



# City of Oceanside California

Comprehensive Annual Financial Report  
For the year ended June 30, 2004



**CITY OF OCEANSIDE, CALIFORNIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**June 30, 2004**

**Prepared by the Accounting Division, Financial Services Department  
300 North Coast Highway Oceanside, CA 92054**

**Carol O. Swindell, Director of Financial Services (For the FY 03/04)  
Paul Bussey, Interim Director of Financial Services  
David Crowe, Senior Management Analyst**

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

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# CITY OF OCEANSIDE

## FINANCIAL SERVICES DEPARTMENT

November 18, 2004

Honorable Mayor, Members of the City Council, and Citizens of the City of Oceanside

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) for the City of Oceanside for the fiscal year ended June 30, 2004. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Caporicci & Larson, LLP. The financial statements are the responsibility of the City Management and, to the best of our knowledge, the enclosed statements are accurate in all material respects and present fairly the financial position and results of operations for the City of Oceanside.

GAAP requires that management provide a narrative, introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Oceanside's MD&A can be found immediately following the report of the independent auditors.

### The Primary Government

The City of Oceanside (City) is a General Law City incorporated in 1888 under the Constitution of the State of California. The City follows the Council/Manager form of government, whereby the City Council sets laws and policies, and the City Manager performs administrative duties established by ordinances and policies.

As a full-service city, Oceanside provides the community with police, fire, library, water, sewer, parks and recreation services. The City also maintains an airport and a small craft harbor.

Other reporting entities include the Oceanside Community Development Commission, the Oceanside Small Craft Harbor District, the Oceanside Building Authority and the Oceanside Public Finance Authority. Additional information on these entities is contained in Note 1 to the Financial Statements.

### The City of Oceanside

The City of Oceanside is located 35 miles north of San Diego, 83 miles south of Los Angeles and covers 42 square miles. The City is located on the Pacific Ocean, offering a moderate climate that ranks as one of the most desirable in the nation. Oceanside boasts 3.5 miles of coastline, a harbor with over 900 boat slips, and one of the longest wooden piers on the West Coast, measuring 1,942 feet in length.

The City is home to the Mission San Luis Rey, which was completed in 1798. Oceanside was founded in 1880 and incorporated in 1888. In 1942, the Federal Government Purchased 125,000 acres to establish the Camp Pendleton Marine Corps Base.

The population of Oceanside is estimated at 173,300, making it the third largest city in the San Diego. The median household income for the City is \$56,285, just slightly behind the San Diego County median of \$58,280.

## **Economic Outlook**

San Diego County enjoys close proximity to the major economic centers of Los Angeles, Mexico, and the Pacific Rim countries. Since the decline of the defense industry in the early nineties, the county has been able to diversify into high-technology commercial endeavors, with growth in areas such as telecommunications, electronics, computers, and biotechnology.

Despite a relatively favorable outlook for the San Diego economy, there are areas of concern that must be remedied. Traffic congestion, water supply, sewage treatment capacity and solid waste disposal are challenges that are being studied by both the public and private sectors.

As a well-established coastal community, Oceanside should continue to benefit from new development in the eastern portion of the City and the redevelopment efforts in the western portion. The Ocean Ranch Corporate Centre, anchored by IDEC Pharmaceuticals, is a major addition to the City's economic base and will provide thousands of jobs upon completion.

## **Financial Controls**

The management of the City is responsible for establishing and maintaining procedures to ensure internal controls commensurate with protecting City assets from theft, loss, or abuse. City Management also ensures that adequate accounting data is compiled to allow for the preparation of accurate financial statements in accordance with generally accepted accounting principles. The concept of reasonable assurance assumes that it is not cost effective to ensure that financial statements are free of all immaterial misstatements but, rather, that auditors focus on material misstatements.

Budgetary Controls are implemented by the City Management to ensure compliance with legal provisions set forth in annual budgets. These controls further ensure that the will of the City Council is preserved. The City budgets on a two-year cycle to facilitate effective planning and to identify shortfalls that may arise from current decisions. MD&A and the Notes to the Financial Statements discuss the budgeting process in more detail.

A Single Audit is performed by Caporicci & Larson, LLP to ensure that adequate internal controls are in place to ensure compliance with laws and regulations relating to various federal, state and local funding provided to the City.

## **Other Information**

**Spending Limitation:** Proposition 4, known as the Gann Initiative, was passed in 1979 to limit government spending by capping the total proceeds of taxes that may be appropriated in a fiscal year. When a city exceeds the limit, excess tax revenue must be returned to the citizens through refunds, rebates, or other means. The City is well below the established Gann limit of \$222,184,596.

**Risk Management:** The City has initiated self-insurance programs to provide for general liability and workers' compensation claims and belongs to a joint powers authority insurance pool to provide insurance coverage for payment of claims beyond its' self-insured retention. The fund revenues are primarily premium charges to other funds based on past loss histories, as well as refunds from insurance premiums based on the City's annual loss history.

## Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oceanside for its CAFR for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

The City also participates in the California Society of Municipal Finance Officers' (CSMFO) Award Program for Outstanding Financial Reporting. This award is designed to recognize and encourage excellence in financial reporting by state and local governments. The City received this award for its 2002-03 CAFR.

A Certificate of Achievement is valid for a period of one year only. This year, the City will submit this CAFR to the GFOA and the CSMFO, as we believe this document continues to meet the stringent standards of these award programs.

This report has been a joint effort by all members of the Financial Services Division, who deserve full credit for the preparation of this report. We would also like to take this opportunity to thank the Mayor and the members of the Council for their continuing support and guidance for the staff. We appreciate the dedication and professionalism of our auditors, Caporicci & Larson, who have spent countless hours working with us to successfully prepare the 2004 Comprehensive Annual Financial Report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul Bussey". The signature is stylized with a large, circular initial "P" and a long, sweeping underline.

Paul Bussey  
Interim Financial Services Director

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**PRINCIPAL OFFICIALS  
AT  
JUNE 30, 2004**

**CITY COUNCIL**

**Terry Johnson, Mayor  
Rocky Chavez, Deputy Mayor  
Esther Sanchez, Council Member  
Jack Feller, Council Member  
Jim Wood, Council Member**

**ADMINISTRATION AND DEPARTMENT HEADS**

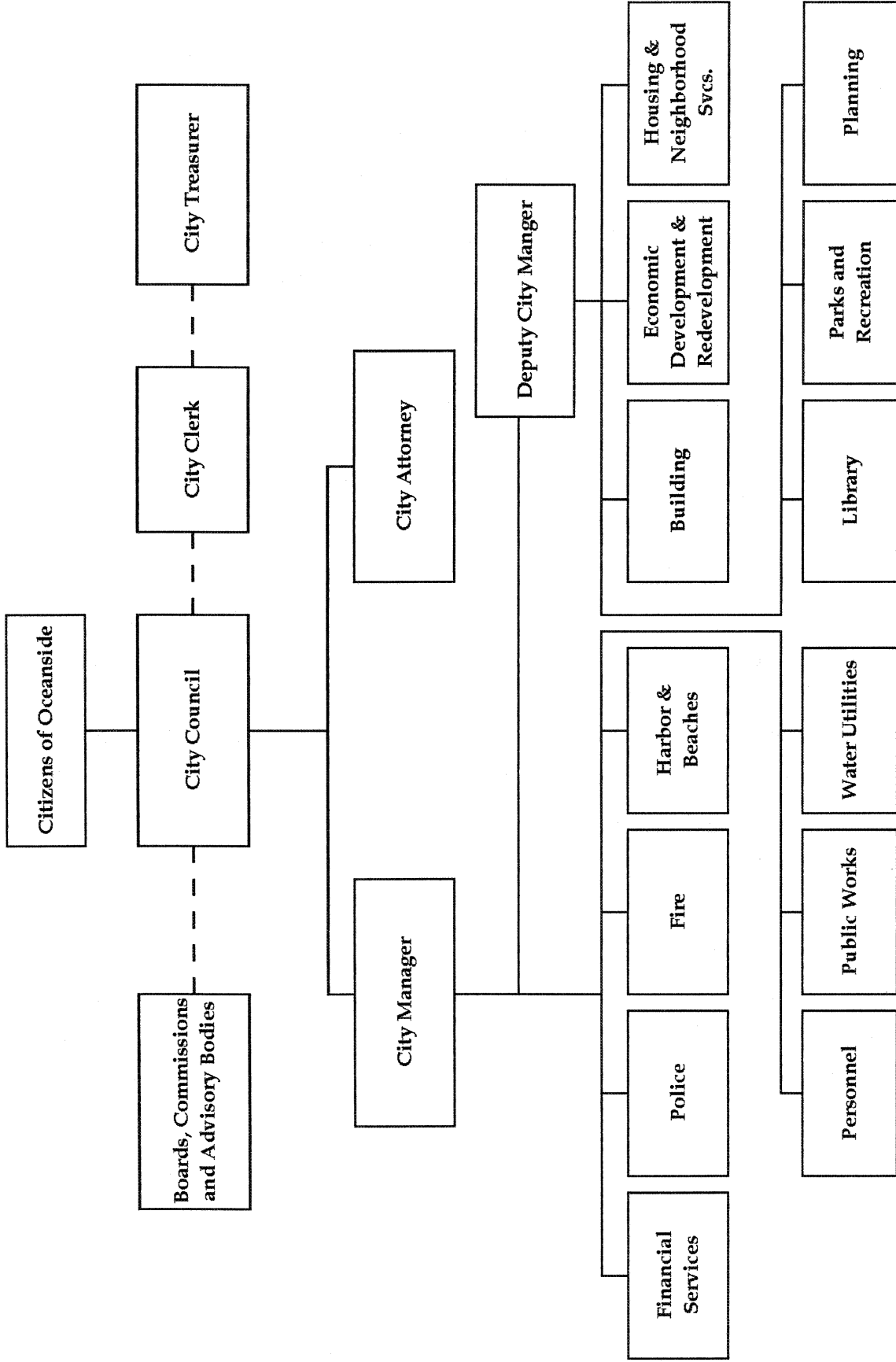
**City Manager  
City Attorney  
City Clerk  
City Treasurer  
Deputy City Manager**

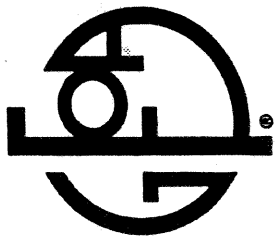
**Building Director  
Economic Development/Redevelopment Director  
Financial Services Director (For the FY 03/04)  
Interim Financial Services Director  
Fire Chief  
Harbor and Beaches Director  
Housing & Neighborhood Services Director  
Library Director  
Personnel Director  
Planning Director  
Police Chief  
Public Works Director  
Water Utilities Director**

**Steven R. Jepsen  
Anita Willis  
Barbara Riegel Wayne  
Rosemary R. Jones  
Michael J. Blessing**

**Gregory C. Anderson  
Jane D. McVey  
Carol O. Swindell  
Paul Bussey  
Robert Osby  
Donald L. Hadley  
Margery Pierce  
Deborah Polich  
Brian Kammerer  
Gerald Gilbert  
Michael S. Poehlman  
Peter A. Weiss  
Barry E. Martin**

CITY OF OCEANSIDE ORGANIZATIONAL CHART





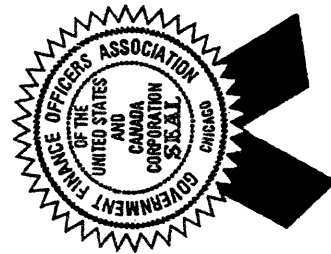
The Government Finance Officers Association  
of the United States and Canada

*presents this*

# AWARD OF FINANCIAL REPORTING ACHIEVEMENT

*to*

**Financial Services Department**  
City of Oceanside, California



*The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.*

Executive Director

Date September 10, 2004

*California Society of  
Municipal Finance Officers*

Certificate of Award

*Outstanding Financial Reporting 2002-2003*

Presented to the

*City of Oceanside*

*This certificate is issued in recognition of meeting professional standards and criteria in reporting  
which reflect a high level of quality in the annual financial statements  
and in the underlying accounting system from which the reports were prepared.*

*March 1, 2004*

*Bret M. Plimlee*

Chair, Professional & Technical Standards Committee

*Dedicated to Excellence in Municipal Financial Management*

