On August 5, 2003, CMWD entered into a twenty-two year agreement with the Vallecitos Water District, to purchase three million gallons per day (3,360 acre feet) of recycled water for uses throughout CMWD's boundaries. The agreement stipulates that CMWD pay for its share of the actual operating costs (up to a maximum cost of 75 percent of the wholesale cost of potable water from the San Diego County Water Authority) of the Mahr Reservoir, which produces the water. The estimated operating costs paid by CMWD for the period ended June 30, 2012 is $1,315,384.

Note 19. Commitments and Contingencies (continued)

As of June 30, 2012, city commitments for outstanding encumbrances (purchase orders and contracts for goods and services not yet delivered) by major governmental fund and nonmajor funds in the aggregate are as follows:

	Outstanding Encumbrances
General Fund	$ 5,830,469
Community Facilities District No. 1	35,416
General Capital Construction	12,570,176
Infrastructure Replacement	463,323
Public Facilities Construction	16,577,076
Nonmajor Governmental Funds in the Aggregate	3,031,679
Total	$ 38,508,139

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

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

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

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

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

The bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required by the bill to order the available assets to be transferred to the public body designated as the successor agency.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the city are enforceable obligations payable by the successor agency trust under the requirements of the bill. The city's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the city. The ability of the Successor Agency to repay the city is dependent upon the sufficiency of available tax revenues to fund such repayment. Revenues are only available for repayment to the extent that all other obligations of the Successor Agency have been provided for in accordance with a complex computation set forth in California Assembly Bill No. 1484. The city believes that there will be sufficient tax revenue to permit eventual repayment in full to the City of Carlsbad.

In accordance with the timeline set forth in the bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entities as of February 1, 2012.

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

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the city (Redevelopment debt service fund, Low and Moderate Income Housing special revenue fund, Tyler Court Apartments special revenue fund and Redevelopment Agency capital project funds). After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the city pending the liquidation and distribution of the assets and liabilities of the former redevelopment agency in accordance with state law.

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the city to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary loss (gain) recognized in the governmental funds was not the same amount as the extraordinary gain (loss) that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary gain reported in governmental funds - increase to net position of the Successor Agency Trust Fund	$ 12,847,381
Capital assets recorded in the government-wide financial statements - increase to net position of the Successor Agency Trust Fund	(8,767)
Accrued interest on advances from the City of Carlsbad were adjusted to reflect the rate of return on LAIF investments going back to the initial date of the advances	(1,758,753)
Accrued bond interest reported in the government-wide financial statements - decrease to net position of the Successor Agency Trust Fund	201,913
Long-term debt reported in the government-wide financial statements - decrease to net position of the Successor Agency Trust Fund	9,195,000
Net decrease to net position of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the city)	$ 20,476,774

Capital Assets

Capital asset activity was as follows for the year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Balance at June 30, 2012
Machinery and equipment	$ -	$ 26,946	$ -	$ 26,946
Less accumulated depreciation	-	(19,311)	-	(19,311)
Total capital assets	$ -	$ 7,635	$ -	$ 7,635

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

Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2012:

	Principal Balance at July 1, 2011	Increases	Decreases	Principal Balance at June 30, 2012	Due Within One Year
Bonds	$ -	$ 9,195,000	$ -	$ 9,195,000	$ 570,000
Due to the City of Carlsbad	-	18,758,763	-	18,758,763	-
	$ -	$ 27,953,763	$ -	$ 27,953,763	$ 570,000

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling $15,495,000. Principal is due in amounts ranging from $570,000 to $1,000,000 on September 1 of each year through 2024. Interest is payable on March 1 and September 1 at rates varying from 5.25% to 5.30% per annum. The city posted a surety bond in lieu of a cash reserve in the amount of $1,055,953. Bonds are payable from redevelopment property tax increment revenues. Minimum annual debt service requirements have not been established for the obligation of the Successor Agency to the City of Carlsbad.

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

	Governmental Activities	
Year ended June 30:	Principal	Interest
2013	$ 570,000	$ 469,627
2014	600,000	438,915
2015	630,000	406,628
2016	665,000	372,634
2017	700,000	336,802
2018–2022	4,080,000	1,077,296
2023–2024	1,950,000	104,675
	$ 9,195,000	$ 3,206,577

The California Department of Finance has not accepted as an enforceable obligation the city's funding of a loan (Tavarua) to a housing organization in the amount of $3,223,238. The city is appealing this determination. In the event that the city is unsuccessful in its appeal, other funds of the city will need to reimburse the Successor Agency for the funding of this loan.

Pledged Revenue

The Successor Agency has a debt issuance outstanding that is collateralized by the pledging of certain revenues. The amount and term of the remainder of this commitment is indicated in the debt service to maturity table presented above. The purpose for which the proceeds of the related debt issuance was utilized is disclosed in the debt description above. For the current year, debt service payments as a percentage of pledged gross revenue (net of certain expenses where so required by the debt agreement) are indicated in the table 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 (net of expenses)	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment (Village Area)	$ 2,552,971	$ 1,038,765	41%

Note 21. Prior Period Adjustments

The City of Carlsbad changed the funding source for the Carlsbad Boulevard realignment project from redevelopment tax increment to TransNet and General Capital Construction funds. The impact on the Redevelopment Agency Capital Project Fund was a reduction in prior year capital expenditures of $136,944 as well as $73,227 in prior year interest expenditures on advances made from the SalesTax/TransNet Fund and the General Capital Construction Fund. The interest expenditures were reflected as deferred revenues in the Sales Tax/TransNet and General Capital Construction Funds, therefore the reversal of these entries does not impact fund balance as the revenue was never recognized. The effect of this change on the beginning fund balances of the Sales Tax/TransNet and Redevelopment Agency Funds in the Combining Fund Statements – Nonmajor Governmental Funds and the Other Governmental Funds in the fund financial statements are as follows:

	Combining Fund Statements - Nonmajor Governmental Funds		Fund Financial Statements	
	Redevelopment Agency Capital Project Fund	Sales Tax/TransNet Capital Project Fund	Other Governmental Funds	Government-wide Governmental Activities
Total fund balances at July 1, 2011	$ 1,587,095	$ 9,906,956	$ 104,429,392	$ 1,296,326,106
Change the funding source for the Carlsbad Blvd. realignment project	210,171	(136,944)	73,227	73,227
Total fund balances at July 1, 2011, as restated	$ 1,797,266	$ 9,770,012	$ 104,502,619	$ 1,296,399,333

The City of Carlsbad had previously loaned funds to a developer for the construction of the Roosevelt Gardens condominiums. At the time of the loan, the funds were given to Habitat for Humanity with a stipulation that, when all of the units were sold to the private homeowners, the loans would transfer to the homeowners. In addition, land that was also given to Habitat for Humanity for the project would also convert to loans to the individual homeowners. The loans were initially recorded as loans from the Affordable Housing Special Revenue Fund ($797,539), although they should have been reflected as loans from the Redevelopment Agency Capital Project Fund. The land was previously in the Low and Moderate Income Housing Special Revenue Fund ($785,884) and the loan receivable was not adjusted when the loans transferred to the individual property owners to reflect the value of the property. The effect of this change on the beginning fund balances of the Low and Moderate Income Housing and the Affordable Housing Special Revenue Funds in the Combining Fund Statements – Nonmajor Governmental Funds and the Other Governmental Funds in the fund financial statements are as follows:

	Combining Fund Statements - Nonmajor Governmental Funds			Fund Financial Statements	
	Affordable Housing Special Revenue Fund	Low and Moderate Income Housing Special Revenue Fund	Redevelopment Agency Capital Project Fund	Other Governmental Funds	Government-wide Governmental Activities
Total fund balances at July 1, 2011, as restated	$ 26,268,954	$ 10,103,732	$ 1,797,266	$ 104,502,619	$ 1,296,399,333
To assign the Roosevelt Garden Loan to the proper fund	(797,539)	785,884	797,539	785,884	785,884
Total fund balances at July 1, 2011, as restated	$ 25,471,415	$ 10,889,616	$ 2,594,805	$ 105,288,503	$ 1,297,185,217

The City of Carlsbad had previously given Catholic Charities $132,892 in funds for the construction of the La Posada de Guadalupe homeless shelter for men. These funds were designated to be loaned to Catholic Charities, however, the funds were recorded as expenditures in the prior fiscal years. The effect of this change on the beginning fund balances of the Community Block Grant Special Revenue Fund in the Combining Fund Statements – Nonmajor Governmental Funds and the Other Governmental Funds in the fund financial statements are as follows:

Note 21. Prior Period Adjustments (continued)

	Combining Fund Statements Nonmajor Governmental Funds	Fund Financial Statements	
	Community Development Block Grant	Other Governmental Funds	Government-wide Governmental Activities
Total fund balances at July 1, 2011, as restated	$ 2,029,724	$ 105,288,503	$ 1,297,185,217
To reflect the disbursements made to Catholic Charities as a loan	132,892	132,892	132,892
Total fund balances at July 1, 2011, as restated	$ 2,162,616	$ 105,421,395	$ 1,297,318,109

The City of Carlsbad wrote off the remaining unamortized cost of bond issuance for the golf course bonds in accordance with the implementation of GASB 65. The effect of this change on the beginning net position balance of the Golf Course Proprietary Fund is as follows:

	Golf Course Proprietary Fund	Government-wide Business-type Activities
Net position at July 1, 2011	$ (12,035,042)	$ 397,922,764
Write-off unamortized debt issuance costs from bond issuance	(356,483)	(356,483)
Net position at July 1, 2011, as restated	$ (12,391,525)	$ 397,566,281

Note 22. Implementation of New GASB's

The accompanying financial statements reflect the implementation of GASB Statements Nos. 63 and 65. Significant impacts of GASB Statement No. 63 include changing the title of the statement of net assets to the statement of net position and reformatting the statement of net position to add separate sections for deferred inflows of resources and deferred outflows of resources. Significant impacts of GASB Statement No. 65 include reclassifying as deferred inflows of resources and deferred outflows of resources certain balances that were previously reported as assets and liabilities. GASB Statement No. 65 also required that debt issuance costs be reported as expenses when incurred. The retroactive effects of implementing this change in reporting debt issuance costs resulted in a restatement of the beginning net position of certain funds, as described further in Note 21.

SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Special Revenue Funds			
ASSETS	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Cash and investments	$ 19,070,126	$ 222,577	$ 1,950,748	$ 3,742,888
Receivables:				
Other	-	-	-	75,410
Accounts, net	-	-	-	3,643
Due from other governments	-	-	-	-
Prepaid items	-	-	-	-
Loan receivables	18,314,281	681,108	-	-
Total assets	$ 37,384,407	$ 903,685	$ 1,950,748	$ 3,821,941
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	$ 5,163	$ 1,800	$ 13,047	$ 171,956
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	1,404,251
Unearned revenue	-	-	-	-
Total liabilities	5,163	1,800	13,047	1,576,207
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	37,379,244	-	-	-
Habitat and agricultural mitigation/preservation	-	-	964,151	-
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	901,885	-	-
Community services	-	-	973,550	-
Public works	-	-	-	2,245,734
Total fund balances	37,379,244	901,885	1,937,701	2,245,734
Total liabilities and fund balances	$ 37,384,407	$ 903,685	$ 1,950,748	$ 3,821,941

Special Revenue Funds							
Gas Tax	Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
$ 15,513,138	$ 5,137,139	$ -	$ 605,909	$ 194,725	$ 591,884	$ 44,869	$ 47,074,003
-	-	-	92,830	-	-	-	168,240
-	-	-	-	-	46,277	-	49,920
-	-	-	-	671,300	220	-	671,520
-	-	-	-	-	439,654	-	439,654
-	-	-	-	-	-	-	18,995,389
$ 15,513,138	$ 5,137,139	$ -	$ 698,739	$ 866,025	$ 1,078,035	$ 44,869	$ 67,398,726
$ 121,925	$ -	$ -	$ 30,023	$ 104,562	$ 12,029	$ -	$ 460,505
-	-	-	-	-	28,517	26,295	54,812
-	338,490	-	-	-	-	-	1,742,741
490,071	-	-	-	247,757	-	1,666	739,494
611,996	338,490	-	30,023	352,319	40,546	27,961	2,997,552
-	-	-	-	-	439,654	-	439,654
-	-	-	-	-	597,835	16,908	37,993,987
-	4,798,649	-	-	-	-	-	5,762,800
14,901,142	-	-	-	-	-	-	14,901,142
-	-	-	668,716	-	-	-	668,716
-	-	-	-	513,706	-	-	513,706
-	-	-	-	-	-	-	901,885
-	-	-	-	-	-	-	973,550
-	-	-	-	-	-	-	2,245,734
14,901,142	4,798,649	-	668,716	513,706	1,037,489	16,908	64,401,174
$ 15,513,138	$ 5,137,139	$ -	$ 698,739	$ 866,025	$ 1,078,035	$ 44,869	$ 67,398,726

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2012

	Debt Service Fund	Capital Project Funds			
ASSETS	Redevelopment Debt Service	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
Cash and investments	$ -	$ 9,730,121	$ 9,245,285	$ 478,736	$ 6,593,461
Receivables:					
Other	-	-	-	-	-
Accounts, net	-	-	-	-	-
Due from other governments	-	-	-	61,556	-
Prepaid items	-	-	-	-	-
Loan receivables	-	-	-	-	-
Total assets	$ -	$ 9,730,121	$ 9,245,285	$ 540,292	$ 6,593,461
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	$ -	$ -	$ -	$ 133,960	$ -
Deposits payable	-	312,654	-	-	-
Advances from other funds	-	-	-	-	4,550,000
Unearned revenue	-	-	-	29,173	-
Total liabilities	-	312,654	-	163,133	4,550,000
Fund balances:					
Nonspendable:					
Prepaid items	-	-	-	-	-
Restricted:					
Affordable, low and moderate income housing	-	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-	-
Capital projects	-	9,417,467	9,245,285	377,159	2,043,461
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Total fund balances	-	9,417,467	9,245,285	377,159	2,043,461
Total liabilities and fund balances	$ -	$ 9,730,121	$ 9,245,285	$ 540,292	$ 6,593,461

Capital Project Funds						
Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
$ 5,580,959	$ 4,948,632	$ -	$ 9,445,051	$ 19,300,680	$ 65,322,925	$ 112,396,928
-	-	-	-	-	-	168,240
-	-	-	-	-	-	49,920
-	-	-	49,225	-	110,781	782,301
-	-	-	-	-	-	439,654
-	-	-	-	-	-	18,995,389
$ 5,580,959	$ 4,948,632	$ -	$ 9,494,276	$ 19,300,680	$ 65,433,706	$ 132,832,432
$ -	$ 3,469	$ -	$ 186,111	$ 3,950	$ 327,490	$ 787,995
-	-	-	-	-	312,654	367,466
-	-	-	-	2,597,039	7,147,039	8,889,780
-	-	-	-	302,000	331,173	1,070,667
-	3,469	-	186,111	2,902,989	8,118,356	11,115,908
-	-	-	-	-	-	439,654
-	-	-	-	-	-	37,993,987
-	-	-	-	-	-	5,762,800
5,580,959	4,945,163	-	9,308,165	16,397,691	57,315,350	72,216,492
-	-	-	-	-	-	668,716
-	-	-	-	-	-	513,706
-	-	-	-	-	-	901,885
-	-	-	-	-	-	973,550
-	-	-	-	-	-	2,245,734
5,580,959	4,945,163	-	9,308,165	16,397,691	57,315,350	121,716,524
$ 5,580,959	$ 4,948,632	$ -	$ 9,494,276	$ 19,300,680	$ 65,433,706	$ 132,832,432

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Intergovernmental	42,341	-	5,000	204,563
Charges for services	96,750	-	-	2,321,623
Fines and forfeitures	-	-	-	-
Income from property and investments	204,588	22,480	22,777	42,510
Contributions from property owners	2,213,648	3,852	-	-
Donations	-	-	205,699	-
Miscellaneous	-	-	23,049	-
Total revenues	2,557,327	26,332	256,525	2,568,696
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	522,916	1,287,063	-	-
Community services	-	-	236,419	-
Public works	-	-	-	2,609,179
Capital outlay	145,901	-	1,325	-
Debt service:				
Principal retirement	-	-	-	311,187
Interest and fiscal charges	-	-	-	8,512
Total expenditures	668,817	1,287,063	237,744	2,928,878
Excess (deficiency) of revenues over (under) expenditures	1,888,510	(1,260,731)	18,781	(360,182)
Other financing sources (uses):				
Transfers in	10,019,319	-	-	473,000
Transfers out	-	-	-	-
Total other financing sources (uses)	10,019,319	-	-	473,000
Extraordinary gain (loss)	-	-	-	-
Net change in fund balances	11,907,829	(1,260,731)	18,781	112,818
Fund balances (deficits) at beginning of year, as restated	25,471,415	2,162,616	1,918,920	2,132,916
Fund balances at end of year	$37,379,244	$ 901,885	$ 1,937,701	$2,245,734

Special Revenue Funds							
Gas Tax	Habitat and Agricultural Management	Low and Moderate Income Housing	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
$ 3,006,185	$ -	$ 1,387	$ -	$ -	$ -	$ -	$ 3,007,572
51,867	-	-	-	703,692	6,028,802	-	7,036,265
-	-	-	-	-	-	455,511	2,873,884
-	-	-	-	49,661	-	-	49,661
182,819	57,989	51,835	6,899	8,259	6,855	24,252	631,263
-	182,337	15,000	368,282	-	-	-	2,783,119
-	-	-	-	-	-	-	205,699
6,000	-	-	-	-	20,215	-	49,264
3,246,871	240,326	68,222	375,181	761,612	6,055,872	479,763	16,636,727
-	-	-	178,387	-	-	-	178,387
-	-	-	-	374,319	-	-	374,319
-	600,623	44,392	-	-	6,620,113	391,215	9,466,322
-	-	-	-	-	-	-	236,419
600,000	-	-	-	-	-	-	3,209,179
940,072	217,075	-	31,035	720,737	-	-	2,056,145
-	-	-	-	-	-	-	311,187
-	1,027	-	-	-	-	-	9,539
1,540,072	818,725	44,392	209,422	1,095,056	6,620,113	391,215	15,841,497
1,706,799	(578,399)	23,830	165,759	(333,444)	(564,241)	88,548	795,230
-	-	-	-	-	-	-	10,492,319
(10,000)	-	(7,119,666)	-	-	-	(2,102,115)	(9,231,781)
							-
(10,000)	-	(7,119,666)	-	-	-	(2,102,115)	1,260,538
-	-	(3,793,780)	-	-	-	-	(3,793,780)
1,696,799	(578,399)	(10,889,616)	165,759	(333,444)	(564,241)	(2,013,567)	(1,738,012)
13,204,343	5,377,048	10,889,616	502,957	847,150	1,601,730	2,030,475	66,139,186
$ 14,901,142	$ 4,798,649	$ -	$ 668,716	$ 513,706	$ 1,037,489	$ 16,908	$ 64,401,174

(Continued)

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2012

	Debt Service Fund	Capital Project Funds			
	Redevelopment Debt Service	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
Revenues:					
Taxes	$ 1,568,510	$ -	$ -	$ -	$ -
Intergovernmental	-	-	-	308,812	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Income from property and investments	3,910	25,185	107,604	4,689	79,588
Contributions from property owners	-	-	648,577	-	1,363,990
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total revenues	1,572,420	25,185	756,181	313,501	1,443,578
Expenditures:					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Community development	10,208	-	-	-	-
Community services	-	-	-	-	-
Public works	-	-	-	-	-
Capital outlay	-	592	7,970	1,467,460	67,439
Debt service:					
Principal retirement	540,000	-	-	-	-
Interest and fiscal charges	298,714	-	-	-	-
Total expenditures	848,922	592	7,970	1,467,460	67,439
Excess (deficiency) of revenues over (under) expenditures	723,498	24,593	748,211	(1,153,959)	1,376,139
Other financing sources (uses):					
Transfers in	-	-	-	58,012	-
Transfers out	(315,000)	-	-	-	-
Total other financing sources (uses)	(315,000)	-	-	58,012	-
Extraordinary gain (loss)	18,249,574	-	-	-	-
Net change in fund balances	18,658,072	24,593	748,211	(1,095,947)	1,376,139
Fund balances at beginning of year, as restated	(18,658,072)	9,392,874	8,497,074	1,473,106	667,322
Fund balances at end of year	$ -	$ 9,417,467	$ 9,245,285	$ 377,159	$ 2,043,461

Capital Project Funds						
Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Redevelopment Agency	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 1,568,510	$ 4,576,082
-	-	-	1,130,720	-	1,439,532	8,475,797
-	-	6,096	604,554	-	610,650	3,484,534
-	-	-	-	-	-	49,661
65,175	57,470	64,786	81,778	226,639	716,824	1,348,087
159,877	-	-	11,670	1,487,843	3,671,957	6,455,076
-	-	-	-	-	-	205,699
-	-	-	-	-	-	49,264
225,052	57,470	70,882	1,828,722	1,714,482	8,007,473	24,644,200
-	-	-	-	-	-	178,387
-	-	-	-	-	-	374,319
-	-	574,736	-	-	584,944	10,051,266
-	-	-	-	-	-	236,419
-	-	-	-	-	-	3,209,179
369,438	76,851	-	2,232,557	171,990	4,394,297	6,450,442
					-	
-	-	-	-	-	540,000	851,187
-	-	-	-	-	298,714	308,253
369,438	76,851	574,736	2,232,557	171,990	5,817,955	21,659,452
(144,386)	(19,381)	(503,854)	(403,835)	1,542,492	2,189,518	2,984,748
-	-	315,000	-	-	373,012	10,865,331
-	-	(797,538)	(58,012)	-	(1,170,550)	(10,402,331)
-	-	(482,538)	(58,012)	-	(797,538)	463,000
-	-	(1,608,413)	-	-	16,641,161	12,847,381
(144,386)	(19,381)	(2,594,805)	(461,847)	1,542,492	18,033,141	16,295,129
5,725,345	4,964,544	2,594,805	9,770,012	14,855,199	39,282,209	105,421,395
$ 5,580,959	$ 4,945,163	$ -	$ 9,308,165	$ 16,397,691	$ 57,315,350	$ 121,716,524

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Year Ended June 30, 2012

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	$ 2,264,350	$ 2,632,588	$ 368,238
Total expenditures	748,675	689,487	(59,188)
Net change in fund balance	1,515,675	1,943,101	427,426
Community Development Block Grant			
Total revenues	24,000	24,992	992
Total expenditures	2,741,372	1,494,218	(1,247,154)
Net change in fund balance	(2,717,372)	(1,469,226)	1,248,146
Donations			
Total revenues	214,200	263,954	49,754
Total expenditures	375,564	243,078	(132,486)
Net change in fund balance	(161,364)	20,876	182,240
Financing Districts			
Total revenues	2,982,700	2,580,951	(401,749)
Total expenditures	3,373,974	3,255,066	(118,908)
Net change in fund balance	(391,274)	(674,115)	(282,841)
Gas Tax			
Total revenues	2,980,164	3,289,109	308,945
Total expenditures	8,950,434	2,037,484	(6,912,950)
Net change in fund balance	(5,970,270)	1,251,625	7,221,895
Habitat and Agricultural Management			
Total revenues	-	265,325	265,325
Total expenditures	5,314,122	818,725	(4,495,397)
Net change in fund balance	(5,314,122)	(553,400)	4,760,722
Low and Moderate Income Housing			
Total revenues	432,680	86,885	(345,795)
Total expenditures	44,394	44,392	(2)
Net change in fund balance	388,286	42,493	(345,793)

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds (Continued)
Year Ended June 30, 2012

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Other Special Revenue Funds			
Total revenues	$ 329,000	$ 376,188	$ 47,188
Total expenditures	495,673	441,714	(53,959)
Net change in fund balance	(166,673)	(65,526)	101,147
Police Grants and Asset Forfeiture			
Total revenues	322,000	765,258	443,258
Total expenditures	1,828,548	1,385,649	(442,899)
Net change in fund balance	(1,506,548)	(620,391)	886,157
Section 8 Rental Assistance			
Total revenues	5,902,000	6,064,754	162,754
Total expenditures	6,648,188	6,620,233	(27,955)
Net change in fund balance	(746,188)	(555,479)	190,709
Totals			
Total revenues	15,451,094	16,350,004	898,910
Total expenditures	30,520,944	17,030,046	(13,490,898)
Net change in fund balance	$ (15,069,850)	$ (680,042)	$ 14,389,808

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Debt Service Funds
Year Ended June 30, 2012

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	$ 2,675,000	$ 1,584,821	$ (1,090,179)
Total expenditures	1,429,547	848,922	(580,625)
Net change in fund balance	$ 1,245,453	$ 735,899	$ (509,554)

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2012

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Redevelopment Areas			
Total revenues	$ 11,600	$ 60,256	$ 48,656
Total expenditures	2,432,714	590,177	(1,842,537)
Net change in fund balance	$ (2,421,114)	$ (529,921)	$ 1,891,193

CITY OF CARLSBAD

Combining Statement of Net Position
Internal Service Funds
June 30, 2012

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	$ 15,435,765	$ 6,233,832	$ 4,956,016
Receivables:			
Accounts, net	6,008	-	-
Other	-	-	-
Inventories	206,345	-	-
Prepaid items	-	25,758	-
Total current assets	15,648,118	6,259,590	4,956,016
Noncurrent assets:			
Capital assets:			
Machinery and equipment	17,041,423	-	2,773,174
Less accumulated depreciation	(10,816,359)	-	(2,134,294)
Total capital assets (net of accumulated depreciation)	6,225,064	-	638,880
Total noncurrent assets	6,225,064	-	638,880
Total assets	$ 21,873,182	$ 6,259,590	$ 5,594,896
LIABILITIES			
Current liabilities:			
Accrued liabilities	$ 255,559	$ 3,647,532	$ 287,944
Estimated claims payable	-	77,944	-
Deposits payable	-	-	-
Total current liabilities	255,559	3,725,476	287,944
Total liabilities	255,559	3,725,476	287,944
NET POSITION			
Net investment in capital assets	6,225,064	-	638,880
Unrestricted	15,392,559	2,534,114	4,668,072
Total net position	$ 21,617,623	$ 2,534,114	$ 5,306,952

Risk Management	Workers' Compensation	Total
$ 824,413	$ 6,456,998	$ 33,907,024
-	-	6,008
-	280,505	280,505
-	-	206,345
-	-	25,758
824,413	6,737,503	34,425,640
-	-	19,814,597
-	-	(12,950,653)
-	-	6,863,944
-	-	6,863,944
$ 824,413	$ 6,737,503	$ 41,289,584
$ 63,973	$ 7,693	$ 4,262,701
464,570	5,242,010	5,784,524
1,000	-	1,000
529,543	5,249,703	10,048,225
529,543	5,249,703	10,048,225
-	-	6,863,944
294,870	1,487,800	24,377,415
$ 294,870	$ 1,487,800	$ 31,241,359

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2012

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	$ 4,433,498	$ 884,003	$ 6,682,808
Miscellaneous	21,000	-	16,482
Total operating revenues	4,454,498	884,003	6,699,290
Operating expenses:			
Depreciation	1,214,287	-	283,281
Fuel and supplies	1,371,248	-	-
Claims and premiums expense	-	805,977	-
Small equipment purchases	2,478	-	353,703
General and administrative	1,400,107	86,583	5,907,735
Total operating expenses	3,988,120	892,560	6,544,719
Operating income (loss)	466,378	(8,557)	154,571
Nonoperating revenues (expenses):			
Income from property and investments	177,973	-	54,782
Gain (loss) on sale of property	3,387	-	-
Total nonoperating revenues (expenses)	181,360	-	54,782
Income (loss) before transfers and capital contributions	647,738	(8,557)	209,353
Transfers in	-	1,400,000	-
Capital contributions	245,040	-	16,993
Change in net position	892,778	1,391,443	226,346
Total net position at beginning of year	20,724,845	1,142,671	5,080,606
Total net position at end of year	$ 21,617,623	$ 2,534,114	$ 5,306,952

Risk Management	Workers' Compensation	Totals
$ 1,609,110	$ 1,457,230	$ 15,066,649
28,733	286,347	352,562
1,637,843	1,743,577	15,419,211
-	-	1,497,568
-	-	1,371,248
1,058,869	2,117,406	3,982,252
-	-	356,181
296,883	119,128	7,810,436
1,355,752	2,236,534	15,017,685
282,091	(492,957)	401,526
3,094	74,470	310,319
-	-	3,387
3,094	74,470	313,706
285,185	(418,487)	715,232
-	-	1,400,000
-	-	262,033
285,185	(418,487)	2,377,265
9,685	1,906,287	28,864,094
$ 294,870	$ 1,487,800	$ 31,241,359

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2012

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	$ 4,483,830	$ 881,487	$ 6,682,808
Payments to suppliers	(1,735,067)	(86,583)	(2,615,814)
Payments to employees	(653,318)	(66,163)	(3,079,343)
Internal activity - payments to other funds	(345,609)	-	(584,427)
Claims and premiums paid	-	(776,158)	-
Other receipts (payments)	21,000	-	16,482
Net cash provided by (used in) operating activities	1,770,836	(47,417)	419,706
Cash flows from noncapital financing activities:			
Operating subsidies and transfers (to) from other funds	-	1,400,000	-
Cash flows from capital and related financing activities:			
Purchase of capital assets	(1,405,690)	-	(36,855)
Gross proceeds from the sale of capital assets	5,995	-	-
Net cash provided by (used in) capital and related financing activities	(1,399,695)	-	(36,855)
Cash flows from investing activities:			
Interest on investments	177,973	-	54,782
Net increase (decrease) in cash and cash equivalents	549,114	1,352,583	437,633
Cash and cash equivalents at beginning of year	14,886,651	4,881,249	4,518,383
Cash and cash equivalents at end of year	$ 15,435,765	$ 6,233,832	$ 4,956,016

Risk Management	Workers' Compensation	Total
$ 1,609,110	$ 1,457,230	$15,114,465
(28,287)	-	(4,465,751)
(198,156)	(101,975)	(4,098,955)
(74,532)	(11,160)	(1,015,728)
(1,404,466)	(1,998,247)	(4,178,871)
28,733	5,844	72,059
(67,598)	(648,308)	1,427,219
-	-	1,400,000
-	-	(1,442,545)
-	-	5,995
-	-	(1,436,550)
3,094	74,470	310,319
(64,504)	(573,838)	1,700,988
888,917	7,030,836	32,206,036
$ 824,413	$ 6,456,998	$33,907,024

(Continued)

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2012

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 466,378	$ (8,557)	$ 154,571
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,214,287	-	283,281
Change in assets and liabilities:			
(Increase) decrease in receivables	50,332	(2,516)	-
(Increase) in inventories	(59,706)	-	-
(Increase) in prepaid items	-	(1,193)	-
Increase (decrease) in accrued liabilities	99,545	(37,513)	(18,146)
Increase (decrease) in estimated claims payable	-	2,362	-
Net cash provided by (used in) operating activities	$ 1,770,836	$ (47,417)	$ 419,706
Noncash capital financing activities:			
Capital assets contributed by other funds	$ 245,040	$ -	$ 16,993
Unrealized gains (losses)	$ (54,935)	$ -	$ (14,534)

Risk Management	Workers' Compensation	Total
$ 282,091	$ (492,957)	$ 401,526
-	-	1,497,568
-	(280,505)	(232,689)
-	-	(59,706)
-	-	(1,193)
25,003	5,935	74,824
(374,692)	119,219	(253,111)
$ (67,598)	$ (648,308)	$ 1,427,219
$ -	$ -	$ 262,033
$ (3,899)	$ (31,240)	$ (104,608)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012

Contractors' and Miscellaneous Deposits

ASSETS	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Current assets:				
Cash and investments	$ 8,374,181	$ 49,977,167	$ 47,455,512	$ 10,895,836
Receivables:				
Other	7,270	66,869	73,715	424
Prepaid items	624,501	14,417,968	13,306,934	1,735,535
Total current assets	$ 9,005,952	$ 64,462,004	$ 60,836,161	$ 12,631,795
LIABILITIES				
Accrued liabilities	$ 703,122	$ 48,628,182	$ 48,112,348	$ 1,218,956
Deposits held for others	8,302,830	9,108,083	5,998,074	11,412,839
Total liabilities	$ 9,005,952	$ 57,736,265	$ 54,110,422	$ 12,631,795

Assessment Districts

ASSETS	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Current assets:				
Cash and investments	$ 7,861,633	$ 14,711,492	$ 14,243,683	$ 8,329,442
Receivables:				
Other	80,235	68,583	85,132	63,686
Total current assets	7,941,868	14,780,075	14,328,815	8,393,128
Restricted assets:				
Cash and investments	6,836,976	-	220	6,836,756
Total restricted assets	6,836,976	-	220	6,836,756
Total assets	$ 14,778,844	$ 14,780,075	$ 14,329,035	$ 15,229,884
LIABILITIES				
Accrued liabilities	$ 33,047	$ 20,589	$ 11,709	$ 41,927
Deposits held for others	14,745,797	7,408,008	6,965,848	15,187,957
Total liabilities	$ 14,778,844	$ 7,428,597	$ 6,977,557	$ 15,229,884

(continued)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended June 30, 2012

Total Agency Funds

ASSETS	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Current assets:				
Cash and investments	$ 16,235,814	$ 64,688,659	$ 61,699,195	$ 19,225,278
Receivables:				
Other	87,505	135,452	158,847	64,110
Prepaid items	624,501	14,417,968	13,306,934	1,735,535
Total current assets	16,947,820	79,242,079	75,164,976	21,024,923
Restricted assets:				
Cash and investments	6,836,976	-	220	6,836,756
Total current assets	6,836,976	-	220	6,836,756
Total assets	$ 23,784,796	$ 79,242,079	$ 75,165,196	$ 27,861,679
LIABILITIES				
Accrued liabilities	$ 736,169	$ 48,648,771	$ 48,124,057	$ 1,260,883
Deposits held for others	23,048,627	16,516,091	12,963,922	26,600,796
Total liabilities	$ 23,784,796	$ 65,164,862	$ 61,087,979	$ 27,861,679

CITY OF CARLSBAD

Combining Statement of Fiduciary Net Position by Project Area
Private Purpose Trust Funds
June 30, 2012

	Redevelopment Obligation Retirement Trust Fund Village Project Area	Redevelopment Obligation Retirement Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
Current assets:			
Cash and investments	$ 8,180,768	$ 669,110	$ 8,849,878
Receivables:			
Other	2,146	-	2,146
Total current assets	8,182,914	669,110	8,852,024
Capital assets:			
Machinery and equipment	26,946	-	26,946
Less accumulated depreciation	(19,311)	-	(19,311)
Total capital assets	7,635	-	7,635
Total assets	$ 8,190,549	$ 669,110	$ 8,859,659
LIABILITIES			
Current liabilities:			
Accrued liabilities	$ 432,611	$ 61,341	$ 493,952
Accrued interest payable	161,530	-	161,530
Current portion of long-term debt	570,000	-	570,000
Total current liabilities	1,164,141	61,341	1,225,482
Noncurrent liabilities:			
Due to the City of Carlsbad	16,317,250	2,441,513	18,758,763
Tax allocation bonds payable	8,625,000	-	8,625,000
Total noncurrent liabilities	24,942,250	2,441,513	27,383,763
Total liabilities	26,106,391	2,502,854	28,609,245
NET POSITION			
Held in trust for redevelopment obligation retirement purposes	$ (17,915,842)	$ (1,833,744)	$ (19,749,586)

CITY OF CARLSBAD

Combining Statement of Changes in Fiduciary Net Position by Project Area
Private Purpose Trust Funds
June 30, 2012

ADDITIONS	Redevelopment Retirement Obligation Trust Fund Village Project Area	Redevelopment Retirement Obligation Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
Contributions:			
Tax increment	$ 1,175,074	$ 62,268	$ 1,237,342
Income from property and investments	16,538	7,138	23,676
Miscellaneous	-	36,453	36,453
Total additions	1,191,612	105,859	1,297,471
DEDUCTIONS			
Extraordinary gain (loss)	18,702,156	1,774,618	20,476,774
General and administrative	178,303	161,310	339,613
Interest expense and fees	226,995	3,675	230,670
Total deductions	19,107,454	1,939,603	21,047,057
Change in net position	(17,915,842)	(1,833,744)	(19,749,586)
Net position - beginning	-	-	-
Net position - ending	$ (17,915,842)	$ (1,833,744)	$ (19,749,586)

CITY OF CARLSBAD

Schedule of Annual Debt Service Requirements

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

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2012–13	$ 242,295	$ 227,332	$ 469,627	$ 570,000	$ 1,039,627
2013–14	227,332	211,583	438,915	600,000	1,038,915
2014–15	211,583	195,045	406,628	630,000	1,036,628
2015–16	195,045	177,589	372,634	665,000	1,037,634
2016–17	177,589	159,213	336,802	700,000	1,036,802
2017–18	159,214	139,920	299,134	735,000	1,034,134
2018–19	139,920	119,576	259,496	775,000	1,034,496
2019–20	119,576	98,183	217,759	815,000	1,032,759
2020–21	98,182	75,525	173,707	855,000	1,028,707
2021–22	75,525	51,675	127,200	900,000	1,027,200
2022–23	51,675	26,500	78,175	950,000	1,028,175
2023–24	26,500	-	26,500	1,000,000	1,026,500
Totals	$ 1,724,436	$ 1,482,141	$ 3,206,577	$ 9,195,000	$ 12,401,577

$11,080,000 - Encina Financing Joint Powers Authority Installment Purchase Agreement

Fiscal Year	Interest Due August 1	Interest Due February 1	Total Interest	Principal Due August 1	Total Annual Debt Service
2012–13	$ 66,241	$ 45,228	$ 111,469	$ 820,000	$ 931,469
2013–14	45,228	23,191	68,419	860,000	928,419
2014–15	23,190	-	23,190	905,000	928,190
Totals	$ 134,659	$ 68,419	$ 203,078	$ 2,585,000	$ 2,788,078

$2,331,489 - Carlsbad Municipal Water District State Loan for Reclaimed Water Projects

Fiscal Year	Interest Due November 30	Principal Due November 30	Total Annual Debt Service
2012–13	$ 7,969	$ 151,558	$ 159,527
2013–14	2,682	123,222	125,904
Totals	$ 10,651	$ 274,780	$ 285,431

Schedule of Annual Debt Service Requirements (continued)

$9,694,504 - Carlsbad Municipal Water District
State Water Resources Control Board Loan

Fiscal Year	Interest Due June 1	Principal Due June 1	Total Annual Debt Service
2012–13	$ 177,614	$ 469,245	$ 646,859
2013–14	165,883	480,976	646,859
2014–15	153,859	493,000	646,859
2015–16	141,534	505,326	646,860
2016–17	128,901	517,959	646,860
2017–18	115,952	530,908	646,860
2018–19	102,679	544,180	646,859
2019–20	89,075	557,785	646,860
2020–21	75,130	571,729	646,859
2021–22	60,837	586,023	646,860
2022–23	46,186	600,673	646,859
2023–24	31,169	615,690	646,859
2024–25	15,777	631,082	646,859
Totals	$ 1,304,596	$ 7,104,576	$ 8,409,172

$19,382,546 - Carlsbad Municipal Water District
State Water Resources Control Board Loan

Fiscal Year	Interest Due April 1	Principal Due April 1	Total Annual Debt Service
2012–13	$ 355,370	$ 874,253	$ 1,229,623
2013–14	335,262	894,361	1,229,623
2014–15	314,691	914,932	1,229,623
2015–16	293,648	935,975	1,229,623
2016–17	272,121	957,502	1,229,623
2017–18	250,098	979,525	1,229,623
2018–19	227,569	1,002,054	1,229,623
2019–20	204,522	1,025,101	1,229,623
2020–21	180,944	1,048,679	1,229,623
2021–22	156,825	1,072,798	1,229,623
2022–23	132,150	1,097,473	1,229,623
2023–24	106,908	1,122,715	1,229,623
2024–25	81,086	1,148,537	1,229,623
2025–26	54,670	1,174,953	1,229,623
2026–27	27,646	1,201,978	1,229,624
Totals	$ 2,993,510	$ 15,450,836	$ 18,444,346

Schedule of Annual Debt Service Requirements (continued)

$18,540,000 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Revenue Bonds

Fiscal Year	Interest Due September 1	Interest Due March 1	Total Interest	Principal Due September 1	Total Annual Debt Service
2012–13	$ 389,625	$ 381,975	$ 771,600	$ 340,000	$ 1,111,600
2013–14	381,975	373,875	755,850	360,000	1,115,850
2014–15	373,875	365,213	739,088	385,000	1,124,088
2015–16	365,212	356,100	721,312	405,000	1,126,312
2016–17	356,100	346,538	702,638	425,000	1,127,638
2017–18	346,537	335,288	681,825	450,000	1,131,825
2018–19	335,287	323,288	658,575	480,000	1,138,575
2019–20	323,287	310,538	633,825	510,000	1,143,825
2020–21	310,537	299,738	610,275	540,000	1,150,275
2021–22	299,737	288,438	588,175	565,000	1,153,175
2022–23	288,437	276,638	565,075	590,000	1,155,075
2023–24	276,637	262,688	539,325	620,000	1,159,325
2024–25	262,687	247,950	510,637	655,000	1,165,637
2025–26	247,950	232,425	480,375	690,000	1,170,375
2026–27	232,425	216,113	448,538	725,000	1,173,538
2027–28	216,112	199,013	415,125	760,000	1,175,125
2028–29	199,012	181,013	380,025	800,000	1,180,025
2029–30	181,012	162,113	343,125	840,000	1,183,125
2030–31	162,112	142,200	304,312	885,000	1,189,312
2031–32	142,200	121,275	263,475	930,000	1,193,475
2032–33	121,275	99,338	220,613	975,000	1,195,613
2033–34	99,337	76,275	175,612	1,025,000	1,200,612
2034–35	76,275	52,088	128,363	1,075,000	1,203,363
2035–36	52,087	26,663	78,750	1,130,000	1,208,750
2036–37	26,662	-	26,662	1,185,000	1,211,662
Totals	$ 6,066,392	$ 5,676,783	$ 11,743,175	$ 17,345,000	$ 29,088,175

$1,170,745 - Carlsbad Public Financing Authority
Carlsbad Municipal Golf Course Leases

Fiscal Year	Interest Due Monthly	Principal Due Monthly	Total Annual Debt Service
2012–13	$ 146	$ 13,898	$ 14,044

$785,975 - City of Carlsbad
State Loan for Street Lighting Retrofit Program

Fiscal Year	Interest Due December 22	Principal Due December 22	Interest Due June 22	Principal Due June 22	Total Annual Debt Service
2012–13	$ 2,380	$ 157,469	$ 1,582	$ 158,267	$ 319,698
2013–14	798	159,052	-	-	$ 159,850
Totals	$ 3,178	$ 316,521	$ 1,582	$ 158,267	$ 479,548

Statistical Section

Statistical Section

Statistical Section

Statistical Section

CITY OF CARLSBAD
Statistical Section

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

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Financial Trends **124**

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

Revenue Capacity **135**

These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity **140**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

Demographic and Economic Information **150**

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

Operating Information **154**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

CITY OF CARLSBAD

Net Position by Component
Last Ten Fiscal Years
(dollars in thousands)

	2003	2004	2005	2006
Governmental activities				
Net investment in capital assets	$ 248,219	$ 282,728	$ 342,232	$ 604,117 (1)
Restricted for:				
Capital assets	139,760	151,395	175,663	172,474
Affordable housing	18,625	23,042	25,144	27,453
Habitat and agricultural mitigation management	6,840	6,893	7,528	7,042
Other purposes	6,019	20,451 (2)	35,173	5,131
Unrestricted	146,018	149,662	152,352	197,672
Total governmental activities net position	$ 565,481	$ 634,171	$ 738,092	$ 1,013,889
Business-type activities				
Net investment in capital assets	$ 165,943	$ 185,971	$ 213,101	$ 234,560
Restricted for:				
Capital assets	96,666	102,585	100,597	107,841
Unrestricted	22,509	15,072	11,670	(22,240) (3)
Total business-type activities net position	$ 285,118	$ 303,628	$ 325,368	$ 320,161
Total government				
Net investment in capital assets	$ 414,162	$ 468,699	$ 555,333	$ 838,677
Restricted for:				
Capital assets	236,426	253,980	276,260	280,315
Affordable housing	18,625	23,042	25,144	27,453
Habitat and agricultural mitigation management	6,840	6,893	7,528	7,042
Other purposes	6,019	20,451	35,173 (2)	5,131
Unrestricted	168,527	164,734	164,022	175,432
Total net position	$ 850,599	$ 937,799	$ 1,063,460	$ 1,334,050

Source: City of Carlsbad Comprehensive Annual Financial Reports.

(1) The large increase in 2005-06 reflects the addition of infrastructure assets per GASB 34 requirements.

(2) Net Position Restricted for Other Purposes increased significantly in Fiscal Years 2003-04 and 2004-05 to set aside funds for future golf course construction ($15 million in 2003-04 and an additional $15.3 million in 2004-05).

(3) The large decrease in 2005-06 reflects an additional $30.3 million advance to the Golf Course Fund from the General Fund.

(4) Beginning in Fiscal Year 2006-07, the city began reflecting funds set aside for the replacement of water and wastewater infrastructure as unrestricted net position since these funds are not restricted per the GASB.

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

(6) The significant increase in 2011-12 is due to the dissolution of the city's redevelopment agency which created a large extraordinary gain for the year.

2007	2008	2009	2010	2011	2012
$ 645,995	$ 713,026	$ 742,500	$ 767,719	$ 774,269	$ 780,727
178,559	189,694	186,597	178,669	184,419	192,713
30,356	33,888	35,330	36,187	40,005	38,434
7,670	6,949	7,115	6,600	5,377	4,799
4,849	5,297	4,608	5,537	7,431	6,268
232,701	250,835	268,779	279,737	284,825	308,470 (6)
$ 1,100,130	$ 1,199,689 (5)	$ 1,244,929	$ 1,274,449	$ 1,296,326	$ 1,331,411
$ 253,645	$ 292,684	$ 308,440	$ 317,238	$ 314,691	$ 311,392
47,164 (4)	44,738	43,167	44,241	44,954	45,522
36,044 (4)	32,600	28,469	34,556	38,278	47,530
$ 336,853	$ 370,022 (5)	$ 380,076	$ 396,035	$ 397,923	$ 404,444
$ 899,640	$ 1,005,710	$ 1,050,940	$ 1,084,957	$ 1,088,960	$ 1,092,119
225,723	234,432	229,764	222,910	229,373	238,235
30,356	33,888	35,330	36,187	40,005	38,434
7,670	6,949	7,115	6,600	5,377	4,799
4,849	5,297	4,608	5,537	7,431	6,268
268,745	283,435	297,248	314,293	323,103	356,000
$ 1,436,983	$ 1,569,711	$ 1,625,005	$ 1,670,484	$ 1,694,249	$ 1,735,855

CITY OF CARLSBAD

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

	2003	2004	2005	2006	2007
Expenses					
Governmental activities					
General government	$ 8,518	$ 8,604	$ 11,353	$ 15,382 (1)	$ 12,273
Public safety	27,748	30,894	34,366	35,822	38,327
Community development	12,004	13,814	14,363	14,332	13,860
Community services	14,538	15,035	16,033	16,790	17,913
Public works	16,826	19,534	22,064	35,937	37,278
Interest and fiscal charges on long-term debt	1,048	996	1,014	1,036	688
Total governmental activities	80,682	88,877	99,193	119,299	120,339
Business-type activities					
Carlsbad Municipal Water District	19,261	20,950	21,422	24,124	40,383 (2)
Golf course	93	54	25	2,471	200
Wastewater	6,104	6,891	7,235	8,265	9,590
Solid waste	218	1,300	1,488	1,699	1,901
Total business-type activities	25,676	29,195	30,170	36,559	52,074
Total government	$ 106,358	$ 118,072	$ 129,363	$ 155,858	$ 172,413
Program Revenues					
Governmental activities					
Charges for services:					
General government	$ 750	$ 571	$ 926	$ 945	$ 1,194
Public safety	3,269	3,699	3,232	3,611	4,170
Community development	4,261	4,203	5,934	4,677	4,158
Community services	2,086	2,102	2,292	2,437	2,639
Public works	6,668	4,533	4,633	6,451	5,083
Operating grants and contributions	10,139	14,570	12,817	12,116	17,597 (3)
Capital grants and contributions	45,180	42,215	74,414	39,286	49,254 (4)
Total governmental activities	72,353	71,893	104,248	69,523	84,095
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	18,276	18,862	18,788	19,462	22,186
Golf course	-	-	-	-	-
Wastewater	6,286	6,203	6,378	6,801	7,507
Solid waste	868	1,673	2,348	1,893	1,966
Operating grants and contributions	1,267	1,504	508	718	2,296
Capital grants and contributions	19,539	17,377	17,122	11,213	25,053 (4)
Total business-type activities	46,236	45,619	45,144	40,087	59,008
Total government	$ 118,589	$ 117,512	$ 149,392	$ 109,610	$ 143,103
Net (Expense)/Revenue:					
Governmental activities	$ (8,329)	$ (16,984)	$ 5,055	$ (49,776)	$ (36,244)
Business-type activities	20,560	16,424	14,974	3,528	6,934
Total government net expense	$ 12,231	$ (560)	$ 20,029	$ (46,248)	$ (29,310)

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

(Continued)

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

	2003	2004	2005	2006	2007
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	$ 31,411	$ 33,949	$ 41,479 (5)	$ 43,936	$ 49,284
Sales and use taxes	25,767	24,578	24,759	25,429	27,445
Transient occupancy taxes	8,387	8,813	10,072	11,513	12,929
Franchise taxes	3,730	5,027	5,683	5,429	5,346
Business license taxes	2,305	2,872	2,890	3,040	3,056
Real property transfer taxes	1,127	1,587	1,646	1,906	1,262
Vehicle license fees	5,067	4,125	2,136 (5)	587	608
Income from property and investments	13,347	3,124	9,910	11,682	21,455
Other general revenues	390	637	441	650	700
Extraordinary gain	-	-	-	-	-
Transfers	(600)	963	(150)	(315)	400
Total governmental activities	90,931	85,675	98,866	103,857	122,485
Business type activities					
Property taxes	1,672	1,842	2,025	2,257	2,504
Income from property and investments	5,836	1,193	4,162	3,538	7,621
Other general revenues	208	14	579	56	34
Transfers	600	(963)	-	315	(400)
Total business-type activities	8,316	2,086	6,766	6,166	9,759
Total government	$ 99,247	$ 87,761	$ 105,632	$ 110,023	$ 132,244
Change in Net Position					
Governmental activities	$ 82,602	$ 68,691	$ 103,921	$ 54,081	$ 86,241
Business-type activities	28,876	18,510	21,740	9,694	16,693
Total government	$ 111,478	$ 87,201	$ 125,661	$ 63,775	$ 102,934

Source: City of Carlsbad Comprehensive Annual Financial Report.

Note: Data in this table is available from the date the city implemented GASB 34 (Fiscal Year 2001-02).

(1) In Fiscal Year 2005-06, the city incurred clean-up and repair costs related to the winter storms of 2005.

(2) In Fiscal Year 2006-07, the Water Enterprise settled a lawsuit regarding a landslide at the Marbella Condominiums for $11.3 million and the Enterprise transferred funds to the Self Insured Benefits Fund for the proposed funding of retiree healthcare costs as required under GASB 45.

(3) The large increase in Fiscal Year 2006-07 reflects a $6.3 million reimbursement from the Federal Highway Administration for reimbursement of the 2005 winter storm damage in the city.

(4) The large increase in Fiscal Year 2006-07 reflects the recording of infrastructure assets acquired by the city for development at Bressi Ranch, the Oaks South, the Ridge and the Greens communities.

(5) Beginning in Fiscal Year 2004-05, the city began receiving additional property tax revenue in-lieu of reduced vehicle license fees.

(6) The large increase in Fiscal Year 2007-08 reflects the recording of infrastructure assets acquired by the city for development at La Costa Greens, La Costa Oaks, La Costa Ridge, Bressi Ranch, Thompson/Tabata and the Palomar Forum.

(7) In Fiscal Year 2008-09, the city's municipal golf course began making debt service payments and depreciating its assets.

(8) The large increase in general government expenses is primarily a result of a refund of over $10 million in excess development fees paid by Rancho Santa Fe Road property owners.

(9) The gain resulted from the transfers of the assets and liabilities of the former Redevelopment Agency to Successor Agency trust funds.

(10) The State of California ceased sending the city vehicle license fee revenues in Fiscal Year 2011-12.

2008	2009	2010	2011	2012	
$ 52,705	$ 55,338	$ 55,113	$ 54,049	$ 51,538	
27,031	23,098	23,031	25,660	28,094	
14,277	12,752	11,490	11,569	12,872	
4,634	5,274	4,906	4,650	4,852	
3,328	3,422	3,458	3,581	2,695	
951	621	758	911	925	
450	353	309	483	53	
24,955	19,828	12,523	8,372	6,088	(10)
513	359	391	328	419	
-	-	-	-	20,477	(9)
(2,634)	(127)	(443)	(135)	(1,810)	
126,210	120,918	111,536	109,468	126,203	
2,711	2,861	2,822	2,779	2,721	
8,030	5,908	3,686	2,109	2,054	
954	209	153	3,599	106	
2,634	127	443	135	1,810	
14,329	9,105	7,104	8,622	6,691	
$ 140,539	$ 130,023	$ 118,640	$ 118,090	$ 132,894	
$ 104,454	$ 45,241	$ 29,520	$ 21,877	$ 34,093	
35,665	9,889	15,959	4,326	6,878	
$ 140,119	$ 55,130	$ 45,479	$ 26,203	$ 40,971	

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

	2003	2004	2005	2006	2007
General Fund					
Reserved	$ 12,794	$ 27,917 (2)	$ 44,996 (3)	$ 45,131	$ 56,505 (4)
Unreserved	58,343 (1)	56,141	54,400	61,494	66,084
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	$ 71,137	$ 84,058	$ 99,396	$ 106,625	$ 122,589
All Other Governmental Funds					
Reserved	$ 44,265	$ 54,414	$ 49,583	$ 38,000	$ 44,352
Unreserved, reported in:					
Special revenue funds	21,011	29,841	30,031	30,024	32,485
Debt service funds	(10,449)	(9,789)	(11,317)	(11,681)	(12,423)
Capital project funds	171,227	171,194	206,711	221,393	231,071
Nonspendable					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Restricted					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Committed					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Assigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Unassigned					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Total all other governmental funds	$ 226,054	$ 245,660	$ 275,008	$ 277,736	$ 295,485

Source: City of Carlsbad Comprehensive Annual Financial Report.

(1) A $35 million transfer was made in Fiscal Year 2003 from the General Fund to the General Capital Construction Fund to assist in the construction of four large projects.

(2) $15 million was reserved at the end of the 2004 Fiscal Year for future advances to the Golf Course Fund.

(3) $30.3 million was reserved at the end of the 2006 Fiscal Year for future advances to the Golf Course Fund.

(4) A $9.7 million transfer was made in Fiscal Year 2007 from the General Fund to the Golf Course Fund to assist in the construction of the city's new municipal golf course.

(5) $18.8 million in transfers were made in Fiscal Year 2008 from the General Fund to the Infrastructure Replacement Fund and the General Capital Construction Fund for future capital projects.

(6) The large decrease in the unreserved fund balance in the capital project funds is primarily a result of a refund of over $10 million in excess development fees paid by Rancho Santa Fe Road property owners.

(7) GASB 54, which requires changes in the reporting categories for fund balances, was implemented in Fiscal Year 2011.

(8) AB1x26 and AB 1484 were implemented in Fiscal Year 2012. The former RDA debt service funds were transfered to trust funds.

2008	2009	2010	2011 (7)	2012
$ 56,479	$ 59,303	$ 59,586	$ -	$ -
64,494	66,302	68,935	-	-
-	-	-	53,943	54,228
-	-	-	-	-
-	-	-	1,000	1,000
-	-	-	23,584	22,955
-	-	-	57,533	61,384
$ 120,973	$ 125,605	$ 128,521	$ 136,060	$ 139,567
$ 38,963	$ 34,573	$ 50,617	$ -	$ -
36,277	40,207	41,449	-	-
(12,095)	(11,150)	(17,824)	-	-
268,915 (5)	276,183	262,612 (6)	-	-
-	-	-	433	440
-	-	-	-	-
-	-	-	250	-
-	-	-	65,585	64,401
-	-	-	-	-
-	-	-	171,214	177,372
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	123,473	123,465
-	-	-	-	-
-	-	-	(18,658)	- (8)
-	-	-	-	-
$ 332,060	$ 339,813	$ 336,854	$ 342,297	$ 365,678

CITY OF CARLSBAD

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

	2003	2004	2005	2006	2007
Revenues:					
Taxes	$ 74,156	$ 79,533	$ 84,065	$ 94,862	$ 101,196
Intergovernmental	19,775	22,506	24,245	13,027	25,097
Licenses and permits	2,043	2,329	3,393	2,504	2,094
Charges for services	10,059	9,899	10,433	11,038	10,937
Fines and forfeitures	923	1,092	1,084	1,178	1,387
Income from property and investments	14,802	3,902	10,741	10,387	22,270
Contributions from property owners (3)	14,547	23,682	49,446	25,365	10,311
Donations	149	141	164	130	173
Miscellaneous	2,349	1,543	1,107	2,077	950
Total revenues	138,803	144,627	184,678	160,568	174,415
Expenditures:					
Current:					
General government	8,805	9,745	12,113	16,311	18,013
Less: Interdepartmental charges	(2,815)	(2,735)	(2,700)	(2,639)	(2,151)
Public safety	26,798	30,799	33,819	36,365	39,832
Community development	11,799	13,644	14,319	14,300	13,998
Community services	13,374	13,915	14,744	15,637	16,667
Public works	18,177	18,045	18,737	20,327	22,481
Capital outlay	26,410	26,406	46,420	47,032	30,765
Debt service:					
Principal retirement	1,672	1,214	1,040	1,037	1,091
Interest and fiscal charges	1,628	1,466	1,501	1,599	1,333
Total expenditures	105,848	112,499	139,993	149,969	142,029
Excess (deficiency) of revenues over (under) expenditures	32,955	32,128	44,685	10,599	32,386
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	-	1,364
Issuance of debt	-	-	-	-	-
Transfers in	47,846	8,729	10,228	11,685	9,723
Transfers out	(48,581)	(8,329)	(10,228)	(12,334)	(9,760)
Extraordinary gain (loss)	-	-	-	-	-
Total other financing sources (uses)	(735)	400	-	(649)	1,327
Net change in fund balances	$ 32,220	$ 32,528	$ 44,685	$ 9,950	$ 33,713
Debt service as percentage of noncapital expenditures (1,2)	4.17%	3.10%	2.71%	2.41%	2.01%

Source: City of Carlsbad Comprehensive Annual Financial Report.

(1) Noncapital expenditures are total expenditures less capital outlay (to the extent capitalized for the Government-wide Statement of Net Position) and expenditures for capitalized assets included within the functional expenditure categories.

(2) Information not available for years prior to GASB 34 implementation.

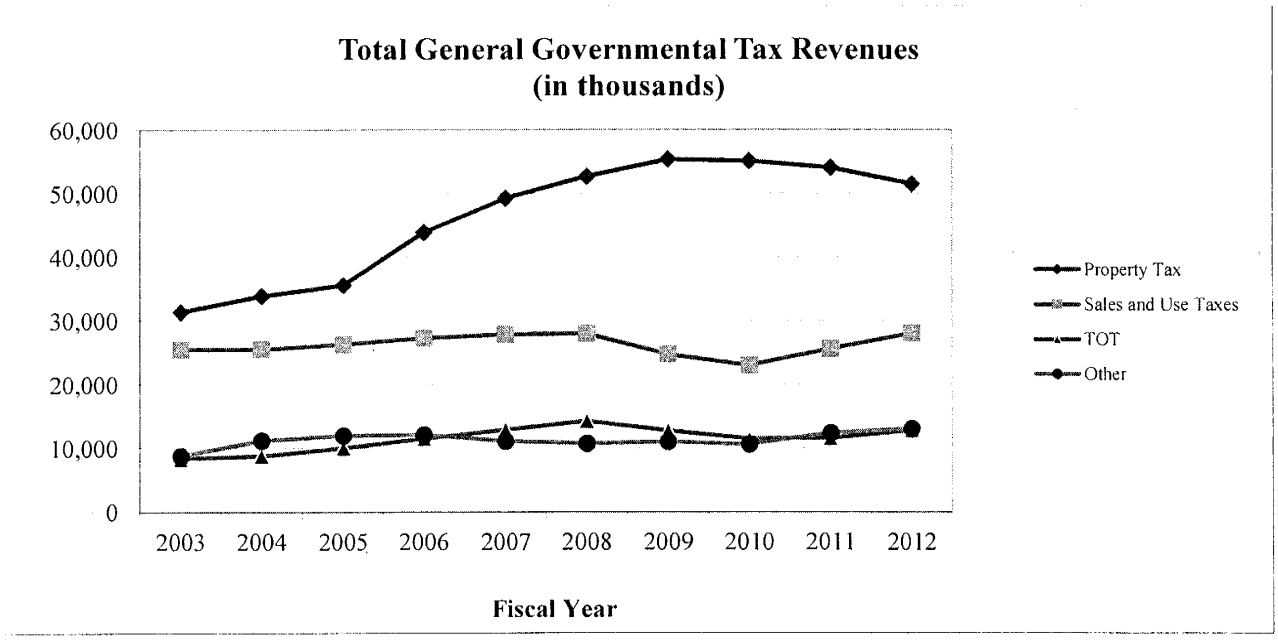
(3) Steep drop in development throughout the city due to the economic recession starting in 2009.

(4) AB1x26 and AB 1484 were implemented in Fiscal Year 2012. The net assets of the former RDA were incorporated into trust funds.

2008	2009	2010	2011	2012	
$ 105,724	$ 103,874	$ 100,249	$ 103,660	$ 105,595	
19,565	10,029	12,108	12,847	9,603	
1,991	1,022	1,484	1,590	1,852	
11,089	9,616	10,215	9,938	10,092	
1,500	1,402	1,199	1,051	892	
24,163	19,132	12,719	9,278	6,253	
23,850	3,117	4,580	5,473	9,927	
281	174	203	310	206	
932	926	1,263	2,521	697	
189,095	149,292	144,020	146,668	145,117	
14,433	12,896	22,778	16,937	16,992	
(2,287)	(3,676)	(3,991)	(3,015)	(3,750)	
43,719	45,003	44,686	44,157	44,915	
15,726	16,294	18,272	16,980	17,587	
17,136	17,517	16,493	22,560	22,815	
24,355	23,851	23,851	13,078	11,773	
39,010	22,097	19,727	20,985	17,367	
1,140	1,200	490	515	851	
1,347	1,188	1,016	935	308	
154,579	136,370	143,322	133,132	128,858	
34,516	12,922	698	13,536	16,259	
-	-	-	-	-	
-	-	-	581	-	
20,390	9,101	21,837	9,802	19,887	
(19,948)	(9,637)	(22,578)	(10,937)	(23,097)	
-	-	-	-	12,847	(4)
442	(536)	(741)	(554)	9,637	
$ 34,958	$ 12,386	$ (43)	$ 12,982	$ 25,896	
2.08%	2.01%	1.18%	1.26%	0.99%	

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(in thousands)

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Misc. Taxes	Total Tax Revenue
2003	31,412	25,543 (3)	8,387	3,730	2,305	1,127	1,652	74,156
2004	33,949	25,571	8,814	5,027	2,872 (2)	1,587	1,713	79,533
2005	35,650 (1)	26,331	10,072	5,683	2,890	1,646	1,793	84,065
2006	43,936	27,294	11,513	5,429	3,040	1,906	1,744	94,862
2007	49,284	27,889	12,929	5,346	3,056	1,262 (4)	1,430	101,196
2008	52,705	28,012	14,277	4,634	3,328	951	1,817	105,724
2009	55,338	24,765 (5)	12,752 (5)	5,274	3,422	621	1,702	103,874
2010	55,113 (5)	23,031 (5)	11,490 (5)	4,906 (5)	3,458	758	1,493	100,249
2011	54,049	25,660	11,569	4,650	3,581	911	3,240 (9)	103,660
2012	51,538 (6)	28,094 (7)	12,872 (7)	4,852	2,695 (8)	925	4,619 (9)	105,595
Change 2003-2012	64%	10%	53%	30%	17%	-18%	180%	42%



Source: City of Carlsbad.

* Includes Vehicle License Fees (VLF) in lieu, property tax increment, low/moderate housing, set aside taxes and CFD#1 special taxes.

(1) Property taxes increased in 2004-05 as the city began receiving additional property tax revenues in lieu of a portion of the VLF.

(2) This reflects the results from hiring a company to assist in the identification of unlicensed businesses, and the recovery of non-reported and under-reported business license taxes.

(3) The city modified the methodology used in accruing sales tax revenue for the year, in accordance with Generally Accepted Accounting Principles (GAAP).

(4) Reflects the beginning of the downturn in the housing market.

(5) Reflects the impact of the economic recession.

(6) Primarily the result of commercial and industrial property reassessments and lower amounts received from delinquent taxes. Beginning February 1, 2012, tax increment revenue from the former RDA is recorded in the Successor Agncy Trust Fund.

(7) Reflects improvement in the economy.

(8) Three large refunds of overpaid business license taxes over a period of three years created this large decrease.

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

CITY OF CARLSBAD

Water and Wastewater Rates
Last Ten Fiscal Years

	Water			Wastewater
Fiscal Year	Monthly Delivery Charge	Base Price Per Unit (1)		Monthly Base Rate
2003	$9.25	$1.60		$13.00
2004	9.25	1.60		13.00
2005	9.25	1.60		13.00
2006	9.25	1.60		13.50
2007	9.75	1.68		14.65
2008	12.12	1.76		16.20
2009	14.54	2.12		17.65
2010	16.78	2.29	(2)	20.93
2011	18.00	2.70		23.03
2012	19.80	2.97		24.53

Source: City of Carlsbad.

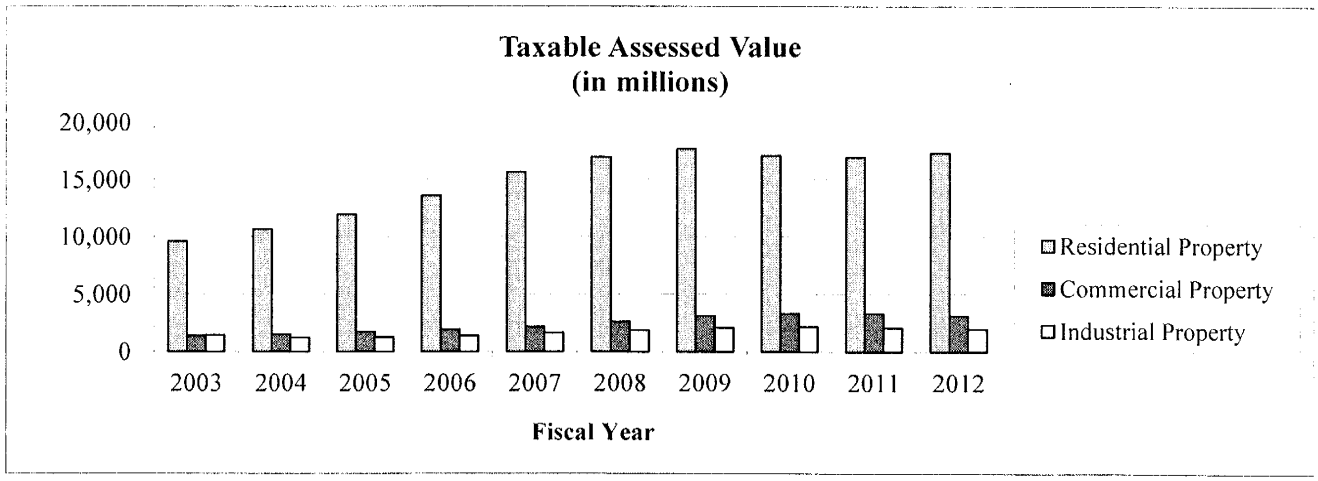
Note: Rates shown are for a 5/8" meter, which is the standard household meter size.

(1) One unit of water equals 748 gallons.
(2) Tiered rates were implemented starting in Fiscal Year 2010. From that point on, the base price shown is for tier 1, which applies to the first 12 units of usage per month at a single family residence.

CITY OF CARLSBAD

Assessed Value of Taxable Property
Last Ten Fiscal Years
(dollars in millions)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Exemptions and Other Taxable Property (1)	Net Assessed Valuation	Change From Prior Year	Estimated Property Tax Revenue (2)	Total Direct Tax Rate (3)
2003	$ 9,612	$ 1,413	$ 1,469	$ 516	$ 13,010	9.78%	$ 25.070	0.1927%
2004	10,700	1,516	1,231	856	14,303	9.94%	27.562	0.1927%
2005	11,984	1,749	1,266	742	15,741	10.05%	30.333 (4)	0.1927%
2006	13,619	1,962	1,398	729	17,708	12.50%	34.123	0.1927%
2007	15,650	2,181	1,660	569	20,060	13.28%	38.656	0.1927%
2008	16,988	2,635	1,883	534	22,040	9.87%	42.471	0.1927%
2009	17,683	3,132	2,102	600	23,517	6.70%	45.317	0.1927%
2010	17,086	3,340	2,192	617	23,235	-1.20%	44.774 (5)	0.1927%
2011	16,946	3,355	2,111	601	23,013	-0.96%	44.346 (5)	0.1927%
2012	17,306	3,133	1,983	560	22,982	-0.13%	44.286 (5)	0.1927%



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

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

(1) Other property includes farm, rural, institutional, recreational, state secured property, unsecured property, personal property and fixtures.

(2) Estimated property tax revenues do not include special assessments, redevelopment tax increment or community facilities district revenues.

(3) The total direct tax rate is the city's proportionate share of Proposition 13 property taxes collected within the tax rate area.

(4) In Fiscal Year 2004-05, there was an increase in the property taxes received, offset by a decrease in Vehicle License Fees (VLF).

(5) The decrease in estimated property tax revenue is a result of the current economic recession.

CITY OF CARLSBAD

Direct and Overlapping Property Tax Rates (1)
Last Ten Fiscal Years
(rate per $100 of assessed value)

	Allocation of 1% Ad Valorem Property Taxes								
		Overlapping Rates							
Fiscal Year	City of Carlsbad Total Direct Rate (5)	Carlsbad Unified School District	San Diego County	Educational Revenue Augmentation Fund	Mira Costa Community College	All Other Rates	Total Prop 13 Rate (2)	Voter Approved Debt (3)	Total Tax Rate (4)
2003	0.1927 %	0.3412 %	0.1576 %	0.1497 %	0.0937 %	0.0651 %	1.0000 %	0.0278 %	1.0278 %
2004	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0286	1.0286
2005	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0239	1.0239
2006	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0207	1.0207
2007	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0185	1.0185
2008	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0419	1.0419
2009	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0393	1.0393
2010	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0408	1.0408
2011	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0432	1.0432
2012	0.1927	0.3412	0.1576	0.1497	0.0937	0.0651	1.0000	0.0748	1.0748

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

(1) Tax rates are for Tax Rate Area 09000, which has the highest total assessed value of the 103 tax rate areas in the City of Carlsbad. Tax Rate Area 09000 was chosen as the most representative for the city.
(2) In 1978, California voters passed Proposition 13 which limited property taxes to a total maximum rate of 1.00% based on the assessed value of each property being taxed. This 1.00% is shared by all taxing agencies within a tax rate area. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the purchase price of the property becomes the new assessed value.
(3) The majority of voter approved debt shown above is related to Carlsbad Unified School District bonds.
(4) The Total Tax Rate is the 1.00% Proposition 13 rate plus the Voter Approved Debt rate.
(5) The city has no general obligation bonds; therefore the Basic Tax Rate is the same as the Total Direct Tax Rate.

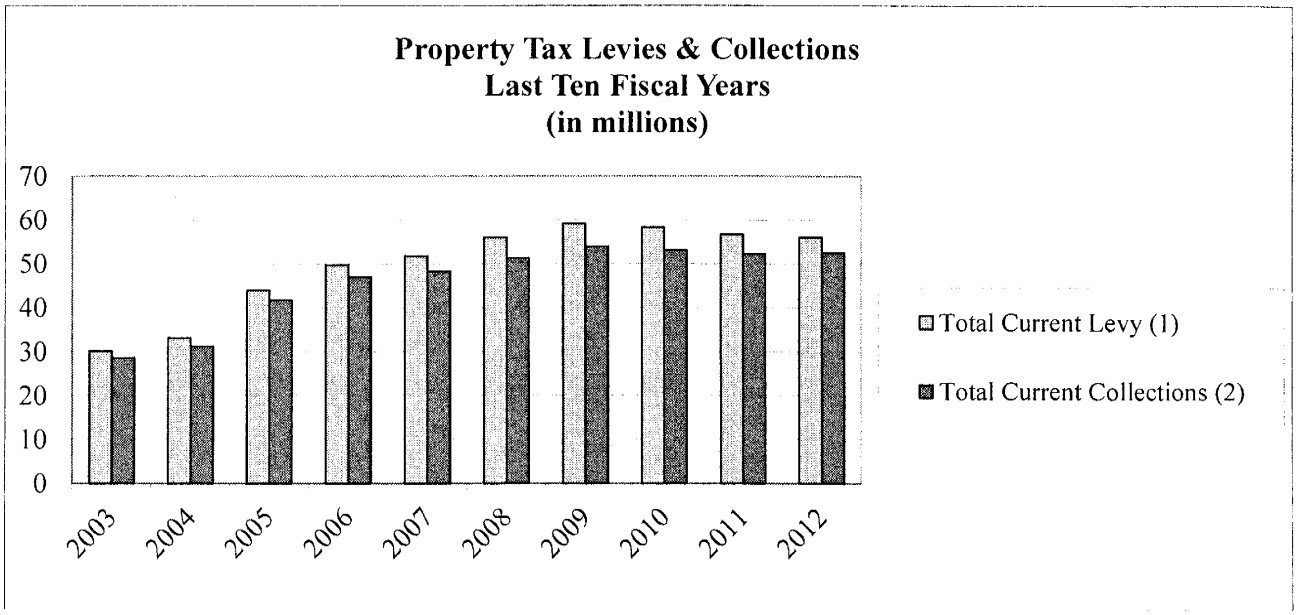
Principal Property Taxpayers
Current Year and Nine Years Ago

	2012			2003		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Net Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Net Assessed Value**
La Costa Glen Retirement Community	$ 230,236,508	1	1.00%	$ 95,321,386	5	0.73%
Aviara Resort Associates LLC	149,845,296	2	0.65%	127,260,300	2	0.98%
Legoland California, Inc.	128,722,242	3	0.56%	105,000,000	4	0.81%
O C/s D Holdings LLC	121,249,952	4	0.53%	-		-
L C Resort Investment 2010, Inc.	116,833,774	5	0.51%	-		-
Carlsbad Premium Outlets	114,617,062	6	0.50%	-		-
Westfield Plaza Camino Real	102,117,463	7	0.44%	-		-
The Forum Shopping Center	84,882,929	8	0.37%	-		-
P P C Cascade LLC	82,935,307	9	0.36%	-		-
H.G. Fenton Company	79,102,340	10	0.34%	61,714,726	9	0.47%
Callaway Golf Company	-		-	178,033,606	1	1.37%
KSL La Costa Resort Corp.	-		-	125,837,967	3	0.97%
Real Estate Collateral Mgmt. Co.	-		-	69,264,936	6	0.53%
Prentiss Properties Acquisition	-		-	68,418,264	7	0.53%
Air Products & Chemicals, Inc.	-		-	63,640,951	8	0.49%
Universe Institutional	-		-	51,711,630	10	0.40%
Total	$ 1,210,542,873		5.27%	$ 946,203,766		7.27%
Net assessed valuation	$ 22,982,171,525			$ 13,009,711,562		

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

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Within the Year of Levy: Total Current Levy (1)		Total Current Collections (2)	Percentage of Levy	Collected from Prior Years' Levies (4)
2003	30,178,314		28,579,089	94.70%	439,332
2004	33,117,599		31,263,256	94.40%	489,764
2005	44,057,622	(3)	41,762,729	94.79%	488,289
2006	49,806,112		47,058,777	94.48%	664,449
2007	51,854,596		48,343,045	93.23%	876,748
2008	56,098,718		51,425,928	91.67%	1,196,691
2009	59,297,940		53,993,989	91.06%	1,765,911
2010	58,433,851		53,131,129	90.93%	1,899,786
2011	56,792,002		52,341,088	92.16%	1,612,061
2012	56,172,471		52,660,971	93.75%	974,414



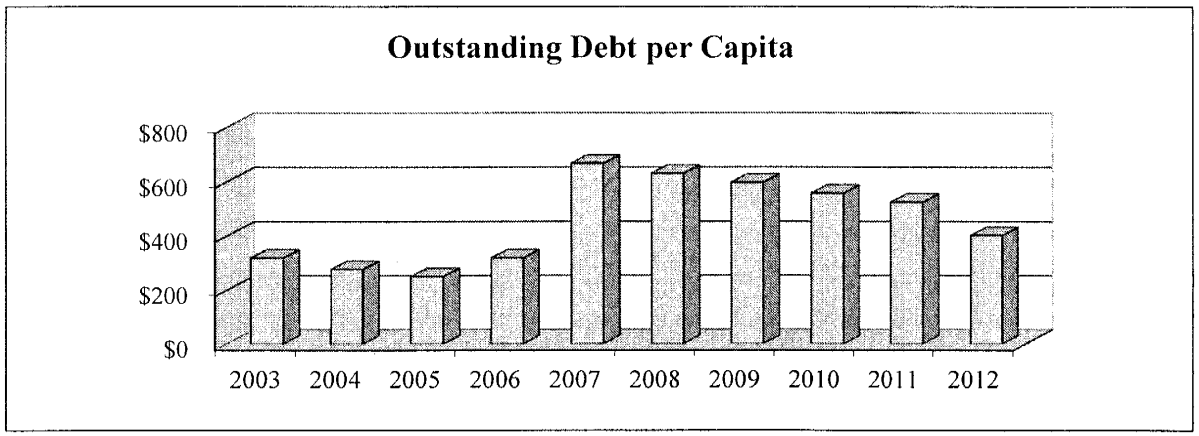
Source: County of San Diego Office of the Auditor and Controller.

(1) Includes real property transfer taxes, homeowner exemptions and Proposition 172 public safety sales taxes.
(2) Total current collections include secured, unsecured, HOE and supplementary amounts distributed by the county.
(3) Starting in Fiscal Year 2004-05, the city received additional property tax payments in lieu of vehicle license fees.
(4) Amounts collected from prior years' levies represent all collections received in a given year relating to all prior years. The County of San Diego does not provide a breakdown by individual years.

CITY OF CARLSBAD

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

	Governmental Activities			
Fiscal Year	Bonds / Special Debt (4)	Certificates of Participation	Capital Leases	Loans Payable
2003	$ 13,200	$ 3,950	$ 179	$ 170
2004	12,840	3,360	79	-
2005	12,460	2,740	7	-
2006	12,065	2,105	1	-
2007	11,645	1,435	-	-
2008	11,205	735	-	-
2009	10,740	-	-	-
2010	10,250	-	-	-
2011	9,735	-	-	581
2012	-	-	-	475



Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
(1) During Fiscal Year 2006-07, Carlsbad Municipal Golf Course Revenue Bonds were issued for $18.5 million.
(2) The State Water Resources Control Board issued low interest loans for the Carlsbad Water Recycling Facility for $9.7 million during Fiscal Year 2005-06, and $19.4 million in Fiscal Year 2006-07.
(3) Percentage of personal income is calculated using per capita personal income beginning in 2011, in prior years the percentage is calculated using household median income.
(4) The 1993 Carlsbad Housing & Redevelopment Commission Tax Allocation Bonds were transferred to a trust fund due to the dissolution of the RDA in Fiscal Year 2011-12, per AB1x26 and AB1484.
Sources: MuniServices, LLC, California Department of Finance, US Census Data.

Business-Type Activities								
Accrued Assessments	Bonds / Special Debt (1)	Certificates of Participation	Installment Purchase Agreements	Loan Payable (2)	Capital Leases	Total	Percentage of Personal Income (3)	Per Capita
$ 443	$ -	$ 1,175	$ 8,375	$ 1,460	$ -	$ 28,952	0.52%	$ 319.41
257	-	-	7,855	1,343	-	25,734	0.44%	277.24
-	-	-	7,305	1,223	-	23,735	0.39%	250.12
-	-	-	6,730	10,592	-	31,493	0.50%	319.27
-	18,540	-	6,125	29,096	699	67,540	1.00%	666.49
-	18,540	-	5,485	28,465	958	65,388	0.92%	629.88
-	18,265	-	4,810	27,106	736	61,657	0.84%	596.26
-	17,975	-	4,105	25,715	502	58,547	0.79%	557.30
-	17,670	-	3,365	24,290	256	55,897	1.38%	524.58
-	17,345	-	2,585	22,830	14	43,249	1.00%	401.67

Schedule of Direct and Overlapping Bonded Debt
Current Fiscal Year

Fiscal Year 2011-12 Assessed Valuation:	$	23,334,787,727
Redevelopment Incremental Valuation:		352,616,202
Adjusted Assessed Valuation:	$	22,982,171,525

Overlapping Tax and Assessment Debt:	Total Debt 06/30/12	Percent Applicable (1)	City's Share of Debt 6/30/12
Metropolitan Water District	$ 196,545,000	1.283%	$ 2,521,672
Palomar Community College District	318,573,901	3.230%	10,289,937
Carlsbad Unified School District	200,269,282	97.851%	195,965,495
Carlsbad Unified School District CFD No. 1	3,415,000	100.000%	3,415,000
Oceanside Unified School District	232,099,327	0.006%	13,926
Vista Unified School District	130,019,882	0.668%	868,533
Encinitas Union School District	25,534,256	30.419%	7,767,265
San Marcos Unified School District	207,041,998	34.439%	71,303,194
San Marcos Unified School District School Facility Improvement District	10,333,019	39.233%	4,053,953
San Marcos Unified School District CFD No. 4	22,190,000	24.403%	5,415,026
San Marcos Unified School District CFD No. 5	21,825,000	100.000%	21,825,000
San Dieguito Union HS District CFD No. 94-1	91,377	100.000%	91,377
San Dieguito Union HS District CFD No. 94-2	25,909,533	98.080%	25,412,070
San Dieguito Union HS District CFD No. 95-2	4,244,877	12.035%	510,871
Palomar Pomerado Hospital District	479,863,205	2.079%	9,976,356
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	15,460,000	21.122%	3,265,461
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	24,435,000	100.000%	24,435,000
City of Carlsbad 1915 Act Bonds	59,040,000	100.000%	59,040,000
Total Overlapping Tax and Assessment Debt	$ 1,976,890,657		$ 446,170,136
Overlapping General Fund Obligation Debt:			
San Diego County General Fund Obligations	$ 395,115,000	6.717%	$ 26,539,875
San Diego County Pension Obligations	787,112,618	6.717%	52,870,355
San Diego City Superintendent of Schools General Fund Obligations	18,750,000	6.717%	1,259,438
Mira Costa Community College District Certificates of Participation	2,740,000	26.959%	738,677
Palomar Community College District General Fund Obligations	5,820,000	3.230%	187,986
Carlsbad Unified School District General Fund Obligations	47,620,000	97.851%	46,596,646
San Marcos Unified School District General Fund Obligations	55,863,327	34.439%	19,238,771
San Dieguito Union High School District General Fund Obligations	15,515,000	8.795%	1,364,544
Other Unified School District Certificates of Participation	5,285,000	Various	35,304
Total Overlapping General Fund Obligation Debt	$ 1,333,820,945		$ 148,831,596
Total Overlapping Debt:	**$ 3,310,711,602**		**$ 595,001,732**
City of Carlsbad Direct Debt:			
City of Carlsbad General Fund Obligations	$ -	100.000%	$ -
Total City of Carlsbad Direct Debt	$ -		$ -
Combined Total Debt	**$ 3,310,711,602**		**$ 595,001,732** (2)

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

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

Ratios to Fiscal Year 2011-12 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.91%
Ratios to Adjusted Assessed Valuation:	
City of Carlsbad Direct Debt	**0.00%**
Combined Total Debt	2.59%

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

CITY OF CARLSBAD

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

	2003	2004	2005
Overlapping Tax and Assessment Debt:			
San Diego County Water Authority	$ 0.008	$ -	$ -
Metropolitan Water District	0.398	0.368	0.319
Palomar Community College District	-	-	-
Carlsbad Unified School District	1.832	1.594	1.342
Carlsbad Unified School District Lease Tax Obligations	0.070	0.033	-
Carlsbad Unified School District CFD No. 1	0.789	0.678	0.578
Oceanside Unified School District	-	-	-
Vista Unified School District	0.004	0.005	0.005
Encinitas Union School District	0.621	0.530	0.471
San Marcos Unified School District	-	-	-
Encinitas Union School District Lease Tax Obligations	0.020	-	-
San Marcos Unified School District School Fac. Improv. Dist.	0.544	0.524	0.448
San Marcos Unified School District CFD No. 4	-	-	-
San Marcos Unified School District CFD No. 5	1.909	1.886	1.677
San Dieguito Union HS District CFD No. 94-1	0.023	0.020	0.018
San Dieguito Union HS District CFD No. 94-2	1.628	1.456	1.298
San Dieguito Union HS District CFD No. 95-2	0.025	0.023	0.020
San Dieguito Union HS District combined CFD	-	0.973	0.884
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.357	0.314	0.279
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	-	-	-
City of Carlsbad 1915 Act Bonds	2.809	3.145	4.848
Total Overlapping Tax and Assessment Debt	$ 11.038	$ 11.548	$ 12.186
Overlapping General Fund Obligation Debt:			
San Diego County General Fund Obligations	$ 2.281	$ 1.881	$ 1.855
San Diego County Pension Obligations	3.951	5.528	5.008
San Diego City Superintendent of Schools General Fund Obligations	0.010	0.009	0.051
Mira Costa Community College District Certificates of Participation	0.121	0.098	0.085
Palomar Community College District General Fund Obligations	-	-	-
Carlsbad Unified School District General Fund Obligations	4.392	3.961	3.557
San Marcos Unified School District General Fund Obligations	-	0.143	0.122
Encinitas Union School District Certificates of Participation	0.045	0.037	0.032
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.021	0.018	0.015
Total Overlapping General Fund Obligation Debt	$ 10.820	$ 11.676	$ 10.726
Total Overlapping Debt:	21.858	23.225	22.912
City of Carlsbad Direct Debt:			
City of Carlsbad General Fund Obligations	0.304	0.235	0.174
Total City of Carlsbad Direct Debt	$ 0.304	$ 0.235	$ 0.174
Combined Total Debt	$ 22.162	$ 23.460	$ 23.086

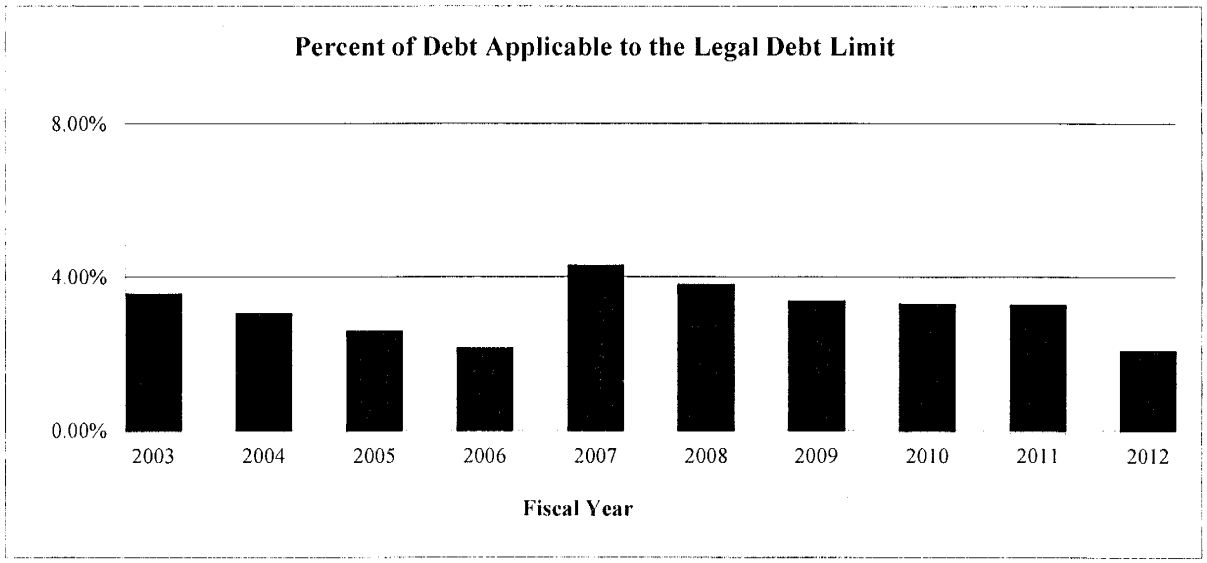
Source: California Municipal Statistics, Inc. & MuniServices, LLC

2006	2007	2008	2009	2010	2011	2012
$ -	$ -	$ -	$ -	$ -	$ -	$ -
0.269	0.224	0.187	0.160	0.147	0.129	0.110
-	0.239	0.224	0.208	0.207	0.447	0.448
1.102	0.897	2.521	5.513	5.401	8.660	8.527
-	-	-	-	-	-	-
0.477	0.386	0.318	0.263	0.230	0.192	0.149
-	-	-	-	0.001	0.001	0.001
0.007	0.011	0.029	0.033	0.043	0.039	0.038
0.389	0.322	0.270	0.228	0.205	0.357	0.338
-	-	-	-	-	-	3.103
-	-	-	-	-	-	-
0.383	0.327	0.282	0.250	0.227	0.202	0.176
0.187	0.302	0.270	0.248	0.245	0.241	0.236
1.457	1.255	1.114	1.016	1.000	0.979	0.950
0.016	0.014	0.012	0.011	0.004	0.004	0.004
1.128	0.975	0.867	0.793	1.105	1.093	1.106
0.006	0.005	0.004	0.004	0.022	0.022	0.022
0.832	0.734	0.668	0.626	0.218	0.215	-
0.242	0.203	0.177	0.157	0.151	0.147	0.142
0.649	0.573	1.338	1.246	1.244	1.080	1.063
4.143	3.553	3.091	2.806	2.685	2.640	2.569
$ 11.386	$ 10.100	$ 11.675	$ 13.952	$ 13.516	$ 16.893	$ 19.414
$ 1.385	$ 1.125	$ 1.051	$ 1.304	$ 1.201	$ 1.133	$ 1.155
4.376	4.306	3.094	2.782	2.470	2.410	2.300
0.044	0.058	0.051	0.046	0.061	0.059	0.055
0.072	0.061	0.052	0.046	0.043	0.036	0.032
0.013	0.012	0.011	0.010	0.010	0.009	0.008
3.106	2.694	2.404	2.206	2.132	2.089	2.028
0.106	0.093	0.082	0.076	0.834	0.831	0.837
0.024	0.018	0.013	0.008	0.004	-	-
-	-	-	-	0.048	0.049	0.059
0.001	0.001	0.001	0.002	0.002	0.002	0.002
$ 9.127	$ 8.367	$ 6.759	$ 6.480	$ 6.805	$ 6.617	$ 6.476
20.513	18.467	18.434	20.431	20.321	23.511	25.890
0.119	0.072	0.033	-	-	-	-
$ 0.119	$ 0.072	$ 0.033	$ -	$ -	$ -	$ -
$ 20.632	$ 18.538	$ 18.467	$ 20.431	$ 20.321	$ 23.511	$ 25.890

CITY OF CARLSBAD

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

	2003	2004	2005	2006	2007
Net assessed valuation	$ 13,009,712	$ 14,303,050	$ 15,741,122	$ 17,707,928	$ 20,059,893
Debt limit (25% x 15%)	487,864	536,364	590,292	664,047	752,246
Less amount of debt applicable to limit:					
Bonded debt	13,200	12,840	12,460	12,065	30,185 (1)
Certificates of participation	3,950	3,360	2,740	2,105	1,435
Loan payable	-	-	-	-	-
Obligations under capital leases	179	79	7	1	699
Total net debt applicable to limit	17,329	16,279	15,207	14,171	32,319
Legal debt margin	$ 470,535	$ 520,085	$ 575,085	$ 649,876	$ 719,927
Total net debt applicable to the limit as a percentage of debt limit	3.55%	3.04%	2.58%	2.13%	4.30%



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

(1) $18.5 million in golf course bonds were issued in Fiscal Year 2006-07. If the golf course net operating revenue is not sufficient to cover the debt service payment, the General Fund will make the debt service payment.

(2) The 1993 Carlsbad Housing & Redevelopment Commission Tax Allocation Bonds were transferred to a trust fund due to the dissolution of the RDA in Fiscal Year 2011-12, per AB1x26 and AB1484.

2008	2009	2010	2011	2012	
$ 22,040,018	$ 23,517,153	$ 23,234,948	$ 23,012,997	$ 22,982,172	
826,501	881,893	871,311	862,987	861,831	
29,745	29,005	28,225	27,405	17,345	(2)
735	-	-	-	-	
-	-	-	581	475	
958	736	502	256	14	
31,438	29,741	28,727	28,242	17,834	
$ 795,063	$ 852,152	$ 842,584	$ 834,745	$ 843,997	
3.80%	3.37%	3.30%	3.27%	2.07%	

CITY OF CARLSBAD

Pledged-Revenue Coverage
Last Ten Fiscal Years

	2003	2004	2005	2006	2007
Wastewater Revenue Bonds					
Gross revenues (1)	$ 10,461,096	$ 8,291,693	$ 9,427,318	$ 8,763,977	$ 10,540,303
Less expenses (2)	3,979,400	4,781,158	4,512,427	5,438,600	6,173,656
Net available revenue	$ 6,481,696	$ 3,510,535	$ 4,914,891	$ 3,325,377	$ 4,366,647
Debt service					
Principal	$ 495,000	$ 520,000	$ 550,000	$ 575,000	$ 605,000
Interest	441,199	416,256	389,581	361,394	328,944
Total debt service	$ 936,199	$ 936,256	$ 939,581	$ 936,394	$ 933,944
Coverage	**6.92**	**3.75**	**5.23**	**3.55**	**4.68**
Recycled Water Loans					
Gross revenues (3)	n/a	n/a	n/a	n/a	$ 4,187,044
Less expenses (4)	n/a	n/a	n/a	n/a	1,968,609
Net available revenue	n/a	n/a	n/a	n/a	$ 2,218,435
Debt service					
Principal (5)	n/a	n/a	n/a	n/a	$ 409,896
Interest	n/a	n/a	n/a	n/a	236,964
Total debt service	n/a	n/a	n/a	n/a	$ 646,860
Coverage	**n/a**	**n/a**	**n/a**	**n/a**	**3.43**
Golf Course Revenue Bonds					
Gross revenues (1)	n/a	n/a	n/a	n/a	n/a
Less expenses (2)	n/a	n/a	n/a	n/a	n/a
Net available revenue	n/a	n/a	n/a	n/a	n/a
Debt service					
Principal (6)	n/a	n/a	n/a	n/a	n/a
Interest	n/a	n/a	n/a	n/a	n/a
Total debt service	n/a	n/a	n/a	n/a	n/a
Coverage	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**

Source: City of Carlsbad

(1) Include operating and non-operating revenues and transfers in from the General Fund.

(2) Include operating and non-operating expenses, excluding interest expense and depreciation.

(3) Include recycled water operating and non-operating revenues and fees.

(4) Include recycled water operating and non-operating expenses, excluding interest expense and depreciation.

(5) Fiscal Year 2006-07 is the first year loan payments were made.

(6) Fiscal Year 2008-09 is the first year for principal payment.

2008	2009	2010	2011	2012
$ 11,134,290	$ 10,551,005	$ 10,837,232	$ 11,564,398	$ 12,391,225
6,645,724	7,523,300	6,197,845	6,060,142	6,645,436
$ 4,488,566	$ 3,027,705	$ 4,639,387	$ 5,504,256	$ 5,745,789
$ 640,000	$ 675,000	$ 705,000	$ 740,000	$ 780,000
295,506	262,169	228,006	191,419	162,468
$ 935,506	$ 937,169	$ 933,006	$ 931,419	$ 942,468
4.80	**3.23**	**4.97**	**5.91**	**6.10**
$ 4,714,098	$ 5,749,477	$ 6,635,220	$ 5,942,531	$ 7,002,009
2,484,843	2,925,479	3,300,263	3,629,787	4,133,530
$ 2,229,255	$ 2,823,998	$ 3,334,957	$ 2,312,744	$ 2,868,479
$ 1,041,202	$ 1,223,781	$ 1,252,343	$ 1,282,018	$ 1,312,398
799,759	652,702	624,140	594,463	564,084
$ 1,840,961	$ 1,876,483	$ 1,876,483	$ 1,876,481	$ 1,876,482
1.21	**1.50**	**1.78**	**1.23**	**1.53**
$ 6,614,579	$ 7,680,342	$ 7,080,711	$ 7,582,458	$ 7,863,951
6,312,031	6,848,161	6,426,412	6,356,592	6,177,438
$ 302,548	$ 832,181	$ 654,299	$ 1,225,866	$ 1,686,513
$ -	$ 275,000	$ 290,000	$ 305,000	$ 325,000
827,050	821,550	810,250	798,350	785,750
$ 827,050	$ 1,096,550	$ 1,100,250	$ 1,103,350	$ 1,110,750
0.37	**0.76**	**0.59**	**1.11**	**1.52**

CITY OF CARLSBAD

Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Total Population	% of S.D. County Population	% Change from Previous Year	Median Age	Average Household Size
2003	90,643	3.05%	2.86%	39.7	2.48
2004	92,823	3.08%	2.41%	40.2	2.51
2005	94,896	3.12%	2.23%	40.6	2.48
2006	98,641	3.22%	3.95%	40.9	2.51
2007	101,337	3.27%	2.73%	41.2	2.53
2008	103,811	3.30%	2.44%	39.7	2.45
2009	103,406	3.30%	-0.39%	39.4	2.50
2010	105,055	3.30%	1.59%	38.7	2.53
2011	106,555	3.42%	1.43%	39.4	2.53
2012	107,674	3.43%	1.05%	40.3	2.58

Sources: MuniServices, LLC, and previously published City of Carlsbad CAFR Reports
Population projections are from the California Department of Finance and 2010 Census.
Household and demographic characteristics estimates are from the United States Census Data Sets Tables.
Unemployment rate estimates are from the California Employment Development Department, Bureau of Labor Statistics.

(1) U.S. Census Bureau, and 2010 American Community Survey. Personal income is the estimated total aggregate income for the total population.
(2) Per Capita Personal Income is reported starting in Fiscal Year 2011; prior amounts are Median Household Income, adjusted for inflation.

Educational Attainment				
% High School Graduate	% Bachelor's Degree or Higher	Personal Income (1) (millions)	Per Capita Personal Income (2)	City Unemployment Rate
n/a	n/a	n/a	$ 61,178	3.40%
n/a	n/a	n/a	62,937	3.10%
95.0%	46.9%	n/a	63,403	2.80%
95.4%	53.0%	n/a	64,252	2.60%
n/a	n/a	n/a	66,325	4.00%
96.4%	49.3%	n/a	68,214	3.00%
95.8%	50.9%	n/a	70,833	3.90%
n/a	n/a	n/a	70,581	6.50%
96.2%	51.6%	$ 4,048 (1)	37,985 (2)	6.80%
95.3%	50.6%	4,304	39,975	6.30%

CITY OF CARLSBAD

Principal Employers
Current Year and Nine Years Ago

	2012			2003	
Employer	Employees	Rank	% of Total City Employment	Employees	Rank
Manufacturing					
Life Technologies	4,142	1	7.57%	295	8
Taylor Made Golf Company, Inc.	2,498	2	4.57%	727	2
Callaway Golf Company	1,637	3	2.99%	2,500	1
Genoptix, Inc.	1,098	4	2.01%	-	-
Alphatec Spine, Inc.	765	5	1.40%	-	-
Zimmer Dental Inc.	646	6	1.18%	-	-
Nordson Asymtek	597	7	1.09%	-	-
Crestone Group Baking Co.	530	8	0.97%	-	-
Astec America	299	9	0.55%	-	-
The Upper Deck Company	293	10	0.54%	250	9
Acushnet Golf	-	-	-	540	3
Tyco-Healthcare	-	-	-	450	4
Ashworth, Inc.	-	-	-	350	5
Modern Postcard/The Iris Group, Inc.	-	-	-	320	6
Melles-Griot, Inc.	-	-	-	300	7
Non-Manufacturing					
ViaSat, Inc.	2,193	1	4.01%	465	7
GIA Laboratory	1,344	2	2.46%	500	6
LEGOLAND California, LLC	1,158	3	2.12%	1,100	2
La Costa Resort & Spa	886	4	1.62%	650	4
Carlsbad Unified School District	885	5	1.62%	875	3
SGN Acquisition Company, LLC	750	6	1.37%	-	-
City of Carlsbad	684	7	1.25%	647	5
Toyota Carlsbad	589	8	1.08%	-	-
Park Hyatt Aviara	580	9	1.06%	1,100	1
24-Hour Fitness, Inc.	543	10	0.99%	450	8
SOMC Group, Inc.	-	-	-	380	9
Wells Fargo Mortgage Resources	-	-	-	325	10
Subtotal Employees	**22,117**		**40.43%**	**12,224**	
Total Employees (estimate)	**54,700**			**n/a (1)**	

Source: Carlsbad Business License Data (2012) and Carlsbad Chamber of Commerce (2003).

(1) Total employee count is not available for 2003.

CITY OF CARLSBAD

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

Program Area	2003	2004	2005	2006	2007
Policy and Leadership Group					
City Council	1.00	1.00	1.00	1.00	1.00
City Treasurer	0.75	0.75	0.75	0.75	0.75
City Manager	6.00	6.00	6.00	6.00	7.00
Communications	2.75	2.75	2.75	2.75	3.75
City Attorney	7.00	7.00	7.00	7.00	7.00
Records Management	8.00	8.00	8.00	8.00	8.00
Internal Services					
Finance and Risk Management	32.00	32.00	32.00	31.00	32.00
Human Resources and Worker's Comp	10.00	10.00	10.00	10.00	10.00
Information Technology	16.00	16.00	16.00	16.00	19.00
Property and Environmental Management	-	-	-	-	-
Public Safety					
Police	150.00	148.00	148.00	151.00	157.00
Fire	79.75	79.75	79.75	79.75	87.75
Community Development					
Community and Economic Development	44.00	44.00	44.00	44.00	49.00
Housing and Neighborhood Services	10.00	10.00	10.00	10.00	10.00
Community Services					
Library and Arts	52.75	53.00	53.00	53.00	53.00
Parks and Recreation	33.00	33.00	32.50	32.50	30.50
Public Works					
General Services, Engineering, Environmental	120.75	121.75	148.15	157.75	166.00
Transportation	-	-	-	-	-
Utilities	73.00	73.00	47.10	49.50	48.50
Full and 3/4 Time Authorized Employees	646.75	646.00	646.00	660.00	690.25
Increase/(decrease) over prior year	19.50	(0.75)	-	14.00	30.25

Source: City of Carlsbad Operating Budget

Notes: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick-leave).
A 3/4 time employee is scheduled to work 1,560 hours per year (including vacation and sick-leave).

(1) During Fiscal Year 2009-10, the Parks Department was moved from Public Works - General Services to Community Services - Parks and Recreation.
(2) During Fiscal Year 2010-11, the Community Development, Public Works and Information Technology groups were realigned/reorganized to better reflect the future needs of the city.

2008	2009	2010	2011	2012
1.00	1.00	1.00	1.00	1.00
0.75	0.75	0.75	0.75	0.75
7.00	8.00	8.00	8.00	7.00
3.75	3.75	3.75	2.75	2.75
7.00	7.00	7.00	7.00	7.00
8.00	8.00	8.00	8.00	6.25
32.00	32.00	31.00	30.50	30.50
10.00	10.00	10.00	9.00	9.00
19.00	19.50	19.00	22.50 (2)	22.50
-	-	-	41.60 (2)	39.60
162.00	162.00	162.00	162.00	162.00
88.75	88.75	88.75	88.75	87.75
50.00	50.00	50.00	54.00 (2)	50.00
10.00	10.00	10.00	11.00 (2)	13.00
53.00	53.00	53.00	52.25	51.25
30.50	30.50	72.10 (1)	71.95	70.95
173.05	174.80	133.00 (1)	- (2)	-
-	-	-	58.40 (2)	54.40
55.45	55.20	55.40	69.55 (2)	68.55
711.25	714.25	712.75	699.00	684.25
21.00	3.00	(1.50)	(13.75)	(14.75)

CITY OF CARLSBAD

Operating Indicators by Function/Program
Last Eight Fiscal Years

	2005	2006	2007	2008	2009
General Government					
Number of recruitments processed	67	64	74	54	39
Number of new hires and promotions	78	124	105	118	75
Business licenses processed	8,507	8,955	8,926	9,405	9,029
Number of payments processed	41,354	40,283	41,337	41,991	41,381
Public Safety					
Police					
Calls for service	73,667	74,546	87,213	94,126	94,492
Average priority one response (minutes)	6.8	6.8	6.3	6.0	5.9
Cases	9,525	10,059	11,178	11,259	10,309
Crime prevention programs/services	677	743	888	965	1,062
Fire					
Emergency responses	6,594	5,908	6,705	6,705	7,853
Response time: arrivals on scene within goal standard	87%	88%	89%	89%	85%
Community Development					
Affordable housing units completed	439	110	66	168	90
Financial assistance to affordable housing projects	$1,600,000	$1,440,000	$3,009,000	$1,932,000	$1,014,000
Residential building permits issued	1,745	948	481	340	114
Building inspections conducted	53,267	51,100	33,523	26,801	18,232
Final inspections (dwelling units)	1,702	1,440	765	787	269
Code enforcement inspections	5,600	5,600	6,800	5,500	4,484
Response time: inspections performed by next working day	94%	97%	96%	98%	99%
Community Services					
Library - total material circulation	1,282,974	1,237,311	1,283,662	1,291,611	1,334,875
Library - patron visits	731,326	898,511	665,277	662,794	670,932
Arts - number of events	65	62	58	62	58
Arts - attendance of events	50,000	65,000	64,000	76,000	80,000
Recreation - youth sports participants	1,100	1,150	1,150	1,200	1,200
Recreation - adult sports participants	5,100	5,150	5,300	5,400	5,400
Recreation - enrichment class enrollees	16,700	16,700	16,700	15,000	13,539
Recreation - special events participants	2,000	3,500	5,200	6,400	10,700
Recreation - aquatics classes conducted	283	273	262	271	350
Trees trimmed	1,767	1,800	1,811	1,808	1,820
Public Works					
Streets					
Road miles - overlay or slurry seal	28.20	32.30	23.80	11.90	4.70
Carlsbad Municipal Water District					
Average consumption (millions of gallons per day)	18.4	19.1	18.6	18.1	17.7
Annual water deliveries (acre feet)	19,172	19,885	19,500	20,271	19,867
Water connections	20,281	23,099	25,791	27,770	27,890
Wastewater					
Sewage pumped (millions of gallons per day)	7.36	6.62	6.81	6.81	7.96
Annual flow (millions of gallons)	2,688	2,416	2,486	2,486	2,906
Wastewater connections	16,454	18,754	20,858	22,200	22,331

Source: City of Carlsbad

(1) The percentage decrease reflects a change in the response-time goal from eight minutes to six minutes.
(2) Water deliveries and consumption decreased significantly in Fiscal Year 2009 and 2010 as a result of conservation efforts.
(3) Water conservation efforts continued in Fiscal Year 2011, plus the summer season had unusually low temperatures.
(4) Due to project delays, the figure shown for Fiscal Year 2012 includes what normally would have been two years of slurry seal projects.

2010	2011	2012
44	31	35
61	39	22
9,173	9,539	9,303
40,310	41,344	39,075
94,678	97,414	93,248
6.0	5.5	5.9
8,826	8,188	7,963
956	1,083	1,253
9,503	9,084	9,106
74% (1)	71%	72%
6	5	-
$3,750,000	$ 525,000	$ 780,000
343	262	425
19,860	20,017	19,973
285	306	267
3,400	4,320	3,827
98%	95%	95%
1,376,601	1,362,700	1,375,000
749,514	858,788	750,000
54	44	50
80,000	75,000	75,000
1,200	1,200	1,200
5,400	5,400	5,450
13,075	13,075	13,300
12,000	12,000	9,000
368	370	565
1,816	2,221	1,863
15.25	3.77	25.20 (4)
15.3 (2)	14.1 (3)	14.4
17,142 (2)	15,786 (3)	16,104
27,910	27,978	28,379
7.73	7.09	7.57
2,823	2,590	2,762
22,335	22,342	22,631

Capital Asset Statistics
Last Eight Fiscal Years

	2005	2006	2007	2008	2009
Community Services					
Number of parks	30	30	31	31	31
Acres of developed parks	295	295	348	348	348
Acres of open space	625	625	625	625	625
Miles of trails	13	27	31	35	38
Number of pools	1	1	1	1	1
Number of community centers	2	2	2	2	2
Number of libraries	2	2	2	2	3
Number of records in library catalog	373,998	356,385	371,885	373,592	367,161
Public Safety					
Fire Protection					
Number of stations	6	6	6	6	6
Number of fire trucks	11	11	11	11	11
Number of ambulances	4	4	4	5	5
Number of other fire vehicles	11	11	13	14	14
Police Protection					
Number of patrol and other vehicles	85	82	90	93	91
Number of motorcycles	13	13	12	17	18
Public Works					
Carlsbad Municipal Water District					
Miles of lines and mains	431	434	442	442	447
Wastewater					
Miles of sewers	232	254	265	265	269
Streets					
Miles of streets	295	308	332	338	340
Number of street lights	6,445	6,786	7,372	7,588	7,638
Number of traffic signals	138	152	155	164	168

Source: City of Carlsbad

(1) During Fiscal Year 2010-11, the open space category was adjusted to include undeveloped parkland and urban forest. Prior year figures show only preserves (primarily coastal lagoons).
(2) Excludes vehicles classified as out-of-service at June 30th of that particular fiscal year.
(3) During Fiscal Year 2010-11, the figure for miles of lines and mains was adjusted to include recycled lines and mains.

2010	2011	2012
31	31	31
348	348	348
625	791 (1)	791
47	47	47
1	1	1
2	2	2
3	3	3
365,371	370,228	370,034
6	6	6
11	11	12
5	5	5 (2)
14	14	15 (2)
91	90	90 (2)
15	11	11 (2)
447	518 (3)	527
282	284	288
340	340	340
7,687	7,703	7,707
172	172	172