

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the City of Oceanside
Oceanside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oceanside, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as management's discussion and analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

To the Honorable Mayor and Members of City Council
of the City of Oceanside
Oceanside, California

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carson

Costa Mesa, California
September 17, 2004



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2004

This discussion and analysis of the City of Oceanside's financial performance provides an overview of the fiscal year ended June 30, 2004. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all the activities of the City of Oceanside (City) and the component units using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities (other than internal service activities) are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds which only report a balance sheet and do not have a measurement focus. Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

Governmental activities-Most of the City's basic services are reported in this category, including General Government, Fire, Police, Public Works, Community Development and Community/Cultural Services (including Recreation and Library). Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities-The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water, Wastewater, Waste Disposal, Special Aviation and Harbor District activities are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State Law or by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds-Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements and those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement

Proprietary funds-When the City charges customers for the services it provides (whether to outside customers or to other units of the City), these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. We use internal service funds (such as the City's Self-Insurance, Fleet Operations and Information Technology funds) to report activities that provide supplies and services to the City's other programs and activities. The Internal Service funds are reported with governmental activities in the Government-Wide financial Statements.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain funds held on behalf of other agencies and organizations. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined Net Assets for the fiscal year ended June 30, 2004 are compared to results for 2003 in the following table:

City of Oceanside Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current & other assets	\$ 164,851	\$ 142,770	\$ 107,218	\$ 96,694	\$ 272,069	\$ 239,464
Capital assets	262,970	255,098	280,378	274,936	543,348	530,034
Total assets	427,821	397,868	387,596	371,630	815,417	769,498
Long-term debt outstanding	134,158	119,074	115,667	109,812	249,825	228,886
Other liabilities	46,939	43,927	11,126	7,202	58,065	51,129
Total liabilities	181,097	163,001	126,793	117,014	307,890	280,015
Net assets						
Invested in capital assets, net of related debt	127,949	131,690	164,670	187,817	292,619	319,507
Restricted	90,849	30,452	11,275	15,083	102,124	45,535
Unrestricted	27,926	72,726	84,857	51,565	112,783	124,291
Total net assets	\$ 246,724	\$ 234,868	\$ 260,803	\$ 254,465	\$ 507,527	\$ 489,333

Net assets represent the most simple test of financial health for the City, indicating the excess (or deficit) of assets over liabilities. Net assets for the City as a whole increased 3.7% from \$489.3 million at June 30, 2003 to \$507.5 million at June 30, 2004.

Total assets increased \$45.9 million or 6.0% due to financing activity (increased restricted cash) and continuing investment in capital assets. Total liabilities increased \$27.9 million or 10.0% due to increases in long-term debt (financing activity) and developer deposits held by the Housing Assistance Program. Developers are allowed to deposit cash in lieu of building low-income housing, and these deposits have increased by 63.9% since 2003.

City of Oceanside Changes in Net Assets
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 19,430	\$ 18,228	\$ 84,613	\$ 83,196	\$ 104,044	\$ 101,425
Operating grants and contributions	26,287	28,931	2,727	200	29,014	29,132
Capital grants and contributions	2,338	1,719	850	3,101	3,188	4,821
General revenues:						
Property taxes	28,537	25,114	-	-	28,537	25,114
Sales taxes	13,842	13,042	-	-	13,842	13,042
Other taxes	16,764	17,846	-	-	16,764	17,846
Use of money and property	8,366	11,914	345	3,771	8,711	15,685
Other	20,105	17,977	-	-	20,105	17,977
Total revenues	135,669	134,773	88,536	90,269	224,205	225,042
Expenses:						
General government	11,852	11,364	-	-	11,852	11,364
Public safety	49,877	44,796	-	-	49,877	44,796
Public works	23,272	18,482	-	-	23,272	18,482
Community development	23,714	24,282	-	-	23,714	24,282
Community/cultural services	11,785	9,797	-	-	11,785	9,797
Interest on long-term debt	7,598	8,484	-	-	7,598	8,484
Other government	-	12,484	-	-	0	12,484
Water	-	-	34,029	31,796	34,029	31,796
Sewer	-	-	19,709	18,644	19,709	18,644
Waste disposal	-	-	18,224	16,840	18,224	16,840
Other	-	-	9,054	5,249	9,054	5,249
Total expenses	128,098	129,689	81,016	72,528	209,114	202,217
Increase (decrease) in net assets before Transfers	7,571	5,084	7,520	17,742	15,091	22,825
Transfers	1,182	1,427	(1,182)	(1,427)	-	-
Increase (decrease) in net assets	8,753	6,510	6,338	16,315	15,091	22,825
Beginning net assets as restated	237,971	228,357	254,465	238,150	492,436	466,507
Ending net assets	\$ 246,724	\$ 234,868	\$ 260,803	\$ 254,465	\$ 507,527	\$ 489,333

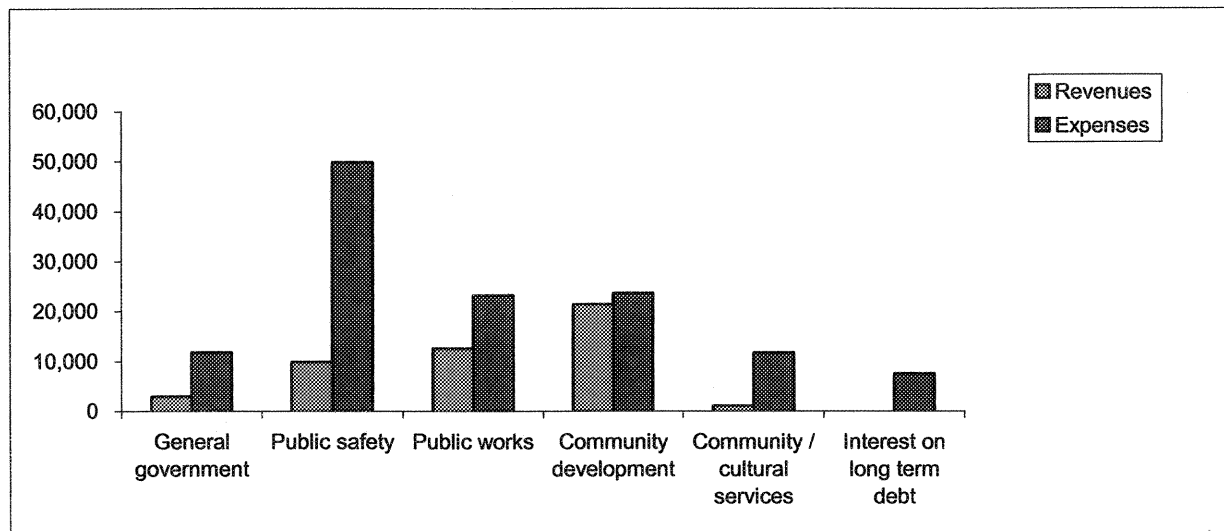
Note 13 provides information related to the restatement of beginning net assets.

Governmental activities increased net assets \$11.9 million due to increases in general revenues such as property taxes, a slight decrease in program expenses and prior period adjustments (see note 13 for additional detail related to prior period adjustments).

Property taxes increased by 13.6% over 2003 due to continued appreciation in housing prices. Use of money and property decreased because of reduced interest earnings on the City's portfolio and a year-end accounting entry in compliance with GASB 31 to record unrealized losses in the market value of the City's investments.

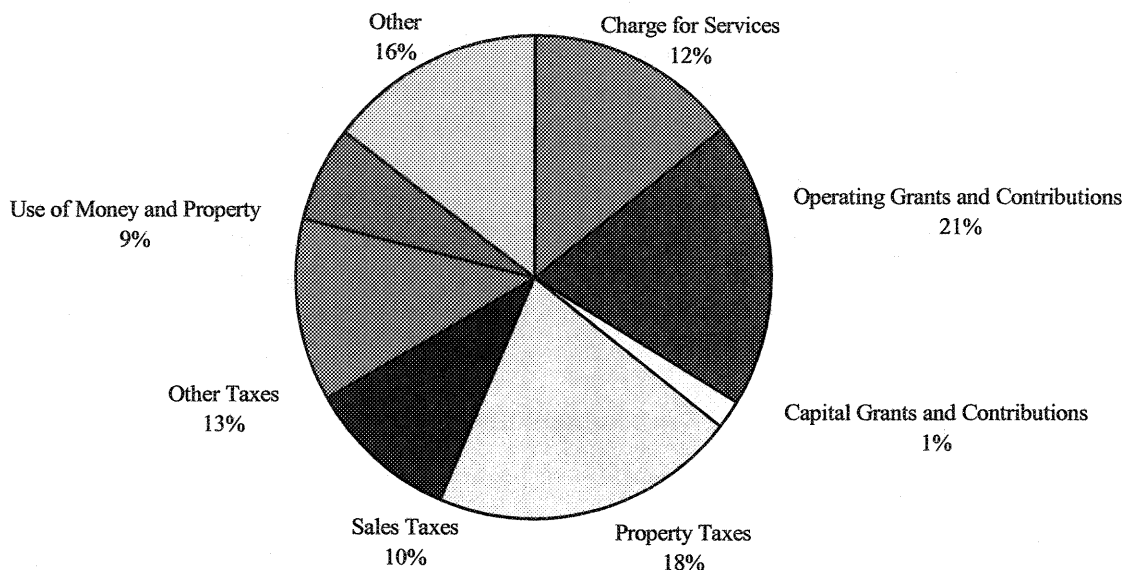
Program revenues, which reduce the net cost to the City's general revenues, decreased by 1.7% from 2003. Operating grants in Community Development had the largest impact, declining almost 9.1% to \$15.0 million. The most significant component of this decrease was a \$3.0 million drop in Community Development Block Grant (CDBG) revenue.

Expenses versus Program Revenues for Governmental Activities



The chart above depicts the financial strength of the various City programs, or the extent to which these programs generate revenue from fees and grants. The City's programs include General Government, Public Safety (Fire and Police), Public Works, Community Development, and Community/Cultural Services (Recreation & Library). Each program's net cost (total cost less revenues generated by the activities) is presented in the Statement of Activities and Changes in Net Assets.

Revenue by Source – Governmental Activities



The above graph indicates that 33 percent of governmental services are covered by fees and grant revenues. Property taxes continue to be the largest source of the City's general revenues.

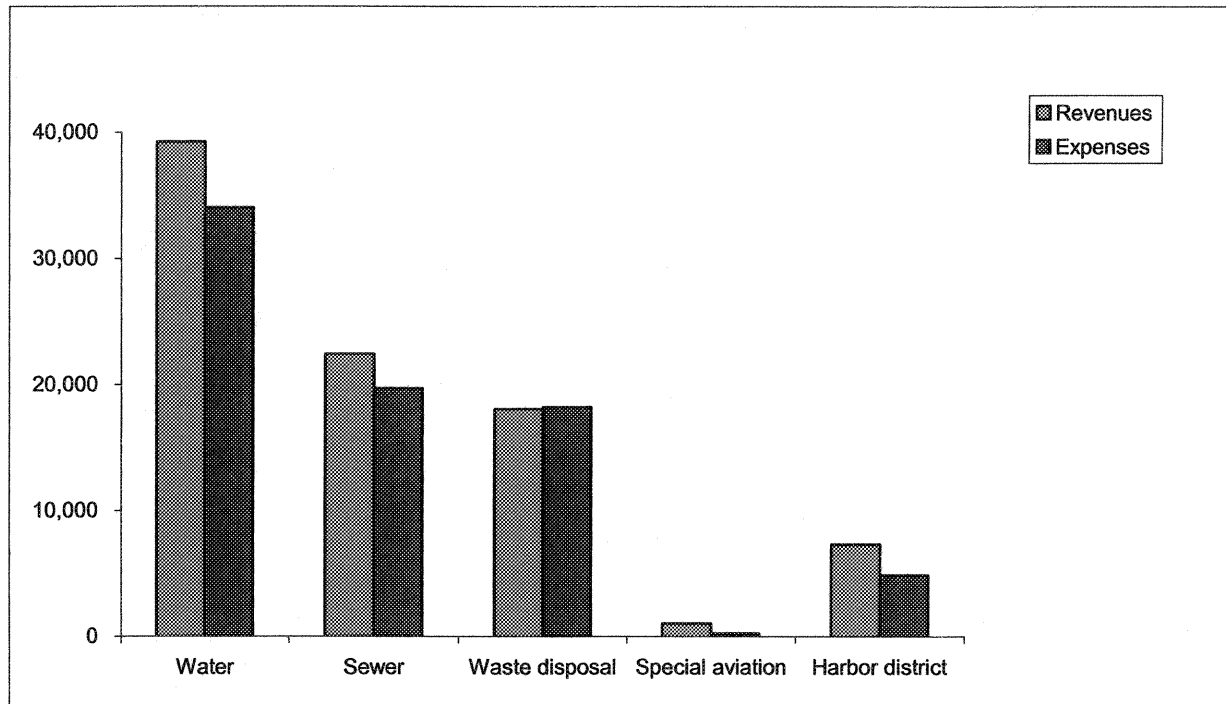
BUSINESS TYPE ACTIVITIES

Business-type activities for the City of Oceanside include Water, Sewer, Solid Waste, Harbor, and the Airport. These activities bolstered net assets by \$6.3 million in the last fiscal year, which represents 34.8% of the total increase from all City activities.

Enterprise charges for service increased slightly from 2003 to 2004; but the year-end accounting entry in compliance with GASB Statement 31 to record unrealized losses in the market value of the City's investments resulted in a decline in revenue from the use of money and property.

Overall revenues outpaced expenses by \$7.5 million (before transfers) in 2004. As the chart below indicates, program revenues from business-type activities easily cover program expenses, unlike governmental activities.

Expenses versus Program Revenues for Business-type Activities



Fees charged for these services make up 96 percent of the revenues collected, with a small portion made up of grants and contributions (\$3.6 million) and interest income (\$0.3 million). Solid Waste Disposal was the only enterprise to operate at a deficit for the fiscal year and although expenses exceeded revenues during fiscal 2004, the operation has ending net assets of \$3.2 million.

DEBT ADMINISTRATION

Debt, considered a liability of governmental activities, increased in fiscal year 2003-04 by \$35.0 million. This is comprised of a new issue of \$17.8 million, a refunding issue of \$7.7 million and increases in claims and the compensated absences payable. These increases were partially offset by the \$20.0 million defeasance of an issue, regularly scheduled principal payments and reductions to claims and compensated absences payable.

	Balance July 1, 2003	Incurred or Issued	Satisfied or Matured	Balance June 30, 2004
Governmental Activities:				
Bonds Payable	\$ 42,745,000	\$ 25,540,000	\$ (8,065,000)	\$ 60,220,000
Certificates of Participation	65,950,000		(2,365,000)	63,585,000
Capital Leases Payable	6,939,000		(610,867)	6,328,133
Notes Payable		1,500,000	(215,000)	1,285,000
Special Assessment Debt	3,440,000		(700,000)	2,740,000
Claims Payable	8,756,227	1,842,991	(2,358,628)	8,240,590
Compensated Absences	7,117,347	6,108,427	(5,739,534)	7,486,240
Total Governmental Activities	\$ 134,947,574	\$ 34,991,418	\$ (20,054,029)	\$ 149,884,963

Debt of the business-type activities increased by \$8.7 million in FY 2003-04, due to a draw-down of a State Revolving Fund Loan for improvements at the San Luis Rey Wastewater Treatment Plant generally consisting of upgrades to odor controls and process performance improvements. This increase was partially offset by regularly scheduled principal payments.

	Balance July 1, 2003	Incurred or Issued	Satisfied or Matured	Balance June 30, 2004
Business-Type Activities:				
Bonds Payable	\$ 11,015,000		\$ (650,000)	\$ 10,365,000
Certificates of Participation	26,935,000		(415,000)	26,520,000
Notes Payable	71,862,641	\$ 8,653,095	(1,733,793)	78,781,943
Total Business-Type Activities	<u>\$ 109,812,641</u>	<u>\$ 8,653,095</u>	<u>\$ (2,798,793)</u>	<u>\$ 115,666,943</u>

Note 8 provides a detailed description of all outstanding liabilities.

CAPITAL ASSETS

The capital assets of the City are those assets that are used in the performance of the City's functions, including infrastructure. At June 30, 2004, net capital assets of the governmental activities totaled \$263 million and the net capital assets of the business-type activities totaled \$280 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. The \$13.0 million increase in Capital Assets from 2003 to 2004 is indicative of the City's continuing investment in infrastructure and other capital assets.

Description	Governmental Activities		Business-Type Activities	
	2004	2003	2004	2003
Land	\$ 46,220,167	\$ 45,569,367	\$ 17,480,097	\$ 14,818,769
Buildings	60,178,337	59,411,205	60,632,078	64,788,735
Improvements	8,635,607	8,583,880	200,699,576	196,041,626
Equipment	48,709,507	47,922,301	2,914,259	5,417,243
Construction in Progress	9,185,541	5,374,740	106,314,336	99,274,704
Infrastructure	244,468,863	232,263,043	-	-
Capital Assets	417,398,022	399,124,536	388,040,346	380,341,077
Accumulated Depreciation	(154,428,261)	(144,026,619)	(107,662,108)	(105,405,330)
Total Capital Assets	<u>\$ 262,969,761</u>	<u>\$ 255,097,917</u>	<u>\$ 280,378,238</u>	<u>\$ 274,935,747</u>

Additional information on Capital Assets can be found in Note 6 of this report.

GENERAL FUND ACTUAL & BUDGET

	Amended Budget	Actual	Variance Pos/(Neg)
Resources (inflows)			
Taxes	\$ 43,392,474	\$ 45,628,197	\$ 2,235,723
Licenses and permits	2,502,961	2,572,630	69,669
Fines and penalties	2,840,759	2,957,821	117,062
Investment Earnings	3,541,891	2,430,240	(1,111,651)
Intergovernmental revenue	10,215,275	8,716,472	(1,498,803)
Charges for services	8,834,434	10,078,361	1,243,927
Other revenues	11,771,918	11,641,600	(130,318)
Amount available for appropriation	83,099,712	84,025,321	925,609
Charges to appropriations (outflows)			
General government	12,104,447	10,872,422	1,232,025
Public Safety	46,739,328	48,507,139	(1,767,811)
Public Works	7,778,089	7,850,833	(72,744)
Community development	4,273,222	3,951,937	321,285
Community/cultural services	9,431,252	9,020,301	410,951
Charges to appropriations	80,326,338	80,202,632	123,706
Transfers out	7,365,465	8,693,891	(1,328,426)
Total charges to appropriations and transfers	87,691,803	88,896,523	(1,204,720)
Excess of resources over (under) charges to appropriations and transfers	\$ (4,592,091)	\$ (4,871,202)	\$ (279,111)

Taxes and Charges for Service exceeded budget due to strong property valuations, new growth and an improving economy. Intergovernmental Revenues were under budget due to reduced and delayed payments from the State for Vehicle License Fees and Investment Earnings were short of the budget due to a year-end accounting entry in compliance with GASB Statement 31 to record unrealized losses in the market value of the City's investments.

Total charges to appropriations and transfers closely approximated budget.

BUDGETS AND BUDGETARY ACCOUNTING

Policies:

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Before the beginning of the fiscal year, the City Manager submits to the City Council a proposed budget for the year commencing July 1.
2. A public hearing is conducted to obtain public comment.
3. The budget is subsequently adopted through passage of a resolution and is not included herein; but is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all budgeted amounts lapse at year-end unless the adopting resolutions specifically allows the carryover of specific unexpended amounts into the next fiscal year.
5. Continuing Appropriations (other than those mentioned in note 4, above) are re-budgeted by the City Council as a separate agenda item.
6. Legally adopted budget appropriations are set for all funds.
7. The City Manager is authorized to transfer funds appropriated within the same fund. Revisions that alter the total appropriations of any fund must be approved by the City Council.
8. The Budget is adopted on a basis consistent with generally accepted accounting principles.

General Fund Budget

Comparing the FY 2003-04 original budget (as adopted) General Fund amount of \$81.5 million to the final budget amount of \$87.7 million shows a net increase of \$6.2 million, as delineated below.

	Adopted	Amended	Variance
General Government			
Operational	\$ 8,905,352	\$ 9,106,952	\$ 201,600
Non-Departmental	4,845,606	10,362,960	5,517,354
Public Safety			
Police	30,985,375	30,979,248	(6,127)
Fire	15,723,893	15,760,080	36,187
Public Works	7,774,813	7,778,089	3,276
Community Development	3,893,222	4,273,222	380,000
Community & Cultural Services			
Library	4,593,760	4,643,419	49,659
Beach & Recreation	4,787,503	4,787,833	330
Total Budget	<u>\$ 81,509,524</u>	<u>\$ 87,691,803</u>	<u>\$ 6,182,279</u>

The \$6.2 million variance between the adopted and amended budget is comprised of a number of adjustments including \$2.0 million and \$1.6 million transfers to Capital Improvement Funds for the El Corazon Senior Center project and the acquisition of a potential fire station site. In addition, \$0.4 million was appropriated for professional services contracts related to the continuing development of the Ocean Ranch Corporate Centre.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Annual Budget assures the efficient, effective and economic use of the City's resources, as well as, establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities.

In considering the budget for fiscal year 2004-05 the City Council and management used the following criteria:

The key assumptions in our revenue forecast were:

1. Property tax revenues will increase by 3.9 percent due to a steadily rising housing market.
2. Sales Tax will increase 8.3 percent.
3. Franchise fees will increase 9.6 percent.
4. Transient Occupancy Tax will increase 4.8 percent.

The adopted budget for all City funds for the fiscal year 2004-05 is \$297 million (excluding transfers) and is summarized as follows:

Governmental and Internal Service Funds		
General Fund	\$	86,614,674
Special Revenue Funds		33,427,827
Internal Service Funds		39,998,713
Capital Project Funds		17,711,238
Debt Service		11,727,609
Subtotal General Operations		
	\$	189,480,061
Enterprise Funds		
Water Utility	\$	45,625,522
Wastewater Utility		35,399,976
Waste Disposal		18,958,017
Special Aviation		270,116
Harbor District Operations		7,057,302
Subtotal Enterprise Operations		
	\$	107,310,933
Total Budget		
	\$	296,790,994

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investor and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of the Director of Financial Services at 300 North Coast Highway, Oceanside, California, 92054, phone (760) 435-3832.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Oceanside
Statement of Net Assets
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Unrestricted Assets:			
Cash and investments	\$ 41,997,895	\$ 87,342,452	\$ 129,340,347
Accounts receivable, net	1,299,137	6,200,276	7,499,413
Interest receivable	1,283,124	-	1,283,124
Taxes receivable	3,387,944	-	3,387,944
Other receivable	536,198	926,513	1,462,711
Internal balances	(464,238)	464,238	-
Prepaid items	16,634	-	16,634
Inventories	276,942	808,295	1,085,237
Other assets	-	200,808	200,808
Total unrestricted assets	48,333,636	95,942,582	144,276,218
Restricted Assets:			
Cash and investments	75,670,672	-	75,670,672
Cash and investments with fiscal agent	23,351,549	11,275,256	34,626,805
Accounts receivable, net	830,221	-	830,221
Notes receivable	3,056,039	-	3,056,039
Interest receivable	17,090	-	17,090
Taxes receivable	431,714	-	431,714
Other receivable	118,414	-	118,414
Due from other governments	2,785,243	-	2,785,243
Prepaid items	13,308	-	13,308
Land and buildings held for resale	10,242,993	-	10,242,993
Total restricted assets	116,517,243	11,275,256	127,792,499
Total current assets	164,850,879	107,217,838	272,068,717
Noncurrent assets:			
Capital assets:			
Non depreciable assets	55,405,708	123,794,433	179,200,141
Depreciable assets	361,992,314	264,245,907	626,238,221
Total capital assets	417,398,022	388,040,340	805,438,362
Less accumulated depreciation	(154,428,261)	(107,662,108)	(262,090,369)
Capital assets, net	262,969,761	280,378,232	543,347,993
Total noncurrent assets	262,969,761	280,378,232	543,347,993
Total assets	\$ 427,820,640	\$ 387,596,070	\$ 815,416,710

City of Oceanside
Statement of Net Assets, Continued
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Unrestricted liabilities:			
Accounts payable	\$ 1,535,630	\$ 6,330,150	\$ 7,865,780
Interest payable	2,221,361	715,856	2,937,217
Accrued liabilities	3,089,176	400,803	3,489,979
Deposits held for others	-	875,054	875,054
Unearned revenue	-	887,725	887,725
Compensated absences payable - due within one year	1,399,896	314,373	1,714,269
Claims and judgments payable - due within one year	1,514,132	68,978	1,583,110
Long-term debt - due within one year	5,305,866	4,023,844	9,329,710
Total unrestricted liabilities	15,066,061	13,616,783	28,682,844
Restricted liabilities:			
Accounts payable	2,759,653	-	2,759,653
Accrued liabilities	133,727	-	133,727
Due to other governments	126,492	-	126,492
Deposits held for others	19,609,387	-	19,609,387
Unearned revenue	1,753,897	-	1,753,897
Long-term debt - due within one year	215,000	-	215,000
Total restricted liabilities	24,598,156	-	24,598,156
Total current liabilities	39,664,217	13,616,783	53,281,000
Noncurrent liabilities (due in more than a year):			
Unrestricted liabilities:			
Compensated absences payable	6,068,344	1,257,490	7,325,834
Claims and judgments payable	6,726,458	275,910	7,002,368
Long-term debt	127,567,266	111,643,099	239,210,365
Total unrestricted	140,362,068	113,176,499	253,538,567
Restricted long-term debt	1,070,000	-	1,070,000
Total noncurrent liabilities	141,432,068	113,176,499	254,608,567
Total liabilities	181,096,285	126,793,282	307,889,567
NET ASSETS			
Invested in capital assets, net of related debt	127,949,282	164,670,433	292,619,715
Restricted for:			
Capital projects	49,438,960	11,275,256	60,714,216
Debt service	25,485,168	-	25,485,168
Special projects	15,924,959	-	15,924,959
Total restricted	90,849,087	11,275,256	102,124,343
Unrestricted	27,925,986	84,857,099	112,783,085
Total net assets	\$ 246,724,355	\$ 260,802,788	\$ 507,527,143

See accompanying Notes to Basic Financial Statements.

City of Oceanside
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 11,852,001	\$ 2,315,566	\$ 267,246	\$ 364,550	\$ 2,947,362
Public safety	49,876,905	4,043,265	5,874,819	-	9,918,084
Public works	23,272,166	5,917,747	4,756,340	1,973,019	12,647,106
Community development	23,713,393	6,416,404	15,025,252	-	21,441,656
Community/cultural services	11,784,754	737,450	363,562	-	1,101,012
Interest on long-term debt	7,598,288	-	-	-	-
Total governmental activities	128,097,507	19,430,432	26,287,219	2,337,569	48,055,220
Business-type activities:					
Water	34,028,999	39,255,725	-	-	39,255,725
Sewer	19,708,826	22,457,309	-	-	22,457,309
Waste disposal	18,223,894	18,082,898	-	-	18,082,898
Special aviation	259,743	205,778	-	850,000	1,055,778
Oceanside Small Craft Harbor District	4,883,873	4,611,728	2,726,913	-	7,338,641
Total business-type activities	77,105,335	84,613,438	2,726,913	850,000	88,190,351
Total primary government	\$ 205,202,842	\$ 104,043,870	\$ 29,014,132	\$ 3,187,569	\$ 136,245,571

General revenues and transfers:

Taxes:

Property taxes

Sales taxes

Other taxes

Total taxes

Intergovernmental unrestricted

Investments earnings

Developer contributions

Miscellaneous

Loss on sale of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 13)

Net assets - end of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,904,639)	\$ -	\$ (8,904,639)
(39,958,821)	-	(39,958,821)
(10,625,060)	-	(10,625,060)
(2,271,737)	-	(2,271,737)
(10,683,742)	-	(10,683,742)
(7,598,288)	-	(7,598,288)
<u>(80,042,287)</u>	<u>-</u>	<u>(80,042,287)</u>
-	5,226,726	5,226,726
-	2,748,483	2,748,483
-	(140,996)	(140,996)
-	796,035	796,035
-	2,454,768	2,454,768
<u>-</u>	<u>11,085,016</u>	<u>11,085,016</u>
<u>(80,042,287)</u>	<u>11,085,016</u>	<u>(68,957,271)</u>
28,536,578	-	28,536,578
13,841,866	-	13,841,866
<u>16,764,144</u>	<u>-</u>	<u>16,764,144</u>
59,142,588	-	59,142,588
9,792,530	-	9,792,530
8,366,058	345,296	8,711,354
7,974,965	-	7,974,965
2,337,777	-	2,337,777
-	(3,910,742)	(3,910,742)
<u>1,181,848</u>	<u>(1,181,848)</u>	<u>-</u>
<u>88,795,766</u>	<u>(4,747,294)</u>	<u>84,048,472</u>
8,753,479	6,337,722	15,091,201
<u>237,970,876</u>	<u>254,465,066</u>	<u>492,435,942</u>
<u>\$ 246,724,355</u>	<u>\$ 260,802,788</u>	<u>\$ 507,527,143</u>

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Housing Assistance Program Special Revenue Fund

To account for the operation of the City's low and moderate income housing program. Financing is provided by HUD (Section 8), Community Development Block Grants, and service fees on mortgage revenue bonds.

Redevelopment Agency Debt Service Fund

To accounts for the payment of interest and principal on debt of the Community Development Commission.

Redevelopment Agency Capital Projects Fund

To account for administrative costs and capital improvements funded by long-term debt issued by the Community Development Commission.

General Improvement Capital Projects Fund

To account for general purpose capital projects funded primarily from developer impact fees.

Other Governmental Funds

Other Governmental Funds is the aggregate of all the non-major governmental funds.

City of Oceanside
Balance Sheet
Governmental Funds
June 30, 2004

	Major Funds				
	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	General Improvement Capital Projects
ASSETS					
Cash and investments	\$ 25,034,651	\$ 21,035,215	\$ -	\$ 8,181,167	\$ 32,638,556
Restricted cash and investments	-	-	20,504,535	-	-
Receivables (net of allowance for uncollectibles):					
Accounts	1,299,137	-	-	-	-
Notes	-	3,001,229	-	54,810	-
Interest	1,283,124	-	-	17,004	-
Assessments	-	-	-	-	-
Taxes	3,387,944	-	-	133,891	-
Other	536,198	18,394	-	-	61,107
Due from other funds	448,555	-	-	-	-
Due from other governments	-	708,342	-	-	1,243,152
Advances to other funds	7,111,978	-	-	4,466,267	-
Inventory	3,874	-	-	-	-
Prepaid items	16,634	-	-	-	-
Land held for resale	-	-	-	10,242,993	-
Total assets	\$ 39,122,095	\$ 24,763,180	\$ 20,504,535	\$ 23,096,132	\$ 33,942,815
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 913,767	\$ 246,693	\$ -	\$ 116,222	\$ 1,700,701
Accrued liabilities	2,969,585	53,132	-	2,690	1,989
Deposits	-	19,578,936	-	-	29,443
Due to other funds	-	-	-	-	-
Due to other governments	-	126,492	-	-	-
Deferred revenue	3,419,845	-	-	-	1,282,675
Advances from other funds	-	-	12,042,483	-	-
Total liabilities	7,303,197	20,005,253	12,042,483	118,912	3,014,808
Fund Balances:					
Reserved for:					
Land held for resale	-	-	-	10,242,993	-
Noncurrent assets	-	2,429,146	-	-	1,243,152
Low and moderate income housing	-	-	-	6,599,103	-
Debt service	-	-	8,462,052	-	-
Capital projects	-	-	-	6,135,124	160,353
Advances to other funds	7,111,978	-	-	-	-
Unreserved, undesignated:					
General fund	24,706,920	-	-	-	-
Special revenue funds	-	2,328,781	-	-	-
Capital project funds	-	-	-	-	29,524,502
Total fund balances	31,818,898	4,757,927	8,462,052	22,977,220	30,928,007
Total liabilities and fund balances	\$ 39,122,095	\$ 24,763,180	\$ 20,504,535	\$ 23,096,132	\$ 33,942,815

See accompanying Notes to Basic Financial Statements.

Other Governmental Funds		Total
\$ 13,815,734	\$ 100,705,323	
2,847,014	23,351,549	
830,221	2,129,358	
-	3,056,039	
86	1,300,214	
2,740,000	2,740,000	
297,823	3,819,658	
38,913	654,612	
-	448,555	
1,093,869	3,045,363	
-	11,578,245	
-	3,874	
13,308	29,942	
-	10,242,993	
<u>\$ 21,676,968</u>	<u>\$ 163,105,725</u>	

\$ 696,037	\$ 3,673,420
75,916	3,103,312
1,008	19,609,387
448,555	448,555
-	126,492
3,471,342	8,173,862
-	12,042,483
<u>4,692,858</u>	<u>47,177,511</u>

-	10,242,993
-	3,672,298
-	6,599,103
6,265,633	14,727,685
-	6,295,477
-	7,111,978
-	24,706,920
10,718,477	13,047,258
-	29,524,502
<u>16,984,110</u>	<u>115,928,214</u>
<u>\$ 21,676,968</u>	<u>\$ 163,105,725</u>

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City of Oceanside
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2004

Total Fund Balances - Total Governmental Funds	\$ 115,928,214
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Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Capital assets used in governmental activities are not financial resources and therefore were not reported in governmental funds.

	Government- Wide Statement of Net Assets	Internal Service Funds	
Nondepreciable assets	\$ 55,405,708	\$ -	55,405,708
Depreciable assets	361,992,314	(25,724,717)	336,267,597
Less accumulated depreciation	(154,428,261)	12,913,046	(141,515,215)
Total capital assets	\$ 262,969,761	\$ (12,811,671)	250,158,090

	Government- Wide Statement of Net Assets	Internal Service Funds	
Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.	\$ (2,221,361)	\$ 74,014	(2,147,347)

Deferred revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available are recognized as revenues in the Government-Wide Financial Statements.	3,419,846
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.

Loss Prevention Fund	9,317,232
General Services Fund	12,448,462
Total internal service funds	21,765,694

Claims and judgments payable, compensated absences and long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.

	Government- Wide Statement of Net Assets	Internal Service Funds	
Claims and judgments payable	\$ (8,240,590)	\$ 669,928	(7,570,662)
Compensated absences	(7,468,240)	468,760	(6,999,480)
Long-term liabilities	(132,873,132)	6,328,132	(126,545,000)
Total long-term liabilities	\$ (148,581,962)	\$ 7,466,820	(141,115,142)

Net Assets of Governmental Activities	\$ 248,009,355
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See accompanying Notes to Basic Financial Statements.

City of Oceanside

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2004

	Major Funds				
	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	General Improvement Capital Projects
REVENUES:					
Taxes	\$ 45,628,197	\$ -	\$ -	\$ 5,951,208	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	2,622,799	124,419	-	-	-
Intergovernmental	8,716,472	12,919,724	-	-	1,858,897
Charges for services	10,028,192	233,856	-	-	-
Fines and forfeitures	2,957,821	47	-	-	-
Lease revenue	-	-	-	-	-
Interest and rentals	2,430,241	48,161	2,684,984	72,255	410,278
Administrative and in lieu charges	9,792,530	-	-	-	-
Developer fees	-	-	-	187,886	7,888,984
Other	1,849,070	37,271	-	500	99,075
Total revenues	84,025,322	13,363,478	2,684,984	6,211,849	10,257,234
EXPENDITURES:					
General government	10,872,422	-	-	-	-
Public safety	48,507,139	-	-	-	-
Public works	7,850,833	-	-	-	299,824
Community development	3,951,937	13,948,523	-	699,523	-
Community/cultural services	9,020,301	-	-	-	127,157
Capital outlay	-	-	-	2,880,124	17,521,126
Debt service:					
Principal	-	-	1,375,000	-	-
Interest	-	-	5,368,922	-	-
Total expenditures	80,202,632	13,948,523	6,743,922	3,579,647	17,948,107
REVENUES OVER (UNDER) EXPENDITURES	3,822,690	(585,045)	(4,058,938)	2,632,202	(7,690,873)
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt	-	-	17,800,000	-	-
Issuance of refunding bonds	-	-	7,740,000	-	-
Redemption of refunded bonds	-	-	(7,725,000)	-	-
Transfers in	-	361,638	3,814,078	10,060,875	9,088,637
Transfers out	(8,693,891)	-	(10,060,875)	(6,214,078)	(794,079)
Total other financing sources (uses)	(8,693,891)	361,638	11,568,203	3,846,797	8,294,558
NET CHANGE IN FUND BALANCES	(4,871,201)	(223,407)	7,509,265	6,478,999	603,685
FUND BALANCES:					
Beginning of year, as restated	36,690,099	4,981,334	952,787	16,498,221	30,324,322
End of year	\$ 31,818,898	\$ 4,757,927	\$ 8,462,052	\$ 22,977,220	\$ 30,928,007

See accompanying Notes to Basic Financial Statements.

Other Governmental	
Funds	Total
\$ -	\$ 51,579,405
4,005,577	4,005,577
-	2,747,218
10,902,625	34,397,718
805,874	11,067,922
439,972	3,397,840
2,193,296	2,193,296
450,075	6,095,994
-	9,792,530
119,016	8,195,886
209,836	2,195,752
19,126,271	135,669,138
368,206	11,240,628
1,800,206	50,307,345
4,346,420	12,497,077
1,471,758	20,071,741
1,413,371	10,560,829
4,545,508	24,946,758
2,245,000	3,620,000
2,126,894	7,495,816
18,317,363	140,740,194
808,908	(5,071,056)
-	17,800,000
-	7,740,000
-	(7,725,000)
1,551,783	24,877,011
(3,877,558)	(29,640,481)
(2,325,775)	13,051,530
(1,516,867)	7,980,474
18,500,977	107,947,740
\$ 16,984,110	\$ 115,928,214

City of Oceanside

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$ 7,980,474
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Governmental activities in the Statement of Activities were reported differently because:

Governmental funds report capital outlay as expenditures. In the Government-Wide Statement of Activities and Changes in Net Assets, however, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.	17,881,817
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	Government- Wide Statement of Activities	Internal Service Funds	
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but it did not require the use of current financial resources. Therefore depreciation expense was not reported as expenditures in governmental funds.	\$ (12,028,017)	\$ 2,968,251	(9,059,766)

Long-term claims, judgments payable and compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, long-term claims, judgments payable and compensated absences were not reported as expenditures in governmental funds.	(530,397)
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets	(25,540,000)
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Repayment of bond principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government -Wide Statement of Net Assets.	11,345,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	505,459
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Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year.	(607,931)
---	-----------

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	6,778,823
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Change in Net Assets of Governmental Activities	\$ 8,753,479
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PROPRIETARY FUND FINANCIAL STATEMENTS

Water

To account for the operation of the City's water utility, a self-supporting activity which provides services on a user charge basis.

Sewer

To account for the operation (including waste water treatment) of the City's sewer facility, a self-supporting activity which provides services on a user charge basis.

Waste Disposal

To account for the collection and disposal of solid waste (including waste collected from street sweeping). Monthly service charges to all Oceanside property owners fund the above services.

Special Aviation

To account for the operation of the Oceanside (General Aviation) Airport.

Oceanside Small Craft Harbor District

To account for the operation and maintenance of the Oceanside Small Craft Harbor. Funding for operating expenses is provided by user charges.

City of Oceanside
Statement of Net Assets
Proprietary Funds
June 30, 2004

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
ASSETS				
Current assets:				
Cash and investments	\$ 47,908,812	\$ 28,265,979	\$ 2,078,788	\$ 581,981
Receivables:				
Accounts	3,633,876	1,568,328	913,937	73,478
Other	2,675	854	-	-
Due from other funds	15,855,000	10,665,000	-	-
Inventory, at cost	521,694	266,668	-	19,933
Other assets	200,808	-	-	-
Total current assets	68,122,865	40,766,829	2,992,725	675,392
Noncurrent assets:				
Restricted cash and investments	4,798,859	6,476,397	-	-
Advances to other funds	713,360	-	-	-
Property, plant and equipment:				
Land	12,739,716	843,552	35,328	3,835,398
Buildings and structures	17,217,801	42,418,869	27,630	66,286
Improvements other than buildings	91,761,693	88,950,505	526	490,240
Machinery and equipment	421,795	1,259,339	260,487	46,249
Construction in progress	21,129,461	82,147,937	-	-
Total property, plant and equipment	143,270,466	215,620,202	323,971	4,438,173
Less accumulated depreciation	(46,133,141)	(47,026,875)	(112,368)	(419,457)
Net property, plant and equipment	97,137,325	168,593,327	211,603	4,018,716
Total noncurrent assets	102,649,544	175,069,724	211,603	4,018,716
Total assets	\$ 170,772,409	\$ 215,836,553	\$ 3,204,328	\$ 4,694,108

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental	
Oceanside		Activities	
Small Craft		Internal	
Harbor District	Total	Service Funds	
\$ 8,506,892	\$ 87,342,452	\$ 16,963,244	
10,657	6,200,276	-	
922,984	926,513	-	
-	26,520,000	-	
-	808,295	273,068	
-	200,808	-	
9,440,533	121,998,344	17,236,312	
-	11,275,256	-	
-	713,360	-	
26,103	17,480,097	-	
901,492	60,632,078	-	
19,496,609	200,699,573	-	
926,386	2,914,256	25,724,717	
3,036,938	106,314,336	-	
24,387,528	388,040,340	25,724,717	
(13,970,267)	(107,662,108)	(12,913,046)	
10,417,261	280,378,232	12,811,671	
10,417,261	292,366,848	12,811,671	
\$ 19,857,794	\$ 414,365,192	\$ 30,047,983	

City of Oceanside
Statement of Net Assets
Proprietary Funds, Continued
June 30, 2004

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 4,200,620	\$ 764,641	\$ 1,246,531	\$ 53,601
Accrued liabilities	142,324	152,086	26,771	565
Interest payable	345,846	186,169	-	-
Due to other funds	15,855,000	10,665,000	-	-
Deposits	586,187	1,666	-	8,758
Deferred revenue	93,334	-	668,859	-
Bonds payable within one year	675,000	-	-	-
Loans payable within one year	-	1,413,086	-	-
Certificates of participation	1,260,000	465,000	-	-
Total current liabilities	23,158,311	13,647,648	1,942,161	62,924
Noncurrent assets:				
Revenue bonds payable	9,690,000	-	-	-
Loans payable	-	72,912,114	-	-
Certificates of participation	14,595,000	10,200,000	-	-
Advances from other funds	-	-	-	249,122
Claims and judgments payable	81,344	101,579	-	-
Compensated absences	517,409	672,093	103,412	-
Total noncurrent assets	24,883,753	83,885,786	103,412	249,122
Total liabilities	48,042,064	97,533,434	2,045,573	312,046
NET ASSETS				
Invested in capital assets, net of related debt	71,246,479	83,416,958	211,603	4,018,716
Restricted for capital projects	4,798,859	6,476,397	-	-
Unrestricted	46,685,007	28,409,764	947,152	363,346
Total net assets	\$ 122,730,345	\$ 118,303,119	\$ 1,158,755	\$ 4,382,062

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental	
Oceanside		Activities	
Small Craft		Internal	
Harbor District	Total	Service Funds	
\$ 64,757	\$ 6,330,150	\$ 621,864	
79,057	400,803	119,591	
183,841	715,856	74,014	
-	26,520,000	-	
278,443	875,054	-	
125,532	887,725	-	
-	675,000	-	
210,758	1,623,844	645,866	
-	1,725,000	-	
942,388	39,753,432	1,461,335	
-	9,690,000	-	
4,245,985	77,158,099	5,682,266	
-	24,795,000	-	
-	249,122	-	
161,965	344,888	669,928	
278,949	1,571,863	468,760	
4,686,899	113,808,972	6,820,954	
5,629,287	153,562,404	8,282,289	
5,776,677	164,670,433	6,483,539	
-	11,275,256	-	
8,451,830	84,857,099	15,282,155	
\$ 14,228,507	\$ 260,802,788	\$ 21,765,694	

(Concluded)

City of Oceanside

Statement of Revenues, Expenses, and Changes in Net Assets

Proprietary Funds

For the year ended June 30, 2004

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
OPERATING REVENUES:				
Charges for services	\$ 35,564,156	\$ 18,960,473	\$ 18,082,898	\$ 201,960
License and permits	291,173	-	-	-
Developer fees	3,377,503	3,239,506	-	-
Slip rental and other related fees	-	-	-	-
Other	22,893	257,330	-	3,818
Total operating revenues	39,255,725	22,457,309	18,082,898	205,778
OPERATING EXPENSES:				
Personal services	3,580,857	4,378,855	1,001,027	81,450
Maintenance and operations	9,007,445	10,735,184	17,194,416	150,150
Cost of purchased water	16,532,901	-	-	-
Insurance premium	-	-	-	-
Depreciation	3,312,908	3,217,791	28,451	28,143
Total operating expenses	32,434,111	18,331,830	18,223,894	259,743
OPERATING INCOME (LOSS)	6,821,614	4,125,479	(140,996)	(53,965)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	146,283	181,584	-	-
Interest expense and fiscal charges	(1,594,888)	(1,376,996)	-	-
Grants and contributions	-	-	-	850,000
Sales of surplus equipments	-	-	-	-
Gain (loss) on sale of capital assets	(3,881,765)	(27,358)	(1,339)	-
Total nonoperating revenues (expenses)	(5,330,370)	(1,222,770)	(1,339)	850,000
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,491,244	2,902,709	(142,335)	796,035
OPERATING TRANSFERS:				
Transfers in	2,630,885	4,991,176	385,758	-
Transfers out	(3,740,660)	(5,061,941)	(275,389)	-
Total operating transfers	(1,109,775)	(70,765)	110,369	-
Change in net assets	381,469	2,831,944	(31,966)	796,035
NET ASSETS:				
Beginning of the year	122,348,876	115,471,175	1,190,721	3,586,027
End of the year	<u>\$ 122,730,345</u>	<u>\$ 118,303,119</u>	<u>\$ 1,158,755</u>	<u>\$ 4,382,062</u>

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental	
Oceanside		Activities	
Small Craft		Internal	
Harbor District	Total	Service Funds	
\$ -	\$ 72,809,487	\$ 35,711,912	
-	291,173	-	
-	6,617,009	-	
4,602,401	4,602,401	-	
9,327	293,368	1,049,701	
4,611,728	84,613,438	36,761,613	
1,949,965	10,992,154	3,756,833	
1,887,308	38,974,503	15,052,615	
-	16,532,901	-	
-	-	13,826,654	
845,290	7,432,583	2,968,251	
4,682,563	73,932,141	35,604,353	
(70,835)	10,681,297	1,157,260	
17,429	345,296	-	
(201,310)	(3,173,194)	(389,720)	
2,726,913	3,576,913	-	
-	-	123,831	
(280)	(3,910,742)	(57,867)	
2,542,752	(3,161,727)	(323,756)	
2,471,917	7,519,570	833,504	
2,773	8,010,592	6,292,888	
(114,450)	(9,192,440)	(347,570)	
(111,677)	(1,181,848)	5,945,318	
2,360,240	6,337,722	6,778,822	
11,868,267	254,465,066	14,986,872	
\$ 14,228,507	\$ 260,802,788	\$ 21,765,694	

City of Oceanside
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2004

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 36,488,790	\$ 20,020,257	\$ 18,181,632	\$ 128,855
Cash payments to suppliers for goods and services	(22,462,058)	(11,409,460)	(17,085,850)	(319,242)
Cash payments to employees for services	(3,580,857)	(4,378,855)	(1,001,027)	(81,450)
Insurance premiums and settlements	-	-	-	-
Other operating revenues	3,691,569	3,496,836	-	3,818
Net cash provided (used) by operating activities	14,137,444	7,728,778	94,755	(268,019)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	2,630,885	4,991,176	385,758	-
Transfers out	(3,740,660)	(5,061,941)	(275,389)	-
Net cash provided (used) by noncapital financing activities	(1,109,775)	(70,765)	110,369	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	977,885	(11,402,024)	(46,011)	-
Sales of surplus equipments	-	-	-	-
Gain (loss) on sale of capital assets	(3,881,765)	(27,358)	(1,339)	-
Repayments of long-term borrowing	(816,594)	6,872,578	-	-
Interest paid on revenue bonds and contracts	(1,594,888)	(1,376,996)	-	-
Nonoperating grants and contributions	-	-	-	850,000
Changes in restricted assets	299,732	3,507,812	-	-
Net cash provided (used) by capital and related financing activities	(5,015,630)	(2,425,988)	(47,350)	850,000
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	146,283	181,584	-	-
Net cash provided (used) by investing activities	146,283	181,584	-	-
Net increase (decrease) in cash and cash equivalents	8,158,322	5,413,609	157,774	581,981
CASH AND CASH EQUIVALENTS:				
Beginning of year	39,750,490	22,852,370	1,921,014	-
End of year	\$ 47,908,812	\$ 28,265,979	\$ 2,078,788	\$ 581,981

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental
Oceanside		Activities
Small Craft		Internal
Harbor District	Total	Service Funds
\$ 3,872,167	\$ 78,691,701	\$ 35,711,022
(2,038,795)	(53,315,405)	-
(1,949,965)	(10,992,154)	(3,756,833)
-	-	(29,478,803)
9,327	7,201,550	1,049,701
(107,266)	21,585,692	3,525,087
2,773	8,010,592	6,292,888
(114,450)	(9,192,440)	(347,570)
(111,677)	(1,181,848)	5,945,318
(2,404,918)	(12,875,068)	(2,018,044)
-	-	123,831
(280)	(3,910,742)	(57,867)
(201,682)	5,854,302	(610,868)
(201,310)	(3,173,194)	(389,720)
2,726,913	3,576,913	-
-	3,807,544	-
(81,277)	(6,720,245)	(2,952,668)
17,429	345,296	-
17,429	345,296	-
(282,791)	14,028,895	6,517,737
8,789,683	73,313,557	10,445,507
\$ 8,506,892	\$ 87,342,452	\$ 16,963,244

(Continued)

City of Oceanside
Statement of Cash Flows
Proprietary Funds, Continued
For the year ended June 30, 2004

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 6,821,614	\$ 4,125,479	\$ (140,996)	\$ (53,965)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	3,312,908	3,217,791	28,451	28,143
Changes in assets and liabilities:				
Accounts receivable	(308,506)	34,689	98,734	(69,170)
Due from other funds	908,888	673,639	-	-
Advances to other funds	16,642	-	-	-
Prepays and other assets	424,553	257,785	-	-
Inventories	(116,943)	93,671	-	(3,935)
Accounts payable	3,425,990	(60,109)	25,934	52,786
Accrued liabilities	55,367	45,319	8,245	220
Due to other funds	(685,000)	(673,639)	-	(223,888)
Deferred revenue	25,584	-	77,943	-
Deposits	43,029	(3,000)	-	1,790
Interest payable	220,565	(22,559)	-	-
Claims and judgments	-	-	-	-
Compensated absences	(7,247)	39,712	(3,556)	-
Total adjustments	7,315,830	3,603,299	235,751	(214,054)
Net cash provided (used) by operating activities	\$ 14,137,444	\$ 7,728,778	\$ 94,755	\$ (268,019)

Major Funds		Governmental
Oceanside		Activities
Small Craft		Internal
Harbor District	Total	Service Funds
\$ (70,835)	\$ 10,681,297	\$ 1,157,260
845,290	7,432,583	2,968,251
192,750	(51,503)	-
-	1,582,527	-
-	16,642	-
(922,984)	(240,646)	-
-	(27,207)	(890)
(238,627)	3,205,974	54,797
26,049	135,200	(33,204)
-	(1,582,527)	-
30,476	134,003	-
10,620	52,439	-
(8,319)	189,687	74,014
-	-	(746,188)
28,314	57,223	51,047
(36,431)	10,904,395	2,367,827
\$ (107,266)	\$ 21,585,692	\$ 3,525,087

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FIDUCIARY FUND FINANCIAL STATEMENTS

Special Assessment District

To account for special assessment collections and their disbursement to bondholders.

Deposits

To account for deposits received and held by the City as an agent for individuals, developers, private organizations, and other governmental agencies.

CALTRANS Highway 76 Acquisition

To account for funds received and disbursed by the City, acting as agent for CALTRANS, for right-of-way property acquisition for the construction of State Highway 76.

City of Oceanside
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	<u>Total</u>
ASSETS	
Cash and investments	\$ 6,825,084
Restricted cash and investments	16,734,296
Accounts receivable	4,897
Interest receivable	58,199
Deposits	<u>67,224</u>
Total assets	<u><u>\$ 23,689,700</u></u>
LIABILITIES	
Accounts payable	\$ 601,946
Accrued liabilities	66,821
Deposits	5,355,580
Due to other governments	86,984
Due to bondholders	<u>17,578,369</u>
Total liabilities	<u><u>\$ 23,689,700</u></u>

See accompanying Notes to Basic Financial Statements.

City of Oceanside
Notes to Basic Financial Statements
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Oceanside, California, (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City was incorporated January 3, 1888, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides basic local governmental services including public safety (Police, Fire and Beach Lifeguard), maintenance and construction of public improvements, cultural, recreation, planning, zoning, and general administration. In addition, the City operates five enterprise activities: Water, Sewer, Harbor, Waste Disposal and a General Aviation Airport.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, as follows, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units:

Oceanside Community Development Commission - The Oceanside Community Development Commission (Commission) was established on July 16, 1980, and includes all activities previously performed by the Oceanside Redevelopment Agency and the Oceanside Housing Authority. The Oceanside Redevelopment Agency was originally established on February 20, 1974, pursuant to the State of California Health and Safety Code entitled "Community Redevelopment Law." Its purpose is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Oceanside Housing Authority was originally established on February 24, 1971, and dissolved April 9, 1975, due to inactivity. It was reactivated on April 9, 1980, pursuant to The State of California Health and Safety Code. This department is responsible for all assisted housing projects within the City. The operations of the Commission are reported as government funds of the City.

Oceanside Small Craft Harbor District - The Oceanside Small Craft Harbor District (Harbor District) was established on July 6, 1959, pursuant to the State of California Harbor and Navigation Code, Part 7, Section 7000 entitled "Small Craft Harbor District." Its purpose is to finance, construct, organize and operate a small craft berthing facility and leaseholds within the harbor area. The operations of the Harbor District are reported as business-type and are a proprietary fund of the City.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

Oceanside Building Authority - The Oceanside Building Authority (Authority) was established on December 1, 1966, pursuant to the State of California Government Code, Section 6506. The Authority was initially established to acquire, construct, maintain, operate and lease public safety buildings. The operations of the Authority are reported as government funds of the City.

Oceanside Public Financing Authority - The Oceanside Public Finance Authority was established January 23, 2002 under the Joint Exercise of Powers Law of the State of California (constituting Chapter 5 of Division 7 of Title 1 of the California Government Code) to assist in the financing of public capital improvements to be owned by any of its members (the City and the Commission). The operations of the Authority are reported as government funds of the City.

Complete financial statements for the above entities may be obtained from the Financial Services Department, 300 North Coast Highway, Oceanside, California 92054.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental and business-type activities for the City, the primary government, accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the Statement of Activities, internal service fund transactions have been eliminated.) However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows for all proprietary funds.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities, such as loss prevention and general services provided to the City, have been combined with the governmental activities in the government-wide financial statements.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Assets. The City's fiduciary funds represent agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are reported using the accrual basis of accounting.

C. Use of Restricted and Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the general, special revenue and capital projects funds. Unexpended and unencumbered appropriations of these governmental funds automatically lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They do not constitute expenditures or estimated liabilities.

E. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts with original maturities of three months or less to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Inventory

Inventory is recorded at cost, which approximates market, using the first-in, first-out (FIFO) method. Inventory in the General Fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual items are used. Inventories in the proprietary funds are recorded at cost, which approximates market, and include various accessories used for repair and maintenance of equipment.

G. Land Held for Resale

Land held for resale is carried at the lower of cost or market, but not greater than the net realizable value. An amount equal to the carrying value of land is reserved in fund balance because such assets are not available to finance the City's current operations.

H. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. City policy has set the capitalization threshold for reporting infrastructure at \$100,000, all other capital assets are set at \$10,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings	50-60 years
Improvements other than buildings	30-50 years
Machinery and Equipment	5-20 years
Infrastructure	15-50 years

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructures into the 2003-04 basic financial statements.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, storm drains, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Capital Assets, Continued

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

I. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Net Assets

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Assets, Continued

Government-Wide Financial Statements, Continued

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

Fund Equity – Reservations of fund balances of governmental funds and retained earnings of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

L. Compensated Absences

Government-Wide Financial Statements

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences are recorded of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds, which the City Treasurer invests to enhance interest earnings. The pooled interest earned is allocated to the funds based on average month-end cash and investment balances in these funds.

A. Deposits

The carrying amounts of the City's cash deposits were \$28,010 at June 30, 2004. Bank balances before reconciling items were \$1,140,367 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

A. Deposits, Continued

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Under the provisions of the City's investment policy, and in accordance with California Government Code, the following investments were authorized:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Bankers' Acceptances
- Commercial Paper
- Medium-Term Corporate Notes
- California Local Agency Investment Fund
- Passbook Savings Account Demand Deposits
- Repurchase Agreements
- California Arbitrage Management Program

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units.

C. Credit Risk

Governmental Accounting Standards Board Statement No. 3 requires that deposits and investments be classified by credit risk.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

C. Credit Risk, Continued

Classification of deposits and investments by credit risk:

Deposits

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Deposits which are uninsured or uncollateralized.

Investments

Category 1 - Insured or registered or securities held by the entity or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the entity's name.

Investments Not Subject to Categorization - Investments in the California Local Agency Investment Fund (LAIF) are not categorized, as GASB Statement No. 3 does not require categorization of investment pools managed by another government. Certain fiscal agent investments are not categorized because the underlying assets are open-ended mutual funds. Guaranteed investment contracts are not categorized because they are direct contractual investments and are not securities. All such investments are not required to be categorized under interpretive guidelines issued by the GASB.

D. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2004:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments					
Unrestricted	\$ 41,997,895	\$ 87,342,452	\$ 129,340,347	\$ 6,825,084	\$ 136,165,431
Restricted	75,670,672	-	75,670,672	-	75,670,672
	<u>\$ 117,668,567</u>	<u>\$ 87,342,452</u>	<u>\$ 205,011,019</u>	<u>\$ 6,825,084</u>	<u>\$ 211,836,103</u>
Cash and Investments with fiscal agent	<u>\$ 23,351,549</u>	<u>\$ 11,275,256</u>	<u>\$ 34,626,805</u>	<u>\$ 16,734,296</u>	<u>\$ 51,361,101</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

D. Summary of Cash and Investments, Continued

Cash deposits and investments were categorized as follows at June 30, 2004:

	Category		Un- categorized	Fair Value
	1	2		
City Treasury:				
Deposits:				
Deposit	\$ 28,010	\$ -	\$ -	\$ 28,010
Total deposits	28,010	-	-	28,010
Investments:				
Securities of U.S. government agencies	-	185,722,312	-	185,722,312
Local Agency Investment Funds	-	-	26,085,781	26,085,781
Total investments	-	185,722,312	26,085,781	211,808,093
Total City Treasury	28,010	185,722,312	26,085,781	211,836,103
Restricted Cash and Investments:				
Milestone Treasury Money Market Fund	-	51,361,101	-	51,361,101
Total restricted cash and investments	-	51,361,101	-	51,361,101
Total cash and investments	\$ 28,010	\$ 237,083,413	\$ 26,085,781	\$ 263,197,204

At June 30, 2004, the City had no category 3 investments.

E. Investments in Local Agency Investment Funds

The City's investments with Local Agency Investment Funds (LAIF), a State of California investment pool, at June 30, 2004, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Funds, Continued

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2004, the City had \$26,085,781 invested in LAIF, which had invested 1.603% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2004, by multiplying the account balance by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value resulting in a factor of 0.998384177.

F. Summary of Investments to Maturity

Investments held in the City Treasury grouped by maturity date at June 30, 2004, are shown below:

<u>Maturity</u>	
Current to one year	\$ 54,281,591
One to two years	50,267,328
Two to three years	91,116,163
Three to four years	15,210,708
Five years	<u>960,313</u>
Total	<u>\$ 211,836,103</u>

3. PROPERTY TAXES

Property taxes attach a legal enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of San Diego (County) bills and collects the property taxes and remits them to the City in installments during the year. City property tax revenues are recognized when an enforceable legal lien is attached to the property.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate not more than 2% per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

4. NOTES AND ASSESSMENTS RECEIVABLES

A. Government-Wide Financial Statements

The following is a summary of notes and assessments receivables at June 30, 2004:

	Government-Wide Statement of Net Assets	
	Governmental Activities	
Notes	\$	3,056,039
Assessments		-
Total	\$	3,056,039

B. Fund Financial Statements

Notes Receivable

At June 30, 2004, the City had the following notes receivable:

Housing Rehabilitation	\$	3,001,229
Low and Moderate Income Housing		54,810
Total	\$	3,056,039

The City made several housing rehabilitation and rental rehabilitation loans totaling \$3,001,229 to qualified applicants using Community Development Block Grants. The rehabilitation loans bear interest up to 3% and are repaid either by monthly payments or when there is a change of title. The rental rehabilitation loans are forgiven after a ten-year period.

The City has made loans from low and moderate income housing program funds in the amount of \$54,810 for a home buyer program.

Assessments Receivable

As of June 30, 2004, the following assessments receivable were outstanding:

1993 Special Tax Refunding Bonds	\$	415,000
1994 Oceanside Local Agency Revenue Bonds		2,325,000
Total	\$	2,740,000

In connection with the Authority's issuance of its \$6,825,000 1993 Special Tax Bonds, the Commission has \$415,000 in assessments receivable and corresponding deferred revenue. These amounts will be reduced as the principal on the bonds mature.

In connection with the Authority's issuance of its \$4,120,000 and \$974,719 Oceanside Local Agency Revenue Bonds, the Commission has \$2,325,000 in assessments receivable and corresponding deferred revenue. These amounts are reduced as the principal on the bonds mature.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Internal Balances

At June 30, 2003, the City had the following short-term interfund receivables and payables:

Internal Balances Out		Internal Balances In	
		Business-Type Activities	
	Governmental Activities	\$	464,238

Transfers

At June 30, 2004, the City had the following operating transfers:

Transfers In		Transfers Out	
		Business-Type Activities	
	Governmental Activities	\$	1,181,848

B. Fund Financial Statements

Due To, Due From

At June 30, 2004, the City had the following short-term interfund receivables and payables:

Due To		Due From			
		General	Enterprise Funds		Total
			Water	Sewer	
	Non-major Governmental Funds	\$ 448,555	\$ -	\$ -	\$ 448,555
	Enterprise Funds:				
	Water	-	15,855,000	-	15,855,000
	Sewer	-	-	10,665,000	10,665,000
	Total	\$ 448,555	\$ 15,855,000	\$ 10,665,000	\$ 26,968,555

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances

At June 30, 2004, the City had the following interfund long-term advances:

		Advances To			
		General	Redevelopment Agency Capital Projects	Enterprise Water Fund	Total
Advances From	Redevelopment Agency				
	Debt Service	\$ 6,862,856	\$ 4,466,267	\$ 713,360	\$ 12,042,483
	Enterprise Fund:				
	Special Aviation	249,122	-	-	249,122
	Total	\$ 7,111,978	\$ 4,466,267	\$ 713,360	\$ 12,291,605

The Commission entered into a loan agreement with the City to restructure unpaid loans made to the Commission in 1986 and 1989 to fund downtown redevelopment projects. The loan represents the unpaid principal portion of \$2,000,000 and \$1,443,011 of the 1986 and 1989 loans respectively and the accumulated unpaid interest on those loans. The loan is payable in years 2015 through 2025 from tax increment revenue. As of June 30, 2004 the outstanding balance of the loan was \$6,862,856.

The Low and Moderate Incoming Housing fund advanced funds to the Commission to fund redevelopment projects. The loan is payable from tax increment revenues. As of June 30, 2004 the outstanding balance of the loan was \$4,466,267.

The Water fund advanced funds to the Commission for operational purposes. As of June 30, 2004 the outstanding balance of the loan was \$713,360.

The General fund advanced funds to the Special Aviation fund for operational purposes. As of June 30, 2004 the outstanding balance of the loan was \$249,122.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Operating Transfers

At June 30, 2004, the City had the following operating transfers:

		Transfers Out																					
		Governmental Activities					Business-Type Activities																
		Redevelopment		Redevelopment	General	Non-major	Internal			Waste	Oceanside	Total											
		Agency	Agency	General	Governmental	Service			Water	Harbor													
		General	Debt Service	Capital Projects	Improvements	Funds	Funds	Water	Sewer	Water	Harbor	Total											
Transfers In	Governmental Activities:																						
	Housing Assistance																						
	Program	\$	361,638	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	361,638						
	Redevelopment																						
	Agency Debt																						
	Service		-		-	3,814,078		-		-		-		-		-	3,814,078						
	Redevelopment																						
	Agency Capital																						
	Projects		-		10,060,875		-		-		-		-		-		-	10,060,875					
	General																						
	Improvements		4,554,550		-		2,400,000		230,000		1,004,087		-		900,000		-	-	9,088,637				
	Non-major																						
	Governmental																						
Funds		194,624		-		-		564,079		601,879		-		1		-	191,200	-	1,551,783				
Internal Service																							
Funds		3,583,079		-		-		-		2,104,223		44,570		291,612		70,765	84,189	114,450	6,292,888				
Business-Type Activities:																							
Water		-		-		-		-		81,838		-		2,549,047		-	-	-	2,630,885				
Sewer		-		-		-		-		-		-		-		4,991,176	-	-	4,991,176				
Waste Water		-		-		-		-		82,758		303,000		-		-	-	-	385,758				
Oceanside Harbor		-		-		-		-		2,773		-		-		-	-	-	2,773				
Total		\$	8,693,891	\$	10,060,875	\$	6,214,078	\$	794,079	\$	3,877,558	\$	347,570	\$	3,740,660	\$	5,061,941	\$	275,389	\$	114,450	\$	39,180,491

The above transfers resulted from the normal course of the City's operation.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2004, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land	\$ 46,220,167	\$ 17,480,097	\$ 63,700,264
Construction in process	9,185,541	106,314,336	115,499,877
Total non-depreciable assets	55,405,708	123,794,433	179,200,141
Depreciable Assets:			
Buildings	60,178,337	60,632,078	120,810,415
Improvements	8,635,607	200,699,576	209,335,183
Equipment	48,709,507	2,914,253	51,623,760
Infrastructure	244,468,863	-	244,468,863
Subtotal	361,992,314	264,245,907	626,238,221
Less accumulated depreciation			
Buildings	(15,570,754)	(22,270,546)	(37,841,300)
Improvements	(2,450,384)	(84,027,168)	(86,477,552)
Equipment	(27,572,511)	(1,364,394)	(28,936,905)
Infrastructure	(108,834,612)	-	(108,834,612)
Subtotal	(154,428,261)	(107,662,108)	(262,090,369)
Total depreciable assets, net	207,564,053	156,583,799	364,147,852
Total capital assets	\$ 262,969,761	\$ 280,378,232	\$ 543,347,993

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2003	Additions	Deletions	Adjustment	Balance June 30, 2004
Non-depreciable assets:					
Land	\$ 45,569,367	\$ 650,800	\$ -	\$ -	\$ 46,220,167
Construction in progress	5,374,740	4,577,933	-	(767,132)	9,185,541
Total non-depreciable assets	50,944,107	5,228,733	-	(767,132)	55,405,708
Depreciable assets:					
Building and structures	59,411,205	-	-	767,132	60,178,337
Improvements other than buildings	8,583,880	51,727	-	-	8,635,607
Machinery and equipment	47,922,301	2,470,218	(1,683,012)	-	48,709,507
Infrastructure	232,263,043	12,205,820	-	-	244,468,863
Subtotal	348,180,429	14,727,765	(1,683,012)	767,132	361,992,314
Less accumulated depreciation:					
Building and structures	(14,102,223)	(1,468,531)	-	-	(15,570,754)
Improvements other than buildings	(2,046,881)	(403,503)	-	-	(2,450,384)
Machinery and equipment	(25,362,239)	(3,836,648)	1,626,376	-	(27,572,511)
Infrastructure	(102,515,277)	(6,319,335)	-	-	(108,834,612)
Subtotal	(144,026,620)	(12,028,017)	1,626,376	-	(154,428,261)
Total depreciable assets, net	204,153,809	2,699,748	(56,636)	767,132	207,564,053
Total governmental activities	\$ 255,097,916	\$ 7,928,481	\$ (56,636)	\$ -	\$ 262,969,761

Governmental activities depreciation expense for capital assets for the year ended June 30, 2004 was \$12,028,017.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2003	Additions	Deletions	Reclassification	Balance June 30, 2004
Non-depreciable assets:					
Land	\$ 14,818,769	\$ -	\$ (29,575)	\$ 2,690,903	\$ 17,480,097
Construction in progress	99,274,704	16,646,745	-	(9,607,113)	106,314,336
Total non-depreciable assets	114,093,473	16,646,745	(29,575)	(6,916,210)	123,794,433
Depreciable assets:					
Building and structures	64,788,735	-	(4,156,657)	-	60,632,078
Improvements other than buildings	196,041,626	-	(2,117,271)	6,775,221	200,699,576
Machinery and equipment	5,417,243	139,061	(2,783,040)	140,989	2,914,253
Subtotal	266,247,604	139,061	(9,056,968)	6,916,210	264,245,907
Less accumulated depreciation:					
Building and structures	(21,744,670)	(1,317,920)	792,044	-	(22,270,546)
Improvements other than buildings	(79,769,431)	(5,887,565)	1,629,828	-	(84,027,168)
Machinery and equipment	(3,891,229)	(227,098)	2,753,933	-	(1,364,394)
Subtotal	(105,405,330)	(7,432,583)	5,175,805	-	(107,662,108)
Total depreciable assets, net	160,842,274	(7,293,522)	(3,881,163)	6,916,210	156,583,799
Total business-type activities	\$ 274,935,747	\$ 9,353,223	\$ (3,910,738)	\$ -	\$ 280,378,232

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2004 are as follows:

Water	\$ 3,312,908
Sewer	3,217,791
Waste Disposal	28,451
Special Aviation	28,143
Oceanside Small Craft Harbor District	845,290
Total depreciation expenses	\$ 7,432,583

B. Fund Financial Statements

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

7. LAND AND BUILDINGS HELD FOR RESALE

Land and buildings held for resale comprised the following at June 30, 2004:

Governmental Activities:	
Capital Projects Fund:	
Redevelopment Agency	<u>\$ 10,242,993</u>

Land and buildings held for resale are recorded in the Redevelopment Agency Capital Projects Fund at the lower of cost or market, but not greater than net realizable value. The available fund balance is reserved in an amount equal to the carrying value of land and buildings held for resale because such assets are not available to finance current operations. The amount recorded as assets held for resale and the corresponding fund balance reserved as of June 30, 2004, was \$10,242,993.

8. LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

Summary of changes in governmental activities long-term debt for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
Bonds payable	\$ 42,745,000	\$ -	\$ 25,540,000	\$ (8,065,000)	\$ 60,220,000	\$ 1,205,000	\$ 59,015,000
Certificates of Participation	65,950,000	-	-	(2,365,000)	63,585,000	2,475,000	61,110,000
Capital leases payable	6,939,000	-	-	(610,868)	6,328,132	645,866	5,682,266
Notes payable	-	1,500,000	-	(215,000)	1,285,000	215,000	1,070,000
Special assessment debt with government commitment	3,440,000	-	-	(700,000)	2,740,000	980,000	1,760,000
Subtotal	<u>119,074,000</u>	<u>1,500,000</u>	<u>25,540,000</u>	<u>(11,955,868)</u>	<u>134,158,132</u>	<u>5,520,866</u>	<u>128,637,266</u>
Claims payable	8,756,227	-	1,842,991	(2,358,628)	8,240,590	1,514,132	6,726,458
Compensated absences	7,117,347	-	6,108,427	(5,757,534)	7,468,240	1,399,896	6,068,344
Total	<u>\$ 134,947,574</u>	<u>\$ 1,500,000</u>	<u>\$ 33,491,418</u>	<u>\$ (20,072,030)</u>	<u>\$ 149,866,962</u>	<u>\$ 8,434,894</u>	<u>\$ 141,432,068</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable

Bonds payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
1993 Tax Allocation Refunding Bonds	\$ 7,725,000	\$ -	\$ (7,725,000)	\$ -	\$ -	\$ -
1994 Tax Allocation Refunding Bonds	12,990,000	-	(175,000)	12,815,000	185,000	12,630,000
2002 Tax Allocation Refunding Bonds	22,030,000	-	(165,000)	21,865,000	540,000	21,325,000
2003 Tax Allocation Refunding Bonds	-	7,740,000	-	7,740,000	405,000	7,335,000
Subordinate 2003 Tax Allocation Bonds	-	17,800,000	-	17,800,000	75,000	17,725,000
Total	\$ 42,745,000	\$ 25,540,000	\$ (8,065,000)	\$ 60,220,000	\$ 1,205,000	\$ 59,015,000

1. 1993 Tax Allocation Refunding Bonds - Original Issue \$9,500,000

The bonds were issued to refund the Commission's Downtown Redevelopment Project 1987 Tax Allocation Refunding Bonds and are secured by tax revenues received by the Commission. The bonds consist of serial bonds that mature annually through 2008, in amounts ranging from \$130,000 to \$395,000 and term bonds that mature on September 1, 2018. Interest rates vary from 4.0% to a maximum of 6.1% and are payable semiannually on March 1 and September 1. The bonds maturing on or before September 1, 2002, are not subject to optional redemption prior to their stated maturities. Bonds maturing on or after September 1, 2003, are subject to redemption in whole or in part on any interest payment date. Redemption includes a premium of 2% commencing on September 1, 2004, and reduced by 1% on each September 1 thereafter. At June 30, 2004, the bonds were refunded by 2003 Tax Allocation Refunding Bonds.

2. 1994 Tax Allocation Refunding Bonds - Original Issue \$14,935,000

The 1994 Tax Allocation Refunding Bonds were issued by the Association of Bay Area Governments to refund certain tax allocation bonds issued by redevelopment agencies or local public financing authorities within the State of California. The portion allocated to the City was used to refund the 1987 Tax Allocation Refunding Bonds which were used for the Downtown Redevelopment Project Area, to refund a loan from the State Coastal Conservancy, and to use the remainder of the funds for various redevelopment projects.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

2. 1994 Tax Allocation Refunding Bonds - Original Issue \$14,935,000, Continued

The bonds mature annually through 2025, in amounts ranging from \$480,000 to \$1,695,000. Interest rates vary from 4.0% to a maximum of 6.2% and are payable semiannually on March 1 and September 1. The bonds maturing on or before December 15, 2003, are not subject to call and redemption prior to their stated maturities. Bonds maturing on or after December 15, 2004, are subject to call and redemption in whole or in part on any interest payment date. Redemption includes a premium of 2% commencing on December 15, 2005, and reduced by 0.5% on each December 15 thereafter. At June 30, 2004, the outstanding balance of these bonds was \$12,815,000.

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 185,000	\$ 863,703	\$ 1,048,703
2006	190,000	852,453	1,042,453
2007	200,000	840,497	1,040,497
2008	215,000	827,547	1,042,547
2009	225,000	813,685	1,038,685
2010-2014	1,350,000	3,820,089	5,170,089
2015-2019	1,780,000	3,297,464	5,077,464
2020-2024	6,975,000	1,845,383	8,820,383
2025	1,695,000	58,318	1,753,318
Total	\$ 12,815,000	\$ 13,219,139	\$ 26,034,139

3. 2002 Tax Allocation Refunding Bonds - Original Issue \$22,030,000

The 2002 Tax Allocation Refunding Bonds were issued to finance the Commission's projects in the Downtown Redevelopment Project pursuant to the Redevelopment Plan, to provide for fund reserves, and pay for the costs of the bond issuance.

The bonds mature annually through 2020, in amounts ranging from \$165,000 to \$1,240,000. Interest rates vary from 3.0% to a maximum of 5.5% and are payable semi-annually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. At June 30, 2004, the outstanding balance of these bonds was \$21,865,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

3. 2002 Tax Allocation Refunding Bonds - Original Issue \$22,030,000, Continued

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 540,000	\$ 1,133,100	\$ 1,673,100
2006	610,000	1,112,594	1,722,594
2007	630,000	1,088,938	1,718,938
2008	655,000	1,062,419	1,717,419
2009	685,000	1,033,088	1,718,088
2010-2014	3,940,000	4,629,232	8,569,232
2015-2019	5,040,000	3,486,731	8,526,731
2020-2024	6,575,000	1,897,851	8,472,851
2025-2026	3,190,000	186,013	3,376,013
Total	\$ 21,865,000	\$ 15,629,966	\$ 37,494,966

4. 2003 Tax Allocation Refunding Bonds - Original Issue \$7,740,000

The 2003 Tax Allocation Refunding Bonds were issued to defease the Commission's outstanding \$7,725,000 Downtown Redevelopment Project, 1993 Tax Allocation Refunding Bonds, to acquire a municipal bond issuance policy and to pay costs of issuance.

The bonds mature annually through 2019, in amounts ranging from \$405,000 to \$670,000. Interest rates vary from 2.0% to a maximum of 4.0% and are payable semi-annually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. At June 30, 2004, the outstanding balance of these bonds was \$7,740,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

4. 2003 Tax Allocation Refunding Bonds - Original Issue \$7,740,000, Continued

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 405,000	\$ 276,332	\$ 681,332
2006	415,000	254,076	669,076
2007	425,000	244,613	669,613
2008	435,000	232,775	667,775
2009	450,000	219,500	669,500
2010-2014	2,520,000	842,213	3,362,213
2015-2019	3,090,000	315,564	3,405,564
Total	\$ 7,740,000	\$ 2,385,073	\$ 10,125,073

5. Subordinate 2003 Tax Allocation Bonds - Original Issue \$17,800,000

The Subordinate 2003 Tax Allocation Bonds were issued to finance the Commission's undertakings in the Downtown Redevelopment Project pursuant to the Redevelopment Plan, to fund a reserve account, to pay costs of issuance and to fund capitalized interest on the 2003 Escrow Term Bonds.

The bonds mature annually through 2026, in amounts ranging from \$75,000 to \$1,425,000. Interest rates vary from 2.0% to a maximum of 5.2% and are payable semi-annually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. At June 30, 2004, the outstanding balance of these bonds was \$17,800,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

5. Subordinate 2003 Tax Allocation Bonds - Original Issue \$17,800,000, Continued

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 75,000	\$ 810,919	\$ 885,919
2006	105,000	940,034	1,045,034
2007	110,000	937,609	1,047,609
2008	570,000	922,761	1,492,761
2009	595,000	894,939	1,489,939
2010-2014	3,435,000	3,995,931	7,430,931
2015-2019	4,395,000	3,007,944	7,402,944
2020-2024	5,740,000	1,631,524	7,371,524
2025-2026	2,775,000	159,344	2,934,344
Total	\$ 17,800,000	\$ 13,301,005	\$ 31,101,005

Certificates of Participation

Certificates of participation payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
2003 Certificates of Participation	\$ 25,185,000	\$ -	\$ (950,000)	\$ 24,235,000	\$ 975,000	\$ 23,260,000
1994 Certificates of Participation	2,365,000	-	(135,000)	2,230,000	145,000	2,085,000
1995 Refunding Certificates of Participation	28,280,000	-	(1,035,000)	27,245,000	1,090,000	26,155,000
1998 Certificates of Participation	10,120,000	-	(245,000)	9,875,000	265,000	9,610,000
Total	\$ 65,950,000	\$ -	\$ (2,365,000)	\$ 63,585,000	\$ 2,475,000	\$ 61,110,000

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

1. 2003 Certificates of Participation - Original Issue \$25,185,000

The 2003 Certificates of Participation were issued by the Oceanside Public Financing Authority to refinance \$24,510,000 outstanding 1993 Series A Refunding Certificates of Participation. The City has entered into an agreement with the Authority to lease certain facilities and projects from the Authority at an amount necessary to meet the annual debt service and related costs.

The certificates are due in annual installments of \$950,000 to \$1,770,000 through 2023. Interest rates range from 4.5% to 5.2% and are payable semi-annually on September 15 and March 15. At June 30, 2004, the outstanding balance of these certificates was \$24,235,000.

The annual debt service requirements on these certificates are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 975,000	\$ 1,194,503	\$ 2,169,503
2006	1,000,000	1,165,253	2,165,253
2007	1,035,000	1,135,253	2,170,253
2008	1,080,000	1,093,853	2,173,853
2009	1,135,000	1,039,853	2,174,853
2010-2014	6,560,000	4,293,015	10,853,015
2015-2019	8,180,000	2,416,925	10,596,925
2020-2023	4,270,000	569,400	4,839,400
Total	\$ 24,235,000	\$ 12,908,055	\$ 37,143,055

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

2. 1994 Certificates of Participation - Original Issue \$3,215,000

The 1994 Certificates of Participation were issued by the Authority for the purposes of reimbursing the City for the payment of the costs of acquisition of the street lighting facilities and finance the construction of additional street lighting facilities. The certificates consist of \$2,010,000 in serial certificates and term certificates in the amount of \$1,205,000. The serial certificates are due in annual installments of \$70,000 to \$200,000 through 2009 with interest rates ranging from 4.2% to 6.6%. The term certificates are due on September 1, 2014, at a price of 98.364% with an interest rate of 6.7%. Serial certificates maturing on or before 2005 are not subject to optional redemption prior to maturity. Certificates maturing on or after September 1, 2006, are subject to redemption in whole or in part on September 2005 and each interest date thereafter. At June 30, 2004, the outstanding balance of these certificates was \$2,230,000.

The annual debt service requirements on these certificates are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 145,000	\$ 141,588	\$ 286,588
2006	155,000	132,360	287,360
2007	165,000	122,358	287,358
2008	175,000	111,560	286,560
2009	185,000	99,948	284,948
2010-2014	1,130,000	290,680	1,420,680
2015	275,000	9,213	284,213
Total	\$ 2,230,000	\$ 907,707	\$ 3,137,707

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

3. 1995 Refunding Certificates of Participation - Original Issue \$34,300,000

The 1995 Refunding Certificates of Participation were issued by the Commission to refund the 1991 Refunding Certificates of Participation, which was used for the City's Civic Center Project. The certificates consist of serial certificates in the amount of \$14,555,000 due in annual installments of \$750,000 to \$1,430,000, and term certificates of \$10,515,000 and \$9,230,000 due August 1, 2015 and 2019, respectively. Interest rates range from 4% to 6.07% and is payable semiannually on February 1 and August 1. Certificates maturing before August 1, 2015, are not subject to redemption prior to maturity. Certificates maturing on or after August 1, 2015, are subject to redemption prior to maturity on August 1, 2005, and each interest payment date thereafter. At June 30, 2004, the outstanding balance of these certificates was \$27,245,000.

The annual debt service requirements on these certificates are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 1,090,000	\$ 1,469,153	\$ 2,559,153
2006	1,145,000	1,411,588	2,556,588
2007	1,210,000	1,349,753	2,559,753
2008	1,275,000	1,283,263	2,558,263
2009	1,350,000	1,208,338	2,558,338
2010-2014	8,030,000	4,753,576	12,783,576
2015-2019	10,655,000	2,132,827	12,787,827
2020	2,490,000	65,363	2,555,363
Total	\$ 27,245,000	\$ 13,673,861	\$ 40,918,861

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

4. 1998 Certificates of Participation - Original Issue \$10,750,000

The 1998 Certificates of Participation are issued by the Authority for the purpose of reimbursing the City for the costs of acquisition of certain real property and improvements to be used as police and library facilities. The certificates are due in annual installments of \$195,000 to \$875,000 through 2022. Interest rates range from 4.5% to 5.2% and are payable semiannually on June 1 and December 1. Certificates maturing on or after December 1, 2008, are subject to redemption in whole or in part on December 1, 2007, and each interest date thereafter. At June 30, 2004, the outstanding balance of these certificates was \$9,875,000.

The annual debt service requirements on these certificates are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 265,000	\$ 487,303	\$ 752,303
2006	285,000	474,785	759,785
2007	305,000	461,215	766,215
2008	325,000	446,725	771,725
2009	350,000	431,025	781,025
2010-2014	2,155,000	1,871,228	4,026,228
2014-2019	3,000,000	1,232,803	4,232,803
2020-2023	3,190,000	344,760	3,534,760
Total	\$ 9,875,000	\$ 5,749,844	\$ 15,624,844

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Capital Lease Obligations

Capital lease obligations payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
San Diego County Regional Communications System	\$ 2,553,946	\$ -	\$ (225,490)	\$ 2,328,456	\$ 238,230	\$ 2,090,226
Motorola 800 MHz Radio	4,385,054	-	(385,377)	3,999,677	407,606	3,592,071
Total	\$ 6,939,000	\$ -	\$ (610,867)	\$ 6,328,133	\$ 645,836	\$ 5,682,297

1. San Diego County Regional Communications System

In January 2003, the City entered into a capital lease agreement for the San Diego County Regional Communications System. The lease is payable in annual installments of \$369,788 through February 2012 with an interest rate of 17.7%. At June 30, 2004, the outstanding balance of the capital lease was \$2,328,456.

The annual capital lease payments on this capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 238,230	\$ 131,558	\$ 369,788
2006	251,690	118,098	369,788
2007	265,911	103,877	369,788
2008	280,935	88,853	369,788
2009	296,808	72,980	369,788
2010-2014	994,882	114,481	1,109,363
Total	\$ 2,328,456	\$ 629,847	\$ 2,958,303

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Capital Lease Obligations, Continued

2. Motorola 800 MHz Radio

In May 2002, the City acquired a new Motorola 800 MHz Radio under a capital lease agreement payable in annual installments of \$637,987 through June 2012. The interest rate is 5.76%. At June 30, 2004, the outstanding balance of the capital lease was \$3,999,677.

The annual capital lease payments on this capital lease are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 407,606	\$ 230,381	\$ 637,987
2006	431,084	206,903	637,987
2007	455,915	182,073	637,988
2008	482,175	155,812	637,987
2009	509,949	128,039	637,988
2010-2012	1,712,948	201,014	1,913,962
Total	\$ 3,999,677	\$ 1,104,222	\$ 5,103,899

Notes Payable

Notes payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Prior Period Adjustments	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
HUD 108 Loans	\$ -	\$ 1,500,000	\$ -	\$ (215,000)	\$ 1,285,000	\$ 215,000	\$ 1,070,000
Total	\$ -	\$ 1,500,000	\$ -	\$ (215,000)	\$ 1,285,000	\$ 215,000	\$ 1,070,000

1. HUD 108 Loans - Original issue \$1,500,000

In July 2001, the City entered into a contract with the U.S. Department of Housing and Urban Development for the Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. §5308 for Series HUD 2002-A Certificates. The loans are due in annual installment of \$215,000. Interest rates vary from 3.15% to 4.43% and are payable on February 1 and August 1. At June 30, 2004, the outstanding balance of the loans was \$1,285,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Notes Payable, Continued

1. HUD 108 Loans - Original issue \$1,500,000, Continued

The annual debt service requirements on these loans are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 215,000	\$ 42,800	\$ 257,800
2006	215,000	37,049	252,049
2007	215,000	30,126	245,126
2008	215,000	22,332	237,332
2009	215,000	13,775	228,775
2010	210,000	4,652	214,652
Total	\$ 1,285,000	\$ 150,734	\$ 1,435,734

Special Assessment Debt with City Commitment

Special Assessment Debt with City Commitment at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within One Year	Due in More Than One Year
1993 Community Facilities District No.1 Special Tax Revenue Bonds	\$ 800,000	\$ -	\$ (385,000)	\$ 415,000	\$ 415,000	\$ -
1994 Assessment District Refinancing Revenue Bonds	2,350,000	-	(275,000)	2,075,000	315,000	1,760,000
1994 Assessment District Refinancing Subordinated Revenue Bonds	290,000	-	(40,000)	250,000	250,000	-
Total	\$ 3,440,000	\$ -	\$ (700,000)	\$ 2,740,000	\$ 980,000	\$ 1,760,000

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Special Assessment Debt with City Commitment, Continued

1. 1993 Community Facilities District No.1 Special Tax Revenue Bonds – Original Issue \$6,825,000

The bonds were issued pursuant to Mello-Roos Community Facilities Act of 1982 to refinance and purchase the existing City of Oceanside Community Facilities District No. 1 (Williams Ranch) bonds. The bonds are term bonds due on November 1, 2004, and bear an interest rate of 7.75%. Interest is payable semiannually on May 1 and November 1. The bonds are subject to mandatory redemption on November 1 in each year in authorized denominations. At June 30, 2004, the outstanding balance of these bonds was \$415,000.

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 415,000	\$ 16,081	\$ 431,081
Total	\$ 415,000	\$ 16,081	\$ 431,081

2. 1994 Assessment District Refinancing Local Agency Revenue Bonds – Original Issue \$4,120,000

The bonds were issued pursuant to an Indenture of Trust for the Series, dated as of January 1, 1994, for the purpose of enabling the Authority to acquire certain limited obligation refunding bonds proceeds of which were used to refinance outstanding limited obligation improvement bonds for the City Improvement District No. 1-1989 (Morro Hills Updated). The bonds are series A bonds and are due in annual installments of \$180,000 to \$405,000. Interest rates range from 3.6% to 5.9% and are payable semiannually on March 2 and September 2. At June 30, 2004, the outstanding balance of these bonds was \$2,075,000.

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 315,000	\$ 109,220	\$ 424,220
2006	310,000	5	310,005
2007	330,000	73,525	403,525
2008	355,000	54,385	409,385
2009	380,000	33,446	413,446
2010	385,000	11,261	396,261
Total	\$ 2,075,000	\$ 281,842	\$ 2,356,842

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Special Assessment Debt with Government Commitment, Continued

3. 1994 Assessment District Refinancing Local Agency Subordinated Revenue Bonds – Original Issue \$974,719

The bonds were issued pursuant to an Indenture of Trust for the Series, dated as of January 1, 1994, for the purpose of enabling the Authority to acquire certain limited obligation refunding bonds proceeds of which were used to refinance outstanding limited obligation improvement bonds for the City Improvement District No. 1-1989 (Morro Hills Updated). The bonds are series B bonds and are due in annual installments of \$35,000 to 45,000. Interest rates range from 3.6% to 5.9% and are payable semiannually on March 2 and September 2. At June 30, 2004, the outstanding balance of these bonds was \$250,000.

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2004	\$ 250,000	\$ 13,760	\$ 263,760
Total	\$ 250,000	\$ 13,760	\$ 263,760

Claims Payable

Claims payable have been accrued. Amounts determined to be debts of either the business-type and proprietary funds have been recorded as liabilities in those funds. There is no fixed payment schedule to pay these liabilities. Total amount of claims payable for the governmental activities at June 30, 2004, was \$8,240,590.

Compensated Absences

The City's liability for vested and unpaid compensated absences (accrued vacation and sick pay) in the governmental activities has been accrued and amounts to \$7,486,240 at June 30, 2004.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds

Summary of changes in long-term debt of business-type and proprietary funds for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
Bonds payable	\$ 11,015,000	\$ -	\$ (650,000)	\$ 10,365,000	\$ 675,000	\$ 9,690,000
Certificates of participation	26,935,000	-	(415,000)	26,520,000	1,725,000	24,795,000
Notes payable	71,862,641	8,653,095	(1,733,793)	78,781,943	1,623,844	77,158,099
Total	\$ 109,812,641	\$ 8,653,095	\$ (2,798,793)	\$ 115,666,943	\$ 4,023,844	\$ 111,643,099

Bonds Payable

Bonds payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
1998 Water Revenue						
Refunding Bonds	\$ 11,015,000	\$ -	\$ (650,000)	\$ 10,365,000	\$ 675,000	\$ 9,690,000
Total	\$ 11,015,000	\$ -	\$ (650,000)	\$ 10,365,000	\$ 675,000	\$ 9,690,000

1. 1998 Water Revenue Refunding Bonds - Original Issue \$11,445,000

The bonds were issued to refund a portion of the outstanding 1992 Series A Certificates of Participation, which were originally used to finance the acquisition, expansion, construction and improvement of certain water facilities within the City. The bonds are due in annual installments of \$25,000 to \$965,000 through 2017. Interest rates range from 3.5% to 5.0% and are payable semiannually on April 1 and October 1. At June 30, 2004, the outstanding balance of these bonds was \$10,365,000.

The annual debt service requirements on these bonds are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 675,000	\$ 461,949	\$ 1,136,949
2006	575,000	436,661	1,011,661
2007	590,000	412,631	1,002,631
2008	620,000	387,214	1,007,214
2009	640,000	360,279	1,000,279
2010-2014	3,665,000	1,331,936	4,996,936
2015-2018	3,600,000	368,144	3,968,144
Total	\$ 10,365,000	\$ 3,758,814	\$ 14,123,814

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Certificates of Participation

Certificates of Participation payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within One Year	Due in More Than One Year
Revenue Certificates of Participation (1993 Water Refunding) Series 2003	\$ 15,855,000	\$ -	\$ -	\$ 15,855,000	\$ 1,260,000	\$ 14,595,000
Revenue Certificates of Participation (1993 Wastewater Refunding) Series 2003	11,080,000	-	(415,000)	10,665,000	465,000	10,200,000
Total	\$ 26,935,000	\$ -	\$ (415,000)	\$ 26,520,000	\$ 1,725,000	\$ 24,795,000

1. Revenue Certificates of Participation (1993 Water System Refunding Project) Series 2003 – Original Issue \$15,855,000

The 2003 Revenue Certificates of Participation were issued by the Oceanside Public Financing Authority (Authority) to refinance \$14,835,000 outstanding 1993 Water System Refunding Plan Certificates of Participation. The City has entered into an installment sale agreement with the Authority which provides for the payment by the City from the pledged revenues derived from the operation of the water system equivalent to the principal and interest on the certificates and related costs. Annual payments of \$540,000 to \$1,430,000 will be made through August 1, 2021; interest ranges from 2.00% to 4.13%. At June 30, 2004, the outstanding balance of these certificates was \$15,855,000.

The annual debt service requirements on these certificates are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 1,260,000	\$ 532,163	\$ 1,792,163
2006	1,285,000	506,712	1,791,712
2007	1,325,000	467,363	1,792,363
2008	1,375,000	413,362	1,788,362
2009	1,430,000	357,263	1,787,263
2010-2014	3,740,000	1,320,751	5,060,751
2015-2019	3,205,000	784,368	3,989,368
2020-2022	2,235,000	140,318	2,375,318
Total	\$ 15,855,000	\$ 4,522,300	\$ 20,377,300

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Certificates of Participation, Continued

2. Revenue Certificates of Participation (1993 Wastewater System Refunding Project) Series 2003 - Original Issue \$11,080,000

The 2003 Revenue Certificates of Participation were issued by the Oceanside Public Financing Authority to refinance \$10,960,000 outstanding 1993 Wastewater System Refunding Plan Certificates of Participation. The City has entered into an installment sale agreement with the Authority which provides for the payment by the City from the pledged revenues derived from the operation of the sewer system equivalent to the principal and interest on the certificates and related costs. Annual payments of \$415,000 to \$865,000 will be made through May 1, 2021; interest ranges from 2.25% to 5.00%. At June 30, 2004, the outstanding balance of these certificates was \$10,665,000.

The annual debt service requirements on these certificates are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	465,000	441,625	906,625
2006	475,000	430,000	905,000
2007	495,000	415,750	910,750
2008	505,000	400,900	905,900
2009	520,000	385,750	905,750
2010-2014	2,930,000	1,612,550	4,542,550
2015-2019	3,585,000	956,050	4,541,050
2020-2021	1,690,000	127,750	1,817,750
Total	\$ 10,665,000	\$ 4,770,375	\$ 15,435,375

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Notes Payable

Notes payable at June 30, 2004, consisted of the following:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
State of California Water Supply Project	\$ 166,594	\$ -	\$ (166,594)	\$ -	\$ -	\$ -
State revolving loan	26,421,578	8,653,095	-	35,074,673	-	35,074,673
State Water Resources Control Board	7,136,044	-	(465,517)	6,670,527	478,086	6,192,441
Department of Boating and Waterways	4,658,425	-	(201,682)	4,456,743	210,758	4,245,985
1998 Wateruse Purchase Contract	33,480,000	-	(900,000)	32,580,000	935,000	31,645,000
Total	\$ 71,862,641	\$ 8,653,095	\$ (1,733,793)	\$ 78,781,943	\$ 1,623,844	\$ 77,158,099

1. State of California Water Supply Project - Original Issue \$4,412,030

This loan is made by the State of California to the City to assist in financing a new local water supply project. Loan funds may be used only for such eligible projects as follows: site work, demolition of the San Luis Rey Waste Water Treatment Facility and other construction activities. At June 30, 2004, the outstanding balance off the notes was paid off entirely.

2. State Water Resource Control Board Loan for the San Luis Rey Wastewater Treatment Plan Interim Expansion - Original Issue \$26,421,578

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$60,000,000 to fund the San Luis Rey Wastewater Treatment Plant generally consisting of upgrades to control odors and improve process performance. The loan is due in installments of \$2,926,499 commencing in May 2005 through 2024. The loan is interest free. At June 30, 2004, the outstanding balance of these notes was \$35,074,673. Debt service schedule will be determined after completion of project.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Notes Payable, Continued

3. State Water Resources Control Board- Original Issue \$9,204,539

This loan is a State Revolving Loan Fund Program contract between the State Water Resources Control Board and the City with a maximum loan amount of \$9,861,068 to fund the San Luis Rey Wastewater Treatment Plant generally consisting of upgrades to control odors and improve process performance. The loan is due in installments of \$117,893 to \$658,191 commencing 1997 through 2015. The interest rate is 2.7% payable annually on November 1. At June 30, 2004, the outstanding balance of this note was \$6,670,527.

The annual debt service requirements on this note are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2005	\$ 478,086	\$ 180,104	\$ 658,190
2006	490,995	167,196	658,191
2007	504,252	153,939	658,191
2008	517,866	140,324	658,190
2009	531,849	126,342	658,191
2010-2014	2,882,556	408,398	3,290,954
2015-2016	1,264,923	51,457	1,316,380
Total	\$ 6,670,527	\$ 1,227,760	\$ 7,898,287

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Notes Payable, Continued

4. Department of Boating and Waterways

The Department of Boating and Waterways has loaned the District as follows:

	Amount Outstanding at June 30, 2004
1984 Loan Payable	
Due in annual installments of \$64,490 through 2015 including interest of 4.5% per annum	\$ 588,057
1986 Loan Payable	
Due in annual installments of \$230,778 through 2017 including interest of 4.5% per annum	2,359,202
1991 Loan Payable	
Due in annual installments of \$116,043 through 2023 including interest of 4.5% per annum	1,509,484
Total loans payable	\$ 4,456,743

5. 2000 Wateruse Finance Authority Installment Purchase Contract - Original Issue \$55,785,000

This installment purchase contract was issued to finance the acquisition, construction and expansion of the City's San Luis Rey Wastewater Treatment Facility. The interest on the purchase contract is variable; annual principal payments range from \$1,340,000 to \$3,010,000 through 2028. At June 30, 2004, the outstanding balance of this note was \$32,580,000.

The annual principal payment requirements on this purchase contract are as follows:

For the Years Ending June 30,	Principal
2005	\$ 935,000
2006	960,000
2007	990,000
2008	1,020,000
2009	1,055,000
2010-2014	5,785,000
2015-2019	6,765,000
2020-2024	7,890,000
2025-2028	7,180,000
Total	\$ 32,580,000

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Claims Payable

The City reported claims payable for workers' compensation liabilities in the business-type and proprietary funds that incurred the loss. General liability claims and the short-term portion of workers' compensation liabilities that were incurred were reported in governmental funds. Claims payable at June 30, 2004, were recorded in the following funds:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
Business-Type Activities:						
Water	\$ 81,344	\$ -	\$ -	\$ 81,344	\$ 16,269	\$ 65,075
Sewer	101,579	-	-	101,579	20,316	81,263
Oceanside Small Craft Harbor District	161,965	-	-	161,965	32,393	129,572
Total	\$ 344,888	\$ -	\$ -	\$ 344,888	\$ 68,978	\$ 275,910

Compensated Absences

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the fund as the benefits vest and are earned. At June 30, 2004, compensated absences in the proprietary funds types were as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004	Due within one year	Due in more than one year
Business-Type Activities:						
Water	\$ 524,656	\$ -	\$ (7,247)	\$ 517,409	\$ 103,482	\$ 413,927
Sewer	632,381	39,712	-	672,093	134,419	537,674
Waste Disposal	106,968	-	(3,556)	103,412	20,682	82,730
Oceanside Small Craft Harbor District	250,635	28,314	-	278,949	55,790	223,159
Total	\$ 1,514,640	\$ 68,026	\$ (10,803)	\$ 1,571,863	\$ 314,373	\$ 1,257,490

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

C. Debt Without City Commitment - Mortgage Revenue Bonds and Special District Bonds

The following Mortgage Revenue and Special District Bonds bearing the City's name were issued to finance redevelopment projects; however, neither the faith and credit nor the general taxing power of the City or Commission have been pledged to the payment of the bonds. Furthermore, neither the City nor the Commission has any obligation for the payment of the bonds in the case of default. Therefore, none of the following obligations were included in the accompanying basic financial statements.

Issue	Issuing Agency	Date of Issue	Amount of Issue	Outstanding at June 30, 2004
1985 Multi-Family Housing Revenue Bonds	City of Oceanside	March 1, 1996	\$ 6,000,000	\$ 6,000,000
	City of Oceanside	December 1, 1996	29,430,000	2,899,166
1990 Residential Mortgage Revenue Bonds	City of Oceanside	July 1, 1990	21,000,000	16,370,000
City of Oceanside Assessment District No 4-1988 (Mission Square)	City of Oceanside	May 1, 1994	320,830	205,000
1994 Multi-Family Housing Revenue Refunding Bonds Lakeridge	City of Oceanside	December 1, 1994	43,240,000	43,240,000
2001 Multi-Family Rental Housing Refunding Revenue Bonds Vista Del Oro	City of Oceanside	March 1, 2001	13,325,000	1,325,000
Trendwest CFD 2001-2 Owners Participation Agreement	City of Oceanside		1,500,000	1,255,000
Ocean Ranch CFD 2000-1 Ocean Ranch Corporate Centre	City of Oceanside	December 30, 2002	12,265,000	12,265,000
Morro Hills CFD 2001-1 Special Tax Bonds Series A of 2002	City of Oceanside	November 14, 2002	9,915,000	9,900,000
Morro Hills CFD 2004 Improvement Area #1	City of Oceanside	February 1, 2004	11,000,000	11,000,000

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

8. LONG-TERM DEBT, Continued

D. Defeasance of Debt

During 2004, the City issued new debt to defease, or partially defease, existing debt. A summary of the transaction is as follows:

- In September 2003, the City issued \$7,740,000 in Tax Allocation Bonds to refund the 1993 Tax Allocation Refunding Bonds. The amount of the total outstanding principal refunded was \$7,725,000. A summary of the sources and uses of funds, cash flow and economic gain are as follows:

Sources and Uses of Funds:

Sources of Funds:

Principal amount of certificates	\$ 7,740,000
Net premium	133,424
1993 DSRF release	932
City payment of 9/1/03 P & I	523,040
Total Sources of Funds	\$ 8,397,396

Uses of Funds:

Deposit to refunding escrow	\$ 8,099,039
Deposit to delivery costs fund	298,357
Total Uses of Funds	\$ 8,397,396

Cash Flows:

Debt Service 1993 TABs	Debt Service 2003 TABs	Reduction (Increase) of Debt Service	Present Value of Reduction (Increase) of Debt Service @ 3.62%
\$ 11,580,935	\$ 10,272,287	\$ 1,308,648	\$ 991,925

Economic Gain:

Present Value of Reduction (Increase) of Debt Service	\$ 991,925
Plus Refunding Funds on Hand	1,711
Less Prior Funds on Hand	(932)
Net Present Value of Economic Gain	\$ 992,704

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2004, the following funds had deficit fund balances. The City has implemented plans to eliminate these deficits.

Fund Name	Deficit Fund Balance
Special Revenue Fund:	
Community Development Block Grant	\$ (1,209)

B. Excess of Expenditures over Appropriations

At June 30, 2004, there were funds with immaterial excess of expenditures over appropriations. The City has implemented plans to eliminate these excess expenditures.

10. RISK MANAGEMENT

The City is a member of the San Diego Pooled Insurance Program Authority (SANDPIPA) which provides general liability insurance. As a member, the City carries a self-insured retention of \$250,000 and is insured through SANDPIPA from \$250,000 to \$2,000,000. In addition, SANDPIPA has purchased excess insurance coverage from \$2,000,000 to \$28,000,000 for all of its members, including the City. There have been no significant changes in insurance coverage during the current year and settlements have not exceeded coverage in each of the past three fiscal years.

The workers' compensation and general and auto liability claims payable of \$8,585,478 reported at June 30, 2004, are based on the requirements of GASB 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. Changes in the claims liability amounts were as follows:

Year Ended June 30,	Claims Payable July 1,	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30,
2003	\$ 5,585,498	\$ 7,412,204	\$ (3,896,587)	\$ 9,101,115
2004	9,101,115	2,617,867	(3,133,504)	8,585,478

SANDPIPA is a joint powers agency of twelve cities located within San Diego County. Each city has equal representation on the Board of Directors, which consists of a city staff member (and an alternate) appointed by each City Council. The Board of Directors has total responsibility for all actions of SANDPIPA.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

10. RISK MANAGEMENT, Continued

The Board of Directors elects three members (including a President and Vice-President) to the Executive Committee, which has the responsibility for overseeing all operations of SANDPIPA, including preparation and submission of the annual operating budget to the Board of Directors for its approval and modification, if deemed necessary.

Annual premiums and assessments are approved by the Board of Directors and are adjusted each year based on each City's share of:

- Incurred losses
- Such losses and other expenses as a proportion of all cities' such losses
- The contribution to reserves, including reserves for incurred-but-not-reported (IBNR) losses
- Costs to purchase excess insurance
- Costs to purchase any additional coverage

The following represents summary audited financial information of SANDPIPA for the fiscal year ended June 30, 2004, which is the most current information available:

Total assets	<u>\$ 20,113,336</u>
Total liabilities	<u>\$ 10,725,092</u>
Fund equity	<u>\$ 9,388,246</u>
Total revenues	<u>\$ 4,512,292</u>
Total expenses	<u>\$ 6,522,748</u>
Net increase in fund equity	<u>\$ (2,010,456)</u>

Detailed financial information may be obtained from SANDPIPA.

If and when SANDPIPA is dissolved, the remaining assets, after all premiums and assessments have been paid and final disposition of all claims has been determined, will be distributed to members proportionate to each city's cash contributions made during the life of SANDPIPA. Until dissolution, however, no city has identifiable equity in SANDPIPA.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

11. RETIREMENT PLANS

Pension Plan

Plan Description - The City 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 statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$3,851,045 for the year ended June 30, 2004. The City employer is required to contribute for fiscal year 2003-2004 at an actuarially determined rate of 0.000% and 21.869% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For fiscal year 2003-2004, the City's annual pension cost of \$4,065,349 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases range from 3.75% to 14.45% for miscellaneous and 3.75% to 13.15% for safety employees, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2003, was 30 years for both miscellaneous and safety employees.

THREE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 1,835,598	100%	\$ -
6/30/03	2,497,765	100%	-
6/30/04	4,065,349	100%	-

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2004

12. CONTINGENT LIABILITIES

The City is involved in certain matters of litigation that have arisen in the normal course of conducting City business. City management believes, based upon consultation with the City Attorney, that these cases, in the aggregate, are not expected to result in a material adverse financial impact on the City. Additionally, City management believes that the City's insurance programs are sufficient to cover any potential losses should an unfavorable outcome be realized.

13. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The City recorded the following prior period adjustments to correct prior year transactions regarding Land and Buildings Held for Resale, the unrecorded Long-Term Debt liabilities, and GASB Statement No. 34 adjustments on deferred revenue. Accordingly, the net assets as of July 1, 2003, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments			Net Assets as Restated
		Land and Building Held for Resale	Long-Term Debt	Deferred Revenues	
Governmental Activities:					
Net assets	\$ 234,867,570	\$ 1,688,920	\$ (1,500,000)	\$ 2,914,386	\$ 237,970,876
Total governmental activities	<u>\$ 234,867,570</u>	<u>\$ 1,688,920</u>	<u>\$ (1,500,000)</u>	<u>\$ 2,914,386</u>	<u>\$ 237,970,876</u>

B. Fund Financial Statements

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets, as restated
Governmental Fund Activities:			
Redevelopment Agency Capital Projects	\$ 14,809,301	\$ 1,688,920	\$ 16,498,221
Total governmental fund activities	<u>\$ 14,809,301</u>	<u>\$ 1,688,920</u>	<u>\$ 16,498,221</u>

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REQUIRED SUPPLEMENTARY INFORMATION

City of Oceanside
Required Supplementary Information
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING

The City's procedures in establishing the budgetary data are as follows:

- During May, The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at City Council meetings to obtain taxpayer comments prior to and after May.
- Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.

The City Manager is authorized to transfer funds appropriated within the same department. Revisions that alter the total appropriations of any department or fund must be approved by the City Council.

Budgets are adopted for the general, special revenue and capital project funds on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted and as further amended by the City Council. All annual appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the governmental fund types other than the debt service funds. Expenditures may not legally exceed appropriations at the activity level.

City of Oceanside
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

General Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 36,690,099	\$ 36,690,099	\$ 36,690,099	\$ -
Resources (inflows):				
Taxes	43,392,474	43,392,474	45,628,197	2,235,723
Licenses and permits	2,382,961	2,502,961	2,622,799	119,838
Intergovernmental	10,331,640	10,215,275	8,716,472	(1,498,803)
Charges for services	8,704,434	8,834,434	10,028,192	1,193,758
Fines and penalties	2,840,759	2,840,759	2,957,821	117,062
Interest and rentals	3,541,891	3,541,891	2,430,241	(1,111,650)
Administrative and in lieu charges	10,055,050	10,055,050	9,792,530	(262,520)
Other	1,706,868	1,716,868	1,849,070	132,202
Amount available for appropriation	82,956,077	83,099,712	84,025,322	925,610
Charges to appropriations (outflows):				
General government	11,897,603	12,104,447	10,872,422	1,232,025
Public safety	46,709,268	46,739,328	48,507,139	(1,767,811)
Public works	7,774,813	7,778,089	7,850,833	(72,744)
Community development	3,893,222	4,273,222	3,951,937	321,285
Community/cultural services	9,381,263	9,431,252	9,020,301	410,951
Transfers out	1,853,355	7,365,465	8,693,891	(1,328,426)
Total charges to appropriations	81,509,524	87,691,803	88,896,523	(1,204,720)
Excess of resources over (under) charges to appropriations	1,446,553	(4,592,091)	(4,871,201)	(279,110)
Fund balance, June 30	\$ 38,136,652	\$ 32,098,008	\$ 31,818,898	\$ (279,110)

City of Oceanside
Required Supplementary Information, Continued
For the year ended June 30, 2004

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Housing Assistance Program Special Revenue Fund

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 4,981,334	\$ 4,981,334	\$ 4,981,334	\$ -
Resources (inflows):				
Licenses and permits	117,500	117,500	124,419	6,919
Fines and penalties	-	-	47	47
Investments earnings	68,050	68,050	48,161	(19,889)
Intergovernmental revenue	12,612,002	12,984,574	12,919,724	(64,850)
Charges for services	193,370	193,370	233,856	40,486
Other revenues	262,861	262,861	37,271	(225,590)
Transfers in	434,755	434,755	361,638	(73,117)
Amount available for appropriation	13,688,538	14,061,110	13,725,116	(335,994)
Charges to appropriations (outflows):				
Community development	13,868,154	14,273,541	13,948,523	325,018
Total charges to appropriations	13,868,154	14,273,541	13,948,523	325,018
Excess of resources over (under) charges to appropriations	(179,616)	(212,431)	(223,407)	(10,976)
Fund balance, June 30	\$ 4,801,718	\$ 4,768,903	\$ 4,757,927	\$ (10,976)

City of Oceanside
Required Supplementary Information, Continued
For the year ended June 30, 2004

PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Excess Assets	Funded Ratio	Covered Payroll	Actuarial Excess Assets as Percentage of Covered Payroll
6/30/2001	\$ 145,717,080	\$ 112,889,754	\$ 32,827,326	129.1%	\$ 27,269,384	120.4%
6/30/2002	138,737,210	121,461,707	17,275,503	114.2%	28,511,002	60.6%
6/30/2003	140,537,410	139,865,749	671,661	100.5%	29,980,229	2.2%

Safety Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Actuarial Unfunded Liability Percentage of Covered Payroll
6/30/2001	\$ 164,763,252	\$ 166,246,122	\$ (1,482,870)	99.1%	\$ 17,271,814	(8.6)%
6/30/2002	154,011,001	176,760,496	(22,749,495)	87.1%	17,018,685	(133.7)%
6/30/2003	156,226,597	187,671,157	(31,444,560)	83.2%	17,487,366	(179.8)%

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Asset Seizure:

To account for funds received as a result of seizure of assets from those convicted of violations of drug laws. Funds are used to enhance law enforcement services and activities.

Library:

To account for grant revenues and purchases of books. The fund is required by Section 18951 of the California Education Code.

Gas Tax:

To account for the maintenance and capital improvements associated with motor vehicle travel. Financing is provided primarily from the City's share of State gasoline taxes.

Community Development Block Grant:

To account for funds received from the Federal Government for use on federally approved projects.

Recreation:

To account for the operation of the City's special recreation programs.

Maintenance Districts:

To account for street lighting and landscape maintenance services. Financing is provided by service charges to benefiting properties.

Strategic Traffic Offender Program (STOP):

To account for funds received from the impoundment of vehicles under California Vehicle Code Section 22651 (h)(1), (h)(2), (o)(1), (p), 22655.3 (a) & (b), 14602.6 (a), and 14607.6 (a).

Grants:

To account for funds received from federal, state, and county governments for use on approved projects.

DEBT SERVICE FUNDS:

Oceanside Public Financing Authority:

Accounts for payment of interest and principal on debt of the Public Financing Authority.

Oceanside Bridge Corporation:

Accounts for payment of interest and principal on the certificates of participation of the Oceanside Bridge Corporation.

Oceanside Building Authority:

Accounts for payment of interest and principal on the certificates of participation and revenue bonds of the Oceanside Building Authority.

CAPITAL PROJECTS FUND:

Oceanside Building Authority:

To account for the use of proceeds from the sale of Certificates of Participation issued to fund various City projects.

City of Oceanside
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2004

	Special Revenue					
	Asset Seizure	Library	Gas Tax	Community Development Block Grant	Recreation	Maintenance Districts
ASSETS						
Cash and investments	\$ 145,033	\$ 27,857	\$ 6,662,476	\$ 109,240	\$ 717,799	\$ 1,495,615
Restricted cash and investments	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Accounts	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Taxes	-	-	297,823	-	-	-
Other	-	-	-	-	-	32,777
Due from other governments	-	-	-	448,555	-	-
Prepaid items	-	-	-	-	-	-
Total assets	\$ 145,033	\$ 27,857	\$ 6,960,299	\$ 557,795	\$ 717,799	\$ 1,528,392
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 27,857	\$ 284,343	\$ 107,270	\$ 18,957	\$ 140,579
Accrued liabilities	-	-	42,849	2,171	6,333	-
Deposits	-	-	-	1,008	-	-
Due to other funds	-	-	-	448,555	-	-
Deferred revenue	-	-	54,723	-	130,801	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	-	27,857	381,915	559,004	156,091	140,579
Fund Balances:						
Reserved:						
Debt service	-	-	-	-	-	-
Unreserved designated for:						
Unrealized gains on investments	-	-	-	-	-	-
Unreserved, undesignated:						
Special revenue funds	145,033	-	6,578,384	(1,209)	561,708	1,387,813
Capital project funds	-	-	-	-	-	-
Total fund balances	145,033	-	6,578,384	(1,209)	561,708	1,387,813
Total liabilities and fund balances	\$ 145,033	\$ 27,857	\$ 6,960,299	\$ 557,795	\$ 717,799	\$ 1,528,392

Special Revenue		Debt Service			Capital Projects	Total
Stop	Grants	Oceanside Public Financing Authority	Oceanside Bridge Corporation	Oceanside Building Authority	Oceanside Building Authority	Other Governmental Funds
\$ 873,554	\$ 407,855	\$ 1,921,788	\$ -	\$ 1,454,517	\$ -	\$ 13,815,734
-	-	2,176,251	-	670,763	-	2,847,014
-	794,129	-	-	36,092	-	830,221
-	-	-	-	86	-	86
-	-	-	-	2,740,000	-	2,740,000
-	-	-	-	-	-	297,823
-	-	-	-	6,136	-	38,913
-	645,314	-	-	-	-	1,093,869
-	13,308	-	-	-	-	13,308
<u>\$ 873,554</u>	<u>\$ 1,860,606</u>	<u>\$ 4,098,039</u>	<u>\$ -</u>	<u>\$ 4,907,594</u>	<u>\$ -</u>	<u>\$ 21,676,968</u>
\$ 51	\$ 116,980	\$ -	\$ -	\$ -	\$ -	696,037
13,156	11,407	-	-	-	-	75,916
-	-	-	-	-	-	1,008
-	-	-	-	-	-	448,555
-	545,818	-	-	2,740,000	-	3,471,342
-	-	-	-	-	-	-
<u>13,207</u>	<u>674,205</u>	<u>-</u>	<u>-</u>	<u>2,740,000</u>	<u>-</u>	<u>4,692,858</u>
-	-	4,098,039	-	2,167,594	-	6,265,633
-	-	-	-	-	-	-
860,347	1,186,401	-	-	-	-	10,718,477
-	-	-	-	-	-	-
<u>860,347</u>	<u>1,186,401</u>	<u>4,098,039</u>	<u>-</u>	<u>2,167,594</u>	<u>-</u>	<u>16,984,110</u>
<u>\$ 873,554</u>	<u>\$ 1,860,606</u>	<u>\$ 4,098,039</u>	<u>\$ -</u>	<u>\$ 4,907,594</u>	<u>\$ -</u>	<u>\$ 21,676,968</u>

City of Oceanside

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Non-Major Governmental Funds

For the year ended June 30, 2004

	Special Revenue					
	Asset Seizure	Library	Gas Tax	Community Development Block Grant	Recreation	Maintenance Districts
REVENUES:						
Special assessments	\$ -	\$ -	\$ 591,298	\$ -	\$ -	\$ 2,327,903
Intergovernmental	56,114	77,215	3,815,174	1,483,046	-	-
Charges for services	-	100,931	-	-	704,943	-
Fines and forfeitures	-	-	-	-	-	-
Lease revenue	-	-	-	-	-	-
Interest and rental	3,509	-	30,356	-	49,703	23,944
Developer fees	-	-	119,016	-	-	-
Other	-	39,484	83,752	-	25,793	39,456
Total revenues	59,623	217,630	4,639,596	1,483,046	780,439	2,391,303
EXPENDITURES:						
Current:						
General government	-	-	-	346,682	-	-
Public safety	39,123	-	-	-	-	-
Public works	-	-	1,869,643	-	-	2,252,608
Community development	-	-	-	500,537	-	-
Community/cultural services	-	491,214	-	50,600	611,109	-
Capital outlay	-	-	4,222,228	323,280	-	-
Debt service:						
Principal	-	-	-	215,000	-	-
Interest	-	-	-	47,218	-	-
Total expenditures	39,123	491,214	6,091,871	1,483,317	611,109	2,252,608
REVENUES OVER (UNDER) EXPENDITURES	20,500	(273,584)	(1,452,275)	(271)	169,330	138,695
OTHER FINANCING SOURCES (USES):						
Proceeds from long-term debt	-	-	-	-	-	-
Transfers in	-	194,625	191,200	-	931	270,000
Transfers out	-	-	(964,842)	-	-	(301,433)
Total other financing sources (uses)	-	194,625	(773,642)	-	931	(31,433)
NET CHANGES IN FUND BALANCES	20,500	(78,959)	(2,225,917)	(271)	170,261	107,262
FUND BALANCES:						
Beginning of year	124,533	78,959	8,804,301	(938)	391,447	1,280,551
End of year	\$ 145,033	\$ -	\$ 6,578,384	\$ (1,209)	\$ 561,708	\$ 1,387,813

Special Revenue		Debt Service			Capital Projects	Total
Stop	Grants	Oceanside Public Financing Authority	Oceanside Bridge Corporation	Oceanside Building Authority	Oceanside Building Authority	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,086,376	\$ -	\$ 4,005,577
-	5,471,076	-	-	-	-	10,902,625
-	-	-	-	-	-	805,874
439,972	-	-	-	-	-	439,972
-	-	2,024,719	-	168,577	-	2,193,296
1,915	327,770	5,549	-	7,311	18	450,075
-	-	-	-	-	-	119,016
1,000	20,351	-	-	-	-	209,836
442,887	5,819,197	2,030,268	-	1,262,264	18	19,126,271
-	-	-	-	21,524	-	368,206
438,658	1,322,425	-	-	-	-	1,800,206
-	224,169	-	-	-	-	4,346,420
-	971,221	-	-	-	-	1,471,758
-	260,448	-	-	-	-	1,413,371
-	-	-	-	-	-	4,545,508
-	-	950,000	-	1,080,000	-	2,245,000
-	-	1,226,326	-	853,350	-	2,126,894
438,658	2,778,263	2,176,326	-	1,954,874	-	18,317,363
4,229	3,040,934	(146,058)	-	(692,610)	18	808,908
-	-	-	-	-	-	-
-	-	41,896	-	853,131	-	1,551,783
-	(2,569,387)	-	-	(6,620)	(35,276)	(3,877,558)
-	(2,569,387)	41,896	-	846,511	(35,276)	(2,325,775)
4,229	471,547	(104,162)	-	153,901	(35,258)	(1,516,867)
856,118	714,854	4,202,201	-	2,013,693	35,258	18,500,977
\$ 860,347	\$ 1,186,401	\$ 4,098,039	\$ -	\$ 2,167,594	\$ -	\$ 16,984,110

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Redevelopment Agency Capital Projects Fund For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 16,498,221	\$ 16,498,221	\$ 16,498,221	\$ -
Resources (inflows):				
Taxes	5,150,000	5,477,000	5,951,208	474,208
Interest and rentals	215,000	145,000	72,255	(72,745)
Developer fees	50,000	50,000	187,886	137,886
Other	-	-	500	500
Transfer in	925,285	1,145,285	10,060,875	8,915,590
Amount available for appropriation	6,340,285	6,817,285	16,272,724	9,455,439
Charges to appropriations (outflows):				
Community development	1,143,319	911,319	699,523	211,796
Capital outlay	578,011	1,290,011	2,880,124	(1,590,113)
Transfer out	-	3,922,488	6,214,078	(2,291,590)
Total charges to appropriations	1,721,330	6,123,818	9,793,725	(3,669,907)
Excess of resources over (under) charges to appropriations	4,618,955	693,467	6,478,999	13,125,346
Fund balance, June 30	\$ 21,117,176	\$ 17,191,688	\$ 22,977,220	\$ 13,125,346

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Improvement Capital Projects Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 30,324,322	\$ 30,324,322	\$ 30,324,322	\$ -
Resources (inflows):				
Intergovernmental	18,291,514	18,231,514	1,858,897	(16,372,617)
Interest and rentals	1,285,198	1,285,198	410,278	(874,920)
Developer fees	4,549,653	4,594,653	7,888,984	3,294,331
Other	-	-	99,075	99,075
Transfer in	2,126,000	10,982,381	9,088,637	(1,893,744)
Amount available for appropriation	26,252,365	35,093,746	19,345,871	(15,747,875)
Charges to appropriations (outflows):				
Public works	1,193,131	1,193,131	299,824	893,307
Community/cultural services	316,673	66,556	127,157	(60,601)
Capital outlay	31,015,690	39,295,633	17,521,126	21,774,507
Transfer out	577,701	807,701	794,079	13,622
Total charges to appropriations	33,103,195	41,363,021	18,742,186	22,620,835
Excess of resources over (under) charges to appropriations	(6,850,830)	(6,269,275)	603,685	6,872,960
Fund balance, June 30	\$ 23,473,492	\$ 24,055,047	\$ 30,928,007	\$ 6,872,960

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Asset Seizure Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 124,533	\$ 124,533	\$ 124,533	\$ -
Resources (inflows):				
Intergovernmental	60,000	60,000	56,114	(3,886)
Interest and rental	-	-	3,509	3,509
Amount available for appropriation	60,000	60,000	59,623	(377)
Charges to appropriations (outflows):				
Public safety	-	-	39,123	(39,123)
Total charges to appropriations	-	-	39,123	(39,123)
Excess of resources over (under) charges to appropriations	60,000	60,000	20,500	(39,500)
Fund balance, June 30	\$ 184,533	\$ 184,533	\$ 145,033	\$ (39,500)

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Library Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 78,959	\$ 78,959	\$ 78,959	\$ -
Resources (inflows):				
Intergovernmental	143,910	400	77,215	76,815
Charge for services	68,500	98,914	100,931	2,017
Other	39,960	39,960	39,484	(476)
Transfers in	192,600	230,535	194,625	(35,910)
Amount available for appropriation	444,970	369,809	412,255	42,446
Charges to appropriations (outflows):				
Community/cultural services	407,135	511,569	491,214	20,355
Total charges to appropriations	407,135	511,569	491,214	20,355
Excess of resources over (under) charges to appropriations	37,835	(141,760)	(78,959)	62,801
Fund balance, June 30	\$ 116,794	\$ (62,801)	\$ -	\$ 62,801

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 8,804,301	\$ 8,804,301	\$ 8,804,301	\$ -
Resources (inflows):				
Special assessments	3,170,000	3,170,000	591,298	(2,578,702)
Intergovernmental	4,001,735	5,277,891	3,815,174	(1,462,717)
Interest and rentals	483,733	483,733	30,356	(453,377)
Developers fees	266,000	266,000	119,016	(146,984)
Other	-	-	83,752	83,752
Transfers in	-	300,000	191,200	(108,800)
Amount available for appropriation	7,921,468	9,497,624	4,830,796	(4,666,828)
Charges to appropriations (outflows):				
Public works	2,034,283	2,043,107	1,869,643	173,464
Capital outlay	9,845,984	11,712,140	4,222,228	7,489,912
Transfers out	270,000	883,130	964,842	(81,712)
Total charges to appropriations	12,150,267	14,638,377	7,056,713	7,581,664
Excess of resources over (under) charges to appropriations	(4,228,799)	(5,140,753)	(2,225,917)	2,914,836
Fund balance, June 30	\$ 4,575,502	\$ 3,663,548	\$ 6,578,384	\$ 2,914,836

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Community Development Block Grant Special Revenue Fund For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ (938)	\$ (938)	\$ (938)	\$ -
Resources (inflows):				
Intergovernmental	2,245,000	2,646,892	1,483,046	(1,163,846)
Amount available for appropriation	2,245,000	2,646,892	1,483,046	(1,163,846)
Charges to appropriations (outflows):				
General government	292,124	436,373	346,682	89,691
Community development	1,231,419	1,290,104	500,537	789,567
Community/cultural services	50,600	50,600	50,600	-
Capital outlay	670,857	869,814	323,280	546,534
Debt service:				
Principal	-	-	215,000	(215,000)
Interest	-	-	47,218	(47,218)
Total charges to appropriations	2,245,000	2,646,891	1,483,317	1,163,574
Excess of resources over (under) charges to appropriations	-	1	(271)	(272)
Fund balance, June 30	\$ (938)	\$ (937)	\$ (1,209)	\$ (272)

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Recreation Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 391,447	\$ 391,447	\$ 391,447	\$ -
Resources (inflows):				
Charges for services	644,890	644,890	704,943	60,053
Interest and rentals	54,000	54,000	49,703	(4,297)
Other	800	800	25,793	24,993
Transfers in	-	-	931	931
Amount available for appropriation	699,690	699,690	781,370	81,680
Charges to appropriations (outflows):				
Community/cultural services	693,284	925,675	611,109	314,566
Total charges to appropriations	693,284	925,675	611,109	314,566
Excess of resources over (under) charges to appropriations	6,406	(225,985)	170,261	396,246
Fund balance, June 30	\$ 397,853	\$ 165,462	\$ 561,708	\$ 396,246

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Maintenance Districts Special Revenue Fund For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 1,280,551	\$ 1,280,551	\$ 1,280,551	\$ -
Resources (inflows):				
Special assessments	2,300,349	2,300,349	2,327,903	27,554
Interest and rentals	25,362	25,362	23,944	(1,418)
Other	20,000	20,000	39,456	19,456
Transfers in	270,000	270,000	270,000	-
Amount available for appropriation	2,615,711	2,615,711	2,661,303	45,592
Charges to appropriations (outflows):				
Public works	2,377,097	2,587,097	2,252,608	334,489
Transfers out	288,060	288,060	301,433	(13,373)
Total charges to appropriations	2,665,157	2,875,157	2,554,041	321,116
Excess of resources over (under) charges to appropriations	(49,446)	(259,446)	107,262	366,708
Fund balance, June 30	\$ 1,231,105	\$ 1,021,105	\$ 1,387,813	\$ 366,708

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Stop Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 856,118	\$ 856,118	\$ 856,118	\$ -
Resources (inflows):				
Fines and forfeitures	308,523	308,523	439,972	131,449
Interest and rentals	-	-	1,915	1,915
Interest and rentals	-	-	1,000	1,000
Amount available for appropriation	308,523	308,523	442,887	134,364
Charges to appropriations (outflows):				
Public safety	429,810	504,810	438,658	66,152
Total charges to appropriations	429,810	504,810	438,658	66,152
Excess of resources over (under) charges to appropriations	(121,287)	(196,287)	4,229	200,516
Fund balance, June 30	\$ 734,831	\$ 659,831	\$ 860,347	\$ 200,516

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Grants Special Revenue Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 714,854	\$ 714,854	\$ 714,854	\$ -
Resources (inflows):				
Intergovernmental	2,934,845	6,058,770	5,471,076	(587,694)
Interest and rental	-	23,061	327,770	304,709
Other	44,625	51,482	20,351	(31,131)
Transfers in	-	-	-	-
Amount available for appropriation	2,979,470	6,133,313	5,819,197	(314,116)
Charges to appropriations (outflows):				
Public safety	1,247,418	2,008,282	1,322,425	685,857
Public works	203,251	537,114	224,169	312,945
Community development	878,137	1,053,832	971,221	82,611
Community/ cultural services	368,648	501,412	260,448	240,964
Capital outlay	-	238,500	-	238,500
Transfers out	-	2,159,096	2,569,387	(410,291)
Total charges to appropriations	2,697,454	6,498,236	5,347,650	1,150,586
Excess of resources over (under) charges to appropriations	282,016	(364,923)	471,547	836,470
Fund balance, June 30	\$ 996,870	\$ 349,931	\$ 1,186,401	\$ 836,470

City of Oceanside

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Oceanside Building Authority Capital Projects Fund

For the year ended June 30, 2004

	Budgeted Amounts		Actual	Positive (Negative) Variance with Final Budget
	Original	Final	Amounts	
Fund balance, July 1	\$ 35,258	\$ 35,258	\$ 35,258	\$ -
Resources (inflows):				
Interest and rental	-	-	18	18
Amount available for appropriation	-	-	18	18
Charges to appropriations (outflows):				
Transfers out	-	-	35,276	
Total charges to appropriations	-	-	35,276	(35,276)
Excess of resources over (under) charges to appropriations	-	-	(35,258)	(35,258)
Fund balance, June 30	\$ 35,258	\$ 35,258	\$ -	\$ (35,258)

INTERNAL SERVICE FUNDS

Loss Prevention

To account for the costs of the City's risk management and self-insurance programs. Funds are provided primarily from charges to programs and projects.

General Services

To account for the costs of maintenance of automotive equipment, City buildings, and the costs of operating central data processing operations. Funds are provided from charges to programs and projects.

City of Oceanside
Combining Statement of Net Assets
All Internal Service Funds
June 30, 2004

	Loss Prevention	General Services	Total
ASSETS			
Cash and investments	\$ 10,087,051	\$ 6,876,193	\$ 16,963,244
Inventory, at cost	-	273,068	273,068
Property, plant and equipment:			
Machinery and equipment	21,302	25,703,415	25,724,717
Less accumulated depreciation	(17,679)	(12,895,367)	(12,913,046)
Total property, plant and equipment	3,623	12,808,048	12,811,671
Total assets	10,090,674	19,957,309	30,047,983
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	11,297	610,567	621,864
Accrued liabilities	18,326	101,265	119,591
Interest payable	-	74,014	74,014
Loans payable within one year	-	645,866	645,866
Total current liabilities (payable from current assets)	29,623	1,431,712	1,461,335
Long-term debt excluding current installments:			
Loans payable	-	5,682,266	5,682,266
Claims and judgments payable	669,928	-	669,928
Compensated absences	73,891	394,869	468,760
Total long-term debt	743,819	6,077,135	6,820,954
Total liabilities	773,442	7,508,847	8,282,289
NET ASSETS			
Invested in capital assets, net of related debt	3,623	6,479,916	6,483,539
Unrestricted	9,313,609	5,968,546	15,282,155
Total net assets	\$ 9,317,232	\$ 12,448,462	\$ 21,765,694

City of Oceanside

Combining Statement of Revenues, Expenses and Changes in Net Assets

All Internal Service Funds

For the year ended June 30, 2004

	Loss Prevention	General Services	Total
OPERATING REVENUES:			
Charges for services	\$ 20,111,238	\$ 15,600,674	\$ 35,711,912
Other	648,835	400,866	1,049,701
Total operating revenues	20,760,073	16,001,540	36,761,613
OPERATING EXPENSES:			
Personal services	578,268	3,178,565	3,756,833
Maintenance and operations	4,373,658	10,678,957	15,052,615
Insurance premiums	13,826,654	-	13,826,654
Depreciation	4,927	2,963,324	2,968,251
Total operating expenses	18,783,507	16,820,846	35,604,353
OPERATING INCOME (LOSS)	1,976,566	(819,306)	1,157,260
NONOPERATING REVENUES (EXPENSES):			
Interest expense and fiscal charges	-	(389,720)	(389,720)
Sale of Surplus Equipment	-	123,831	123,831
Gain (loss) on sale of capital assets	-	(57,867)	(57,867)
Total nonoperating revenues (expenses)	-	(323,756)	(323,756)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,976,566	(1,143,062)	833,504
TRANSFERS:			
Transfers in	2,000,000	4,292,888	6,292,888
Transfers out	-	(347,570)	(347,570)
Total transfers	2,000,000	3,945,318	5,945,318
Net income (loss)	3,976,566	2,802,256	6,778,822
NET ASSETS:			
Beginning of the year	5,340,666	9,646,206	14,986,872
End of the year	\$ 9,317,232	\$ 12,448,462	\$ 21,765,694

City of Oceanside
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2004

	Loss Prevention	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 20,111,238	\$ 15,599,784	\$ 35,711,022
Cash payments to employees for services	(578,268)	(3,178,565)	(3,756,833)
Insurance premiums and settlements	(18,967,813)	(10,510,990)	(29,478,803)
Other operating revenues	648,835	400,866	1,049,701
Net cash provided (used) by operating activities	1,213,992	2,311,095	3,525,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	2,000,000	4,292,888	6,292,888
Transfers out	-	(347,570)	(347,570)
Total cash provided (used) by noncapital financing activities	2,000,000	3,945,318	5,945,318
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of fixed assets	-	(2,018,044)	(2,018,044)
Sales on surplus property	-	123,831	123,831
Gain (loss) on sale of capital assets	-	(57,867)	(57,867)
Repayments of long-term borrowing	-	(610,868)	(610,868)
Interest expense and fiscal charges	-	(389,720)	(389,720)
Total cash provided (used) by capital and related financing activities	-	(2,952,668)	(2,952,668)
Net increase (decrease) in cash	3,213,992	3,303,745	6,517,737
CASH AND INVESTMENTS:			
Beginning of year	6,873,059	3,572,448	10,445,507
End of year	\$ 10,087,051	\$ 6,876,193	\$ 16,963,244
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,976,566	\$ (819,306)	\$ 1,157,260
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	4,927	2,963,324	2,968,251
Changes in assets and liabilities:			
Inventories	-	(890)	(890)
Accounts payable	(34,769)	89,566	54,797
Accrued liabilities	4,667	(37,871)	(33,204)
Interest payable	-	74,014	74,014
Claims and judgments	(746,188)	-	(746,188)
Compensated absences	8,789	42,258	51,047
Total cash provided (used) by operating activities	\$ 1,213,992	\$ 2,311,095	\$ 3,525,087

FIDUCIARY FUND FINANCIAL STATEMENTS

Special Assessment District

To account for special assessment collections and their disbursement to bondholders.

Deposits

To account for deposits received and held by the City as an agent for individuals, developers, private organizations, and other governmental agencies.

CALTRANS Highway 76 Acquisition

To account for funds received and disbursed by the City, acting as agent for CALTRANS, for right-of-way property acquisition for the construction of State Highway 76.

City of Oceanside
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Special Assessment District	Deposits	CALTRANS Highway 76 Acquisition	Total
ASSETS				
Cash and investments	\$ 1,305,521	\$ 4,887,722	\$ 631,841	\$ 6,825,084
Restricted cash and investments	16,734,296	-	-	16,734,296
Accounts receivable	-	4,897	-	4,897
Interest receivable	58,199	-	-	58,199
Deposits	-	67,224	-	67,224
Total assets	\$ 18,098,016	\$ 4,959,843	\$ 631,841	\$ 23,689,700
LIABILITIES				
Accounts payable	\$ 519,647	\$ 82,299	\$ -	\$ 601,946
Accrued liabilities	-	66,821	-	66,821
Deposits	-	4,723,739	631,841	5,355,580
Due to other governments	-	86,984	-	86,984
Due to bondholders	17,578,369	-	-	17,578,369
Total liabilities	\$ 18,098,016	\$ 4,959,843	\$ 631,841	\$ 23,689,700

City of Oceanside
Statement of Changes in Net Assets
Fiduciary Funds
For the year ended June 30, 2004

	Balance July 1, 2003	Net Changes in Net Assets	Balance June 30, 2004
<u>Special Assessment District</u>			
Assets:			
Cash and investments	\$ 16,278,605	\$ (14,973,084)	\$ 1,305,521
Restricted cash and investments	-	16,734,296	16,734,296
Accounts receivable	1,500,019	(1,500,019)	-
Interest receivable	-	58,199	58,199
Total assets	\$ 17,778,624	\$ 319,392	\$ 18,098,016
Liabilities:			
Accounts payable	\$ 185,000	\$ 334,647	\$ 519,647
Due to bondholders	17,593,624	(15,255)	17,578,369
Total liabilities	\$ 17,778,624	\$ 319,392	\$ 18,098,016
<u>Deposits</u>			
Assets:			
Cash and investments	\$ 4,564,651	\$ 323,071	\$ 4,887,722
Accounts receivable	5,769	(872)	4,897
Deposits	-	67,224	67,224
Total assets	\$ 4,570,420	\$ 389,423	\$ 4,959,843
Liabilities:			
Accounts payable	\$ 4,570,420	\$ (4,488,121)	\$ 82,299
Accrued liabilities	-	66,821	66,821
Deposits	-	4,723,739	4,723,739
Due to other governments	-	86,984	86,984
Total liabilities	\$ 4,570,420	\$ 389,423	\$ 4,959,843
<u>CALTRANS Highway 76 Acquisition</u>			
Assets:			
Cash and investments	\$ 91,156	\$ 540,685	\$ 631,841
Liabilities:			
Deposits	\$ 91,156	\$ 540,685	\$ 631,841
<u>Total - All Agency Funds</u>			
Assets:			
Cash and investments	\$ 20,934,412	\$ (14,109,328)	\$ 6,825,084
Restricted cash and investments	-	16,734,296	16,734,296
Accounts receivable	1,505,788	(1,500,891)	4,897
Interest receivable	-	58,199	58,199
Deposits	-	67,224	67,224
Total assets	\$ 22,440,200	\$ 1,249,500	\$ 23,689,700
Liabilities:			
Accounts payable	\$ 4,755,420	\$ (4,153,474)	\$ 601,946
Accrued liabilities	-	66,821	66,821
Deposits	91,156	5,264,424	5,355,580
Due to other governments	-	86,984	86,984
Due to bondholders	17,593,624	(15,255)	17,578,369
Total liabilities	\$ 22,440,200	\$ 1,249,500	\$ 23,689,700

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**CAPITAL ASSETS USED IN THE OPERATING
OF GOVERNMENTAL FUNDS**

City of Oceanside

Capital Assets Used in the Operation of Governmental Funds

Schedule By Source*

June 30, 2004

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 46,220,167
Buildings, structures and improvements other than buildings	68,813,944
Machinery and equipment	22,984,790
Infrastructure	244,468,863
Construction in progress	9,185,541
Total governmental funds capital assets	391,673,305
Accumulated depreciation	(141,515,214)
Total governmental funds capital assets, net	\$ 250,158,091

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 828,266
Federal grants	5,822,604
General fund revenues	30,255,118
Special revenue funds revenues	1,699,010
Capital projects funds revenues	210,591,892
Special assessments	847,600
Enterprise funds revenues	113,601
Total governmental funds capital assets	\$ 250,158,091

* This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts.

City of Oceanside

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets - By Function and Activity

For the year ended June 30, 2004

	Capital Assets July 1, 2003	Additions	Deletions	Capital Assets June 30, 2004
Function and Activity:				
General government:	\$ 76,220,804	\$ 22,169	\$ (99,615)	\$ 76,143,358
Public safety	18,965,260	194,194	(650,333)	18,509,121
Public works	110,609,894	17,490,209	(6,472,619)	121,627,484
Community development	2,697,512	35,375	(553,198)	2,179,689
Community/cultural services	32,842,570	139,869	(1,284,000)	31,698,439
Total general fixed assets	\$ 241,336,040	\$ 17,881,816	\$ (9,059,765)	\$ 250,158,091

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