Fiscal Year Ended June 30, 2013
Comprehensive Annual Financial Report

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
JUNE 30, 2013

1635 Faraday Avenue, Carlsbad, CA 92008

Website: www.carlsbadca.gov

Prepared by the Finance Department

CITY OF CARLSBAD

Comprehensive Annual Financial Report

Year Ended June 30, 2013

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Open

J. CLARK
CARLSBAD

Introductory Section

Introductory Section

Carlsbad City Council
Fiscal Year 2013-14
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

www.carlsbadca.gov

November 23, 2013

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

LETTER OF TRANSMITTAL
2012-13 COMPREHENSIVE ANNUAL FINANCIAL REPORT

Honorable Mayor, City Council, and Citizens:

I am pleased to present the 2012-13 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, 2013.

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, 2013. 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, 2013 noted no material weaknesses in the framework of internal controls, or significant violations of applicable laws and regulations.

PROFILE OF THE CITY OF CARLSBAD

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

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

The city covers approximately 39 square miles and has a population of 108,246, 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 3,900 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 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

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.

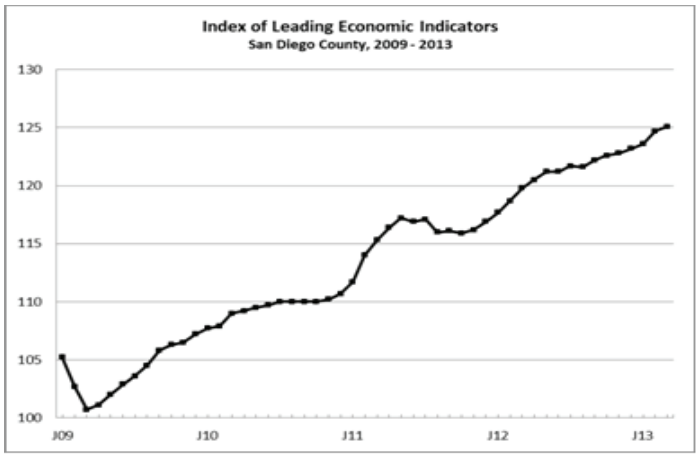
achieve the vision and call out areas upon which the City Council would like to place special emphasis during the year. Once the vision and priority projects are developed, city staff develops operational goals and work plans based on the City Council's direction. These goals and work plans provide the 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

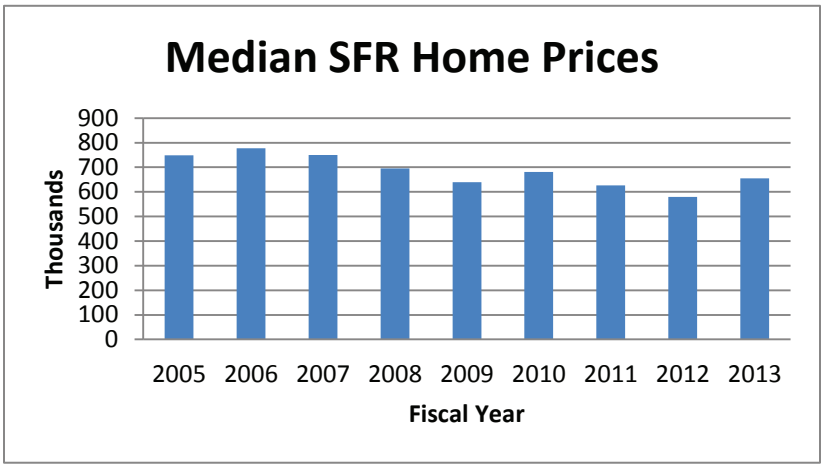
Economic Profile

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 four-year upward trend, as the Index has improved by almost 4.5 percent from June of last year.



Carlsbad's economy is tied closely to that of the San Diego region. General Fund revenue estimates indicate that Carlsbad is benefitting from an improving state and local economic climate. The city's largest revenue sources, which are derived from property tax, sales tax, and transient occupancy tax (TOT), are expected to improve in Fiscal Year 2013-14. Revenues from sales tax and TOT are highly sensitive to changes in economic activity, unlike property tax revenues, which tend to lag behind economic growth and remain relatively stable over time. Overall, General Fund revenues are expected to increase by $3.7 million, or 3.2 percent in Fiscal Year 2013-14, 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 245,000 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 20 percent in the first quarter of 2013. Industrial vacancy fell to 12.4 percent from 15 percent, last year.



Housing prices in Carlsbad are following national, state and regional trends. Data on single family residence (SFR) sales from DataQuick indicate that the median sales price increased to approximately $655,000 in the first quarter of 2013, an increase of over 13 percent compared to the same quarter in 2012. According to Movoto, inventory of units for sale have dropped in Carlsbad, from 428 units in April 2012 to 255 units for sale, this April. The total assessed values in the city are close to $24 billion, a decrease of less than one-tenth of a percentage point compared to the prior fiscal year (Fiscal Year 2011-12). According to recent growth projections prepared for the city, Carlsbad will add 683 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 also opened in the fall of 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 Hilton Oceanfront Resort & Spa and the Legoland California Resort.

The City of Carlsbad opened a municipal golf course in the summer of 2007 which has further enhanced the tourism attractions the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole, 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 2013-14, General Fund revenue is projected to increase by 3.2 percent from the previous year's estimates. Most major sources of tax revenue are expected to increase slightly in Fiscal Year 2013-14, including property tax (1.5 percent increase), following several years of stagnant growth. Sales tax is expected to increase by 4 percent and TOT revenues are projected to increase by 6.2 percent as average daily rates (ADR) increase and additional rooms are placed in the inventory, including the new Legoland Hotel. Home values are showing substantial appreciation, which is expected to improve assessed values in the coming years. Development related revenue items are forecast to increase modestly in Fiscal Year 2013-14, due primarily to an increase in commercial and industrial activity, as compared to the previous fiscal year.

State of California – In January, Governor Jerry Brown submitted a balanced budget to the California legislature. The passage of Proposition 30, which temporarily increases income tax rates and sales tax rates, increased revenue projections and, coupled with budget cuts made in past years, allowed the governor to claim a fiscal balance for the first time in over a decade.

The proposed budget aims to maintain a $1 billion reserve and to pay down budgetary debt from prior years, earmarking $4.2 billion of the budget for this purpose. However, this accumulated debt is projected at $27.8 billion at the end of Fiscal Year 2012-13. The state also will have to address looming deficits in state employee health and pension plans, currently over $100 billion in the red and another $100 billion

deficit in the state's Unemployment Insurance Fund. The governor's budget identifies prospective risks that could adversely affect the budget, including precarious economic conditions at the state and national level, the threat that the federal government could shift costs to states in order to address federal deficits, and rising health care costs that continue to plague the state budget. The proposed budget focused spending on K-12 and higher education and to an expansion of Medi-Cal as the state implements federal health care reform.

In an effort to address growing pension costs, the California legislature enacted Assembly Bill 340 during this fiscal year. This legislation strives to reduce pension costs by addressing future and current employee plans, statewide. The bill reduced pension benefit formulas for new employees; for example, the new formula for miscellaneous employees is 2 percent at 62 years of age. Another cost reducing measure was a cap on the amount of compensation that can be used to calculate pension benefits for employees. Under the new legislation, employees can no longer purchase "airtime" (service credit for years the employee was not with the pension system) and limited post-retirement employment of public employees.

Long-Term Financial Planning

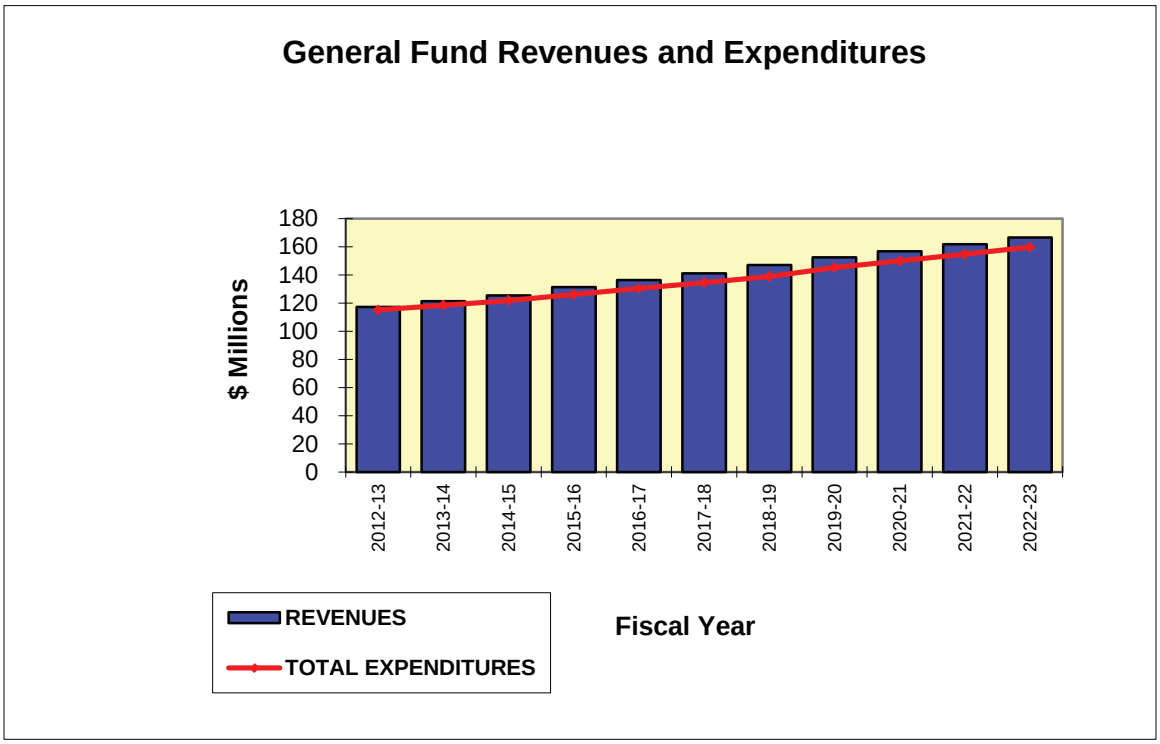
It is the City Council's goal to ensure that the city remains in good financial health, and the city has taken a number of steps to attain this goal. One of these is the Growth Management Plan. This plan was adopted by the citizens to ensure that all necessary public facilities are either constructed 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 2013-14, the City Council approved allocating 6.5 percent of General Fund revenues, or $7.8 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, which have been slumping for several years, are starting to increase substantially and will begin to provide a boost to the city's property tax revenues in the following years. Overall, the outlook for General Fund revenues has improved, since the last year, and revenues are expected to exceed ongoing operating costs, as depicted on the following graph:



The forecast assumes that General Fund revenues will increase by a little over three percent in Fiscal Year 2013-14, as improving economic conditions buoy revenues from the property taxes, sales taxes and TOT. To project the expenditures, all known changes in personnel and maintenance and operations costs are accounted for. However, the effects of future negotiations with employee bargaining units are not contemplated in the current ten-year forecast. The 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 five percent, annually, over the life of the forecast. Pension benefits continue to be a major driver of overall personnel costs for the city. CalPERS, the pension plan which funds city employee pensions, has recently decided to substantially increase required annual pension contributions from participating agencies in order to fully fund outstanding pension obligations within 30 years; this decision will have a substantial effect on personnel costs for the city and is not contemplated in the current ten-year forecast. In order to address the underfunded status of pensions, the City Council has set aside $3.2 million to mitigate these increasing costs and the forecast assumes that another $2 million is set aside in the Fiscal Year 2013-14 budget. 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 are included in personnel costs, in order to provide a conservative estimate of future costs. The contribution from the General Fund to the Infrastructure Replacement Fund is forecasted to remain at 6.5 percent of General Fund revenues. Finally, the forecast includes estimated operating costs for all capital projects in the timeframes shown in the Capital Improvement Program (CIP).

As indicated in the above graph, the General Fund is balanced for Fiscal Year 2013-14 and revenues exceed expenses over the life of the forecast. Although the revenue forecast is optimistic, Carlsbad is still exposed to a fragile and slowly recovering economy, which could rapidly deteriorate and adversely affect local revenues. The forecast also does not contemplate the effects of future budget decisions by the state and CalPERS, which is expected to address actuarial assumptions relating to mortality rates and investment returns in the coming years. Despite these threats, responsible fiduciary stewardship and planning have placed the city in a position to benefit from even modest improvements in the economic environment.

Cash Management

The City Treasurer, an elected official, is charged with the design of an effective cash management and investment program consistent with legal requirements and the city's Investment Policy. The city annually adopts a comprehensive investment policy specifying investment objectives, such as type and term of investments, reporting requirements, and investment oversight. The city's investments generally include federal agencies, corporate notes, and investments in the State Treasurer's investment pool. The modified duration of the investments in the city's investment pool as of June 30, 2013 was 2.136. The average return realized on the pooled investments declined from 1.65 percent in Fiscal Year 2011-12 to 1.144 percent for Fiscal Year 2012-13, 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 loss of 0.36 percent for Fiscal Year 2012-13. According to the City Treasurer, "Should interest rates retrace to recently experienced historical lows, an additional unrealized loss would be anticipated. If however, interest rates continue at current levels, the unrealized losses will narrow as existing positions mature or are called. When interest rates begin to rise, a portion of the portfolio will benefit as a result of its short duration. Reinvestment of maturing positions and new investments will begin to capture and reflect new money rates over time."

Major Initiatives and Projects

In the city's Fiscal Year 2013-14 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:

Park Development Projects

Alga Norte Community Park and Aquatic Center – Completion of this park, located on 32 acres in the Southeast Quadrant along Poinsettia Lane between El Camino Real and Alicante Road is expected towards the end of Calendar Year 2013.
Amenities include:

- A 50 meter Olympic sized competition pool with viewing bleachers
- A 25 meter, 12 lane swim instruction pool
- A 10 by 25 foot therapeutic pool with jets
- A 22 foot diameter 6 inch deep kids pool
- A "spray-ground" play area for young children
- Three lighted softball/baseball fields
- One lighted full basketball court and one half court
- Batting cages and a concession stand at the ball fields
- Picnic areas with barbecues
- Playground with 100 percent universally accessible play equipment

- An off-leash dog park divided into areas for larger and smaller dogs, including obstacle course-type play equipment
- A 18,500-square-foot lighted skate park that will include a "street course" section, an area with challenging elements for more skilled skateboarders and a beginners' area

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 FY 2016-17.

Civic Facilities

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

Fire Station No. 3 Relocation – 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 a six minute response time. The land was previously acquired in the Robertson Ranch site, and the remaining construction cost is estimated at $9.4 million.

Library Renovation Projects – Significant renovation projects are planned at the Dove and the Cole libraries. Improvements are designed to accommodate current staffing needs, meet patron demands for modern library services and allow for better wireless and communications services for the public. The estimated renovation cost for both libraries is $3 million.

Facilities Maintenance – As the city facilities begin to age, maintenance and repair projects are needed to keep them in good condition. Twelve projects have currently been identified at a total cost of about $8.3 million. Included are major refurbishment projects at the Cole and Dove libraries which will be constructed in conjunction with the renovation projects mentioned above, as well as synthetic turf replacement at Poinsettia Park soccer fields.

Village and Barrio Area Projects – There are seven new projects proposed this next year for making improvements to the downtown Village Area and Barrio neighborhoods. The projects include bike and pedestrian way finding signage and traffic circles, decorative lighting, parking way finding, safety lighting, and streetscape improvements.

Street and Circulation Projects

Livable Streets continues to be a top Council priority. To help improve the flow of traffic throughout Carlsbad and to keep the city's street and pedestrian ways in top condition, there are a number of projects planned in the next five years. Some of the larger projects are listed below:

Traffic Signal Program – In keeping with the City Council's goal of improving traffic flow, the Fiscal Year 2013-14 CIP includes the continuation of the Traffic Signal Program project. 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.

Another area of focus is a concept called "complete streets" which uses street design to create a sense of place and community through green spaces, medians and signage, while encouraging a healthier, less vehicle dependent lifestyle. The City Council identified complete streets as a top priority. One project which incorporates these concepts could begin this fall with construction of a traffic circle "roundabout" along the northern end of Carlsbad Boulevard next to Buena Vista Lagoon, making it easier for vehicles, pedestrians and bicyclists to move through the intersection.

ADA Improvements – ADA projects throughout the city are scheduled for $1.3 million in funding over the next five years. The project includes various accessibility improvements, including sidewalk curb ramps and pedestrian signals.

Avenida Encinas Widening – Widening to full secondary arterial standards along Avenida Encinas from Palomar Airport Road to just south of Embarcadero Lane is scheduled for design in Fiscal Year 2014-15. The CIP includes $5.2 million to fund this project in the next five years.

Carlsbad Boulevard Bridge Concrete Barriers – Installation of a concrete barriers on the existing bridges located on Carlsbad Boulevard are planned at a total cost of about $2.3 million, primarily funded through a federal grant. The bridges are located north of Cannon Road over the power plant outlet channel, and over the railroad tracks south of State Street.

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, in addition to other improvements. 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. In the next five years, $5.9 million in additional funding is included for these projects.

Pavement Management – Carlsbad's local streets are maintained on a regular cycle to ensure a good riding surface and to extend the life of the streets. Part of the maintenance program is the sealing and overlay of the existing street surface. In addition, any problem areas are addressed as they are identified. The Fiscal Year 2013-14 CIP has $18.5 million budgeted in the next five years for this program.

Parking Lot Maintenance Program – Parking lot maintenance is a new program scheduled to begin in Fiscal Year 2013-14 at a total cost of $1.5 million in the next five years.

Water and Wastewater Projects

The city's water and wastewater projects are vital to the continued health and welfare of its citizens. Most new lines are built and paid for by developers. As the city ages, it will become necessary to repair and replace the lines that already exist, and an increase in these projects is anticipated in future years. In the next five years, an additional $105.4 million in funding is scheduled for both new and replacement water and sewer projects.

Vista/Carlsbad Interceptor & Agua Hedionda Lift Station Replacement – This project consists of a set of individual projects that will ultimately construct a parallel sewer interceptor system to accommodate existing and future sewer flows from the cities of Vista and Carlsbad. The individual projects include a main in Jefferson Street, replacement of the Agua Hedionda Lift Station, and a main from the lift station to the Encina Wastewater Facility. The overall total cost estimate for this set of projects totals $56.2 million, of which an estimated $17.5 million is to be funded by the City of Carlsbad, with the remaining $38.7 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
- Faraday/El Camino Real Sewer Replacement
- Foxes Landing Lift Station and Forcemain
- Las Palmas Trunk Sewer
- Poinsettia Lane Lift Station Emergency Overflow Basin
- Quarry Creek Sewer Extension
- Terra Mar Sewer Replacement

Water Lines

Major water facilities scheduled for construction or replacement within the next five years include the following locations:

- Aviara Parkway and Plum Tree
- Carlsbad Boulevard – South of Avenida Encinas
- College Boulevard – Cannon Road to Badger Lane
- Desalinated Seawater Transmission Main
- Fire Flow System Improvements
- Hydroelectric Generator at Palomar Airport Road
- La Costa High Reservoir Inlet Pipeline
- Maerkle Reservoir Floating Cover Replacement
- Tri-agencies Water Transmission Pipeline Replacements

Recycled Water Expansion

Expansion to the Carlsbad Water Recycling Facility, including construction of additional pipelines and a reservoir, are anticipated to cost $29.4 million over the next five years.

Drainage Projects

The city's drainage infrastructure plays an important role in handling storm water runoff flows, as well as maintaining the water quality of the city's creeks, lagoons and ocean. Carlsbad supports programs that will ensure that all water bodies within the city are safe and clean and, where possible, open to the public at all times. The system consists of drainage pipes 30-inches or larger in diameter, large concrete and rock lined channels, permanent sedimentation basins and miscellaneous large facilities. As the city continues to age, it will become necessary to repair and replace the lines that already exist. An increase in these projects is anticipated in future years.

Northwest Quadrant and Park Drive Drainage Improvements – The next five years include continued improvements to drainage systems in the older parts of Carlsbad, particularly the northwest quadrant, with an additional $3.6 million programed.

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, 2012. This was the fifteenth 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 Executive Management Team for their leadership and unfailing support in maintaining the highest standards of professionalism in the management of the City of Carlsbad's finances.

Respectfully submitted,

Chuck McBride
Administrative Services Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

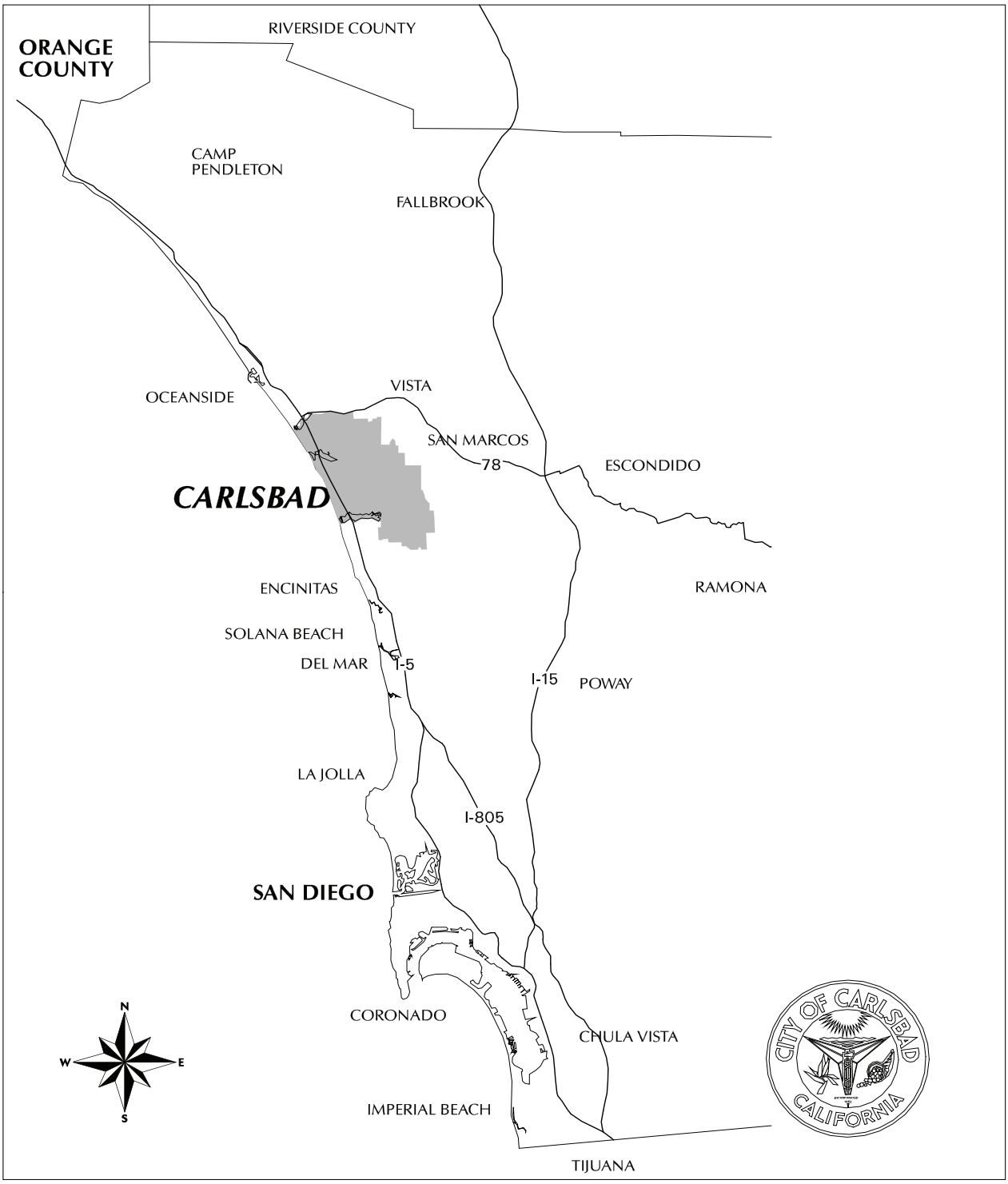
Presented to

City of Carlsbad
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO


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
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CITY OF CARLSBAD
CALIFORNIA

CITY OF CARLSBAD

ELECTED CITY OFFICIALS

Matt Hall, Mayor
Mark Packard, Mayor Pro Tem
Keith Blackburn, Council Member
Farrah Douglas, Council Member
Lorraine Wood, Council Member

Barbara Engleson, City Clerk
Craig Lindholm, City Treasurer

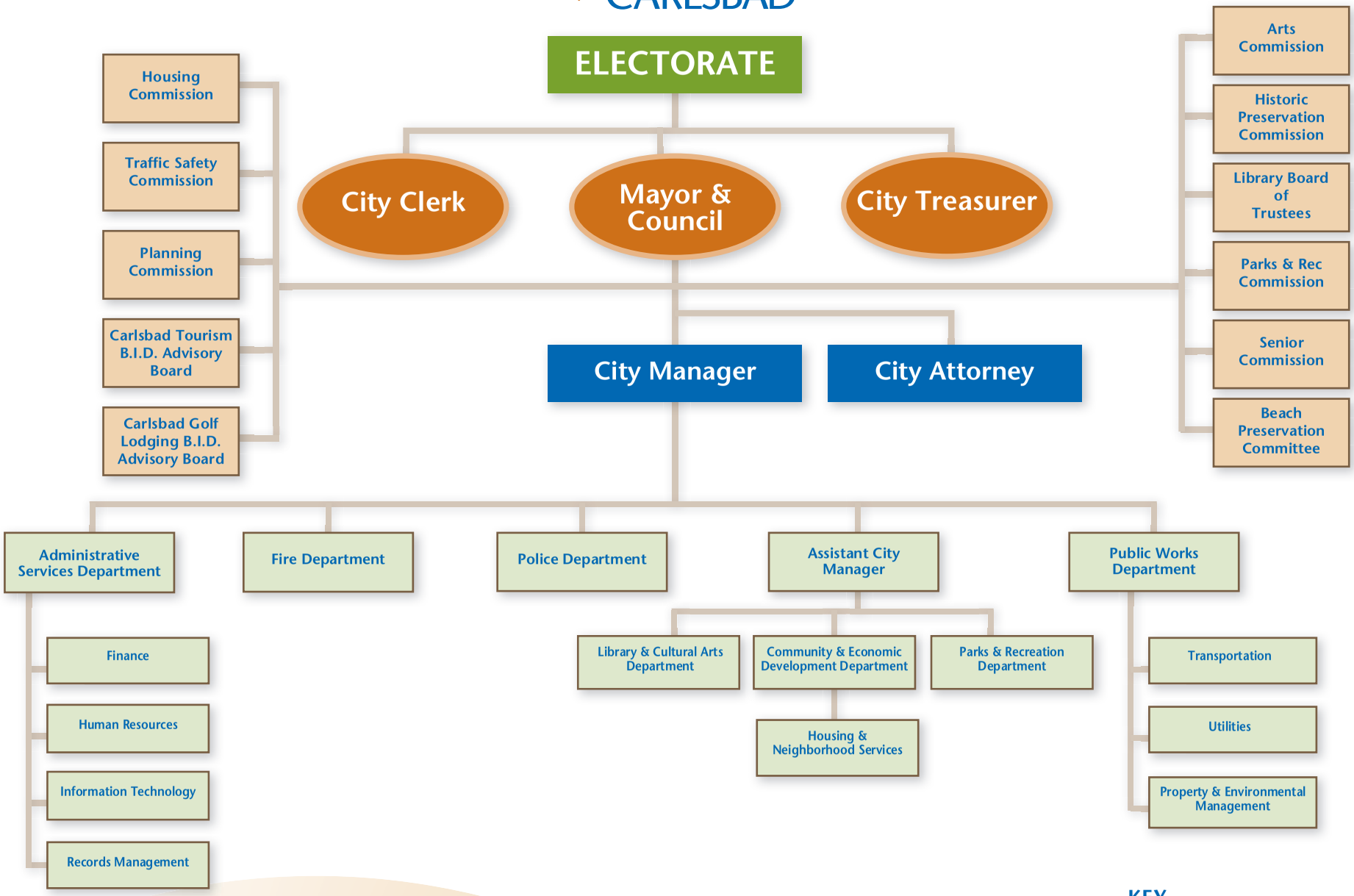
LEADERSHIP TEAM

John Coates, City Manager
Celia Brewer, City Attorney
Gary Barberio, Assistant City Manager
Chuck McBride, Administrative Services Director
Kevin Crawford, Fire Chief
Gary Morrison, Police Chief
Skip Hammann, Public Works Director
Greg Hermann, Assistant to the City Manager
Kristina Ray, Communications Manager

CHAIRPERSONS, COMMISSIONS AND BOARDS

Vincent Kitch	Arts Commission
Linda Petrucci	Beach Preservation Committee
Vacant	Carlsbad Golf Lodging Business Improvement District
Timothy Stripe	Carlsbad Tourism Business Improvement District Board
Murray Levy	Historic Preservation Commission
Bobbie Smith	Housing Commission
Bob Benson	Library Board of Trustees
Dianne Proulx	Parks and Recreation Commission
Vacant	Planning Commission
David Tweedy	Senior Commission
Vacant	Traffic Safety Commission
Vacant	Underground Utility Advisory Committee

City of Carlsbad
Organization Chart



KEY

Elected

Council Appointed

3/12/2013

Financial Section

Financial Section

Financial Section

Mayer Hoffman McCann P.C.
An Independent CPA Firm

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Irvine, California 92612
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949-263-5520 fx
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City Council
City of Carlsbad
Carlsbad, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the statement of revenues, expenditures and changes in fund balance - budget to actual statement of the general fund of the City of Carlsbad, California, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carlsbad, California, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows and the statement of revenues, expenditures and changes in fund balance - budget to actual statement of the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The financial statements for the year ended June 30, 2013 reflect certain prior period adjustments as described further in note 21 to the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlsbad's basic financial statements. The combining and individual nonmajor fund financial statements, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly

to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013 on our consideration of the City of Carlsbad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carlsbad's internal control over financial reporting and compliance.

Mayer Hoffman McCann P.C.

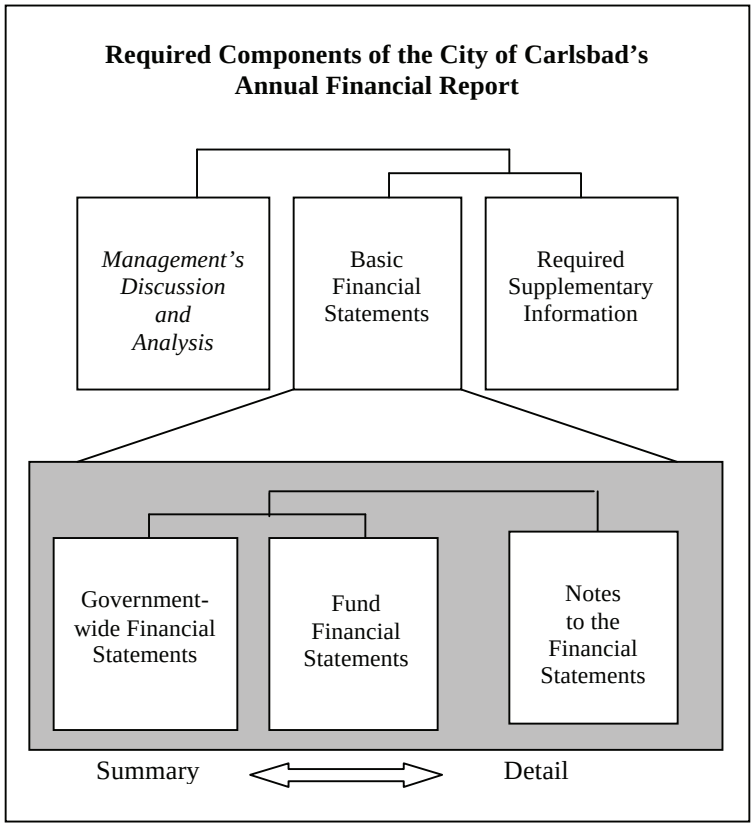
Irvine, California
November 22, 2013

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, 2013. 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 are an indicator of whether the city's financial health is improving or deteriorating, respectively. One needs to consider additional non-financial factors, such as changes in the city's property tax base and the condition of the city's infrastructure, to assess the overall health of the city.

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

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

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

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the city's most significant *funds* – not the city as a whole. Funds are accounting devices 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 three governmental fund types being used by the city: the *General Fund*, *special revenue funds*, and *capital project funds*.

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

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

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

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

Financial Analysis of the City as a Whole

Net Position

The city's *combined* net position as of June 30, 2013, as shown below, was $1.74 billion. The city's net position increased by $4.2 million during the current fiscal year. This increase was derived in large part to a significant increase in current and other assets, a direct result of revenues exceeding expenditures by over $4 million for the year. The decrease in capital assets was the result of current year depreciation expenses exceeding the addition of new capital assets. The decrease in long-term debt outstanding was generated from the annual debt service requirements being met on the city's outstanding debt. Other liabilities increased due to the reassessment of outstanding workers' compensation claims payable (a more conservative estimate was used during the fiscal year) and accounts payable invoices outstanding at year-end related to the construction of the new Alga Norte Park.

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-13
Current and other assets	$567.2	$571.8	$105.6	$114.3	$672.8	$686.1	2.0%
Capital assets	781.2	782.7	352.0	345.0	1,133.2	1,127.7	-0.5%
Total assets	**1,348.4**	**1,354.5**	**457.6**	**459.3**	**1,806.0**	**1,813.8**	**0.4%**
Long-term debt outstanding	0.2	0.2	40.2	37.6	40.4	37.8	-6.4%
Other liabilities	16.8	23.1	13.0	12.9	29.8	36.0	20.8%
Total liabilities	**17.0**	**23.3**	**53.2**	**50.5**	**70.2**	**73.8**	**5.1%**
Net position							
Net investment in capital assets	780.7	782.5	311.4	307.0	1,092.1	1,089.5	-0.2%
Restricted	242.2	229.4	45.5	46.0	287.7	275.4	-4.3%
Unrestricted	308.5	319.3	47.5	55.8	356.0	375.1	5.4%
Total net position	**$1,331.4**	**$1,331.2**	**$404.4**	**$408.8**	**$1,735.8**	**$1,740.0**	**0.2%**

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 (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($375.1 million) may be used to meet the government's ongoing obligations to citizens and creditors.

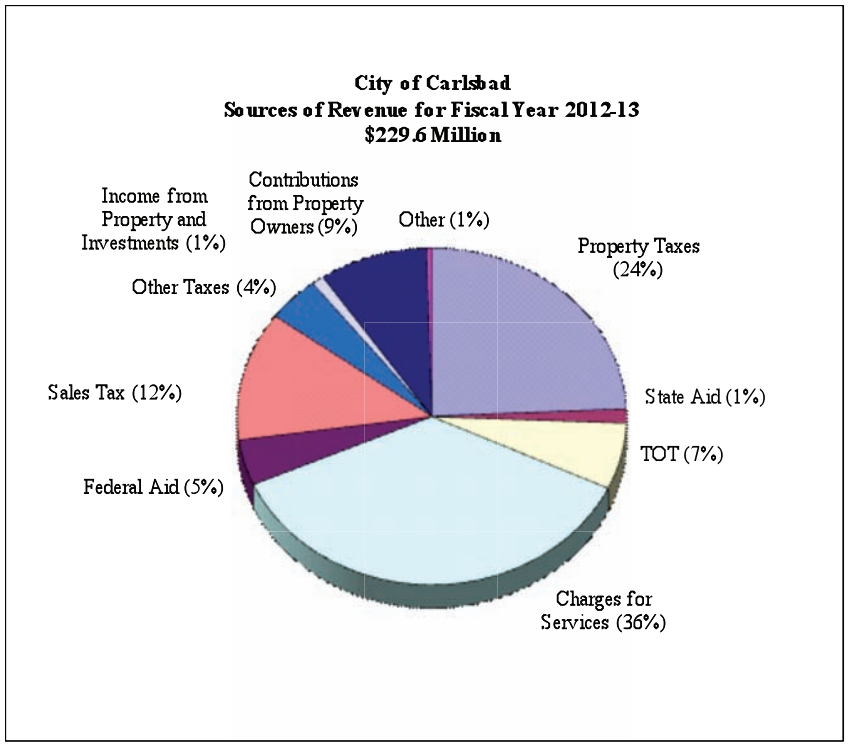
Just over 54 percent of the $319 million in unrestricted governmental activities net position is attributable to the General Fund. The net investment in capital assets for the city decreased by $2.6 million during Fiscal Year 2012-13 due primarily to an increase in depreciation expense in the water and wastewater funds from the recent acquisition over the past couple of years of several major capital assets. This increase in depreciation expense exceeded the addition of new capital assets for the fiscal year, thereby reducing the net investment in capital assets. A portion of business-type net position represents the city's municipal golf course. At the end of Fiscal Year 2012-13, there is a large deficit in unrestricted net position for the Golf Course Fund. This is the result of the General Fund advancing money to the Golf Course Fund for the construction of the course and partially subsidizing the operations of the course in prior fiscal years.

Changes in Net Position

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

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2012	2013	2012	2013	2012	2013	2012-13
Revenues							
Program revenues							
Charges for services	$14.7	$17.6	$55.9	$66.0	$70.6	$83.6	18.4%
Operating grants and contributions	11.8	13.2	1.2	-	13.0	13.2	1.5%
Capital grants and contributions	15.5	17.7	4.6	2.9	20.1	20.6	2.5%
General revenues							
Property taxes	51.5	52.9	2.7	2.9	54.2	55.8	3.0%
Sales and use taxes	28.1	28.4	-	-	28.1	28.4	1.1%
Other taxes	21.4	24.7	-	-	21.4	24.7	15.4%
Income from property and investments	6.1	1.8	2.0	0.5	8.1	2.3	-71.6%
Other	0.4	0.9	0.1	0.1	0.5	1.0	100.0%
Extraordinary gain	20.5	-	-	-	20.5	-	-100.0%
Total revenues	**170.0**	**157.2**	**66.5**	**72.4**	**236.5**	**229.6**	**-2.9%**
Expenses							
General government	16.7	23.5	-	-	16.7	23.5	40.7%
Public safety	45.6	48.5	-	-	45.6	48.5	6.4%
Community development	17.7	23.1	-	-	17.7	23.1	30.5%
Community services	25.4	24.8	-	-	25.4	24.8	-2.4%
Public works	28.4	36.8	-	-	28.4	36.8	29.6%
Interest on long-term debt	0.3	-	-	-	0.3	-	-100.0%
Carlsbad Municipal Water District	-	-	36.0	41.6	36.0	41.6	15.6%
Golf course	-	-	11.2	10.7	11.2	10.7	-4.5%
Wastewater	-	-	11.3	13.5	11.3	13.5	19.5%
Solid waste	-	-	2.9	2.9	2.9	2.9	0.0%
Total expenses	**134.1**	**156.7**	**61.4**	**68.7**	**195.5**	**225.4**	**15.3%**
Excess (deficiency) before transfers	35.9	0.5	5.1	3.7	41.0	4.2	-89.8%
Transfers	(1.8)	(0.7)	1.8	0.7	-	-	
Increase (decrease) in net position	**34.1**	**(0.2)**	**6.9**	**4.4**	**41.0**	**4.2**	**-89.8%**
Beginning position	1,297.3	1,331.4	397.5	404.4	1,694.8	1,735.8	2.4%
Ending net position	**$1,331.4**	**$1,331.2**	**$404.4**	**$408.8**	**$1,735.8**	**$1,740.0**	**0.2%**

The condensed summary of activities shows that net position increased by $4.2 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 10.75 positions; $19.8 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; and the donation of infrastructure assets from developers.



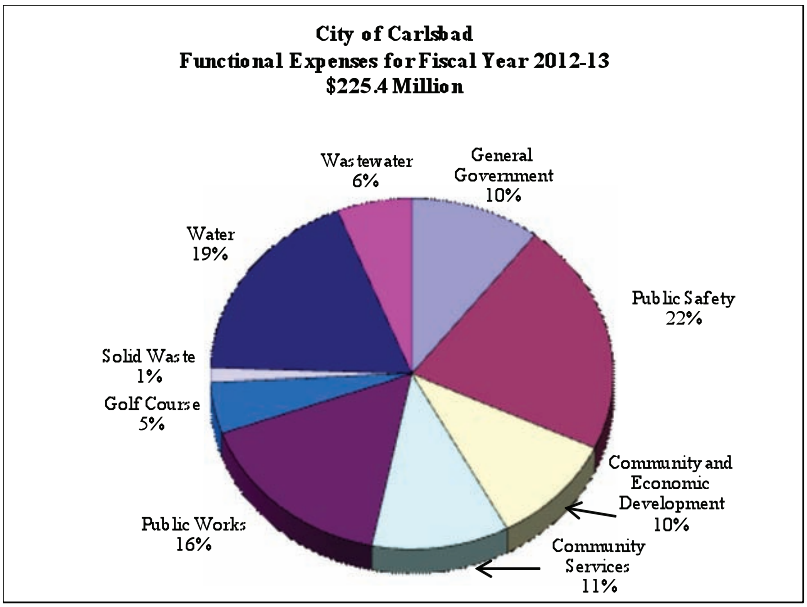
Approximately 67 percent of the revenues of the city's governmental funds are generated through taxes collected (property, sales, transient occupancy, etc.), and just over 91 percent of the city's business-type revenue is generated through charges for services. The chart to the right graphically depicts the city's revenue sources.

The continuous recovery from the great recession has resulted in increases in the city's leading revenues: sales taxes and transient occupancy taxes. Property taxes tend to be a lagging revenue source, meaning they don't rebound as quickly as the leading revenues. However, the city did receive some one-time property tax revenue from the dissolving of the former Redevelopment Agency, completely offsetting the reduction in ongoing 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). Some additional one-time revenues were received during the year including reimbursement of prior year administrative fees collected by the county from the implementation by the state of the "Triple Flip" sales tax and the VLF-in-lieu programs (charges for services) and reimbursement received for the street lighting retrofit program (charges for services). Another factor affecting charges for services was water and wastewater rate increases that went into effect in January 2013. The extraordinary gain in the prior year was due to the dissolving the city's former Redevelopment Agency.

The total cost of all programs and services was just over $225.4 million in Fiscal Year 2012-13. This was a $29.9 million, or 15.3 percent, increase over Fiscal Year 2011-12 costs. The increase in governmental activity expenses (general government in particular) was driven by using the remaining cash balance in the Poinsettia Lane Capital Project Fund to call outstanding bonds and from returning unused TransNet funds back to the appropriate agency. Public Works expenses reflect the expensing of a couple of projects that were previously accounted for in construction in progress. Higher community development expenses reflect the transfer of an outstanding affordable housing construction loan due to the city to the city's Successor Agency due to a finding made by the California Department of Finance. Higher purchased water costs and implementation costs related to the automated meter reading program in the Water Fund, and higher wastewater depreciation expenses created the increase for the year in business-type activities.

- General Government (10 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 (22 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 (10 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 (11 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 (16 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 (5 percent)

The City of Carlsbad opened a municipal golf course in the summer of 2007, which further enhances the tourist attractions the city offers. The municipal golf course, The Crossings at Carlsbad, is an 18-hole, 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 (19 percent)

  The Carlsbad Municipal Water District, a subsidiary of the City of Carlsbad, provides potable and recycled water service to approximately 85 percent of the city (approximately 29,000 customers). The District purchases 100 percent of its potable water as treated water from the Metropolitan Water District and the San Diego County Water Authority. The District also provides recycled water for irrigation purposes.

- Wastewater Operations (6 percent)

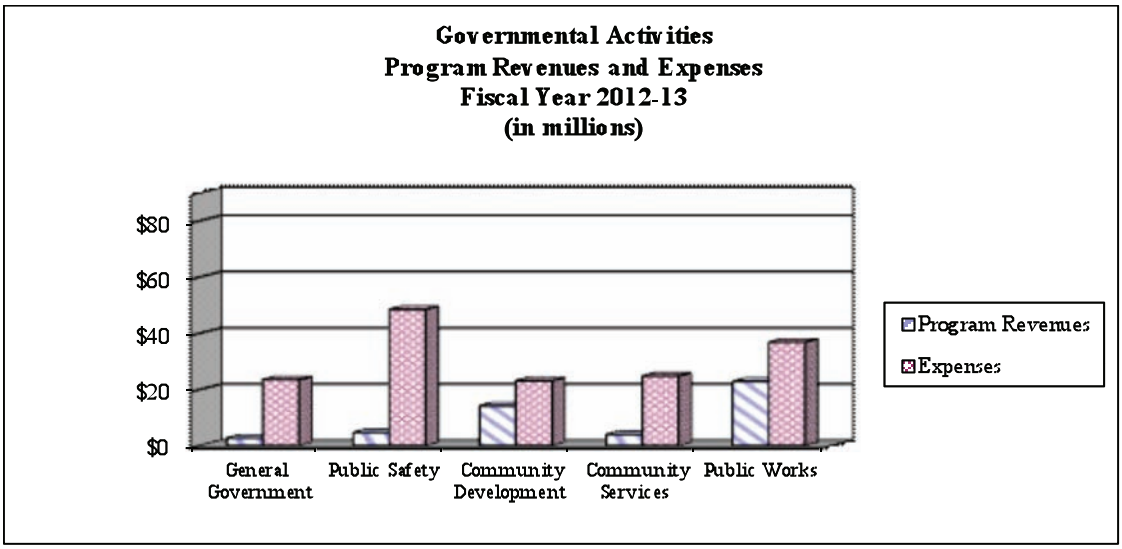
  The City of Carlsbad operates and maintains a sanitary wastewater collection system, which covers approximately 65 percent of the geographic area of the city. Wastewater is treated by the Encina Wastewater Treatment Plant, a facility jointly owned by the cities of Carlsbad, Vista and Encinitas; the Leucadia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

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

Governmental Activities

The decrease in net position for *governmental* activities was $0.2 million. This decrease was generated by total revenues of *governmental* activities of $157.2 million ($48.5 million in program revenues and $108.7 million in general revenues) offset by $156.7 million in total costs of *governmental* activities and $700,000 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).

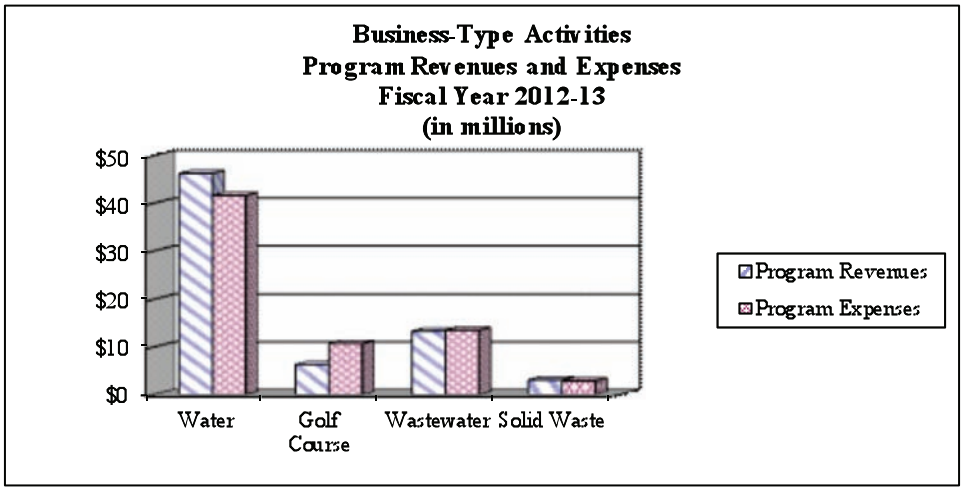


Revenues are generated through several sources to cover the cost of the city's programs. These revenues include fees and charges paid by those who directly benefit from the programs ($17.6 million), grants and contributions

from other governments and organizations which subsidize certain programs ($30.9 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 $108.7 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 shifting its focus towards maintenance of existing facilities, and will use funding sources such as the Infrastructure Replacement Fund to maintain and replace these assets. However, there are still some master planned communities that were recently completed or are near completion (La Costa Oaks and Robertson Ranch); the developers of these communities recently dedicated infrastructure to the city, a requirement for development.

Business-Type Activities



Program revenues for the city's business-type activities totaled $68.9 million for the year, while program expenses equaled $68.7 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 $1.9 million. Additionally, a $1.6 million reimbursement from the prior Marbella lawsuit was another large factor contributing to the operating gain. 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 sixth full year of operation. Golf course revenues were sufficient to fund normal golf course operating expenses. However, golf course operating expenses also included interest on the advance from the General Fund, principal 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 $4.3 million.

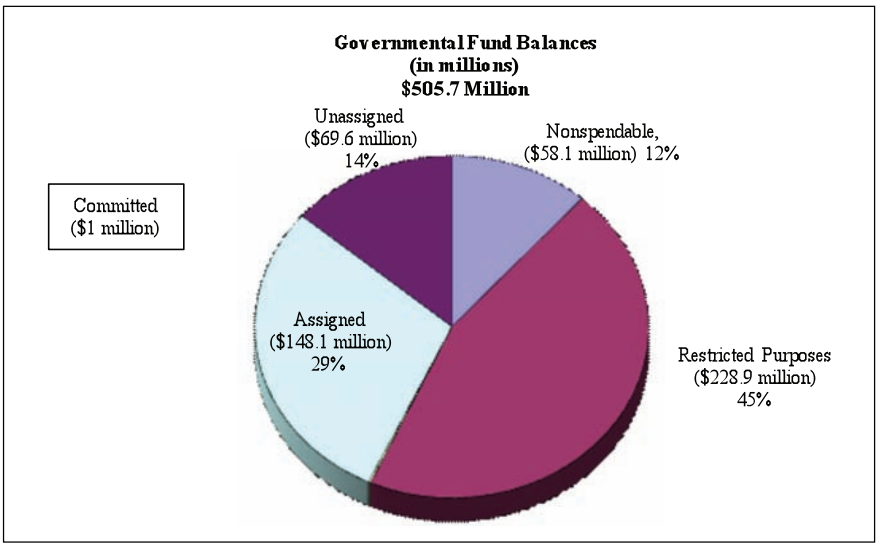
A more detailed discussion of each of the enterprises can be found in the Proprietary Funds Section.

<u>Financial Analysis of the City's Funds</u>

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 Fiscal Year 2010-11, which created five fund balance classifications instead of the three shown previously. These 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 of the financial statements.

As of the end of the current fiscal year, the city's governmental funds reported combined ending fund balances of $505.7 million, up $500,000 from the year before. Approximately 12 percent of this ($58.1 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 45 percent ($228.9 million). Assigned fund balances are intended to be used by the city for specific purposes but do not meet the criteria to be classified as restricted or committed. These make up 29 percent ($148.1 million) of the city's fund balance. Approximately 14 percent ($69.6 million) of the fund balance is unassigned, which is available for spending at the city council's discretion.

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

	Total		Increase (Decrease)	Total Percentage Change
	2012	2013	2012-13	
Revenues				
Taxes	$99.2	$105.2	$6.0	6.0%
Intergovernmental	1.1	1.5	0.4	36.4%
Licenses and permits	1.9	2.0	0.1	5.3%
Charges for services	6.6	6.7	0.1	1.5%
Fines and forfeitures	0.8	0.8	0.0	0.0%
Income from property and investments	2.1	1.4	(0.7)	-33.3%
Miscellaneous	0.7	1.9	1.2	171.4%
Total revenues	**112.4**	**119.5**	**7.1**	**6.3%**
Expenditures				
General government	16.7	16.8	0.1	0.6%
Interdepartmental charges	(3.7)	(3.9)	(0.2)	5.4%
Public safety	44.5	45.7	1.2	2.7%
Community development	7.5	7.5	0.0	0.0%
Community services	22.6	21.9	(0.7)	-3.1%
Public works	8.6	8.4	(0.2)	-2.3%
Total expenses	**96.2**	**96.4**	**0.2**	**0.2%**
Excess (deficiency) before transfers	16.2	23.1		
Transfers in	0.0	0.0		
Transfers out	(12.7)	(11.0)		
Increase (decrease) in fund balance	**3.5**	**12.1**		
Beginning fund balance (as restated)	136.1	142.4		
Ending fund balance	**$139.6**	**$154.5**		

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 $154.5 million, an increase of $12.1 million. The unassigned fund balance portion of the General Fund was $69.6 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. The city did receive some one-time property tax revenues, the result of the State of California dissolving the city's former redevelopment areas. In addition, the city received a large refund of prior year administrative fees collected by the county from the implementation by the state of the "Triple Flip" sales tax and the Vehicle License Fee (VLF)-in-lieu programs (miscellaneous revenues). Decreases were realized in ongoing property taxes, which are lagging revenues, and in the yield on the Treasurer's portfolio (decreased income from property and investments).

In the city's 2012-13 Fiscal Year budget, maintenance and operations budgets were kept relatively flat for all departments, unless increases were required for new facilities. A total of 10.75 full-time positions were eliminated and 1.0 full-time, limited term position was created. These reductions were partially offset by anticipated increases in health, retirement and previously negotiated salary and benefit increases. Additional costs associated with the opening of the City of Carlsbad's Safety Training Center and a $1.8 million transfer from the General Fund to the city's Self Insured Benefits Fund to assist with anticipated future pension rate increases were also incorporated into the Fiscal Year 2012-13 budget. Overall, the General Fund budget increased by $3.3 million for the 2012-13 Fiscal Year. The majority of this increase ($2.9 million) was due to an increase in budgeted transfers out from the General Fund to other city funds for infrastructure replacement, PERS stabilization, and median and street tree maintenance.

The General Capital Construction (GCC) Fund had just under $8.8 million in capital expenditures during the fiscal year, which was predominantly for the construction of Alga Norte Park, the Safety Training Facility, and the traffic signal program. These costs led to a reduction in the GCC fund balance of just over $8.6 million.

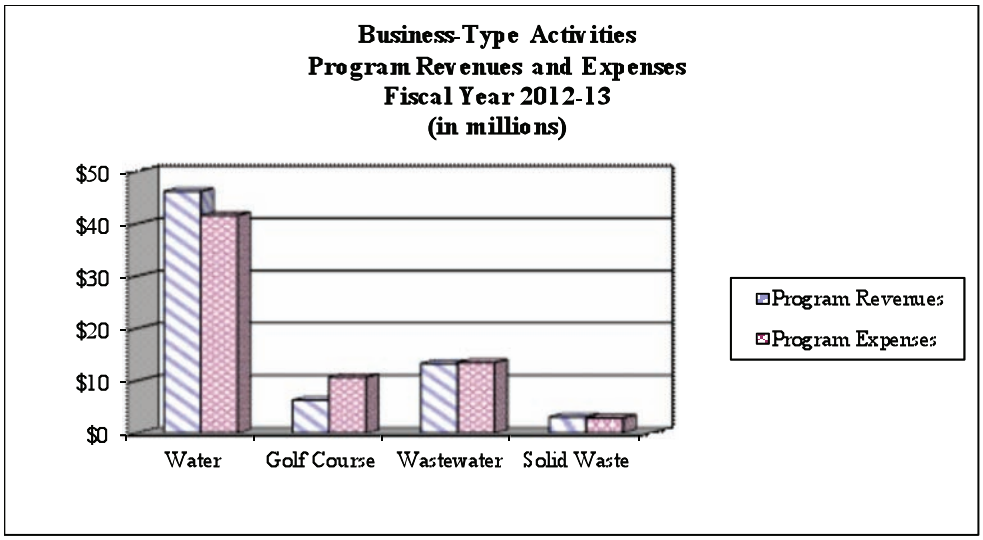
Due to the construction of the new Alga Norte Park, the Public Facilities Construction Fund (PFF) saw its fund balance decrease by just under $9.7 million.

The reduction in the fund balances of both the GCC and PFF funds was anticipated, as the city has been setting aside money for several years for the construction of various projects within each of these funds. Historically, the city has not issued debt to fund the construction of capital projects, and sets aside funds on an annual basis until sufficient funds have been collected for the construction of the project. In addition, projects will not be constructed until anticipated annual operating costs can be absorbed into the city's budget without creating a deficit.

The two remaining major governmental funds, which are both 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 $3.3 million for the year. Operating revenues were $44.2 million and operating expenses were $40.9 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 8 percent in January 2013), residents continued to conserve water during the year. The drought, technically speaking, is 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. Another large factor contributing to the operating gain was a $1.6 million reimbursement from the prior Marbella lawsuit. 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 $6.1 million.

In the sixth year of operation, the Golf Course Fund had an operating loss of $3 million, primarily due to depreciating the enterprise's assets ($3.3 million). The other factor contributing to this loss was a timing difference. This timing difference resulted from changing the budgeting from a calendar year basis to a fiscal year basis. 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 $1.1 million for the fiscal year. Total revenues from operations increased $1.3 million from the previous year due to service charge rate increases and reimbursement from the City of Vista for their share of a portion of the Vista-Carlsbad Wastewater Interceptor project. However, operating expenses increased by $2.1 million from the previous fiscal year. Increases in depreciation expense, a result of new sewer system infrastructure, and a decrease in capitalized assets, account for the increase in operating expenses. Non-operating revenues of $126,000 helped to offset the operating loss, resulting in a net loss of $1 million before transfers and capital contributions.

Solid Waste Operations and Storm Water Programs are combined on the city's financial reports, and showed a net operating income of $238,000 for the year. Revenues were relatively flat when compared to the prior fiscal year and expenses decreased about $75,000, primarily due to a reallocation of interdepartmental charges to better reflect the enterprise's share of those charges.

The unrestricted net position for the Water, Golf Course, Wastewater, and Solid Waste Operations at the end of the year amounted to $55.7 million, or approximately 13.6 percent of the total enterprise fund net position. The unrestricted net position may be used for rate stabilization, fluctuations in operating expenses, and unforeseen repairs and maintenance. Approximately $46 million, or 11.3 percent, of the net position of all the proprietary funds are restricted for the future capital construction of new and replacement water and wastewater infrastructure assets.

Since the funding for the replacement of infrastructure assets is not restricted, it is reflected in the Statement of Net Position as unrestricted. The city does, however, account for and monitor these amounts in separate funds to ensure that water and wastewater assets can be replaced when needed. The large unrestricted net position deficit balance in the Golf Course Fund represents funds advanced from the city's General Fund that were used to fund construction, former operating losses and debt expenses of the municipal golf course.

General Fund Budgetary Highlights for Fiscal Year 2013

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 $1.1 million increase in revenue estimates included:

- Several new federal and state grants were applied for and received during the year.
- Increased transient occupancy tax (TOT) revenue received as a result a new hotel and an increase in tourism.
- One-time property tax revenue received as a result of the dissolution of the former redevelopment areas by the State of California.

The slight increase from the total original expenditure budget to the final budget amounted to $348,000, due primarily to the appropriations of the grant money received, sales tax audit expenses, and developer funded studies.

The difference between the final budgeted expenditures and the actual expenditures for the year (on a budgetary basis) of $20.9 million can be generally summarized as follows:

- $19.8 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.

  - $19.8 million in "savings" are planned to be used for:
    - ⇒ Professional consultant services for the desalination project
    - ⇒ Fire and Police equipment replacement
    - ⇒ Additional communication efforts for the new Alga Norte Park
    - ⇒ Redesign of the city's website
    - ⇒ City Hall lobby and office remodeling
    - ⇒ Council Chambers audio/visual updates
    - ⇒ Lighting retrofits at several city parks
    - ⇒ Synthetic turf replacement/installation at several park sites
    - ⇒ Fuel island cover
    - ⇒ City facility improvements
    - ⇒ Hardware and software upgrades related to a new permitting system
    - ⇒ City-owned real estate title, surveying and consulting services
    - ⇒ Envision Carlsbad/zoning update
    - ⇒ 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 $1.1 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 2012-13, 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
	2012	2013	2012	2013	2012	2013	2012-13	2012-13
Land	$146.9	$150.6	$9.3	$9.3	$156.2	$159.9	$3.7	2.4%
Construction in progress	95.5	47.3	8.0	7.6	103.5	54.9	(48.6)	-47.0%
Buildings and other structures	79.3	101.3	40.6	40.6	119.9	141.9	22.0	18.3%
Improvements other than buildings	45.5	45.5	50.8	50.8	96.3	96.3	-	0.0%
Machinery and equipment	28.4	28.3	2.4	2.8	30.8	31.1	0.3	1.0%
Infrastructure	614.0	655.8	310.9	314.5	924.9	970.3	45.4	4.9%
Intangibles	2.9	3.2	-	-	2.9	3.2	0.3	100.0%
Wastewater treatment facility	-	-	51.0	52.6	51.0	52.6	1.6	3.1%
	1,012.5	1,032.0	473.0	478.2	1,485.5	1,510.2	24.7	1.7%
Accumulated depreciation	(231.3)	(249.3)	(121.1)	(133.2)	(352.4)	(382.5)	(30.1)	8.5%
Total	**$781.2**	**$782.7**	**$351.9**	**$345.0**	**$1,133.1**	**$1,127.7**	**($5.4)**	**-0.5%**

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

- The completion of several road segments:
  - Rancho Santa Fe Road
  - College Blvd./Cannon Road reach 3
- The Rancho Santa Fe Road bridge over San Marcos Creek
- Construction of the Joint First Responders Training Facility
- Lake Calavera Reservoir improvements
- North Agua Hedionda sewer interceptor
- Several waterline projects
- Several storm drain projects

In addition to carrying forward appropriations of $170.1 million for previously budgeted projects, the city's Fiscal Year 2013-14 capital budget appropriates an additional $44.7 million for capital projects. These additional appropriations are principally for various improvements to the Village and Barrio areas of the city, the remodeling and refurbishments at both the Cole and Dove Libraries, the pavement management program, the acquisition of open space (Prop C projects), continuing work on the coastal rail trail, park and Senior Center improvements, facilities maintenance projects, the replacement and upgrade of the Carlsbad Blvd. bridge, 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 $40.5 million in bonds, loans, capital leases and agreements, a decrease of $2.9 million from last year, as shown in the table below. Payments made on all of the city's outstanding debt created the reduction in the city's. 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
	2012	2013	2012	2013	2012	2013	2012-13
Bonds	$0.0	$0.0	$17.3	$17.0	$17.3	$17.0	-1.7%
Loans	0.5	0.2	22.8	21.3	23.3	21.5	-7.7%
Installment purchase agreement	-	-	2.6	1.8	2.6	1.8	-30.8%
Obligations under capital leases	-	-	0.1	-	0.1	-	-100.0%
Adjusted by: premiums/discounts	-	-	0.1	0.2	0.1	0.2	100.0%
Total	**$0.5**	**$0.2**	**$42.9**	**$40.3**	**$43.4**	**$40.5**	**-6.7%**

Economic Factors and Next Year's Budgets and Rates for Fiscal Year 2014

- The State of California adopted its Fiscal Year 2013-14 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 2013-14 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.
  - Through the passage of Proposition 30, additional sales tax and income tax revenues are expected to be generated at the state level.
  - If state revenues fall short of projections there is a trigger to determine if cuts are necessary which could impact local agencies.
  - Assembly Bill 340 was passed in an effort to address growing pension costs at both the state and local levels.
- Net assessed values in the city stand at almost $23.9 billion, a 2.5 percent increase from the prior fiscal year due to new construction and increasing home prices.
- Sales tax revenues are projected to continue to grow moderately with a 4 percent forecasted increase in the Fiscal Year 2013-14 Budget due in part to the opening of the new Legoland Hotel and Palomar Commons (Lowes) shopping center.
- Due to the opening of the new Legoland Hotel and projected higher room rates, transient occupancy taxes (TOT) are expected to grow by 6.2 percent.
- PERS rates for the miscellaneous plan have increased for Fiscal Year 2013-14 from 23.1 percent to 24 percent, and rates have also increased from 33.2 percent to 33.9 percent for the safety plan.
- The city will set aside an additional $2,000,000 to assist in the stabilization of future PERS rates.
- Median home prices in Carlsbad have increased by 13 percent from March 2012 ($580,000) to March 2013 ($655,000).
- City departments were given maximum increases of 2 percent for maintenance and operational funding to cover changes in the Consumer Price Index (CPI), minimal new capital outlay, and additional personnel funding for only existing contractual obligations.
- The city eliminated 12 full-time positions and added 5.25 positions in the General Fund. The additional staff is primarily for the operating of the new Alga Norte Park due to open in Fiscal Year 2013-14.

- Through Memorandum of Understandings (MOU's):
    - The Carlsbad City Employees' Association (CCEA) will now be part of a pay for performance compensation program effective January 1, 2014.
    - CCEA employees received a 3 percent raise in July 2013 and will receive a 3 percent raise and/or stipend in January 2014.
    - Management and Fire Management employees received an allocated share of a 3 percent raise/stipend pool in September 2013 and will receive a $1,600 stipend in January 2014.
    - Carlsbad Police Officers' Association (CPOA) employees will receive a $2,400 stipend in October 2013 and a $2,700 stipend in January 2014.
- The Carlsbad Firefighters Association (CFA) and the Carlsbad Police Management Association (CPMA) are currently in negotiations.

These factors were considered when preparing the City of Carlsbad's General Fund budget for Fiscal Year 2013-14. Budgeted expenditures are expected to increase 3.9 percent to $119.7 million. The total personnel budget for Fiscal Year 2013-14 is $74.2 million, which is 1.3 percent more than the previous year's personnel budget of $73.3 million. The total maintenance and operations (M&O) budget for Fiscal Year 2013-14 is $31.6 million, which is 2.7 percent higher than the previous year's budget of $30.7 million. The increase in personnel and M&O budgets is due primarily to the opening of the new Alga Norte Park and CPI adjustments given to the various operating departments. Operating transfers out of the General Fund are budgeted at $13.8 million, a $2.8 million increase from the prior fiscal year. This increase is due to the city budgeting an additional $200,000 transfer to the city's Self-Insured Benefits Fund as a set aside to address anticipated future pension rate increases from CalPERS, a $1.5 million transfer to the city's General Capital Construction Fund to pay for seven new village and barrio revitalization projects, a $750,000 additional transfer to the city's General Liability Fund for increases to settlements and estimated claims payable, and an additional $300,000 transfer to the city's Infrastructure Replacement Fund for major maintenance and replacement of city infrastructure. Adding to the adopted budget of $119.7 million for the General Fund, approximately $19.8 million in unspent Fiscal Year 2012-13 budgeted expenditures will be carried over to Fiscal Year 2013-14, as well as $6.4 million in open encumbrances as of June 30, 2013.

As the city is approaching the buildout of its remaining vacant land, the city is 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 2013-14 Operating Budget, the city has budgeted a $7.8 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 $8.2 million to $69.6 million due to fiscal discipline, additional one-time revenues received from the dissolution of the former redevelopment areas within the city, a strong tourism season (increased TOT revenues), higher than anticipated development within the city (increased development related services revenue) and one-time revenue received from actions taken by the California Supreme Court regarding administrative fees associated with the collection of the "Triple Flip". Based on Fiscal Year 2013-14 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 2013-14 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 3.75 percent and 5 percent respectively in Fiscal Year 2013-14. In November 2013, a public meeting will be held to determine how much water rates will increase effective January 1, 2014. 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 November 2013. If approved, these rates would be effective January 1, 2014. 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 timing of the golf course budget changed this year from being brought forward on a calendar year basis in December of each year to now aligning with the city's fiscal year budget which is brought forward every June. The Fiscal Year 2014 budget reflects a projected operating loss of over $998,000. The City Council has authorized the General Fund to transfer the anticipated loss to the Golf Course Fund during the fiscal year.
- There are no projected significant changes in other revenue sources.

Contacting the City's Financial Management

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

CITY OF CARLSBAD

Statement of Net Position
June 30, 2013

	Primary Government		
ASSETS	Governmental Activities	Business-Type Activities	Total
Cash and investments	$ 464,469,701	$ 157,711,216	$ 622,180,917
Receivables:			
Taxes	7,151,820	16,051	7,167,871
Accounts, net of allowances	311,752	8,000,163	8,311,915
Other	1,050,281	43,408	1,093,689
Due from other governments	680,115	2,641,990	3,322,105
Inventories	245,841	1,276,861	1,522,702
Prepaid items	880,258	18,604	898,862
Land held for resale	454,000	-	454,000
Loan and reimbursement receivables, net of allowances	22,310,423	-	22,310,423
Due from Successor Agency	18,817,228	-	18,817,228
Deposits	25,000	-	25,000
Internal balances	55,463,119	(55,463,119)	-
Subtotal	571,859,538	114,245,174	686,104,712
Capital assets:			
Land	150,588,126	9,318,388	159,906,514
Construction in progress	47,333,665	7,560,463	54,894,128
Buildings and other structures	101,312,100	40,596,836	141,908,936
Improvements other than buildings	45,458,749	50,856,805	96,315,554
Machinery and equipment	28,298,901	2,793,263	31,092,164
Infrastructure	655,780,796	314,518,463	970,299,259
Wastewater treatment facility	-	52,584,214	52,584,214
Intangible assets	3,186,520	-	3,186,520
Less accumulated depreciation	(249,299,808)	(133,182,186)	(382,481,994)
Total capital assets	782,659,049	345,046,246	1,127,705,295
Total assets	$ 1,354,518,587	$ 459,291,420	$ 1,813,810,007

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

CITY OF CARLSBAD

Statement of Net Position (Continued)
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accrued liabilities	$ 11,899,201	$ 2,316,578	$ 14,215,779
Accrued interest payable	-	391,857	391,857
Due to other governments	-	6,555,689	6,555,689
Estimated claims payable	7,878,007	-	7,878,007
Deposits payable	951,831	999,177	1,951,008
Unearned revenue	2,430,823	10,000	2,440,823
Noncurrent liabilities:			
Due within one year, net of unamortized discounts ($36,634) and unamortized premiums ($9,895)	159,052	2,691,821	2,850,873
Due in more than one year, net of unamortized discounts ($30,909) and unamortized premiums ($222,372)	-	37,578,039	37,578,039
Total liabilities	23,318,914	50,543,161	73,862,075
NET POSITION			
Net investment in capital assets	782,499,997	307,000,440	1,089,500,437
Restricted for:			
Capital assets	182,685,135	45,989,562	228,674,697
Affordable housing	37,390,269	-	37,390,269
Habitat and agricultural mitigation management	2,664,405	-	2,664,405
Other purposes	6,642,478	-	6,642,478
Unrestricted	319,317,389	55,758,257	375,075,646
Total net position	$ 1,331,199,673	$ 408,748,259	$ 1,739,947,932

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, 2013

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	$ 23,573,590	$ 1,468,891	$ 1,257,441	$ -
Public safety	48,468,330	4,025,469	124,232	520,944
Community development	23,061,301	4,173,602	8,349,778	1,654,978
Community services	24,839,223	2,813,319	807,052	405,774
Public works	36,805,827	5,072,529	2,660,759	15,159,673
Interest and fiscal charges on long-term debt	3,963	-	-	-
Total governmental activities	156,752,234	17,553,810	13,199,262	17,741,369
Business-type activities:				
Carlsbad Municipal Water District	41,625,325	44,239,812	-	1,907,440
Golf course	10,668,320	6,277,627	-	-
Wastewater	13,555,845	12,401,880	-	947,472
Solid waste	2,917,953	3,059,716	38,072	-
Total business-type activities	68,767,443	65,979,035	38,072	2,854,912
Total primary government	$ 225,519,677	$ 83,532,845	$ 13,237,334	$ 20,596,281

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

Transfers
- Total general revenues and transfers
  - Change in net position

Net position at beginning of year

Net position at end of year

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

Net Revenue (Expense) and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (20,847,258)	$ -	$ (20,847,258)
(43,797,685)	-	(43,797,685)
(8,882,943)	-	(8,882,943)
(20,813,078)	-	(20,813,078)
(13,912,866)	-	(13,912,866)
(3,963)	-	(3,963)
(108,257,793)	-	(108,257,793)
-	4,521,927	4,521,927
-	(4,390,693)	(4,390,693)
-	(206,493)	(206,493)
-	179,835	179,835
-	104,576	104,576
(108,257,793)	104,576	(108,153,217)
52,860,896	2,904,126	55,765,022
28,402,610	-	28,402,610
14,702,411	-	14,702,411
5,117,586	-	5,117,586
3,833,585	-	3,833,585
1,058,343	-	1,058,343
55,196	-	55,196
1,792,148	554,642	2,346,790
879,601	85,078	964,679
(655,536)	655,536	-
108,046,840	4,199,382	112,246,222
(210,953)	4,303,958	4,093,005
1,331,410,626	404,444,301	1,735,854,927
$ 1,331,199,673	$ 408,748,259	$1,739,947,932

CITY OF CARLSBAD

Balance Sheet
Governmental Funds
June 30, 2013

ASSETS	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Cash and investments	$ 94,032,827	$ 66,804,796	$ 46,889,269	$ 76,447,828
Receivables:				
Taxes	7,150,602	1,218	-	-
Other	459,541	-	-	-
Accounts, net of allowances	112,716	-	-	-
Due from other funds	195,099	-	-	-
Due from other governments	31,431	-	-	-
Inventories	14,784	-	-	-
Prepaid items	-	-	-	-
Land held for resale	-	-	-	-
Loans receivable, net of allowances	99,197	-	-	-
Deposits	25,000	-	-	-
Due from Successor Agency	18,817,228	-	-	-
Advances to other funds	57,356,633	2,415,662	-	-
Total assets	$ 178,295,058	$ 69,221,676	$ 46,889,269	$ 76,447,828
LIABILITIES				
Accrued liabilities	$ 3,362,739	$ -	$ 1,240,193	$ 37,747
Due to other funds	-	-	-	-
Deposits payable	97,800	-	-	-
Advances from other funds	-	-	-	-
Unearned revenue	1,365,805	-	198,350	-
Total liabilities	4,826,344	-	1,438,543	37,747
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - sales tax	403,168	-	-	-
Unavailable revenue - grants	-	-	-	-
Unavailable revenue - interest on advances	18,568,540	-	-	-
Total deferred inflows of resources	18,971,708	-	-	-
FUND BALANCES				
Nonspendable	57,719,302	-	-	-
Restricted	-	69,221,676	-	-
Committed	1,000,000	-	-	-
Assigned	26,199,589	-	45,450,726	76,410,081
Unassigned	69,578,115	-	-	-
Total fund balances (deficit)	154,497,006	69,221,676	45,450,726	76,410,081
Total liabilities, deferred inflows of resources, and fund balances	$ 178,295,058	$ 69,221,676	$ 46,889,269	$ 76,447,828

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
$ 41,392,126	$ 103,805,702	$ 429,372,548
-	-	7,151,820
-	95,405	554,946
-	198,418	311,134
-	-	195,099
-	648,685	680,116
-	-	14,784
-	434,762	434,762
-	454,000	454,000
-	22,211,226	22,310,423
-	-	25,000
-	-	18,817,228
4,550,000	-	64,322,295
$ 45,942,126	$ 127,848,198	$ 544,644,155
$ 1,707,282	$ 1,052,846	$ 7,400,807
-	195,099	195,099
-	853,031	950,831
-	8,829,219	8,829,219
-	866,668	2,430,823
1,707,282	11,796,863	19,806,779
-	-	403,168
-	125,568	125,568
-	-	18,568,540
-	125,568	19,097,276
-	434,762	58,154,064
44,234,844	115,491,005	228,947,525
-	-	1,000,000
-	-	148,060,396
-	-	69,578,115
44,234,844	115,925,767	505,740,100
$ 45,942,126	$ 127,848,198	$ 544,644,155

CITY OF CARLSBAD

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Total fund balances - governmental funds.	$ 505,740,100
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	776,455,064
Internal service funds	6,203,985
Total capital assets	782,659,049
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	30,096,243
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(29,957)
Internal service fund net assets included as part of total capital assets	(6,203,985)
Internal service fund net assets less capital assets	23,862,301
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.	18,568,539
A portion of the taxes receivable is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	403,168
A portion of the unearned revenue is not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	125,568
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.	(159,052)
Net position of governmental activities.	$1,331,199,673

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, 2013

	General Fund	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Revenues:				
Taxes	$ 105,245,222	$ 1,655,464	$ -	$ -
Intergovernmental	1,524,153	-	-	-
Licenses and permits	2,016,363	-	-	-
Charges for services	6,702,190	-	-	-
Fines and forfeitures	754,345	-	-	-
Income from property and investments	1,356,019	116,314	84,493	171,902
Contributions from property owners	-	967,063	-	-
Donations	-	-	63,227	-
Miscellaneous	1,926,098	-	-	-
Total revenues	119,524,390	2,738,841	147,720	171,902
Expenditures:				
Current:				
General government	16,817,825	72,420	-	21,200
Less: interdepartmental charges	(3,857,961)	-	-	-
Public safety	45,671,983	-	-	-
Community development	7,530,041	-	-	-
Community services	21,886,230	-	-	-
Public works	8,355,623	-	-	-
Capital outlay	-	28,530	8,766,191	683,285
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	96,403,741	100,950	8,766,191	704,485
Excess (deficiency) of revenues over (under) expenditures	23,120,649	2,637,891	(8,618,471)	(532,583)
Other financing sources (uses):				
Transfers in	10,000	-	-	7,547,000
Transfers out	(11,030,282)	-	-	-
Total other financing sources (uses)	(11,020,282)	-	-	7,547,000
Net change in fund balances	12,100,367	2,637,891	(8,618,471)	7,014,417
Fund balances at beginning of year (as restated)	142,396,639	66,583,785	54,069,197	69,395,664
Fund balances at end of year	$ 154,497,006	$ 69,221,676	$ 45,450,726	$76,410,081

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

Public Facilities Construction	Other Governmental Funds	Total Governmental Funds
$ -	$ 2,546,119	$ 109,446,805
-	9,988,451	11,512,604
-	-	2,016,363
-	3,558,981	10,261,171
-	106,629	860,974
80,666	552,664	2,362,058
2,172,545	8,435,206	11,574,814
-	347,922	411,149
-	497,402	2,423,500
2,253,211	26,033,374	150,869,438
13,181	6,147,263	23,071,889
-	-	(3,857,961)
-	490,363	46,162,346
-	11,274,905	18,804,946
-	207,500	22,093,730
-	2,943,349	11,298,972
11,917,893	7,206,547	28,602,446
-	315,736	315,736
-	6,214	6,214
11,931,074	28,591,877	146,498,318
(9,677,863)	(2,558,503)	4,371,120
-	530,020	8,087,020
-	(3,762,274)	(14,792,556)
-	(3,232,254)	(6,705,536)
(9,677,863)	(5,790,757)	(2,334,416)
53,912,707	121,716,524	508,074,516
$44,234,844	$ 115,925,767	$ 505,740,100

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, 2013

Net change in fund balances - total governmental funds.	$ (2,334,416)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Purchase of capital assets	14,166,770
Depreciation expense	(17,809,604)
Governmental funds do not reflect the donation of capital assets as revenues.	5,762,832
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.	(2,819)
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.	315,736
Unpaid interest income on advances to other funds is not a current financial resource, and therefore is not recognized as revenue in the funds.	683,699
A portion of the sales tax receivable and grant revenues are not available to pay for current-period expenditures and, therefore, is not recognized in the funds.	(148,974)
The net revenue of activities of internal service funds is reported with governmental activities.	(1,145,116)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	300,939
Change in net position of governmental activities.	$ (210,953)

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, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Over
	Original	Final	(Budgetary Basis)	(Under)
Revenues:				
Taxes	$ 99,594,000	$ 101,000,000	$ 105,245,222	$ 4,245,222
Intergovernmental	873,000	925,000	1,524,153	599,153
Licenses and permits	1,376,000	1,217,000	2,016,363	799,363
Charges for services	6,243,000	6,108,000	6,702,190	594,190
Fines and forfeitures	916,000	858,000	754,345	(103,655)
Income from property and investments	2,589,000	2,613,000	2,172,597	(440,403)
Miscellaneous	855,000	855,000	1,926,098	1,071,098
Total revenues	112,446,000	113,576,000	120,340,968	6,764,968
Expenditures:				
Current:				
General government	33,406,856	33,144,202	19,445,347	(13,698,855)
Less: interdepartmental charges	(3,675,000)	(3,727,000)	(3,857,961)	(130,961)
Public safety	46,314,557	46,683,270	45,782,309	(900,961)
Community development	10,032,609	10,175,147	8,537,770	(1,637,377)
Community services	26,207,762	26,387,413	23,086,071	(3,301,342)
Public works	11,122,376	11,094,219	9,852,972	(1,241,247)
Total expenditures	123,409,160	123,757,251	102,846,508	(20,910,743)
Excess (deficiency) of revenues over (under) expenditures	(10,963,160)	(10,181,251)	17,494,460	27,675,711
Other financing sources (uses):				
Transfers in	-	-	10,000	10,000
Transfers out	(11,029,746)	(11,043,854)	(11,030,282)	13,572
Total other financing sources (uses)	(11,029,746)	(11,043,854)	(11,020,282)	23,572
Net change in fund balances	(21,992,906)	(21,225,105)	6,474,178	$ 27,699,283
Fund balance at beginning of year (as restated)	142,396,639	142,396,639	142,396,639	
Fund balance at end of year	$ 120,403,733	$ 121,171,534	$ 148,870,817	

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, 2013

BUDGET-TO-GAAP RECONCILIATION

	Actual Amounts (Budgetary Basis)
Revenues	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule (previous page).	$ 120,340,968
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.	(816,578)
	$ 119,524,390
Expenditures	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule (previous page).	$ 102,846,508
Differences - budget to GAAP:	
Encumbrances are shown in the year encumbered for budgetary purposes, but in the year paid for financial reporting purposes.	(6,442,767)
	$ 96,403,741

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

CITY OF CARLSBAD

Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities -		
ASSETS	Carlsbad Municipal Water District	Golf Course	Wastewater
Current assets:			
Cash and investments	$ 92,288,552	$ 619,534	$ 51,964,641
Receivables:			
Taxes	16,051	-	-
Accounts, net of allowances	5,940,752	41,330	1,595,669
Other	-	-	-
Due from other governments	480,132	-	2,161,858
Inventories	1,042,576	226,964	7,321
Prepaid items	18,604	-	-
Total current assets	99,786,667	887,828	55,729,489
Noncurrent assets:			
Cash and investments - restricted for debt service	-	1,270,064	953,990
Accrued interest - restricted for debt service	-	22,108	21,300
Subtotal	-	1,292,172	975,290
Capital assets:			
Land	1,905,206	4,841,667	2,571,515
Construction in progress	970,946	-	6,589,517
Buildings and other structures	20,527,855	20,068,981	-
Improvements other than buildings	2,322,549	42,670,657	5,863,599
Machinery and equipment	804,648	1,732,001	256,614
Infrastructure	210,152,122	-	104,366,341
Wastewater treatment facility	-	-	52,584,214
Less accumulated depreciation	(54,639,289)	(17,414,535)	(61,128,362)
Total capital assets (net of accumulated depreciation)	182,044,037	51,898,771	111,103,438
Total noncurrent assets	182,044,037	53,190,943	112,078,728
Total assets	$ 281,830,704	$ 54,078,771	$ 167,808,217

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
$ 10,614,435	$ 155,487,162	$ 35,097,153
-	16,051	-
422,412	8,000,163	618
-	-	495,335
-	2,641,990	-
-	1,276,861	231,057
-	18,604	445,496
11,036,847	167,440,831	36,269,659
-	2,224,054	-
-	43,408	-
-	2,267,462	-
-	9,318,388	-
-	7,560,463	-
-	40,596,836	-
-	50,856,805	-
-	2,793,263	19,608,631
-	314,518,463	-
-	52,584,214	-
-	(133,182,186)	(13,404,646)
-	345,046,246	6,203,985
-	347,313,708	6,203,985
$ 11,036,847	$ 514,754,539	$ 42,473,644

(Continued)

CITY OF CARLSBAD

Statement of Net Position
Proprietary Funds (Continued)
June 30, 2013

	Business-Type Activities -		
LIABILITIES	Carlsbad Municipal Water District	Golf Course	Wastewater
Current liabilities:			
Accrued liabilities	$ 1,039,652	$ 283,480	$ 505,302
Accrued interest payable	99,517	254,650	37,690
Due to other governments	5,111,291	19,997	1,424,401
Estimated claims payable	-	-	-
Current portion of long-term debt, net of unamortized discounts of $36,634 and unamortized premiums of $9,895	1,498,560	369,895	823,366
Deposits payable	160,388	398,991	439,798
Total current liabilities	7,909,408	1,327,013	3,230,557
Noncurrent liabilities:			
Advance from other funds	-	55,493,076	-
Unearned revenue	-	-	10,000
Loans payable	19,836,576	-	-
Revenue bonds payable, net of unamortized premiums of $222,372	-	16,867,372	-
Installment purchase agreement, net of unamortized discounts of $30,909	-	-	874,091
Total noncurrent liabilities	19,836,576	72,360,448	884,091
Total liabilities	27,745,984	73,687,461	4,114,648
NET POSITION			
Net investment in capital assets	160,708,901	35,931,568	110,359,971
Restricted for:			
Capital assets	25,731,573	-	20,257,989
Unrestricted	67,644,246	(55,540,258)	33,075,609
Total net position (deficit)	$ 254,084,720	$ (19,608,690)	$ 163,693,569
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	
$ 488,144	$ 2,316,578	$ 4,498,394
-	391,857	-
-	6,555,689	-
-	-	7,878,007
-	2,691,821	-
-	999,177	1,000
488,144	12,955,122	12,377,401
-	55,493,076	-
-	10,000	-
-	19,836,576	-
-	16,867,372	-
-	874,091	-
-	93,081,115	-
488,144	106,036,237	12,377,401
-	307,000,440	6,203,985
-	45,989,562	-
10,548,703	55,728,300	23,892,258
$ 10,548,703	408,718,302	$ 30,096,243
	29,957	
	$ 408,748,259	

CITY OF CARLSBAD

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Operating revenues:			
Water sales	$ 40,563,520	$ -	$ -
Wastewater service charges pledged as security for revenue bonds	-	-	11,882,862
Golf course operations	-	6,277,627	-
Other charges for services	758,333	-	-
Miscellaneous	2,917,959	-	519,018
Total operating revenues	44,239,812	6,277,627	12,401,880
Operating expenses:			
Encina plant operations	848,306	-	3,073,969
Purchased water	19,115,570	-	-
Golf course operations	-	5,983,313	-
Depreciation	4,724,852	3,295,398	4,236,291
Fuel and supplies	-	-	-
Claims and premiums expense	-	-	-
Small equipment purchases	-	-	-
General and administrative	16,209,799	-	6,191,347
Total operating expenses	40,898,527	9,278,711	13,501,607
Operating income (loss)	3,341,285	(3,001,084)	(1,099,727)
Nonoperating revenues (expenses):			
Income from property and investments	313,807	90,060	132,086
Interest expense and fees	(532,177)	(1,389,609)	(6,317)
Gain (loss) on sale of property	59,613	-	-
Property taxes	2,929,590	-	-
Total nonoperating revenues (expenses)	2,770,833	(1,299,549)	125,769
Income (loss) before transfers and capital contributions	6,112,118	(4,300,633)	(973,958)
Transfers in	-	409,605	-
Capital contributions:			
Capital restricted fees	1,273,582	-	453,590
Developer constructed assets	633,858	-	493,882
Other	-	-	-
Change in net position	8,019,558	(3,891,028)	(26,486)
Total net position (deficit) at beginning of year	246,065,162	(15,717,662)	163,720,055
Total net position (deficit) at end of year	$ 254,084,720	$ (19,608,690)	$ 163,693,569

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	
$ -	$ 40,563,520	$ -
-	11,882,862	-
-	6,277,627	-
3,026,184	3,784,517	15,531,646
71,604	3,508,581	338,144
3,097,788	66,017,107	15,869,790
-	3,922,275	-
-	19,115,570	-
-	5,983,313	-
-	12,256,541	1,463,797
-	-	1,334,233
-	-	6,275,071
-	-	390,074
2,859,555	25,260,701	10,014,619
2,859,555	66,538,400	19,477,794
238,233	(521,293)	(3,608,004)
18,689	554,642	40,352
-	(1,928,103)	-
-	59,613	48,087
-	2,929,590	-
18,689	1,615,742	88,439
256,922	1,094,449	(3,519,565)
245,931	655,536	2,300,000
-	1,727,172	-
-	1,127,740	-
-	-	74,449
502,853	4,604,897	(1,145,116)
10,045,850	404,444,301	31,241,359
$ 10,548,703	409,049,198	$ 30,096,243
	(300,939)	
	$ 408,748,259	

CITY OF CARLSBAD

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities -		
	Carlsbad Municipal Water District	Golf Course	Wastewater
Cash flows from operating activities:			
Receipts from customers and users	$ 40,610,594	$ 6,301,567	$ 11,687,503
Payments to suppliers	(30,060,991)	(5,981,423)	(6,378,879)
Payments to employees	(3,653,853)	-	(1,787,608)
Internal activity - payments to other funds	(2,273,060)	-	(1,081,458)
Claims and premiums paid	-	-	-
Other receipts (payments)	2,917,959	-	542,476
Increase (decrease) in deposits payable	4,665	4,315	(37,387)
Net cash provided (used) by operating activities	7,545,314	324,459	2,944,647
Cash flows from noncapital financing activities:			
Operating subsidies and transfers from (to) other funds	-	409,605	-
Advances from (to) other funds	-	561,225	-
Net cash provided (used) by capital and related financing activities	-	970,830	-
Cash flows from capital and related financing activities:			
Capital restricted fees	1,273,582	-	453,590
Purchase of capital assets	(910,241)	(561,256)	(3,278,495)
Gross proceeds from the sale of capital assets	59,613	-	-
Principal paid on capital debt	(1,495,057)	(353,898)	(820,000)
Interest and other fees paid	(540,333)	(781,621)	(115,583)
Property taxes received	2,938,154	-	-
Net cash (used in) capital and related financing activities	1,325,718	(1,696,775)	(3,760,488)
Cash flows from investing activities:			
Interest on investments	313,807	90,060	132,086
Net increase (decrease) in cash and cash equivalents	9,184,839	(311,426)	(683,755)
Cash and cash equivalents at beginning of year	83,103,713	2,201,024	52,648,680
Cash and cash equivalents at end of year	$ 92,288,552	$ 1,889,598	$ 51,964,925

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
$ 2,995,494	$ 61,595,158	$ 15,322,206
(1,174,053)	(43,595,346)	(4,603,565)
(1,158,723)	(6,600,184)	(6,300,422)
(497,485)	(3,852,003)	(1,043,605)
-	-	(4,181,679)
71,604	3,532,039	338,144
-	(28,407)	-
236,837	11,051,257	(468,921)
245,931	655,536	2,300,000
-	561,225	-
245,931	1,216,761	2,300,000
-	1,727,172	-
-	(4,749,992)	(729,389)
-	59,613	48,087
-	(2,668,955)	-
-	(1,437,537)	-
-	2,938,154	-
-	(4,131,545)	(681,302)
18,689	554,642	40,352
501,457	8,691,115	1,190,129
10,112,978	148,066,395	33,907,024
$ 10,614,435	$ 156,757,510	$ 35,097,153

(Continued)

CITY OF CARLSBAD

Statement of Cash Flows
Proprietary Funds (Continued)
For the Year Ended June 30, 2013

	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)	$ 3,341,285	$ (3,001,084)	$ (1,099,727)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,724,852	3,295,398	4,236,291
Change in assets and liabilities:			
(Increase) decrease in receivables	(711,259)	23,940	(171,901)
(Increase) decrease in due from other governments	(65,362)	-	(9,725)
(Increase) decrease in inventories	(467,881)	7,638	1,697
(Increase) decrease in prepaid items	(2,667)	-	-
(Decrease) increase in accrued liabilities	293,579	(5,748)	(1,303)
(Decrease) increase in due to other governments	428,102	-	26,702
(Decrease) increase in estimated claims payable	-	-	-
(Decrease) increase in deposits payable	4,665	4,315	(37,387)
Net cash provided by operating activities	$ 7,545,314	$ 324,459	$ 2,944,647
Noncash capital financing activities:			
Capital assets contributed by other sources	$ 633,858	$ -	$ 493,882
Unrealized gains (losses)	$ (773,148)	$ (766)	$ (472,555)
Reconciliation of cash and cash equivalents to amounts reported on the balance sheet:			
Cash and investments	$ 92,288,552	$ 619,534	$ 51,964,641
Restricted assets:			
Cash and investments	-	1,270,064	953,990
Less investments not meeting the definition of cash equivalents:			
Investment contracts	-	-	(953,706)
Cash and cash equivalents at end of year	$ 92,288,552	$ 1,889,598	$ 51,964,925

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

Enterprise Funds		Governmental Activities - Internal Service Funds
Solid Waste	Totals	
$ 238,233	$ (521,293)	$ (3,608,004)
-	12,256,541	1,463,797
(30,690)	(889,910)	(209,440)
-	(75,087)	-
-	(458,546)	(24,712)
-	(2,667)	(419,738)
29,294	315,822	235,693
-	454,804	-
-	-	2,093,483
-	(28,407)	-
$ 236,837	$ 11,051,257	$ (468,921)
$ -	$ 1,127,740	$ 74,449
$ (91,539)	$ (1,338,008)	$ (254,266)
$ 10,614,435	$ 155,487,162	$ 35,097,153
-	2,224,054	-
-	(953,706)	-
$ 10,614,435	$ 156,757,510	$ 35,097,153

CITY OF CARLSBAD

Statement of Net Position
Fiduciary Funds
June 30, 2013

ASSETS	Agency Funds	Private Purpose Trust Funds
Current assets:		
Cash and investments	$ 17,431,254	$ 1,040,033
Receivables:		
Other	165,142	859
Prepaid items	516,613	-
Total current assets	18,113,009	1,040,892
Noncurrent assets:		
Cash and investments	-	3,750,000
Restricted assets:		
Cash and investments	5,877,413	-
Capital assets:		
Machinery and equipment	-	26,946
Less accumulated depreciation	-	(22,006)
Total capital assets (net of accumulated depreciation)	-	4,940
Total noncurrent assets	5,877,413	3,754,940
Total assets	$ 23,990,422	$ 4,795,832
LIABILITIES		
Current liabilities:		
Accrued liabilities	$ 1,330,460	$ 2,155
Accrued interest payable	-	151,555
Deposits held for others	22,659,962	-
Current portion of long-term debt	-	600,000
Total current liabilities	23,990,422	753,710
Noncurrent liabilities:		
Due to the City of Carlsbad	-	18,817,228
Tax allocation bonds payable	-	8,025,000
Total noncurrent liabilities	-	26,842,228
Total liabilities	23,990,422	27,595,938
NET POSITION		
Held in trust for redevelopment obligation retirement purposes	$ -	$ (22,800,106)

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, 2013

		Private Pupose Trust Funds
ADDITIONS		
Contributions:		
Tax increment	$	767,202
Income from property and investments		66,067
Transfers in		3,750,000
Total additions		4,583,269
DEDUCTIONS		
Redevelopment		7,113,583
Interest expense and fees		520,206
Total deductions		7,633,789
Change in net position		(3,050,520)
Net position - beginning		(19,749,586)
Net position - ending	$	(22,800,106)

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 Public Financing Authority and the Carlsbad Municipal Water District (district).

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

Government-wide and Fund Financial Statements

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period 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 the receipt of taxes and fees charged to developers that are restricted for civic facilities, parks, and road segments.

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

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

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

The city reports the following major enterprise funds:

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

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

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

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

Cash and investments

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

Inventories

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

Compensated absences

Compensated absences are comprised of vacation payable for all city employees 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, 2013, 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 intangible assets such as computer software with an initial cost of more than $100,000, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	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.

Note 1. Summary of Significant Accounting Policies (continued)

Unearned revenue

The unearned revenue reported in the city's financial statements represents money received during the current or previous fiscal years that has not been earned by the city as of the end of the fiscal year. These monies will be recognized as revenues in subsequent fiscal years, once the revenue has been earned.

Deferred 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 three sources: interest on advances, sales tax and grants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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, 2013, the ambulance billing receivable allowance is equal to 40 percent of outstanding billings at June 30, 2013, 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, 2013.

Loan and reimbursement receivable

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded 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.

Note 1. Summary of Significant Accounting Policies (continued)

Net position

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

Cash flows

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

Long-term obligations

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

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.

Note 2. Budgetary Data (continued)

For purposes of budgetary presentation, actual revenues have been adjusted to exclude unrealized gains and losses pursuant to GASB 31. Actual expenditures have been adjusted to include encumbrances outstanding. Annual budgets are adopted for the General Fund, special revenue funds except for the Tyler Court Apartments Fund, and a portion of the Parking-in-Lieu capital project fund (Grants and Other Capital Project Funds). Accordingly, the revenues and expenditures for the Tyler Court Apartments Fund have been excluded from the budget basis financial statements. Annual operating budgets are not adopted for the capital projects funds except for the Parking-in-Lieu Fund; therefore, budget basis financial statements have not been prepared because a comparison of such budgetary amounts to annual revenues and expenditures is not meaningful.

Note 3. Deposit and Investment Risk

Cash resources of the individual funds are combined to form a pool of cash and investments. The city maintains a formal Investment Policy Statement (IPS), which is reviewed by the Investment Review Committee and adopted annually by the City Council. All investments held in the Treasurer's Pool are consistent with the city's IPS objectives of safety of principal, adequacy of liquidity, and achievement of an average market rate of return. The risk disclosures below apply to the city's internal investment pool. Portfolio investments are exposed to five types of risk: custodial (investments and cash deposits); concentration; default; event; and market or interest rate risk.

The City of Carlsbad and its agencies invest a portion of the funds in an external investment pool known as the Local Agency Investment Fund (LAIF). Management and oversight are the responsibility of the California State Treasurer. As of June 30, 2013, the LAIF performance report shows a fair value factor of 1.000273207. 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, 2013 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	$ 91,927,718	14.5%	2.940
Federal Home Loan Bank	89,031,443	14.0%	3.144
Federal Farm Credit Bank	47,391,105	7.5%	2.792
Federal Home Loan Mortgage Corporation	45,703,229	7.2%	3.745
Federal Agricultural Corporation	14,804,724	2.3%	3.598
Tennessee Valley Authority	4,131,441	0.7%	0.335
United States Treasury Bills & Notes	2,030,840	0.3%	0.208
Financing Corporation	1,069,652	0.2%	0.909
Subtotal U.S. agencies	296,090,152	46.7%	2.359
Corporate notes:			
Medium-term corporate notes	169,293,463	26.7%	2.469
Subtotal corporate notes	169,293,463	26.7%	1.608
Certificates of deposit	17,305,136	2.7%	2.266
LAIF	149,568,991	23.6%	-
Cash accounts	2,013,366	0.3%	-
Total Treasurer's Pool	634,271,108	100.0%	2.136
Investments held outside the Treasurer's Pool			
Money market funds	7,144,093		
Guaranteed investment contracts	4,404,477		
Subtotal debt service funds/bond proceeds	11,548,570		
Other deposits	704,289		
Petty cash funds	5,650		
Total cash and investments	$ 646,529,617		
Statement of Net Position, Primary Government			
Cash and investments	$ 622,180,917		
Statement of Net Position, Fiduciary Funds			
Cash and investments	18,471,287		
Restricted cash and investments	5,877,413		
Total cash and investments	$ 646,529,617		

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, 2013, 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 IPS requires that no more than 5 percent of investments in corporate notes be in any one issuer. There is no similar requirement in either the state code or the city's IPS for U.S. agencies. As of June 30, 2013, 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, 2013, approximately 20.7 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 IPS allow the City Treasurer to determine the course of action to correct exceptions to the Policy. It is the intent of the City Treasurer to hold these investments in the portfolio until maturity unless events indicate they should be sold. The default credit risk for corporate notes with a credit rating of single A is greater than U.S. federal agencies, but is considered by the City Treasurer to be within acceptable limits for purposes of holding to maturity. A credit rating of single A is within state code purchase requirements.

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

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

Interest rate risk

Interest rate risk is the risk that investments will lose market value because of increases in market interest rates. A rise in market interest rates will cause the market value of investments made earlier at lower interest rates to lose value. The reverse will cause a gain in market value. As of June 30, 2013, the portfolio had a 1.06 percent loss in market value.

The city's IPS has adopted two means of limiting its exposure to market value losses caused by rising market interest rates: (1) limiting total portfolio investments to a maximum modified duration of 2.2, and (2) requiring liquid investments (LAIF and bank accounts) and investments maturing within one year to be equal to an amount that is not less than two-thirds of the current fiscal year's operating budget. The city met those requirements as follows:

Note 3. Deposit and Investment Risk (continued)

1. As of June 30, 2013, the modified duration of the portfolio was 2.136. 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, 2013, maturities within one year exceeded the required minimum of $199,430,000 (two-thirds of current year operating budget for the city per the Fiscal Year 2012-13 Operating Budget adopted by the City Council).

3. As of June 30, 2013, the weighted average maturity of the Local Agency Investment Funds (LAIF) underlying debt securities was 246 days. As of June 30, 2013, LAIF had a 0.027 percent gain in market value.

4. As of June 30, 2013, the City's investment portfolio included $22,800,000 of callable step-up notes.

Note 4. Due To and From Other Funds

The following table shows amounts due from funds within the city to other funds within the city at June 30, 2013.

	Due to Other Funds	Due from Other Funds
General Fund	$ -	$ 195,099
Special Revenue Funds:		
Community Development Block Grant	195,099	-
Totals	$ 195,099	$ 195,099

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, 2013:

Total position	Advances To	Amount	
General Fund	Financing Districts Special Revenue Funds	$ 1,404,251	
General Fund	Habitat Mitigation Fee Special Revenue Fund	459,306	(1)
General Fund	Golf Course Enterprise Fund	55,493,076	(2)
Capital Projects Funds:	Capital Project Funds:		
Community Facilities District No. 1	Traffic Impact Projects	2,415,662	(3)
Public Facilities Construction	Park Development	4,550,000	(4)
		$ 64,322,295	
General Fund	Fiduciary Funds:		
	Redevelopment Obligation Retirement Trust Funds	$ 18,817,228	(5)

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

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.
(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, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
Governmental activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	$ 146,884,992	$ 3,703,134	$ -	$ 150,588,126
Construction in progress	95,537,444	13,144,030	(61,347,809)	47,333,665
Total capital assets, not being depreciated	242,422,436	16,847,164	(61,347,809)	197,921,791
Capital assets, being depreciated:				
Buildings	79,344,933	21,967,167	-	101,312,100
Improvements, other than buildings	45,458,749	-	-	45,458,749
Machinery and equipment	28,356,779	1,247,903	(1,305,781)	28,298,901
Infrastructure	614,007,619	41,773,177	-	655,780,796
Intangible assets	2,940,681	245,839	-	3,186,520
Total capital assets, being depreciated	770,108,761	65,234,086	(1,305,781)	834,037,066
Less accumulated depreciation for:				
Buildings	(25,366,424)	(1,829,801)	-	(27,196,225)
Improvements, other than buildings	(14,312,850)	(2,043,268)	-	(16,356,118)
Machinery and equipment	(19,924,899)	(1,879,942)	1,302,962	(20,501,879)
Infrastructure	(171,725,195)	(13,065,174)	-	(184,790,369)
Intangible assets	-	(455,217)	-	(455,217)
Total accumulated depreciation	(231,329,368)	(19,273,402)	1,302,962	(249,299,808)
Total capital assets being depreciated, net	538,779,393	45,960,684	(2,819)	584,737,258
Governmental activities capital assets, net	$ 781,201,829	$ 62,807,848	$ (61,350,628)	$ 782,659,049

Note 6. Capital Assets (continued)

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
Business-type activities:				
Capital assets, not being depreciated:				
Land (including right-of-way)	$ 9,318,388	$ -	$ -	$ 9,318,388
Construction in progress	8,031,914	3,778,242	(4,249,693)	7,560,463
Total capital assets, not being depreciated	17,350,302	3,778,242	(4,249,693)	16,878,851
Capital assets, being depreciated:				
Buildings	40,540,240	56,596	-	40,596,836
Improvements, other than buildings	50,856,805	-	-	50,856,805
Machinery and equipment	2,398,792	580,944	(186,473)	2,793,263
Infrastructure	310,960,338	3,558,125	-	314,518,463
Wastewater treatment facility	51,047,082	1,537,132	-	52,584,214
Total capital assets, being depreciated	455,803,257	5,732,797	(186,473)	461,349,581
Less accumulated depreciation for:				
Buildings	(5,358,968)	(867,092)	-	(6,226,060)
Improvements, other than buildings	(15,211,158)	(3,243,003)	-	(18,454,161)
Machinery and equipment	(2,169,498)	(101,033)	186,473	(2,084,058)
Infrastructure	(69,797,696)	(6,428,758)	-	(76,226,454)
Wastewater treatment facility	(28,574,798)	(1,616,655)	-	(30,191,453)
Total accumulated depreciation	(121,112,118)	(12,256,541)	186,473	(133,182,186)
Total capital assets being depreciated, net	334,691,139	(6,523,744)	-	328,167,395
Business-type activities capital assets, net	$ 352,041,441	$ (2,745,502)	$ (4,249,693)	$ 345,046,246

Note 6. Capital Assets (continued)

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

Governmental activities:	
General government	$ 1,159,168
Community development	302,340
Public safety	460,220
Community services	2,573,887
Public works	13,313,990
Capital assets held by the internal service funds (charged to various functions based on their usage of the assets)	1,463,797
Total depreciation expense - governmental activities	$ 19,273,402
Business-type activities:	
Carlsbad Municipal Water District	$ 4,724,852
Wastewater	4,236,291
Golf course	3,295,398
Total depreciation expense - business-type activities	$ 12,256,541

Note 7. Accrued Liabilities

Accrued liabilities were as follows at June 30, 2013:

	Vendors and Miscellaneous	Salaries and Benefits	IFD Payable	Refuse Disposal	Total
Governmental activities:					
General Fund	$ 2,073,145	$ 1,122,033	$ 167,561	$ -	$ 3,362,739
General Capital Construction	1,240,193	-	-	-	1,240,193
Infrastructure Replacement	37,747	-	-	-	37,747
Public Facilities Construction	1,707,282	-	-	-	1,707,282
Other Governmental Funds	1,028,677	24,169	-	-	1,052,846
Subtotals	6,087,044	1,146,202	167,561	-	7,400,807
Internal Service Funds*	544,366	3,954,028	-	-	4,498,394
Total governmental activities	$ 6,631,410	$ 5,100,230	$ 167,561	$ -	$ 11,899,201
Business-type activities:					
Enterprise funds:					
Carlsbad Municipal Water District	$ 737,853	$ 301,799	$ -	$ -	$ 1,039,652
Golf Course	283,480	-	-	-	283,480
Wastewater	365,219	140,083	-	-	505,302
Solid Waste	122,931	68,402	-	296,811	488,144
Total business-type activities	$ 1,509,483	$ 510,284	$ -	$ 296,811	$ 2,316,578

* 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, 2013:

	Principal Balance at July 1, 2012	Increases	Decreases	Principal Balance at June 30, 2013	Due Within One Year
Governmental activities:					
Loans payable	$ 474,788	$ -	$ 315,736	$ 159,052	$ 159,052
Total governmental activities	$ 474,788	$ -	$ 315,736	$ 159,052	$ 159,052
Business-type activities:					
Bonds	$ 17,345,000	$ -	$ 340,000	$ 17,005,000	$ 360,000
Installment purchase agreement	2,585,000	-	820,000	1,765,000	860,000
Loans payable	22,830,193	-	1,495,057	21,335,136	1,498,560
Obligations under capital leases	13,898	-	13,898	-	-
	42,774,091	-	2,668,955	40,105,136	2,718,560
Less discounts	(109,292)	-	(41,749)	(67,543)	(36,634)
Plus premiums	242,161	-	9,894	232,267	9,895
Total business type activities	$ 42,906,960	$ -	$ 2,637,100	$ 40,269,860	$ 2,691,821

Long-term debt at June 30, 2013 is comprised of the following issues:

Governmental long-term debt	Balance at June 30, 2013
2009 City of Carlsbad loan agreement with the California Energy Resources Conservation and Development Commission for the streetlight retrofit project totaling $785,975. Final principal is due on December 22, 2013 totalling $159,052. The loan term is 2.5 years with an interest rate of 1.00%. Payable from streetlight assessments.	$ 159,052
Sub-total governmental long-term debt	159,052
Less current portion	(159,052)
Total long-term portion of governmental debt	$ -

Note 8. Long-term Debt (continued)

	Balance at June 30, 2013
2006 Carlsbad Public Financing Authority (Golf Course) Revenue Bonds were issued totaling $18,540,000. Principal is due in varying amounts ranging from $360,000 to $1,185,000 on September 1 of each year beginning in 2008 through 2036, interest payable on March 1 and September 1 of each year through 2036, at rates varying from 4.0% to 5.00% per annum. The required reserve amount is $1,211,663. Payable from golf course operating revenues and lease payments by the City.	$ 17,005,000
1997 Encina Financing Joint Powers Authority (EFJPA) Installment Purchase Agreement bonds were issued totaling $11,080,000. Principal is due in varying amounts payable on February 1 and August 1 each year through 2014, at 5.125% per annum. The required reserve amount is $928,419. Payable from sewer user fees.	1,765,000
1993 Carlsbad Municipal Water District loan agreement with the State Water Resources Control Board totaling $2,331,489. Final principal is due on August 1, 2013 totaling $123,223 at an interest rate of 2.90% per annum. Payable from recycled water user fees.	123,223
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 $480,976 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.	6,635,330
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 $894,361 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.	14,576,583
Subtotal business-type long-term debt	40,105,136
Plus unamortized premiums and discounts	164,724
Less current portion	(2,691,821)
Total long-term portion of business-type debt	$ 37,578,039

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
2014	$ 159,052	$ 798	$ 2,718,560	$ 1,328,096
2015	-	-	2,697,932	1,230,828
2016	-	-	1,846,300	1,156,494
2017	-	-	1,900,461	1,103,660
2018	-	-	1,960,433	1,047,875
2019-2023	-	-	10,791,495	4,331,842
2024-2028	-	-	9,344,955	2,711,256
2029-2033	-	-	4,430,000	1,511,550
2034-2037	-	-	4,415,000	409,387
	$ 159,052	$ 798	$ 40,105,136	$ 14,830,988

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 fiscal year ended June 30, 2013.

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	$ 4,140,933	$ 1,876,481	45%
Wastewater revenues	5,505,291	931,469	17%
Golf Course revenues	822,396	1,111,600	135%

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, 2013, the city has three series of assessment district bonds outstanding in the amount of $48,360,000. 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, 2013, the city has two series of community facilities district (CFD) bonds outstanding in the amount of $23,985,000. 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, 2013 is $38,338,854. 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, 2013:

	Governmental Funds			
Fund Balances	General	Community Facilities District No. 1	General Capital Construction	Infrastructure Replacement
Nonspendable:				
Inventory	$ 14,784	$ -	$ -	$ -
Prepaid items	-	-	-	-
Loans receivable	99,197	-	-	-
Due from Successor Agency*	8,107,055	-	-	-
Advances to other funds*	49,498,266	-	-	-
Totals	57,719,302	-	-	-
Restricted for:				
Affordable housing	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	-	69,221,676	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Totals	-	69,221,676	-	-
Committed to:				
Community activity grants	1,000,000	-	-	-
Totals	1,000,000	-	-	-
Assigned to:				
General government	17,023,061	-	-	-
Public safety	905,418	-	-	-
Community development	1,903,276	-	-	-
Community services	3,458,425	-	-	-
Public works	2,909,409	-	-	-
Capital projects	-	-	45,450,726	76,410,081
Totals	26,199,589	-	45,450,726	76,410,081
Unassigned:	69,578,115	-	-	-
Total fund balances	$ 154,497,006	$ 69,221,676	$ 45,450,726	$76,410,081

* Only reflects that portion of fund balance invested in interfund advances and loans (the General Fund amount is net of $18,568,540 in unavailable revenue for measurable but unavailable interest earned on such advances and loans).

Governmental Funds		
Public Facilities Construction	Other Governmental Funds	Total
$ -	$ -	$ 14,784
-	434,762	434,762
-	-	99,197
-	-	8,107,055
-	-	49,498,266
-	434,762	58,154,064
-	36,955,507	36,955,507
-	3,604,281	3,604,281
44,234,844	69,228,615	182,685,135
-	767,440	767,440
-	594,000	594,000
-	225,510	225,510
-	1,157,545	1,157,545
-	2,958,107	2,958,107
44,234,844	115,491,005	228,947,525
-	-	1,000,000
-	-	1,000,000
-	-	17,023,061
-	-	905,418
-	-	1,903,276
-	-	3,458,425
-	-	2,909,409
-	-	121,860,807
-	-	148,060,396
-	-	69,578,115
$ 44,234,844	$ 115,925,767	$ 505,740,100

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 has not delegated to any other persons or bodies the authority to assign fund balance to specific purposes. The Council has authorized, through a resolution, that all outstanding encumbrances at the end of the fiscal year as well as certain unspent budgeted amounts, to be carried forward into the next fiscal year. These amounts are shown as assigned fund balance at the end of the fiscal year.

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, 2013:

	Deficit Balance
Enterprise Funds:	
Golf Course	$ (19,608,690)
Internal Service Funds:	
Workers' Compensation	(203,751)

Note 14. Interfund Transfers

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Total position	Transfers Out	Amount
General Fund	Gas Tax Special Revenue Fund	$ 10,000
Infrastructure Replacement	General Fund	7,547,000
Enterprise Funds:		
Storm Water Protection	General Fund	245,931
Golf Course	General Fund	409,605
Internal Service Funds:		
Self Insured Benefits	General Fund	1,800,000
Worker's Compensation	General Fund	500,000
Special Revenue Funds:		
Affordable Housing	Tyler Court Apartments Special Revenue Fund	2,274
Financing Districts	General Fund	527,746
Private Purpose Trust Funds:		
Redevelopment Obligation Retirement Trust Fund - Village Project Area	Affordable Housing Special Revenue Fund	3,750,000
		$ 14,792,556

Transfers are used to (1) move revenues and expenditures to the appropriate funds, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move excess cash collected for future capital replacement in accordance with Council authorization.

Note 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. On July 1, 2013 the city's coverage is increasing to a maximum of $15,000,000 per occurance with a self-insured retention (SIR) of $1,000,000 and a "corridor" deductible of $500,000. At June 30, 2013, the unrestricted fund equity for the Risk Management Self-Insurance fund was approximately $303,000.

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.

Note 15. Risk Management (continued)

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, 2013, the unrestricted fund equity for the Workers' Compensation Self-Insurance fund was approximately ($204,000). The city hired a new claims administrator during the fiscal year who audited all of the city's outstanding workers' compensation claims. This audit created a higher claims payable balance and reduced the unrestricted fund liability.

The estimated claims payable reported at June 30, 2013 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 2012 and 2013 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:				
2011-12	$ 75,582	$ 805,977	$ 803,615	$ 77,944
2012-13	77,944	777,989	775,479	80,454
Risk Management Fund:				
2011-12	839,262	1,058,869	1,433,561	464,570
2012-13	464,570	1,619,030	1,061,584	1,022,016
Workers' Compensation Fund:				
2011-12	5,122,791	2,117,406	1,998,187	5,242,010
2012-13	5,242,010	3,878,052	2,344,525	6,775,537

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	22%
Leucadia Wastewater District	20%
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, 2012 (the latest available) reflect the following:

Total assets	$ 126,498,731
Total liabilities	2,981,429
Net position	$ 123,517,302

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 $437,276 in Fiscal Year 2012. 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, 2013:

	Agreement Balance
City of Carlsbad	$ 1,765,000

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, 7 or 6.75 percent for non-safety employees (depending on the tier the employee was placed in upon hire date), and 9 or 12 percent for safety employees (depending on the tier the employee was placed in upon hire date), of their annual covered salary. 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. Non-safety employees (both general and management) and fire management employees began paying the entire 7, 8 and 9 percent rates in November 2012, and police management employees began paying the entire 9 percent rate in June 2013. All third tier employees have been paying the 6.75 or 12 percent employee rates since their date of hire. The city is required to contribute at an actuarially determined rate. For the year ended June 30, 2013, the employer contribution rate for the City of Carlsbad (as a percentage of covered payroll) was 33.198 percent for safety employees and 23.063 percent for miscellaneous employees. The contribution requirements of plan members and the city are established by PERS.

Annual pension cost

For Fiscal Year 2012-13, the city's annual pension cost (employer contribution) of $6,047,509 for safety and $7,485,187 for miscellaneous to PERS was equal to the city's required and actual contributions. For Fiscal Year 2012-13, the member contributions paid by the city and its employees were $1,639,414 for safety and $2,575,494 for miscellaneous. The required contribution was determined as part of the June 30, 2010, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases of 3.30 percent to 14.20 percent depending on age, service and type of employment, (c) 2.75 percent inflation factor, (d) payroll growth of 3.00 percent, and (e) individual salary growth that utilizes a merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75 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
6/30/11	$ 5,108,849	100%	$ -
6/30/12	5,788,200	100%	-
6/30/13	6,047,509	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
6/30/11	$ 6,997,307	100%	$ -
6/30/12	7,397,030	100%	-
6/30/13	7,485,187	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
6/30/10	$ 186,693,481	$ 150,887,842	$ 35,805,639	80.8%	63.5%	$ 19,077,182	187.7%
6/30/11	197,379,255	160,165,526	37,213,729	81.1%	72.4%	18,174,511	204.8%
6/30/12	205,493,049	169,554,754	35,938,295	82.5%	69.1%	17,716,154	202.9%

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
6/30/10	$ 231,919,508	$ 185,069,352	$ 46,850,156	79.8%	62.8%	$ 33,156,896	141.3%
6/30/11	249,719,440	198,900,481	50,818,959	79.6%	71.3%	33,629,416	151.1%
6/30/12	261,714,911	213,117,721	48,597,190	81.4%	68.5%	32,939,046	147.5%

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 four active and seventeen retired plan members as of June 30, 2013.

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 668 active and 156 retired plan members as of June 30, 2013. 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 2012	$112.00
Calendar Year 2013	115.00
Calendar Year 2014	119.00

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
2012-13 Annual Required Contribution (ARC)	$ 176,552	$ 295,613
2012-13 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, 2013 were as follows:

Three-year trend information for OPEB (CMWD)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$ 160,397	100.0%	$ -
6/30/12	176,552	100.0%	-
6/30/13	176,552	100.0%	-

Three-year trend information for OPEB (city)

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/11	$ 405,465	100.0%	$ -
6/30/12	295,613	100.0%	-
6/30/13	295,613	100.0%	-

Note 18. Postretirement Healthcare (continued)

Funded status and funding progress

The funded status of the plans as of June 30, 2013, was as follows:

	CMWD	City
Actuarial Accrued Liability (a)	$ 4,530,503	$ 6,718,554
Actuarial Value of Plan Assets (b)	2,634,756	7,573,752
Unfunded Actuarial Accrued Liability	$ 1,895,747	$ (855,198)
Funded Ratio (b)/(a)	58.2%	112.7%
Covered Payroll	$ 339,692	$ 50,321,654
UAAL as a percentage of Covered Payroll	558.1%	-1.7%

During Fiscal Year 2007-08, the city and CMWD fully funded the actuarial accrued liabilities calculated as of June 30, 2006. This was done in conjunciton 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. 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. There are 27 years remaining as of June 30, 2013.

In the June 30, 2013 actuarial valuation, the projected unit credit cost method was used to determine the benefit obligations. The actuarial assumptions for the CMWD and city plan included a 7.00 percent investment rate of return (net of administrative expenses) and a medical inflation rate of between 8.25 percent per annum and 8.00 percent per annum depending on whether the party was pre-65 or post-65 respectively. The medical inflation rate was graded down each year in various increments to an ultimate rate of 4.50 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
6/30/10	$ 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%
6/30/13	4,530,503	2,634,756	1,895,747	58.2%	339,692	558.1%

Funded status of plan (city)

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability/ (Excess Assets)	Funded Ratios AVA	Annual Covered Payroll	UAAL As a % of Payroll
6/30/10	$ 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%
6/30/13	6,718,554	7,573,752	(855,198)	112.7%	50,321,654	-1.7%

Note 19. Commitments and Contingencies

Operating leases

The city has one parking lot lease, 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, 2013 is $1,353,176.

Note 19. Commitments and Contingencies (continued)

As of June 30, 2013, 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	$ 6,442,767
Community Facilities District No. 1	69,691
General Capital Construction	4,129,955
Infrastructure Replacement	1,150,274
Public Facilities Construction	5,500,733
Nonmajor Governmental Funds in the Aggregate	2,961,893
Total	$ 20,255,313

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. In July 2013, the State Controller completed their review of the tranfer of assets between the former redevelopment agency and the city. The State Controller determined that $3,029,737 in assets had been transferred without the appropriate approval from the Oversight Board. The Oversight Board has subsequently approved these transfers in accordance with state law.

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.

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

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

Capital Assets

Capital asset activity was as follows for the year ended June 30, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013
Machinery and equipment	$ 26,946	$ -	$ -	$ 26,946
Less accumulated depreciation	(19,311)	(2,695)	-	(22,006)
Total capital assets	$ 7,635	$ (2,695)	$ -	$ 4,940

Long-term Debt

The following is a summary of changes in the principal balance of long-term debt for the year ended June 30, 2013:

	Principal Balance at July 1, 2012	Increases	Decreases	Principal Balance at June 30, 2013	Due Within One Year
Bonds	$ 9,195,000	$ -	$ 570,000	$ 8,625,000	$ 600,000
Due to the City of Carlsbad	18,758,763	58,465	-	18,817,228	-
	$ 27,953,763	$ 58,465	$ 570,000	$ 27,442,228	$ 600,000

The 1993 Carlsbad Housing and Redevelopment Commission Tax Allocation Bonds were issued totaling $15,495,000. Principal is due in amounts ranging from $600,000 to $1,000,000 on September 1 of each year through 2024. Interest is payable on March 1 and September 1 at rates varying from 5.25% to 5.30% per annum. The city posted a surety bond in lieu of a cash reserve in the amount of $1,055,953. Bonds are payable from redevelopment property tax increment revenues. Minimum annual debt service requirements have not been established for the obligation of the Successor Agency to the City of Carlsbad.

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

Year ended June 30:	Principal	Interest
2014	$ 600,000	$ 438,915
2015	630,000	406,628
2016	665,000	372,634
2017	700,000	336,802
2018	735,000	299,134
2019–2023	4,295,000	856,337
2024	1,000,000	26,500
	$ 8,625,000	$ 2,736,950

Pledged Revenue

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

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

Description of Pledged Revenue	Annual Amount of Pledged Revenue	Annual Debt Service Payments	Debt Service as a Percentage of Pledged Revenue
Tax increment (Village Area)	$ 4,583,269	$ 1,039,627	23%

Note 21. Prior Period Adjustments

During Fiscal Year 2009-10, the Golf Course Fund repaid a portion of the outstanding advance from the General Fund. A portion of the repayment represented interest that was previously reported as unearned in the General Fund. The effect of recognizing the previously unearned interest revenue is a reduction in unearned revenue in the General Fund and an increase in the beginning fund balance in the General Fund in the Fund Financial Statements. This revenue was appropriately recognized in the Government-wide Financial Statements in the year in which the interest was earned:

	Fund Financial Statements
	General Fund
Total fund balance at July 1, 2012	$ 139,567,223
Recognition of previously unearned interest income	2,829,416
Total fund balance at July 1, 2012, as restated	$ 142,396,639

SUPPLEMENTARY INFORMATION

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			
ASSETS	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Cash and investments	$ 13,924,107	$ -	$ 2,110,235	$ 4,428,613
Receivables:				
Other	-	-	-	7,455
Accounts, net of allowances	-	-	-	-
Due from other governments	32,100	197,156	-	-
Prepaid items	-	-	-	-
Land held for resale	454,000	-	-	-
Loan receivables, net of allowances	21,986,822	224,404	-	-
Total assets	$ 36,397,029	$ 421,560	$ 2,110,235	$ 4,436,068
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	$ 4,684	$ 951	$ 12,814	$ 73,710
Due to other funds	-	195,099	-	-
Deposits payable	-	-	-	-
Advances from other funds	-	-	-	1,404,251
Unearned revenue	-	-	-	-
Total liabilities	4,684	196,050	12,814	1,477,961
Deferred inflows of resources:				
Unavailable revenue - grants	32,100	-	-	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable housing	36,360,245	-	-	-
Habitat and agricultural mitigation/preservation	-	-	939,876	-
Capital projects	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	225,510	-	-
Community services	-	-	1,157,545	-
Public works	-	-	-	2,958,107
Total fund balances	36,360,245	225,510	2,097,421	2,958,107
Total liabilities and fund balances	$ 36,397,029	$ 421,560	$ 2,110,235	$ 4,436,068

Special Revenue Funds						
Gas Tax	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
$ 16,309,899	$ 3,123,711	$ 705,817	$ 436,770	$ 520,899	$ 80,174	$ 41,640,225
-	-	87,950	-	-	-	95,405
-	-	-	-	37,254	-	37,254
-	-	-	220,664	-	-	449,920
-	-	-	-	434,762	-	434,762
-	-	-	-	-	-	454,000
-	-	-	-	-	-	22,211,226
$ 16,309,899	$ 3,123,711	$ 793,767	$ 657,434	$ 992,915	$ 80,174	$ 65,322,792
$ 70,208	$ -	$ 26,327	$ 14,227	$ 6,041	$ -	$ 208,962
-	-	-	-	-	-	195,099
-	-	-	-	9,826	26,365	36,191
-	459,306	-	-	-	-	1,863,557
563,955	-	-	-	-	833	564,788
634,163	459,306	26,327	14,227	15,867	27,198	2,868,597
-	-	-	49,207	-	-	81,307
-	-	-	-	434,762	-	434,762
-	-	-	-	542,286	52,976	36,955,507
-	2,664,405	-	-	-	-	3,604,281
15,675,736	-	-	-	-	-	15,675,736
-	-	767,440	-	-	-	767,440
-	-	-	594,000	-	-	594,000
-	-	-	-	-	-	225,510
-	-	-	-	-	-	1,157,545
-	-	-	-	-	-	2,958,107
15,675,736	2,664,405	767,440	594,000	977,048	52,976	62,372,888
$ 16,309,899	$ 3,123,711	$ 793,767	$ 657,434	$ 992,915	$ 80,174	$ 65,322,792

(Continued)

CITY OF CARLSBAD

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2013

	Capital Project Funds			
ASSETS	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
Cash and investments	$ 5,761,140	$ 10,092,435	$ 199,813	$ 7,010,776
Receivables:				
Other	-	-	-	-
Accounts, net of allowances	-	-	160,291	-
Due from other governments	-	-	11,261	-
Prepaid items	-	-	-	-
Prepaid items	-	-	-	-
Loan receivables	-	-	-	-
Total assets	$ 5,761,140	$ 10,092,435	$ 371,365	$ 7,010,776
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued liabilities	$ -	$ -	$ 5,724	$ -
Due to other funds	-	-	-	-
Deposits payable	816,840	-	-	-
Advances from other funds	-	-	-	4,550,000
Unearned revenue	-	-	-	-
Total liabilities	816,840	-	5,724	4,550,000
Deferred inflows of resources:				
Unavailable revenue - grants	-	-	11,261	-
Fund balances:				
Nonspendable:				
Prepaid items	-	-	-	-
Restricted:				
Affordable, low and moderate income housing	-	-	-	-
Habitat and agricultural mitigation/preservation	-	-	-	-
Capital projects	4,944,300	10,092,435	354,380	2,460,776
General government	-	-	-	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Total fund balances	4,944,300	10,092,435	354,380	2,460,776
Total liabilities and fund balances	$ 5,761,140	$ 10,092,435	$ 371,365	$ 7,010,776

Capital Project Funds					
Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
$ 5,827,091	$ 7,841,219	$ 5,034,544	$ 20,398,459	$ 62,165,477	$ 103,805,702
-	-	-	-	-	95,405
873	-	-	-	161,164	198,418
-	-	187,504	-	198,765	648,685
-	-	-	-	-	434,762
-	-	-	-	-	454,000
-	-	-	-	-	22,211,226
$ 5,827,964	$ 7,841,219	$ 5,222,048	$ 20,398,459	$ 62,525,406	$ 127,848,198
$ -	$ 2,747	$ 753,124	$ 82,289	$ 843,884	$ 1,052,846
-	-	-	-	-	195,099
-	-	-	-	816,840	853,031
-	-	-	2,415,662	6,965,662	8,829,219
-	-	-	301,880	301,880	866,668
-	2,747	753,124	2,799,831	8,928,266	11,796,863
-	-	33,000	-	44,261	125,568
-	-	-	-	-	434,762
-	-	-	-	-	36,955,507
-	-	-	-	-	3,604,281
5,827,964	7,838,472	4,435,924	17,598,628	53,552,879	69,228,615
-	-	-	-	-	767,440
-	-	-	-	-	594,000
-	-	-	-	-	225,510
-	-	-	-	-	1,157,545
-	-	-	-	-	2,958,107
5,827,964	7,838,472	4,435,924	17,598,628	53,552,879	115,925,767
$ 5,827,964	$ 7,841,219	$ 5,222,048	$ 20,398,459	$ 62,525,406	$ 127,848,198

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds			
	Affordable Housing	Community Development Block Grant	Donations	Financing Districts
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Intergovernmental	831,073	1,164,716	-	587,056
Charges for services	119,764	-	-	2,247,394
Fines and forfeitures	-	-	-	-
Income from property and investments	149,064	224,183	3,588	7,825
Contributions from property owners	1,636,012	30,266	-	5,400
Donations	-	-	347,922	-
Miscellaneous	454,000	-	15,710	-
Total revenues	3,189,913	1,419,165	367,220	2,847,675
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Community development	456,103	2,081,068	-	-
Community services	-	-	207,500	-
Public works	-	-	-	2,343,349
Capital outlay	5,083	14,472	-	-
Debt service:				
Principal retirement	-	-	-	315,736
Interest and fiscal charges	-	-	-	3,963
Total expenditures	461,186	2,095,540	207,500	2,663,048
Excess (deficiency) of revenues over (under) expenditures	2,728,727	(676,375)	159,720	184,627
Other financing sources (uses):				
Transfers in	2,274	-	-	527,746
Transfers out	(3,750,000)	-	-	-
Total other financing sources (uses)	(3,747,726)	-	-	527,746
Net change in fund balances	(1,018,999)	(676,375)	159,720	712,373
Fund balances at beginning of year	37,379,244	901,885	1,937,701	2,245,734
Fund balances at end of year	$36,360,245	$ 225,510	$ 2,097,421	$2,958,107

Special Revenue Funds						
Gas Tax	Habitat and Agricultural Management	Other Special Revenue Funds	Police Grants and Asset Forfeiture	Section 8 Rental Assistance	Tyler Court Apartments	Totals
$ 2,546,119	$ -	$ -	$ -	$ -	$ -	$ 2,546,119
-	-	-	843,776	6,263,810	-	9,690,431
-	-	-	-	-	461,684	2,828,842
-	-	-	106,629	-	-	106,629
26,605	5,190	1,264	180	3,722	-	421,621
-	38,739	358,971	-	-	-	2,069,388
-	-	-	-	-	-	347,922
-	-	-	-	27,572	-	497,282
2,572,724	43,929	360,235	950,585	6,295,104	461,684	18,508,234
-	-	204,385	-	-	-	204,385
-	-	-	490,363	-	-	490,363
-	1,958,847	-	-	6,355,545	423,342	11,274,905
-	-	-	-	-	-	207,500
600,000	-	-	-	-	-	2,943,349
1,188,130	217,075	57,126	379,928	-	-	1,861,814
-	-	-	-	-	-	315,736
-	2,251	-	-	-	-	6,214
1,788,130	2,178,173	261,511	870,291	6,355,545	423,342	17,304,266
784,594	(2,134,244)	98,724	80,294	(60,441)	38,342	1,203,968
-	-	-	-	-	-	530,020
(10,000)	-	-	-	-	(2,274)	(3,762,274)
(10,000)	-	-	-	-	(2,274)	(3,232,254)
774,594	(2,134,244)	98,724	80,294	(60,441)	36,068	(2,028,286)
14,901,142	4,798,649	668,716	513,706	1,037,489	16,908	64,401,174
$ 15,675,736	$ 2,664,405	$ 767,440	$ 594,000	$ 977,048	$ 52,976	$ 62,372,888

(Continued)

CITY OF CARLSBAD

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Year Ended June 30, 2013

	Capital Project Funds			
	Assessment and Other Districts	Bridge and Thoroughfare Districts	Grants and Other Capital Project Funds	Park Development
Revenues:				
Taxes	$ -	$ -	$ -	$ -
Intergovernmental	-	-	298,020	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Income from property and investments	7,267	18,343	756	10,721
Contributions from property owners	-	1,081,798	-	406,594
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	7,267	1,100,141	298,776	417,315
Expenditures:				
Current:				
General government	4,480,434	-	42,359	-
Public safety	-	-	-	-
Community development	-	-	-	-
Community services	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	252,991	279,196	-
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	4,480,434	252,991	321,555	-
Excess (deficiency) of revenues over (under) expenditures	(4,473,167)	847,150	(22,779)	417,315
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(4,473,167)	847,150	(22,779)	417,315
Fund balances at beginning of year	9,417,467	9,245,285	377,159	2,043,461
Fund balances at end of year	$ 4,944,300	$ 10,092,435	$ 354,380	$ 2,460,776

Capital Project Funds					
Planned Local Drainage Facilities	Rancho Santa Fe Road Project	Sales Tax/ TransNet	Traffic Impact Projects	Totals	Total Other Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 2,546,119
-	-	-	-	298,020	9,988,451
-	-	730,139	-	730,139	3,558,981
-	-	-	-	-	106,629
9,261	17,412	33,439	33,844	131,043	552,664
489,643	2,934,100	-	1,453,683	6,365,818	8,435,206
-	-	-	-	-	347,922
-	-	-	120	120	497,402
498,904	2,951,512	763,578	1,487,647	7,525,140	26,033,374
-	-	1,420,085	-	5,942,878	6,147,263
-	-	-	-	-	490,363
-	-	-	-	-	11,274,905
-	-	-	-	-	207,500
-	-	-	-	-	2,943,349
251,899	58,203	4,215,734	286,710	5,344,733	7,206,547
				-	
-	-	-	-	-	315,736
-	-	-	-	-	6,214
251,899	58,203	5,635,819	286,710	11,287,611	28,591,877
247,005	2,893,309	(4,872,241)	1,200,937	(3,762,471)	(2,558,503)
-	-	-	-	-	530,020
-	-	-	-	-	(3,762,274)
-	-	-	-	-	(3,232,254)
247,005	2,893,309	(4,872,241)	1,200,937	(3,762,471)	(5,790,757)
5,580,959	4,945,163	9,308,165	16,397,691	57,315,350	121,716,524
$ 5,827,964	$ 7,838,472	$ 4,435,924	$ 17,598,628	$ 53,552,879	$ 115,925,767

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Year Ended June 30, 2013

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Affordable Housing			
Total revenues	$ 2,160,700	$ 3,409,487	$ 1,248,787
Total expenditures	741,425	484,241	(257,184)
Net change in fund balance	1,419,275	2,925,246	1,505,971
Community Development Block Grant			
Total revenues	1,193,000	1,420,505	227,505
Total expenditures	2,348,324	2,098,040	(250,284)
Net change in fund balance	(1,155,324)	(677,535)	477,789
Donations			
Total revenues	336,400	385,221	48,821
Total expenditures	387,335	216,314	(171,021)
Net change in fund balance	(50,935)	168,907	219,842
Financing Districts			
Total revenues	3,463,800	2,881,291	(582,509)
Total expenditures	3,116,594	2,995,989	(120,605)
Net change in fund balance	347,206	(114,698)	(461,904)
Gas Tax			
Total revenues	3,086,599	2,714,652	(371,947)
Total expenditures	12,011,824	2,140,736	(9,871,088)
Net change in fund balance	(8,925,225)	573,916	9,499,141
Habitat and Agricultural Management			
Total revenues	-	84,872	84,872
Total expenditures	4,497,648	2,178,173	(2,319,475)
Net change in fund balance	(4,497,648)	(2,093,301)	2,404,347
Other Special Revenue Funds			
Total revenues	371,000	365,960	(5,040)
Total expenditures	648,787	495,023	(153,764)
Net change in fund balance	(277,787)	(129,063)	148,724

(Continued)

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Special Revenue Funds (Continued)
Year Ended June 30, 2013

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Police Grants and Asset Forfeiture			
Total revenues	$ 975,500	$ 955,891	$ (19,609)
Total expenditures	1,064,355	881,309	(183,046)
Net change in fund balance	(88,855)	74,582	163,437
Section 8 Rental Assistance			
Total revenues	5,885,300	6,299,283	413,983
Total expenditures	6,438,432	6,355,545	(82,887)
Net change in fund balance	(553,132)	(56,262)	496,870
Totals			
Total revenues	17,472,299	18,517,162	1,044,863
Total expenditures	31,254,724	17,845,370	(13,409,354)
Net change in fund balance	$ (13,782,425)	$ 671,792	$ 14,454,217

CITY OF CARLSBAD

Combining Schedule of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Capital Project Funds
Year Ended June 30, 2013

	Budget	Actual Amounts (Budgetary Basis)	Variance Over (Under)
Parking-in-Lieu (Grants and Other Capital Project Funds)			
Total revenues	$ -	$ 4,251	$ 4,251
Total expenditures	44,000	42,359	(1,641)
Net change in fund balance	$ (44,000)	$ (38,108)	$ 5,892

CITY OF CARLSBAD

Combining Statement of Net Position
Internal Service Funds
June 30, 2013

ASSETS	Fleet Management	Self Insured Benefits	Information Technology
Current assets:			
Cash and investments	$ 16,996,084	$ 5,563,807	$ 5,551,632
Receivables:			
Accounts, net of allowances	-	618	-
Other	-	-	-
Inventories	231,057	-	-
Prepaid items	-	-	-
Total current assets	17,227,141	5,564,425	5,551,632
Noncurrent assets:			
Capital assets:			
Machinery and equipment	16,744,662	-	2,863,969
Less accumulated depreciation	(11,023,657)	-	(2,380,989)
Total capital assets (net of accumulated depreciation)	5,721,005	-	482,980
Total noncurrent assets	5,721,005	-	482,980
Total assets	$ 22,948,146	$ 5,564,425	$ 6,034,612
LIABILITIES			
Current liabilities:			
Accrued liabilities	$ 411,593	$ 3,721,699	$ 336,615
Estimated claims payable	-	80,454	-
Deposits payable	-	-	-
Total current liabilities	411,593	3,802,153	336,615
Total liabilities	411,593	3,802,153	336,615
NET POSITION			
Investment in capital assets	5,721,005	-	482,980
Unrestricted	16,815,548	1,762,272	5,215,017
Total net position (deficit)	$ 22,536,553	$ 1,762,272	$ 5,697,997

Risk Management	Workers' Compensation	Total
$ 901,976	$ 6,083,654	$ 35,097,153
-	-	618
-	495,335	495,335
-	-	231,057
445,496	-	445,496
1,347,472	6,578,989	36,269,659
-	-	19,608,631
-	-	(13,404,646)
-	-	6,203,985
-	-	6,203,985
$ 1,347,472	$ 6,578,989	$ 42,473,644
$ 21,284	$ 7,203	$ 4,498,394
1,022,016	6,775,537	7,878,007
1,000	-	1,000
1,044,300	6,782,740	12,377,401
1,044,300	6,782,740	12,377,401
-	-	6,203,985
303,172	(203,751)	23,892,258
$ 303,172	$ (203,751)	$ 30,096,243

CITY OF CARLSBAD

Combining Statement of Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2013

	Fleet Management	Self Insured Benefits	Information Technology
Operating revenues:			
Other charges for services	$ 4,681,970	$ 833,091	$ 6,656,905
Miscellaneous	32,560	-	23,331
Total operating revenues	4,714,530	833,091	6,680,236
Operating expenses:			
Depreciation	1,217,102	-	246,695
Fuel and supplies	1,334,233	-	-
Claims and premiums expense	-	777,989	-
Small equipment purchases	15,109	-	374,965
General and administrative	1,375,379	2,626,944	5,675,459
Total operating expenses	3,941,823	3,404,933	6,297,119
Operating income (loss)	772,707	(2,571,842)	383,117
Nonoperating revenues (expenses):			
Income from property and investments	23,687	-	7,928
Gain (loss) on sale of property	48,087	-	-
Total nonoperating revenues (expenses)	71,774	-	7,928
Income (loss) before transfers and capital contributions	844,481	(2,571,842)	391,045
Transfers in	-	1,800,000	-
Capital contributions	74,449	-	-
Change in net position	918,930	(771,842)	391,045
Total net position at beginning of year	21,617,623	2,534,114	5,306,952
Total net position (deficit) at end of year	$ 22,536,553	$ 1,762,272	$ 5,697,997

Risk Management	Workers' Compensation	Totals
$ 1,858,560	$ 1,501,120	$ 15,531,646
21,059	261,194	338,144
1,879,619	1,762,314	15,869,790
-	-	1,463,797
-	-	1,334,233
1,619,030	3,878,052	6,275,071
-	-	390,074
252,742	84,095	10,014,619
1,871,772	3,962,147	19,477,794
7,847	(2,199,833)	(3,608,004)
455	8,282	40,352
-	-	48,087
455	8,282	88,439
8,302	(2,191,551)	(3,519,565)
-	500,000	2,300,000
-	-	74,449
8,302	(1,691,551)	(1,145,116)
294,870	1,487,800	31,241,359
$ 303,172	$ (203,751)	$ 30,096,243

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2013

	Fleet Management	Self Insured Benefits	Information Technology
Cash flows from operating activities:			
Receipts from customers and users	$ 4,687,978	$ 832,473	$ 6,656,905
Payments to suppliers	(1,589,684)	-	(2,513,981)
Payments to employees	(634,086)	(2,526,955)	(2,900,637)
Internal activity - payments to other funds	(369,629)	-	(587,135)
Claims and premiums paid	-	(775,543)	-
Other receipts (payments)	32,560	-	23,331
Net cash provided by (used in) operating activities	2,127,139	(2,470,025)	678,483
Cash flows from noncapital financing activities:			
Operating subsidies and transfers (to) from other funds	-	1,800,000	-
Cash flows from capital and related financing activities:			
Purchase of capital assets	(638,594)	-	(90,795)
Gross proceeds from the sale of capital assets	48,087	-	-
Net cash provided by (used in) capital and related financing activities	(590,507)	-	(90,795)
Cash flows from investing activities:			
Interest on investments	23,687	-	7,928
Net increase (decrease) in cash and cash equivalents	1,560,319	(670,025)	595,616
Cash and cash equivalents at beginning of year	15,435,765	6,233,832	4,956,016
Cash and cash equivalents at end of year	$ 16,996,084	$ 5,563,807	$ 5,551,632

Risk Management	Workers' Compensation	Total
$ 1,858,560	$ 1,286,290	$15,322,206
(499,900)	-	(4,603,565)
(165,476)	(73,268)	(6,300,422)
(75,551)	(11,290)	(1,043,605)
(1,061,584)	(2,344,552)	(4,181,679)
21,059	261,194	338,144
77,108	(881,626)	(468,921)
-	500,000	2,300,000
-	-	(729,389)
-	-	48,087
-	-	(681,302)
455	8,282	40,352
77,563	(373,344)	1,190,129
824,413	6,456,998	33,907,024
$ 901,976	$ 6,083,654	$35,097,153

(Continued)

CITY OF CARLSBAD

Combining Statement of Cash Flows
Internal Service Funds (Continued)
For the Year Ended June 30, 2013

	Fleet Management	Self Insured Benefits	Information Technology
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 772,707	$ (2,571,842)	$ 383,117
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,217,102	-	246,695
Change in assets and liabilities:			
(Increase) decrease in receivables	6,008	(618)	-
(Increase) in inventories	(24,712)	-	-
(Increase) in prepaid items	-	25,758	-
Increase (decrease) in accrued liabilities	156,034	74,167	48,671
Increase (decrease) in estimated claims payable	-	2,510	-
Net cash provided by (used in) operating activities	$ 2,127,139	$ (2,470,025)	$ 678,483
Noncash capital financing activities:			
Capital assets contributed by other funds	$ 74,449	$ -	$ -
Unrealized gains (losses)	$ (143,221)	$ -	$ (46,223)

Risk Management	Workers' Compensation	Total
$ 7,847	$ (2,199,833)	$ (3,608,004)
-	-	1,463,797
-	(214,830)	(209,440)
-	-	(24,712)
(445,496)	-	(419,738)
(42,689)	(490)	235,693
557,446	1,533,527	2,093,483
$ 77,108	$ (881,626)	$ (468,921)
$ -	$ -	$ 74,449
$ (7,633)	$ (57,189)	$ (254,266)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

Contractors' and Miscellaneous Deposits

ASSETS	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Current assets:				
Cash and investments	$ 10,895,836	$ 45,554,375	$ 44,231,585	$ 12,218,626
Receivables:				
Other	424	27,597	2,183	25,838
Prepaid items	1,735,535	14,831,083	16,050,005	516,613
Total current assets	$ 12,631,795	$ 60,413,055	$ 60,283,773	$ 12,761,077
LIABILITIES				
Accrued liabilities	$ 1,218,956	$ 43,996,899	$ 43,936,182	$ 1,279,673
Deposits held for others	11,412,839	2,713,413	2,644,848	11,481,404
Total liabilities	$ 12,631,795	$ 46,710,312	$ 46,581,030	$ 12,761,077

Assessment Districts

ASSETS	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Current assets:				
Cash and investments	$ 8,329,442	$ 51,886,280	$ 55,003,094	$ 5,212,628
Receivables:				
Other	63,686	139,304	63,686	139,304
Total current assets	8,393,128	52,025,584	55,066,780	5,351,932
Restricted assets:				
Cash and investments	6,836,756	2,161,257	3,120,600	5,877,413
Total restricted assets	6,836,756	2,161,257	3,120,600	5,877,413
Total assets	$ 15,229,884	$ 54,186,841	$ 58,187,380	$ 11,229,345
LIABILITIES				
Accrued liabilities	$ 41,927	$ 21,994	$ 13,134	$ 50,787
Deposits held for others	15,187,957	57,448,418	61,457,817	11,178,558
Total liabilities	$ 15,229,884	$ 57,470,412	$ 61,470,951	$ 11,229,345

(continued)

CITY OF CARLSBAD

Combining Statement of Changes in Assets and Liabilities
Agency Funds (continued)
For the Year Ended June 30, 2013

Total Agency Funds

ASSETS	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Current assets:				
Cash and investments	$ 19,225,278	$ 97,440,655	$ 99,234,679	$ 17,431,254
Receivables:				
Other	64,110	166,901	65,869	165,142
Prepaid items	1,735,535	14,831,083	16,050,005	516,613
Total current assets	21,024,923	112,438,639	115,350,553	18,113,009
Restricted assets:				
Cash and investments	6,836,756	2,161,257	3,120,600	5,877,413
Total current assets	6,836,756	2,161,257	3,120,600	5,877,413
Total assets	$ 27,861,679	$ 114,599,896	$ 118,471,153	$ 23,990,422
LIABILITIES				
Accrued liabilities	$ 1,260,883	$ 44,018,893	$ 43,949,316	$ 1,330,460
Deposits held for others	26,600,796	60,161,831	64,102,665	22,659,962
Total liabilities	$ 27,861,679	$ 104,180,724	$ 108,051,981	$ 23,990,422

CITY OF CARLSBAD

Combining Statement of Fiduciary Net Position by Project Area
Private Purpose Trust Funds
June 30, 2013

	Redevelopment Obligation Retirement Trust Fund Village Project Area	Redevelopment Obligation Retirement Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
Current assets:			
Cash and investments	$ 1,040,033	$ -	$ 1,040,033
Receivables:			
Other	859	-	859
Total current assets	1,040,892	-	1,040,892
Noncurrent assets:			
Loans receivable	3,750,000	-	3,750,000
Capital assets:			
Machinery and equipment	26,946	-	26,946
Less accumulated depreciation	(22,006)	-	(22,006)
Total capital assets (net of accumulated depreciation)	4,940	-	4,940
Total noncurrent assets	3,754,940	-	3,754,940
Total assets	$ 4,795,832	$ -	$ 4,795,832
LIABILITIES			
Current liabilities:			
Accrued liabilities	$ 2,155	$ -	$ 2,155
Accrued interest payable	151,555	-	151,555
Current portion of long-term debt	600,000	-	600,000
Total current liabilities	753,710	-	753,710
Noncurrent liabilities:			
Due to the City of Carlsbad	16,368,106	2,449,122	18,817,228
Tax allocation bonds payable	8,025,000	-	8,025,000
Total noncurrent liabilities	24,393,106	2,449,122	26,842,228
Total liabilities	25,146,816	2,449,122	27,595,938
NET POSITION			
Held in trust for redevelopment obligation retirement purposes	$ (20,350,984)	$ (2,449,122)	$ (22,800,106)

CITY OF CARLSBAD

Combining Statement of Changes in Fiduciary Net Position by Project Area
Private Purpose Trust Funds
For the Year Ended June 30, 2013

	Redevelopment Retirement Obligation Trust Fund Village Project Area	Redevelopment Retirement Obligation Trust Fund SCCRA Project Area	Total Private Purpose Trust Funds
ADDITIONS			
Contributions:			
Tax increment	$ 639,618	$ 127,584	$ 767,202
Income from property and investments	64,846	1,221	66,067
Transfers in	3,750,000	-	3,750,000
Total additions	4,454,464	128,805	4,583,269
DEDUCTIONS			
General and administrative	6,377,009	736,574	7,113,583
Interest expense and fees	512,597	7,609	520,206
Total deductions	6,889,606	744,183	7,633,789
Change in net position	(2,435,142)	(615,378)	(3,050,520)
Net position - beginning	(17,915,842)	(1,833,744)	(19,749,586)
Net position - ending	$ (20,350,984)	$ (2,449,122)	$ (22,800,106)

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
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	$ 1,482,141	$ 1,254,809	$ 2,736,950	$ 8,625,000	$ 11,361,950

$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
2013–14	$ 45,228	$ 23,191	$ 68,419	$ 860,000	$ 928,419
2014–15	23,190	-	23,190	905,000	928,190
Totals	$ 68,418	$ 23,191	$ 91,609	$ 1,765,000	$ 1,856,609

$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
2013–14	$ 2,682	$ 123,223	$ 125,905
Totals	$ 2,682	$ 123,223	$ 125,905

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
2013–14	$ 165,883	$ 480,976	$ 646,859
2014–15	153,859	493,000	646,859
2015–16	141,534	505,325	646,859
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	$ 1,126,982	$ 6,635,330	$ 7,762,312

$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
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	$ 2,638,140	$ 14,576,583	$ 17,214,723

CITY OF CARLSBAD

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
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	$ 5,676,767	$ 5,294,808	$ 10,971,575	$ 17,005,000	$ 27,976,575

$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
2013–14	$ 798	$ 159,052	$ -	$ -	$ 159,850
Totals	$ 798	$ 159,052	$ -	$ -	$ 159,850

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.

Contents **Page**

Financial Trends **128**

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 **139**

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

Debt Capacity **144**

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 **154**

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 **158**

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)

	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	$ 282,728	$ 342,232	$ 604,117 (1)	$ 645,995
Restricted for:				
Capital assets	151,395	175,663	172,474	178,559
Affordable housing	23,042	25,144	27,453	30,356
Habitat and agricultural mitigation management	6,893	7,528	7,042	7,670
Other purposes	20,451 (2)	35,173	5,131	4,849
Unrestricted	149,662	152,352	197,672	232,701
Total governmental activities net position	$ 634,171	$ 738,092	$ 1,013,889	$ 1,100,130
Business-type activities				
Net investment in capital assets	$ 185,971	$ 213,101	$ 234,560	$ 253,645
Restricted for:				
Capital assets	102,585	100,597	107,841	47,164 (4)
Unrestricted	15,072	11,670	(22,240) (3)	36,044 (4)
Total business-type activities net position	$ 303,628	$ 325,368	$ 320,161	$ 336,853
Total government				
Net investment in capital assets	$ 468,699	$ 555,333	$ 838,677	$ 899,640
Restricted for:				
Capital assets	253,980	276,260	280,315	225,723
Affordable housing	23,042	25,144	27,453	30,356
Habitat and agricultural mitigation management	6,893	7,528	7,042	7,670
Other purposes	20,451	35,173 (2)	5,131	4,849
Unrestricted	164,734	164,022	175,432	268,745
Total net position	$ 937,799	$ 1,063,460	$ 1,334,050	$ 1,436,983

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.

2008	2009	2010	2011	2012	2013
$ 713,026	$ 742,500	$ 767,719	$ 774,269	$ 780,727	$ 782,500
189,694	186,597	178,669	184,419	192,713	182,685
33,888	35,330	36,187	40,005	38,434	37,390
6,949	7,115	6,600	5,377	4,799	2,665
5,297	4,608	5,537	7,431	6,268	6,643
250,835	268,779	279,737	284,825	308,470 (6)	319,317
$ 1,199,689 (5)	$ 1,244,929	$ 1,274,449	$ 1,296,326	$ 1,331,411	$ 1,331,200
$ 292,684	$ 308,440	$ 317,238	$ 314,691	$ 311,392	$ 307,000
44,738	43,167	44,241	44,954	45,522	45,990
32,600	28,469	34,556	38,278	47,530	55,758
$ 370,022 (5)	$ 380,076	$ 396,035	$ 397,923	$ 404,444	$ 408,748
$ 1,005,710	$ 1,050,940	$ 1,084,957	$ 1,088,960	$ 1,092,119	$ 1,089,500
234,432	229,764	222,910	229,373	238,235	228,675
33,888	35,330	36,187	40,005	38,434	37,390
6,949	7,115	6,600	5,377	4,799	2,665
5,297	4,608	5,537	7,431	6,268	6,643
283,435	297,248	314,293	323,103	356,000	375,075
$ 1,569,711	$ 1,625,005	$ 1,670,484	$ 1,694,249	$ 1,735,855	$ 1,739,948

CITY OF CARLSBAD

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

	2004	2005	2006	2007	2008
Expenses					
Governmental activities					
General government	$ 8,604	$ 11,353	$ 15,382 (1)	$ 12,273	$ 14,537
Public safety	30,894	34,366	35,822	38,327	42,796
Community development	13,814	14,363	14,332	13,860	15,697
Community services	15,035	16,033	16,790	17,913	18,938
Public works	19,534	22,064	35,937	37,278	35,971
Interest and fiscal charges on long-term debt	996	1,014	1,036	688	666
Total governmental activities	88,877	99,193	119,299	120,339	128,605
Business-type activities					
Carlsbad Municipal Water District	20,950	21,422	24,124	40,383 (2)	28,796
Golf course	54	25	2,471	200	7,347
Wastewater	6,891	7,235	8,265	9,590	10,400
Solid waste	1,300	1,488	1,699	1,901	2,588
Total business-type activities	29,195	30,170	36,559	52,074	49,131
Total government	$ 118,072	$ 129,363	$ 155,858	$ 172,413	$ 177,736
Program Revenues					
Governmental activities					
Charges for services:					
General government	$ 571	$ 926	$ 945	$ 1,194	$ 2,698
Public safety	3,699	3,232	3,611	4,170	4,578
Community development	4,203	5,934	4,677	4,158	3,191
Community services	2,102	2,292	2,437	2,639	2,803
Public works	4,533	4,633	6,451	5,083	8,522
Operating grants and contributions	14,570	12,817	12,116	17,597 (3)	11,349
Capital grants and contributions	42,215	74,414	39,286	49,254 (4)	73,708 (6)
Total governmental activities	71,893	104,248	69,523	84,095	106,849
Business-type activities					
Charges for services:					
Carlsbad Municipal Water District	18,862	18,788	19,462	22,186	22,894
Golf course	-	-	-	-	5,704
Wastewater	6,203	6,378	6,801	7,507	8,151
Solid waste	1,673	2,348	1,893	1,966	2,195
Operating grants and contributions	1,504	508	718	2,296	1,300
Capital grants and contributions	17,377	17,122	11,213	25,053 (4)	30,223
Total business-type activities	45,619	45,144	40,087	59,008	70,467
Total government	$ 117,512	$ 149,392	$ 109,610	$ 143,103	$ 177,316
Net (Expense)/Revenue:					
Governmental activities	$ (16,984)	$ 5,055	$ (49,776)	$ (36,244)	$ (21,756)
Business-type activities	16,424	14,974	3,528	6,934	21,336
Total government net expense	$ (560)	$ 20,029	$ (46,248)	$ (29,310)	$ (420)

2009	2010	2011	2012	2013
$ 12,859	$ 23,038 (8)	$ 16,907	$ 16,675	$ 23,574 (12)
44,632	44,371	45,011	45,576	48,468
16,168	18,920	17,043	17,689	23,061 (13)
20,270	18,755	25,136	25,398	24,839
35,190	35,383	25,759	28,441	36,806
588	547	453	298	4
129,707	141,014	130,309	134,077	156,752
30,134	33,923	34,978	35,985	41,626
13,040 (7)	11,927	11,538	11,190	10,668
11,836	10,434	11,751	11,330	13,556
2,580	2,535	2,565	2,922	2,918
57,590	58,819	60,832	61,427	68,768
$ 187,297	$ 199,833	$ 191,141	$ 195,504	$ 225,520
$ 847	$ 341	$ 1,793	$ 315	$ 1,469
4,591	4,358	4,502	4,379	4,025
2,177	3,110	4,332	3,567	4,174
3,000	3,089	2,934	2,747	2,813
3,573	4,196	3,567	3,717	5,073
12,120	11,445	12,033	11,813	13,199
27,722	32,459	13,557	15,429	17,741
54,030	58,998	42,718	41,967	48,494
24,574	29,865	30,715	35,776	44,240 (11)
5,801	5,625	5,850	6,127	6,278
8,531	9,580	10,053	10,989	12,402
3,032	2,988	3,015	2,961	3,060
1,824	1,734	1,263	1,201	38
14,612	17,882	5,640	4,560	2,855
58,374	67,674	56,536	61,614	68,873
$ 112,404	$ 126,672	$ 99,254	$ 103,581	$ 117,367
$ (75,677)	$ (82,016)	$ (87,591)	$ (92,110)	$ (108,258)
784	8,855	(4,296)	187	105
$ (74,893)	$ (73,161)	$ (91,887)	$ (91,923)	$ (108,153)

(Continued)

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

	2004	2005	2006	2007	2008
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes:					
Property taxes	$ 33,949	$ 41,479 (5)	$ 43,936	$ 49,284	$ 52,705
Sales and use taxes	24,578	24,759	25,429	27,445	27,031
Transient occupancy taxes	8,813	10,072	11,513	12,929	14,277
Franchise taxes	5,027	5,683	5,429	5,346	4,634
Business license taxes	2,872	2,890	3,040	3,056	3,328
Real property transfer taxes	1,587	1,646	1,906	1,262	951
Vehicle license fees	4,125	2,136 (5)	587	608	450
Income from property and investments	3,124	9,910	11,682	21,455	24,955
Other general revenues	637	441	650	700	513
Extraordinary gain	-	-	-	-	-
Transfers	963	(150)	(315)	400	(2,634)
Total governmental activities	85,675	98,866	103,857	122,485	126,210
Business type activities					
Property taxes	1,842	2,025	2,257	2,504	2,711
Income from property and investments	1,193	4,162	3,538	7,621	8,030
Other general revenues	14	579	56	34	954
Transfers	(963)	-	315	(400)	2,634
Total business-type activities	2,086	6,766	6,166	9,759	14,329
Total government	$ 87,761	$ 105,632	$ 110,023	$ 132,244	$ 140,539
Change in Net Position					
Governmental activities	$ 68,691	$ 103,921	$ 54,081	$ 86,241	$ 104,454
Business-type activities	18,510	21,740	9,694	16,693	35,665
Total government	$ 87,201	$ 125,661	$ 63,775	$ 102,934	$ 140,119

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.
(11) The increase was the result of a combination of a five percent increase in the number of water units sold coupled with an average eight percent increase in water rates charged to customers and a reimbursement for a lawsuit involving a landslide at the Marbella Condominiums.
(12) The large increase in Fiscal Year 2012-13 includes a repayment to SANDAG of $1.4 million in excess Transnet Funds on inactive/closed projects and a transfer of $4.5 million to surplus construction funds from the Poinsettia Lane Assessment District to be used in the refunding of Reassessment District No. 2012-1.
(13) The large increase in Fiscal Year 2012-13 includes a $3.8 million transfer of an affordable housing loan receivable to the Successor Housing Agency trust fund as required by the California Department of Finance.

2009	2010	2011	2012	2013
$ 55,338	$ 55,113	$ 54,049	$ 51,538	$ 52,861
23,098	23,031	25,660	28,094	28,403
12,752	11,490	11,569	12,872	14,702
5,274	4,906	4,650	4,852	5,118
3,422	3,458	3,581	2,695	3,834
621	758	911	925	1,058
353	309	483	53	55
19,828	12,523	8,372	6,088 (10)	1,792
359	391	328	419	880
-	-	-	20,477 (9)	-
(127)	(443)	(135)	(1,810)	(656)
120,918	111,536	109,468	126,203	108,047
2,861	2,822	2,779	2,721	2,904
5,908	3,686	2,109	2,054	555
209	153	3,599	106	85
127	443	135	1,810	655
9,105	7,104	8,622	6,691	4,199
$ 130,023	$ 118,640	$ 118,090	$ 132,894	$ 112,246
$ 45,241	$ 29,520	$ 21,877	$ 34,093	$ (211)
9,889	15,959	4,326	6,878	4,304
$ 55,130	$ 45,479	$ 26,203	$ 40,971	$ 4,093

CITY OF CARLSBAD

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

	2004	2005	2006	2007	2008
General Fund					
Reserved	$ 27,917 (1)	$ 44,996 (2)	$ 45,131	$ 56,505 (3)	$ 56,479
Unreserved	56,141	54,400	61,494	66,084	64,494
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	$ 84,058	$ 99,396	$ 106,625	$ 122,589	$ 120,973
All Other Governmental Funds					
Reserved	$ 54,414	$ 49,583	$ 38,000	$ 44,352	$ 38,963
Unreserved, reported in:					
Special revenue funds	29,841	30,031	30,024	32,485	36,277
Debt service funds	(9,789)	(11,317)	(11,681)	(12,423)	(12,095)
Capital project funds	171,194	206,711	221,393	231,071	268,915 (4)
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	$ 245,660	$ 275,008	$ 277,736	$ 295,485	$ 332,060

Source: City of Carlsbad Comprehensive Annual Financial Report.
(1) $15 million was reserved at the end of the 2004 Fiscal Year for future advances to the Golf Course Fund.
(2) $30.3 million was reserved at the end of the 2005 Fiscal Year for future advances to the Golf Course Fund.
(3) 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.
(4) $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.
(5) 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.
(6) GASB 54, which requires changes in the reporting categories for fund balances, was implemented in Fiscal Year 2011.
(7) AB1x26 and AB 1484 were implemented in Fiscal Year 2012. The former RDA debt service funds were transfered to trust funds.
(8) The large decrease in the restricted fund balance in the capital projects fund is a result of increased expenditures during FY2012-13 for the construction of Alga Norte park and pool complex.

2009	2010	2011 (6)	2012	2013
$ 59,303	$ 59,586	$ -	$ -	$ -
66,302	68,935	-	-	-
-	-	53,943	54,228	57,719
-	-	-	-	-
-	-	1,000	1,000	1,000
-	-	23,584	22,955	26,200
-	-	57,533	61,384	69,578
$ 125,605	$ 128,521	$ 136,060	$ 139,567	$ 154,497
$ 34,573	$ 50,617	$ -	$ -	$ -
40,207	41,449	-	-	-
(11,150)	(17,824)	-	-	-
276,183	262,612 (5)	-	-	-
-	-	433	440	435
-	-	-	-	-
-	-	250	-	-
-	-	65,585	64,401	61,938
-	-	-	-	-
-	-	171,214	177,372	167,009 (8)
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	123,473	123,465	121,861
-	-	-	-	-
-	-	(18,658)	- (7)	-
-	-	-	-	-
$ 339,813	$ 336,854	$ 342,297	$ 365,678	$ 351,243

CITY OF CARLSBAD

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

	2004	2005	2006	2007	2008
Revenues:					
Taxes	$ 79,533	$ 84,065	$ 94,862	$ 101,196	$ 105,724
Intergovernmental	22,506	24,245	13,027	25,097	19,565
Licenses and permits	2,329	3,393	2,504	2,094	1,991
Charges for services	9,899	10,433	11,038	10,937	11,089
Fines and forfeitures	1,092	1,084	1,178	1,387	1,500
Income from property and investments	3,902	10,741	10,387	22,270	24,163
Contributions from property owners (2)	23,682	49,446	25,365	10,311	23,850
Donations	141	164	130	173	281
Miscellaneous	1,543	1,107	2,077	950	932
Total revenues	144,627	184,678	160,568	174,415	189,095
Expenditures:					
Current:					
General government	9,745	12,113	16,311	18,013	14,433
Less: interdepartmental charges	(2,735)	(2,700)	(2,639)	(2,151)	(2,287)
Public safety	30,799	33,819	36,365	39,832	43,719
Community development	13,644	14,319	14,300	13,998	15,726
Community services	13,915	14,744	15,637	16,667	17,136
Public works	18,045	18,737	20,327	22,481	24,355
Capital outlay	26,406	46,420	47,032	30,765	39,010
Debt service:					
Principal retirement	1,214	1,040	1,037	1,091	1,140
Interest and fiscal charges	1,466	1,501	1,599	1,333	1,347
Total expenditures	112,499	139,993	149,969	142,029	154,579
Excess (deficiency) of revenues over (under) expenditures	32,128	44,685	10,599	32,386	34,516
Other financing sources (uses):					
Proceeds from the sale of property	-	-	-	1,364	-
Issuance of debt	-	-	-	-	-
Transfers in	8,729	10,228	11,685	9,723	20,390
Transfers out	(8,329)	(10,228)	(12,334)	(9,760)	(19,948)
Extraordinary gain (loss)	-	-	-	-	-
Total other financing sources (uses)	400	-	(649)	1,327	442
Net change in fund balances	$ 32,528	$ 44,685	$ 9,950	$ 33,713	$ 34,958
Debt service as percentage of noncapital expenditures (1)	3.10%	2.71%	2.41%	2.01%	2.08%

Source: City of Carlsbad Comprehensive Annual Financial Report.

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

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

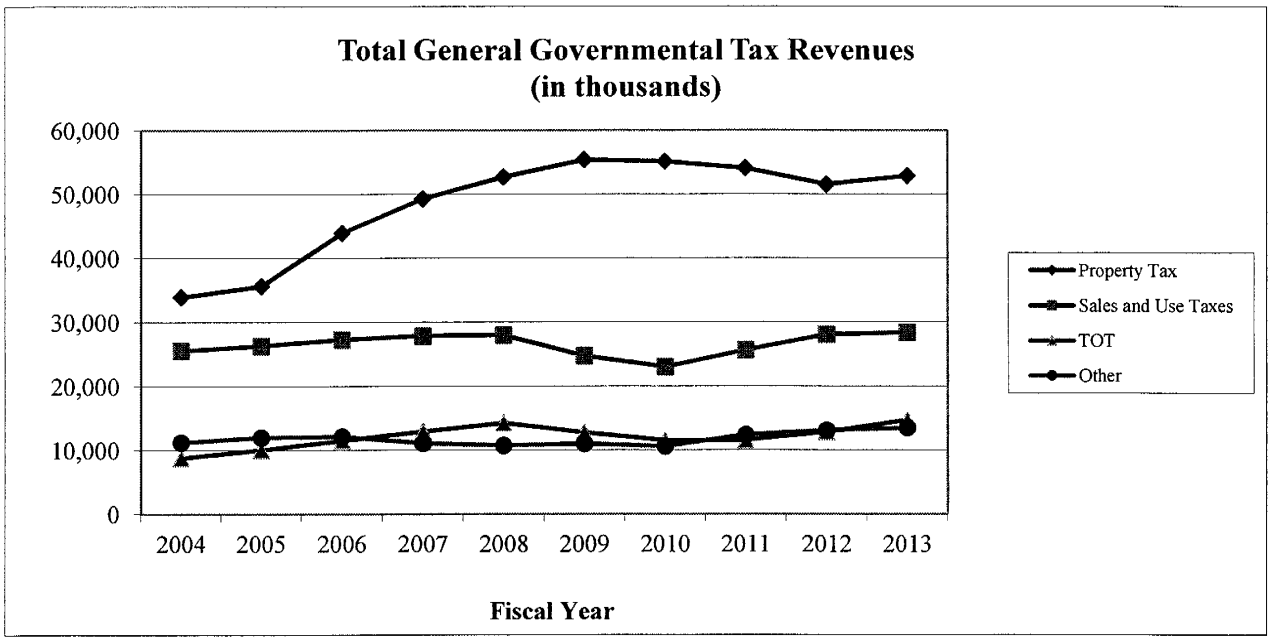
(3) AB1x26 and AB 1484 were implemented in Fiscal Year 2012. The net assets of the former RDA were incorporated into trust funds.

2009	2010	2011	2012		2013
$ 103,874	$ 100,249	$ 103,660	$ 105,595		$ 109,447
10,029	12,108	12,847	9,603		11,513
1,022	1,484	1,590	1,852		2,016
9,616	10,215	9,938	10,092		10,261
1,402	1,199	1,051	892		861
19,132	12,719	9,278	6,253		2,362
3,117	4,580	5,473	9,927		11,575
174	203	310	206		411
926	1,263	2,521	697		2,423
149,292	144,020	146,668	145,117		150,869
12,896	22,778	16,937	16,992		23,072
(3,676)	(3,991)	(3,015)	(3,750)		(3,858)
45,003	44,686	44,157	44,915		46,162
16,294	18,272	16,980	17,587		18,805
17,517	16,493	22,560	22,815		22,094
23,851	23,851	13,078	11,773		11,299
22,097	19,727	20,985	17,367		28,602
1,200	490	515	851		316
1,188	1,016	935	308		6
136,370	143,322	133,132	128,858		146,498
12,922	698	13,536	16,259		4,371
-	-	-	-		-
-	-	581	-		-
9,101	21,837	9,802	19,887		8,087
(9,637)	(22,578)	(10,937)	(23,097)		(14,792)
-	-	-	12,847	(3)	-
(536)	(741)	(554)	9,637		(6,705)
$ 12,386	$ (43)	$ 12,982	$ 25,896		$ (2,334)
2.01%	1.18%	1.26%	0.99%		0.24%

CITY OF CARLSBAD

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

Fiscal Year	Property Tax *	Sales and Use Taxes	Transient Occupancy Taxes	Franchise Taxes	Business License Taxes	Real Property Transfer Taxes	Misc. Taxes	Total Tax Revenue
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 (2)	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 (3)	12,752 (3)	5,274	3,422	621	1,702	103,874
2010	55,113 (3)	23,031 (3)	11,490 (3)	4,906 (3	3,458	758	1,493	100,249
2011	54,049	25,660	11,569	4,650	3,581	911	3,240 (7)	103,660
2012	51,538 (4)	28,094 (5)	12,872 (5)	4,852	2,695 (6)	925	4,619 (7)	105,595
2013	52,861	28,403	14,702 (8)	5,118	3,834	1,058	3,471	109,447
Change 2004-2013	56%	11%	67%	2%	33%	-33%	103%	38%



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

(3) Reflects the impact of the economic recession.

(4) 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.

(5) Reflects improvement in the economy.

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

(7) 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.

(8) The increase in transient occupancy taxes in Fiscal Year 2013 is due to the opening of two new hotels and higher occupancy and room rates throughout the city.

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
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
2013	21.38	3.20		25.02

Source: City of Carlsbad.

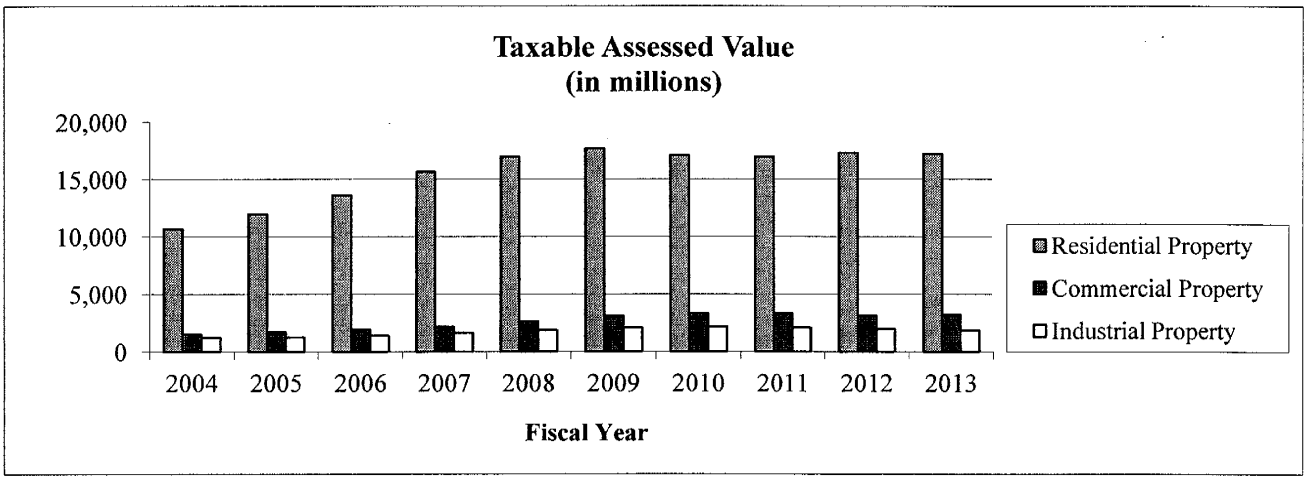
Note: Rates shown are for a 5/8" meter, which is the standard household meter size.

(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)
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	0.1927%
2012	17,306	3,133	1,983	560	22,982	-0.13%	44.286	0.1927%
2013	17,222	3,237	1,884	614	22,957	-0.11%	44.238	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 economic recession.

CITY OF CARLSBAD

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

	Allocation of 1% Ad Valorem Property Taxes									
		Overlapping Rates for Tax Rate Area 09000 (1)								
Fiscal Year	City of Carlsbad Total Direct Rate (5)	Carlsbad Unified School District	San Diego County	Educational Revenue Augmentation Fund	Mira Costa Community College	Tri City Hospital District	All Other Rates	Total Prop 13 Rate (2)	Voter Approved Debt (3)	Total Tax Rate (4)
2004	0.1927 %	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0286	1.0286
2005	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0239	1.0239
2006	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0207	1.0207
2007	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0185	1.0185
2008	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0419	1.0419
2009	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0393	1.0393
2010	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0408	1.0408
2011	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0432	1.0432
2012	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0748	1.0748
2013	0.1927	0.3412	0.1576	0.1497	0.0937	0.0198	0.0453	1.0000	0.0768	1.0768

Tax Rates for all Tax Rate Areas
Fiscal Year 2012-13

		Voter Approved Debt Tax Rates								
Total Tax Rates (4)	County Tax Rate Areas (6)	Carlsbad Unified Schools	Oceanside Unified Schools	San Marcos Unified Schools	Vista Unified Schools	Encinitas Union Schools	Palomar Comm. College	Palomar Pomerado Hospital	MWD / SDCWA	Total Voter Approved Rates (3)
1.0237	1	-	-	-	-	0.0237	-	-	-	0.0237
1.0272	41	-	-	-	-	0.0237	-	-	0.0035	0.0272
1.0409	3	-	-	-	-	0.0237	0.0137	-	0.0035	0.0409
1.0619	1	-	0.0584	-	-	-	-	-	0.0035	0.0619
1.0623	1	-	-	0.0588	-	-	-	-	0.0035	0.0623
1.0733	3	0.0733	-	-	-	-	-	-	-	0.0733
1.0760	29	-	-	0.0588	-	-	0.0137	-	0.0035	0.0760
1.0768	48	0.0733	-	-	-	-	-	-	0.0035	0.0768
1.0858	1	-	-	0.0588	-	-	-	0.0235	0.0035	0.0858
1.0873	3	-	-	-	0.0702	-	0.0137	-	0.0035	0.0873
1.0905	3	0.0733	-	-	-	-	0.0137	-	0.0035	0.0905
1.0995	11	-	-	0.0588	-	-	0.0137	0.0235	0.0035	0.0995
1.1003	1	0.0733	-	-	-	-	-	0.0235	0.0035	0.1003

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

(1) The tax rate history above is for Tax Rate Area 09000, which has the highest total assessed value of the all the tax rate areas in the City of Carlsbad. Tax Rate Area 09000 was chosen as the most representative for the city.

(2) In 1978, California voters passed Proposition 13 which limited property taxes to a total maximum rate of 1.00% based on the assessed value of each property being taxed. This 1.00% is shared by all taxing agencies within a tax rate area. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only reassessed at the time that it is sold to a new owner. At that point, the purchase price of the property becomes the new assessed value.

(3) The majority of voter approved debt is related to various school district bonds.

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

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

(6) Tax rate areas are determined by the County of San Diego. There are currently thirteen tax rates distributed among the 146 tax rate areas in the City of Carlsbad. The table above shows the number of tax rate areas affected by each of the rates.

CITY OF CARLSBAD

Principal Property Taxpayers
Current Year and Nine Years Ago

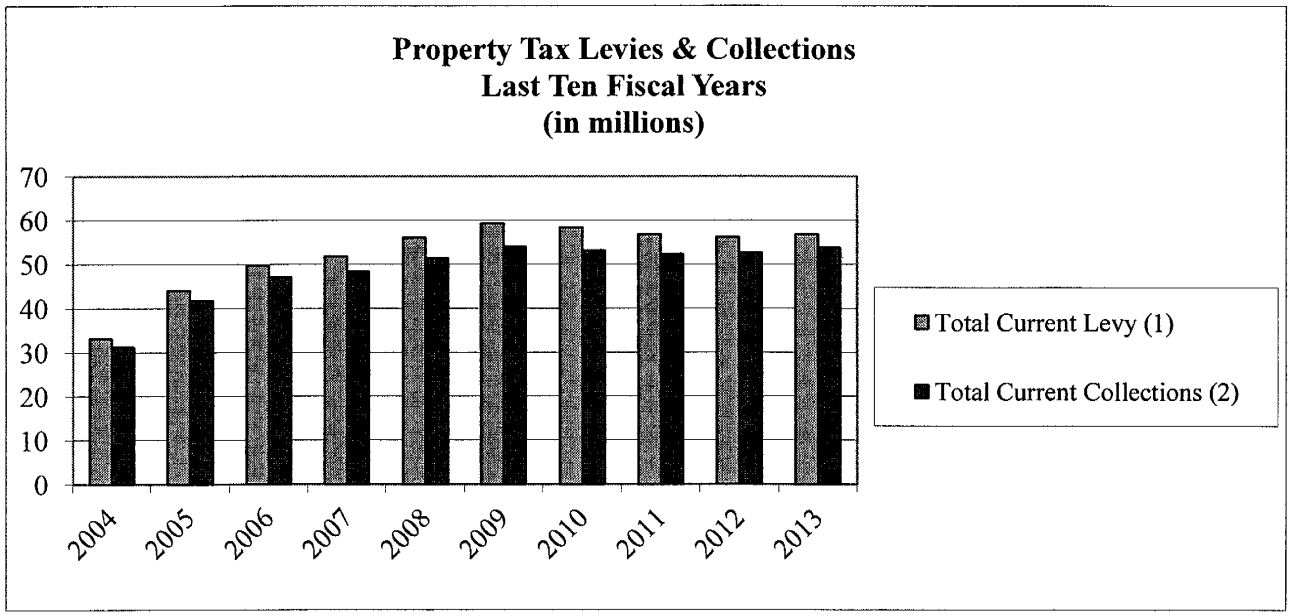
	2013			2004		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Net Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Net Assessed Value**
La Costa Glen Retirement Community	$ 234,163,899	1	1.02%	$ 125,451,962	4	0.88%
The Forum Shopping Center	179,700,000	2	0.78%	-		-
La Costa Resort & Spa	154,321,673	3	0.67%	132,292,486	3	0.92%
Park Hyatt Aviara Resort	150,408,827	4	0.66%	138,722,821	2	0.97%
Legoland California, LLC	125,802,730	5	0.55%	105,000,000	5	0.73%
Archstone Pacific View Apartments	121,088,079	6	0.53%	-		-
Carlsbad Premium Outlets	116,909,403	7	0.51%	-		-
Westfield Plaza Camino Real	104,159,802	8	0.45%	-		-
H.G. Fenton Company	80,699,051	9	0.35%	63,028,919	9	0.44%
Waterstone Apartment Homes	79,560,000	10	0.35%	-		-
Callaway Golf Company	-		-	159,353,837	1	1.11%
Bressi Gardenlane LLC	-		-	76,495,927	6	0.53%
Prentiss Properties Acquisition	-		-	71,845,631	7	0.50%
Borders, Inc.	-		-	68,001,543	8	0.48%
Real Estate Collateral Mgmt. Co.	-		-	62,465,278	10	0.44%
Total	$ 1,346,813,464		5.87%	$ 1,002,658,404		7.01%
Net assessed valuation	$ 22,956,650,306			$ 14,303,050,347		

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

CITY OF CARLSBAD

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Within the Year of Levy: Total Current Levy (1)		Within the Year of Levy: Total Current Collections (2)	Within the Year of Levy: Percentage of Levy	Collected from Prior Years' Levies (4)
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
2013	56,791,847		53,772,113	94.68%	873,702



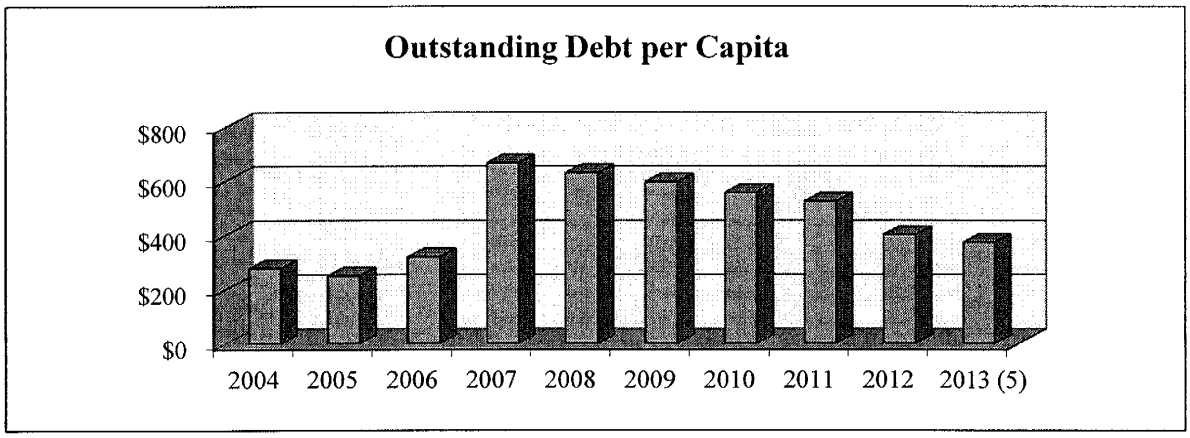
Source: County of San Diego Office of the Auditor and Controller.

(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
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
2013 (5)	-	-	-	159



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

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

Business-Type Activities								
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
$ 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
-	17,237	-	1,697	21,335	-	40,428	0.92%	373.48

CITY OF CARLSBAD

Schedule of Direct and Overlapping Bonded Debt
Current Fiscal Year

Fiscal Year 2012-13 Assessed Valuation:	$	23,878,513,432
Redevelopment Incremental Valuation:		355,767,131
Adjusted Assessed Valuation:	$	23,522,746,301

Overlapping Tax and Assessment Debt:	Total Debt 06/30/13	Percent Applicable (1)	City's Share of Debt 6/30/13
Metropolitan Water District	$ 165,085,000	1.118%	$ 1,845,650
Palomar Community College District	315,828,901	2.728%	8,615,812
Carlsbad Unified School District	194,846,035	97.928%	190,808,825
Carlsbad Unified School District CFD No. 1	2,355,000	100.000%	2,355,000
Oceanside Unified School District	230,939,327	0.005%	11,547
Vista Unified School District	119,154,882	0.590%	703,014
Encinitas Union School District	34,080,527	30.569%	10,418,076
San Marcos Unified School District	207,041,998	18.968%	39,271,726
San Marcos Unified School District School Facility Improvement District	8,498,019	20.638%	1,753,821
San Marcos Unified School District CFD No. 4	21,595,000	24.403%	5,269,828
San Marcos Unified School District CFD No. 5	21,085,000	100.000%	21,085,000
San Dieguito Union High School District	160,000,000	8.915%	14,264,000
San Dieguito Union HS District CFD No. 94-1	89,342	100.000%	89,342
San Dieguito Union HS District CFD No. 94-2	25,332,518	98.080%	24,846,134
San Dieguito Union HS District CFD No. 95-2	4,150,342	12.035%	499,494
Palomar Pomerado Hospital District	477,631,555	1.697%	8,105,407
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	14,765,000	21.431%	3,164,287
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	23,985,000	100.000%	23,985,000
City of Carlsbad 1915 Act Bonds	48,360,000	100.000%	48,360,000
Total Overlapping Tax and Assessment Debt	$ 2,074,823,446		$ 405,451,963
Overlapping General Fund Obligation Debt:			
San Diego County General Fund Obligations	$ 399,780,000	6.142%	$ 24,554,488
San Diego County Pension Obligations	753,897,748	6.142%	46,304,400
San Diego City Superintendent of Schools General Fund Obligations	17,462,500	6.142%	1,072,547
Mira Costa Community College District Certificates of Participation	2,405,000	26.900%	646,945
Palomar Community College District General Fund Obligations	5,345,000	2.728%	145,812
Carlsbad Unified School District General Fund Obligations	46,100,000	97.928%	45,144,808
San Marcos Unified School District General Fund Obligations	55,483,327	18.968%	10,524,077
Vista Unified School District Certificates of Participation	4,815,000	0.590%	28,409
San Dieguito Union High School District General Fund Obligations	13,015,000	8.915%	1,160,287
Total Overlapping General Fund Obligation Debt	$ 1,298,303,575		$ 129,581,773
Overlapping Tax Increment Debt (Successor Agency):	8,625,000	100.000%	8,625,000 (3)
Total Overlapping Debt:	**$ 3,381,752,021**		**$ 543,658,736**
City of Carlsbad Direct Debt:			
City of Carlsbad Governmental Activities Obligations	$ 159	100.000%	$ 159
Total City of Carlsbad Direct Debt	$ 159		$ 159
Combined Total Debt	**$ 3,381,752,180**		**$ 543,658,895** (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 2012-13 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	1.70%
Ratios to Adjusted Assessed Valuation:	
Governmental Activities Direct Debt	**0.00%**
Combined Total Debt	2.31%

(3) Created by the dissolution of the RDA in Fiscal Year 2011-12 per AB1x26 and AB1484.

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

CITY OF CARLSBAD

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

	2004	2005	2006
Overlapping Tax and Assessment Debt:			
Metropolitan Water District	0.368	0.319	0.269
Palomar Community College District	-	-	-
Carlsbad Unified School District	1.594	1.342	1.102
Carlsbad Unified School District Lease Tax Obligations	0.033	-	-
Carlsbad Unified School District CFD No. 1	0.678	0.578	0.477
Oceanside Unified School District	-	-	-
Vista Unified School District	0.005	0.005	0.007
Encinitas Union School District	0.530	0.471	0.389
San Marcos Unified School District	-	-	-
San Marcos Unified School District School Fac. Improv. Dist.	0.524	0.448	0.383
Palomar Pomerado Hospital District	-	-	0.100
San Marcos Unified School District CFD No. 4	-	-	0.187
San Marcos Unified School District CFD No. 5	1.886	1.677	1.457
San Dieguito Union High School District	-	-	-
San Dieguito Union HS District CFD No. 94-1	0.020	0.018	0.016
San Dieguito Union HS District CFD No. 94-2	1.456	1.298	1.128
San Dieguito Union HS District CFD No. 95-2	0.023	0.020	0.006
San Dieguito Union HS District combined CFD	0.973	0.884	0.832
Olivenhain Municipal Water District, Assess. Dist. No. 96-1	0.314	0.279	0.242
City of Carlsbad CFD No. 3, I.A. No. 1 & No. 2	-	-	0.649
City of Carlsbad 1915 Act Bonds	3.145	4.848	4.143
Total Overlapping Tax and Assessment Debt	$ 11.549	$ 12.187	$ 11.387
Overlapping General Fund Obligation Debt:			
San Diego County General Fund Obligations	$ 1.881	$ 1.855	$ 1.385
San Diego County Pension Obligations	5.528	5.008	4.376
San Diego City Superintendent of Schools General Fund Obligations	0.009	0.051	0.044
Mira Costa Community College District Certificates of Participation	0.098	0.085	0.072
Palomar Community College District General Fund Obligations	-	-	0.013
Carlsbad Unified School District General Fund Obligations	3.961	3.557	3.106
San Marcos Unified School District General Fund Obligations	0.143	0.122	0.106
Vista Unified School District Certificates of Participation	-	-	-
Encinitas Union School District Certificates of Participation	0.037	0.032	0.024
San Dieguito Union High School District General Fund Obligations	-	-	-
Other Unified School District Certificates of Participation	0.018	0.015	0.001
Total Overlapping General Fund Obligation Debt	$ 11.675	$ 10.725	$ 9.127
Overlapping Tax Increment Debt (Successor Agency):	$ -	$ -	$ -
Total Overlapping Debt:	23.224	22.912	20.514
City of Carlsbad Direct Debt:			
City of Carlsbad Governmental Activities Obligations	0.235	0.174	0.119
Total City of Carlsbad Direct Debt	$ 0.235	$ 0.174	$ 0.119
Combined Total Debt	$ 23.459	$ 23.086	$ 20.633

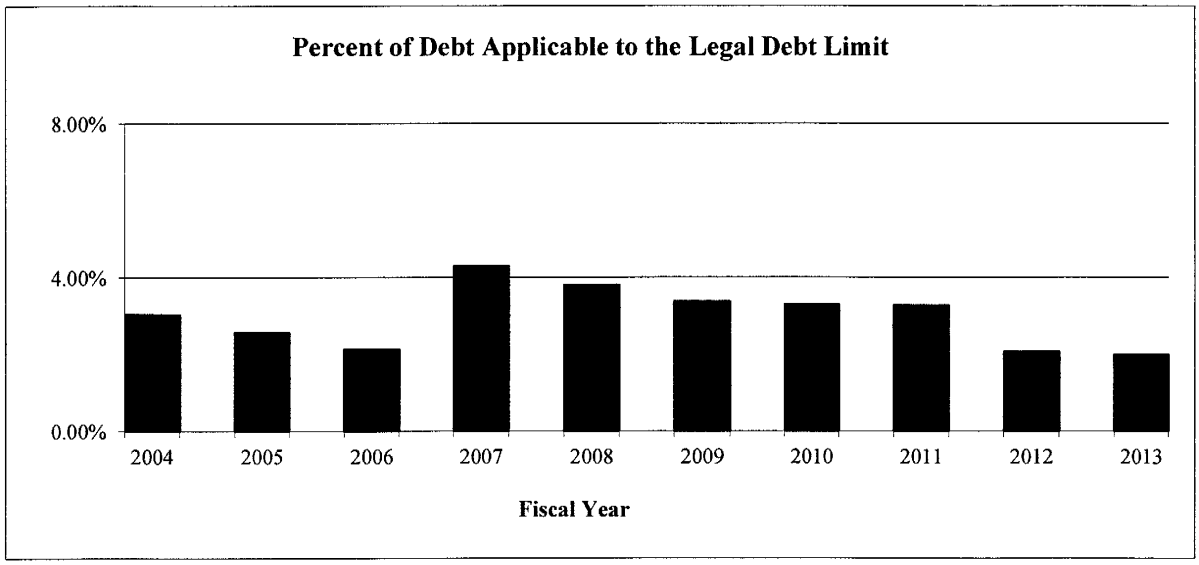
Source: California Municipal Statistics, Inc. & MuniServices, LLC

2007	2008	2009	2010	2011	2012	2013
0.224	0.187	0.160	0.147	0.129	0.110	0.080
0.239	0.224	0.208	0.207	0.447	0.448	0.375
0.897	2.521	5.513	5.401	8.660	8.527	8.312
-	-	-	-	-	-	-
0.386	0.318	0.263	0.230	0.192	0.149	0.103
-	-	-	0.001	0.001	0.001	0.001
0.011	0.029	0.033	0.043	0.039	0.038	0.031
0.322	0.270	0.228	0.205	0.357	0.338	0.454
-	-	-	-	-	3.103	1.711
0.327	0.282	0.250	0.227	0.202	0.176	0.076
0.080	0.303	0.389	0.383	0.444	0.434	0.353
0.302	0.270	0.248	0.245	0.241	0.236	0.230
1.255	1.114	1.016	1.000	0.979	0.950	0.918
-	-	-	-	-	-	0.621
0.014	0.012	0.011	0.004	0.004	0.004	0.004
0.975	0.867	0.793	1.105	1.093	1.106	1.082
0.005	0.004	0.004	0.022	0.022	0.022	0.022
0.734	0.668	0.626	0.218	0.215	-	-
0.203	0.177	0.157	0.151	0.147	0.142	0.138
0.573	1.338	1.246	1.244	1.080	1.063	1.045
3.553	3.091	2.806	2.685	2.640	2.569	2.107
$ 10.100	$ 11.675	$ 13.951	$ 13.518	$ 16.892	$ 19.416	$ 17.663
$ 1.125	$ 1.051	$ 1.304	$ 1.201	$ 1.133	$ 1.155	1.070
4.306	3.094	2.782	2.470	2.410	2.300	2.017
0.058	0.051	0.046	0.061	0.059	0.055	0.047
0.061	0.052	0.046	0.043	0.036	0.032	0.028
0.012	0.011	0.010	0.010	0.009	0.008	0.006
2.694	2.404	2.206	2.132	2.089	2.028	1.967
0.093	0.082	0.076	0.834	0.831	0.837	0.458
-	-	-	-	-	-	0.001
0.018	0.013	0.008	0.004	-	-	-
-	-	-	0.048	0.049	0.059	0.051
0.001	0.001	0.002	0.002	0.002	0.002	-
$ 8.368	$ 6.759	$ 6.480	$ 6.805	$ 6.618	$ 6.476	$ 5.645
$ -	$ -	$ -	$ -	$ -	$ -	0.376
18.468	18.434	20.431	20.323	23.510	25.892	23.684
0.072	0.033	-	-	0.025	0.021	0.007
$ 0.072	$ 0.033	$ -	$ -	$ 0.025	$ 0.021	$ 0.007
$ 18.540	$ 18.467	$ 20.431	$ 20.323	$ 23.535	$ 25.913	$ 23.691

CITY OF CARLSBAD

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

	2004	2005	2006	2007	2008
Net assessed valuation	$ 14,303,050	$ 15,741,122	$ 17,707,928	$ 20,059,893	$ 22,040,018
Debt limit (25% x 15%)	536,364	590,292	664,047	752,246	826,501
Less amount of debt applicable to limit:					
Bonded debt	12,840	12,460	12,065	30,185 (1)	29,745
Certificates of participation	3,360	2,740	2,105	1,435	735
Loan payable	-	-	-	-	-
Obligations under capital leases	79	7	1	699	958
Total net debt applicable to limit	16,279	15,207	14,171	32,319	31,438
Legal debt margin	$ 520,085	$ 575,085	$ 649,876	$ 719,927	$ 795,063
Total net debt applicable to the limit as a percentage of debt limit	3.04%	2.58%	2.13%	4.30%	3.80%



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.

2009	2010	2011	2012	2013
$ 23,517,153	$ 23,234,948	$ 23,012,997	$ 22,982,172	$ 22,956,650
881,893	871,311	862,987	861,831	860,874
29,005	28,225	27,405	17,345 (2)	17,005
-	-	-	-	-
-	-	581	475	159
736	502	256	14	-
29,741	28,727	28,242	17,834	17,164
$ 852,152	$ 842,584	$ 834,745	$ 843,997	$ 843,710
3.37%	3.30%	3.27%	2.07%	1.99%

CITY OF CARLSBAD

Pledged-Revenue Coverage
Last Ten Fiscal Years

	2004	2005	2006	2007	2008
Wastewater Revenue Bonds					
Gross revenues (1)	$ 8,291,693	$ 9,427,318	$ 8,763,977	$ 10,540,303	$ 11,134,290
Less expenses (2)	4,781,158	4,512,427	5,438,600	6,173,656	6,645,724
Net available revenue	$ 3,510,535	$ 4,914,891	$ 3,325,377	$ 4,366,647	$ 4,488,566
Debt service					
Principal	$ 520,000	$ 550,000	$ 575,000	$ 605,000	$ 640,000
Interest	416,256	389,581	361,394	328,944	295,506
Total debt service	$ 936,256	$ 939,581	$ 936,394	$ 933,944	$ 935,506
Coverage	**3.75**	**5.23**	**3.55**	**4.68**	**4.80**
Recycled Water Loans					
Gross revenues (3)	n/a	n/a	n/a	$ 4,187,044	$ 4,714,098
Less expenses (4)	n/a	n/a	n/a	1,968,609	2,484,843
Net available revenue	n/a	n/a	n/a	2,218,435	$ 2,229,255
Debt service					
Principal (5)	n/a	n/a	n/a	409,896	$ 1,041,202
Interest	n/a	n/a	n/a	236,964	799,759
Total debt service	n/a	n/a	n/a	646,860	$ 1,840,961
Coverage	**n/a**	**n/a**	**n/a**	**3.43**	**1.21**
Golf Course Revenue Bonds					
Gross revenues (1)	n/a	n/a	n/a	n/a	$ 6,614,579
Less expenses (2)	n/a	n/a	n/a	n/a	6,312,031
Net available revenue	n/a	n/a	n/a	n/a	302,548
Debt service					
Principal (6)	n/a	n/a	n/a	n/a	-
Interest	n/a	n/a	n/a	n/a	827,050
Total debt service	n/a	n/a	n/a	n/a	827,050
Coverage	**n/a**	**n/a**	**n/a**	**n/a**	**0.37**

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.

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

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
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
2013	108,246	3.44%	0.53%	39.3	2.63

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		$ 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%
88.5%	35.4%	4,403		40,672		5.90%

CITY OF CARLSBAD

Principal Employers
Current Year and Nine Years Ago

	2013			2004	
Employer	Employees	Rank	% of Total City Employment	Employees	Rank
Manufacturing					
Callaway Golf Company	1,637	1	2.64%	1,785	1
Life Technologies	1,454	2	2.35%	900	2
Taylor Made Golf Company, Inc.	954	3	1.54%	645	3
Zimmer Dental Inc.	673	4	1.09%	-	-
Genoptix, Inc.	661	5	1.07%	-	-
Alphatec Spine, Inc.	460	6	0.74%	-	-
Nordson Asymtek	430	7	0.69%	-	-
Astec America	299	8	0.48%	-	-
The Upper Deck Company	293	9	0.47%	300	8
Crestone Group Baking Companies	280	10	0.45%	-	-
Acushnet Golf	-	-	-	535	4
Tyco-Healthcare	-	-	-	500	5
Seasilver USA	-	-	-	500	6
Ashworth, Inc.	-	-	-	400	7
Non-Manufacturing					
ViaSat, Inc.	1,510	1	2.44%	450	7
Legoland California, LLC	1,422	2	2.29%	372	10
La Costa Resort & Spa	932	3	1.50%	604	4
Carlsbad Unified School District	903	4	1.46%	950	1
Gemological Institute of America, Inc.	794	5	1.28%	600	5
City of Carlsbad	675	6	1.09%	646	3
OptumRX, Inc.	670	7	1.08%	-	-
Park Hyatt Aviara Resort	580	8	0.94%	900	2
24-Hour Fitness, Inc.	545	9	0.88%	450	8
Legend3D, Inc.	380	10	0.61%	-	-
ISIS Pharmaceuticals	-	-	-	506	6
SOMC Group, Inc.	-	-	-	410	9
Subtotal Employees	**15,552**		**25.08%**	**11,453**	
Total Employees (estimate)	**62,000**			**n/a (1)**	

Source: Carlsbad Business License Data (2013) and Carlsbad Chamber of Commerce (2004).

(1) Total employee count is not available for 2004.

CITY OF CARLSBAD

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

Program Area	2004	2005	2006	2007	2008
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	7.00	7.00
Communications	2.75	2.75	2.75	3.75	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	31.00	32.00	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	19.00	19.00
Property and Environmental Management	-	-	-	-	-
Public Safety					
Police	148.00	148.00	151.00	157.00	162.00
Fire	79.75	79.75	79.75	87.75	88.75
Community Development					
Community and Economic Development	44.00	44.00	44.00	49.00	50.00
Housing and Neighborhood Services	10.00	10.00	10.00	10.00	10.00
Community Services					
Library and Arts	53.00	53.00	53.00	53.00	53.00
Parks and Recreation	33.00	32.50	32.50	30.50	30.50
Public Works					
General Services, Engineering, Environmental	121.75	148.15	157.75	166.00	173.05
Transportation	-	-	-	-	-
Utilities	73.00	47.10	49.50	48.50	55.45
Full and 3/4 Time Authorized Employees	646.00	646.00	660.00	690.25	711.25
Increase/(decrease) over prior year	(0.75)	-	14.00	30.25	21.00

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.

2009	2010	2011	2012	2013
1.00	1.00	1.00	1.00	1.00
0.75	0.75	0.75	0.75	0.75
8.00	8.00	8.00	7.00	7.00
3.75	3.75	2.75	2.75	2.75
7.00	7.00	7.00	7.00	7.00
8.00	8.00	8.00	6.25	6.00
32.00	31.00	30.50	30.50	30.50
10.00	10.00	9.00	9.00	9.00
19.50	19.00	22.50 (2)	22.50	22.50
-	-	41.60 (2)	39.60	40.55
162.00	162.00	162.00	162.00	161.00
88.75	88.75	88.75	87.75	87.75
50.00	50.00	54.00 (2)	50.00	47.00
10.00	10.00	11.00 (2)	13.00	10.00
53.00	53.00	52.25	51.25	51.25
30.50	72.10 (1)	71.95	70.95	68.40
174.80	133.00 (1)	- (2)	-	-
-	-	58.40 (2)	54.40	54.40
55.20	55.40	69.55 (2)	68.55	67.65
714.25	712.75	699.00	684.25	674.50
3.00	(1.50)	(13.75)	(14.75)	(9.75)

CITY OF CARLSBAD

Operating Indicators by Function/Program
Last Nine 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
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	7.01	7.96
Annual flow (millions of gallons)	2,688	2,416	2,486	2,559	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	2013
44	31	35	93
61	39	22	43
9,173	9,539	9,303	9,422
40,310	41,344	39,075	38,441
94,678	97,414	93,248	90,122
6.0	5.5	5.9	5.8
8,826	8,188	7,963	8,314
9,503	9,084	9,106	10,755
74% (1)	71%	72%	71%
6	5	-	59
$3,750,000	$ 525,000	$ 780,000	$7,408,000
343	262	425	290
19,860	20,017	19,973	23,444
285	306	267	525
3,400	4,320	3,827	4,943
98%	95%	95%	95%
1,365,127	1,362,700	1,358,839	1,375,000
749,514	858,788	858,422	850,000
54	44	50	50
80,000	80,000	75,000	80,000
1,200	1,200	1,200	1,200
5,400	5,400	5,450	5,200
13,075	13,300	12,650	12,200
12,000	9,000	10,000	13,000
368	470	557	575
1,816	2,221	1,863	1,936
15.25	3.77	25.20 (4)	24.30
15.3 (2)	14.1 (3)	14.4	15.4
17,142 (2)	15,786 (3)	16,104	17,248
27,910	27,978	28,379	28,947
7.11	7.10	7.57	6.92
2,595	2,590	2,762	2,524
22,335	22,342	22,631	22,955

CITY OF CARLSBAD

Capital Asset Statistics
Last Nine 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	2013
31	31	31	31
348	348	348	348
625	791 (1)	791	791
47	47	47	48
1	1	1	1
2	2	2	2
3	3	3	3
365,371	370,228	370,034	373,010
6	6	6	6
11	11	12	12
5	5	5	6 (2)
14	14	15	15 (2)
91	90	90	88 (2)
15	11	11	13 (2)
447	518 (3)	527	534
282	284	288	288
340	340	340	343
7,687	7,703	7,707	7,707
172	172	172	174