



**DIEHL, EVANS & COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

A PARTNERSHIP INCLUDING ACCOUNTANCY CORPORATIONS

2121 ALTON PARKWAY, SUITE 100  
IRVINE, CALIFORNIA 92606-4956  
(949) 399-0600 • FAX (949) 399-0610  
[www.diehlevans.com](http://www.diehlevans.com)

MICHAEL R. LUDIN, CPA  
CRAIG W. SPRAKER, CPA  
NITIN P. PATEL, CPA  
ROBERT J. CALLANAN, CPA  
\*PHILIP H. HOLTkamp, CPA  
\*THOMAS M. PERLOWSKI, CPA  
\*HARVEY J. SCHROEDER, CPA  
KENNETH R. AMES, CPA

\*A PROFESSIONAL CORPORATION

November 23, 2007

**INDEPENDENT AUDITORS' REPORT**

City Council Members  
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, as of and for the year ended June 30, 2007, 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 of Oceanside's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oceanside, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 23, 2007 on our consideration of the City of Oceanside's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and the other required supplementary information identified in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis and the California Public Employees Retirement System's Schedule of Funding Progress, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this required supplementary information. However, we did not audit the management's discussion and analysis and the California Public Employees Retirement System's Schedule of Funding Progress and express no opinions on them. The budgetary comparison schedules and related note have been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oceanside's basic financial statements. The introductory section, supplementary information and statistical section as listed in the table of contents are presented for purposes of additional analysis and are 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 is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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.

*Diell, Evars and Company, LLP*



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year Ended June 30, 2007**

This discussion and analysis of the City of Oceanside's financial performance provides an overview of the fiscal year ended June 30, 2007. 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. A 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.

See independent auditors' report.

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.

See independent auditors' report.

## 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, 2007 are compared to results for 2006 in the following table:

**Table 1**  
**City of Oceanside Net Assets**  
**(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current & other assets	\$ 214,841	\$ 203,935	\$ 82,224	\$ 90,342	\$ 297,065	\$ 294,277
Net pension assets	39,773	40,144	-	-	39,773	40,144
Capital assets	298,993	278,900	288,389	284,041	587,382	562,941
<b>Total assets</b>	<b>553,607</b>	<b>522,979</b>	<b>370,613</b>	<b>374,383</b>	<b>924,220</b>	<b>897,362</b>
Long-term debt outstanding	176,177	183,070	104,585	108,450	280,762	291,520
Other liabilities	15,893	12,297	12,489	9,776	28,382	22,073
<b>Total liabilities</b>	<b>192,070</b>	<b>195,367</b>	<b>117,074</b>	<b>118,226</b>	<b>309,144</b>	<b>313,593</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt	192,580	161,299	187,894	177,095	380,474	338,394
Restricted	123,853	135,696	1,900	1,876	125,753	137,572
Unrestricted	45,104	30,617	63,745	77,186	108,849	107,803
<b>Total net assets</b>	<b>\$ 361,537</b>	<b>\$ 327,612</b>	<b>\$ 253,539</b>	<b>\$ 256,157</b>	<b>\$ 615,076</b>	<b>\$ 583,769</b>

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 5.4% from \$583.8 million at June 30, 2006 to \$615.0 million at June 30, 2007 due to an increase of \$33.9 million in Governmental Activities net assets which offset a decrease of \$2.6 million in the Business-type Activities.

Governmental current assets increased by \$10.9 million due to increasing revenue that improved the City cash position, while at the same time Business type current assets decreased by \$8.1 million due to capital outlay for infrastructure described below along with debt service payments. Governmental Capital assets increased by \$20.1 million due to infrastructure additions of \$10.1 including \$5 million for the Pacific Street Bridge, new capital projects such as River Park construction (\$5.3 million), and land purchase for an affordable housing project (\$7.0 million). Business-type Capital Assets increased by \$5.1 million due to Water infrastructure improvements. Governmental liabilities decreased by \$3.29 million due to a change in accounting policy that recognized housing fund revenue previously recorded as a liability.

See independent auditors' report.

Total assets increased \$26.8 million or 3.0% during the fiscal year due primarily to the addition of \$24.8 million of capital assets such as infrastructure, land, park and community/cultural facilities. Total liabilities decreased \$4.4 million, attributable to the reclassification of Housing Assistance Fund receipts formerly classified as deposits. Overall long-term debt decreased \$10.8 million due to the normal amortization of long term debt.

The Statement of Activities reveals an increase in revenues of \$20.0 million over 2006 while expenses increased \$15.8 million, contributing to the City's financial health. Total revenues less expenditures contributed \$31.3 to net assets.

**Table 2**  
**City of Oceanside Activities**  
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 22,159	\$ 22,900	\$ 88,613	\$ 82,648	\$ 110,772	\$ 105,548
Operating grants and contributions	42,771	33,579	-	-	42,771	33,579
Capital grants and contributions	7,613	5,274	-	-	7,613	5,274
General revenues:						
Property taxes	54,682	48,001	-	-	54,682	48,001
Sales taxes	17,814	15,675	-	-	17,814	15,675
Other taxes	11,438	14,027	-	-	11,438	14,027
Use of money and property	14,096	9,712	3,945	2,275	18,041	11,987
Other	13,975	23,036	6	-	13,981	23,036
<b>Total revenues</b>	<b>184,548</b>	<b>172,204</b>	<b>92,564</b>	<b>84,923</b>	<b>277,112</b>	<b>257,127</b>
<b>Expenses:</b>						
General government	13,958	11,937	-	-	13,958	11,937
Public safety	64,713	61,978	-	-	64,713	61,978
Public works	24,585	25,475	-	-	24,585	25,475
Community development	26,915	23,296	-	-	26,915	23,296
Community/cultural services	14,225	12,807	-	-	14,225	12,807
Interest on long-term debt	7,635	8,634	-	-	7,635	8,634
Other government	-	-	-	-	-	-
Water	-	-	41,066	37,074	41,066	37,074
Sewer	-	-	26,465	23,735	26,465	23,735
Waste disposal	-	-	20,074	19,106	20,074	19,106
Other	-	-	6,169	5,984	6,169	5,984
<b>Total expenses</b>	<b>152,031</b>	<b>144,127</b>	<b>93,774</b>	<b>85,899</b>	<b>245,805</b>	<b>230,026</b>
<b>Increase (decrease) in net assets before Transfers</b>	<b>32,517</b>	<b>28,077</b>	<b>(1,210)</b>	<b>(976)</b>	<b>31,307</b>	<b>27,101</b>
<b>Transfers</b>	<b>1,408</b>	<b>2,392</b>	<b>(1,408)</b>	<b>(2,392)</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>33,925</b>	<b>30,469</b>	<b>(2,618)</b>	<b>(3,368)</b>	<b>31,307</b>	<b>27,101</b>
<b>Beginning net assets as restated</b>	<b>327,612</b>	<b>297,143</b>	<b>256,157</b>	<b>259,525</b>	<b>583,769</b>	<b>556,668</b>
<b>Ending net assets</b>	<b>\$ 361,537</b>	<b>\$ 327,612</b>	<b>\$ 253,539</b>	<b>\$ 256,157</b>	<b>\$ 615,076</b>	<b>\$ 583,769</b>

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

See independent auditors' report.

**Governmental activities** increased net assets \$33.9 million compared to 30.4 million in 2006, as identified in Table 2. Increases in program revenues such as operating grants and general revenues including property tax, sales tax and use of money and property offset increases in expenses.

Capital and Operating Grants increased a total of \$11.5 million over 2006 and Property taxes increased \$6.7 million or 13.9% due to continued growth in the assessed value of real property.

Expenses increased by \$7.9 million in 2007. Increased Housing Assistance Program expense represented \$3.6 million of this, while increased expenses for Police Department Field Operations and Fire Suppression accounted for another \$2.7 Million.

Overall, the increased contribution to net assets can be attributed to an increase in revenues of \$12.3 million while expenses increased only \$7.9 million over the prior fiscal year.

**Chart 1**  
**Expenses versus Program Revenues for Governmental Activities**  
**(in thousands of dollars)**

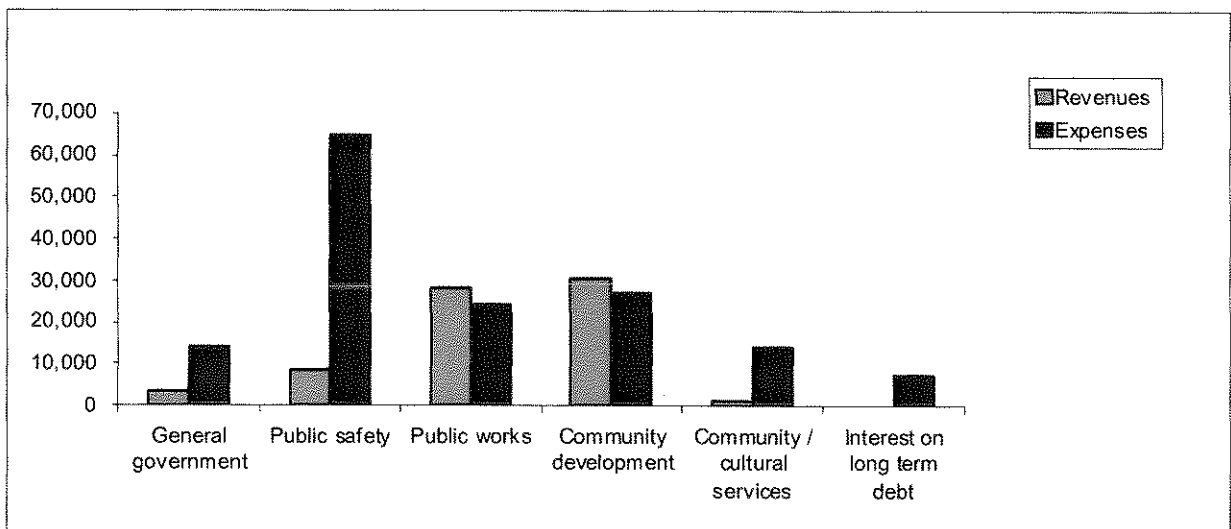


Chart 1 depicts the financial strength of the various City programs, or the extent to which these programs generate revenue from fees and grants. The City's programs include General Government, Public Safety (Fire and Police), Public Works, Community Development, and Community/Cultural Services (Recreation & Library). Each program's net cost (total cost less revenues generated by the activities) is presented in the Statement of Activities.

See independent auditors' report.

**Chart 2**  
**Revenue by Source – Governmental Activities**

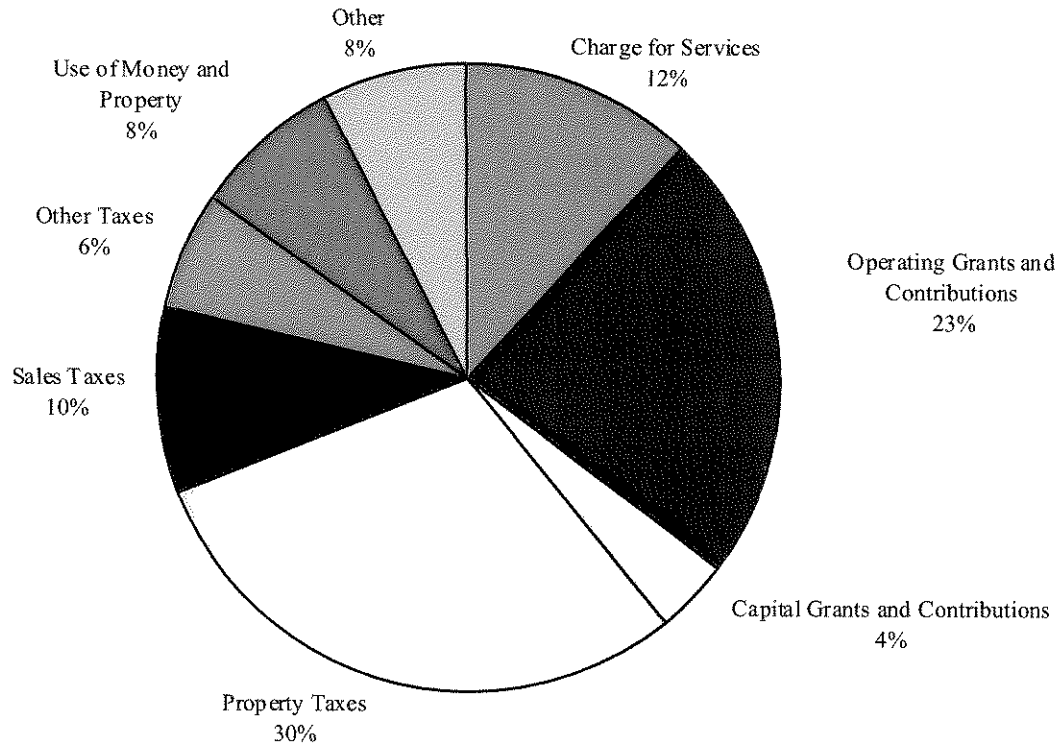


Chart 2 shows that Property Tax, Operating Grants and Contributions, Charges for Service and Sales Tax which are the top four categories of revenue and comprise 75 percent of funding for government activities. The *Other* category includes proceeds from the disposition of City real property, intergovernmental administrative fees, developer contributions, and miscellaneous revenues.

**BUSINESS-TYPE ACTIVITIES**

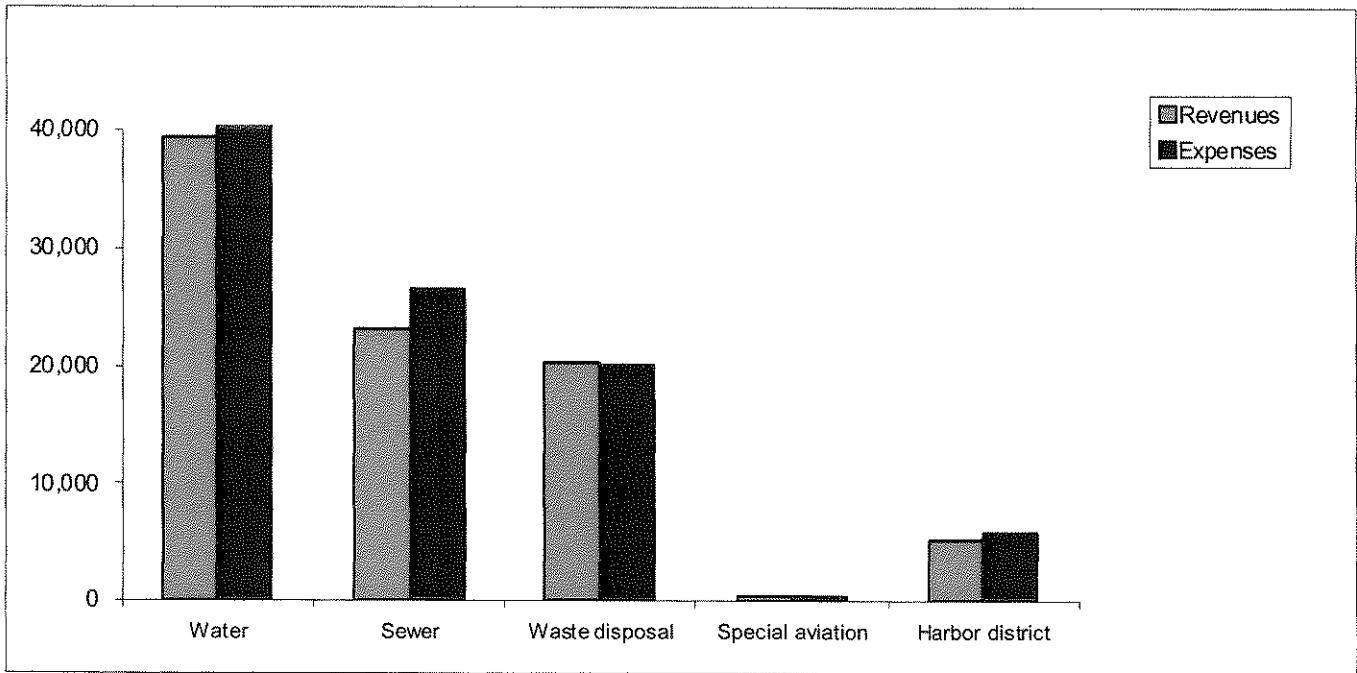
Business-type activities for the City of Oceanside include Water, Sewer, Solid Waste, Harbor, and the Airport. Net assets of the Business-type activities decreased \$2.6 million or 1.0% in the last fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds indicates an increase of \$5.9 million in operating revenues. The Water and Sewer funds operating revenue increased \$2.7 and \$2.3 million respectively. Developer fees for Water Utilities decreased \$.3 million from the last fiscal year while Sewer increased by \$.1 million.

Overall expenses outpaced revenues by \$1.2 million (before transfers) in 2007. Expenses exceeded revenues by \$1.0 million in the fiscal year ending 2006. Water expenses increased \$4.0 million and Sewer expenses increased \$2.7 million from 2006 to 2007 due to increases in personal services, maintenance and operations, and purchased water costs. Chart 3 below compares program revenues from business-type activities to program expenses.

See independent auditors' report.

**Chart 3**  
**Expenses versus Program Revenues for Business-type Activities**  
 (thousands of dollars)



Fees charged for these services make up 96% of the revenues collected with interest income of \$3.9 million accounting for the remainder. Only the Solid Waste enterprise operated at a surplus, as referenced in the Statement of Activities and Changes in Net Assets.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The fund balance of \$49.9 million at year-end for the City's General Fund, as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances, is an increase of \$3.5 million from 2006. Revenues (excluding sales of real property) increased \$6.3 million or 6.0% due to a \$7.2 million increase in property tax revenue offset by a \$1.8 million decrease in intergovernmental revenue and a \$1.5 million decrease in charges for services. Expenditures increased overall \$9.0 million or 9.7% with increases in public safety expenses accounting for \$5.5 million. Other Financing Sources-proceeds from the sale of real property increased \$1.4 million due to non-recurring transactions included in 2007 results. Net transfers out to other funds decreased \$1.42 million.

The fund balance of the Housing Assistance Program Fund increased \$2.3 million during 2007. Revenues increased \$0.8 million from 2006 due primarily to increased revenue from interest and rentals (\$1.0 million) and federal and state housing assistance programs (\$0.6 million) and increases in charges for service and other (\$0.6) offset by decreased developer fees (\$1.4 million). Expenses increased \$3.1 million due to a change in accounting methodology: Inclusionary Housing In-lieu fees which had been held in Trust will now be recorded as revenue when received and expenditure when used. Net transfers in from other funds decreased \$2.4 million due to transfers to fund future low income housing projects in 2006.

See independent auditors' report.

## DEBT ADMINISTRATION

Debt of governmental activities realized a net decrease of \$6.9 million, due to normal amortization. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

**Table 3**  
**City of Oceanside**  
**Governmental Debt Outstanding**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Incurred or</u> <u>Issued</u>	<u>Satisfied or</u> <u>Matured</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Governmental Activities:</b>				
Bonds Payable	\$ 58,420,000	\$ -	\$ (1,470,000)	\$ 56,950,000
Certificates of Participation	57,020,000	-	(2,675,000)	54,345,000
Capital Leases Payable	2,160,944	-	(246,749)	1,914,195
Notes Payable	855,000	-	(215,000)	640,000
Special Assessment Debt	1,300,000	-	(1,300,000)	-
Pension Obligation Bonds	43,765,531	-	(466,644)	43,298,887
Claims Payable	10,711,922	-	(1,124,286)	9,587,636
Compensated Absences	8,836,605	604,673	-	9,441,278
	<u>\$ 183,070,002</u>	<u>\$ 604,673</u>	<u>\$ (7,497,679)</u>	<u>\$ 176,176,996</u>
Total Governmental Activities	<u>\$ 183,070,002</u>	<u>\$ 604,673</u>	<u>\$ (7,497,679)</u>	<u>\$ 176,176,996</u>

Debt of the business-type activities decreased in the fiscal year ending 2007 by \$3.9 million. The following table is a synopsis of detail presented in Note 8.

**Table 4**  
**City of Oceanside**  
**Business-Type Activities Debt Outstanding**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Incurred or</u> <u>Issued</u>	<u>Satisfied or</u> <u>Matured</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Business-Type Activities:</b>				
Bonds Payable	\$ 9,115,000	\$ -	\$ (590,000)	\$ 8,525,000
Certificates of Participation	23,035,000	-	(1,820,000)	21,215,000
Notes Payable	74,299,370	1,715,924	(3,361,088)	72,654,206
Compensated Absences	2,000,827	189,753	-	2,190,580
	<u>\$ 108,450,197</u>	<u>\$ 1,905,677</u>	<u>\$ (5,771,088)</u>	<u>\$ 104,584,786</u>
Total Business-Type Activities	<u>\$ 108,450,197</u>	<u>\$ 1,905,677</u>	<u>\$ (5,771,088)</u>	<u>\$ 104,584,786</u>

## 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, 2007, net capital assets of the governmental activities totaled \$299 million and the net capital assets of the business-type activities totaled \$288 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. The \$22.7 million increase in total Capital Assets from 2006 to 2007 is indicative of the City's continuing investment in infrastructure and other capital assets.

See independent auditors' report.

**Table 5**  
**City of Oceanside**  
**Capital Assets**

Description	Governmental Activities		Business-Type Activities	
	2007	2006	2007	2006
Land	\$ 57,843,987	\$ 49,899,487	\$ 20,836,745	\$ 20,836,745
Buildings	64,274,349	63,198,537	134,532,225	134,532,225
Improvements	8,652,043	8,652,043	216,459,136	216,442,273
Equipment	52,735,271	51,717,217	11,983,282	11,929,305
Construction in Progress	36,236,170	28,148,515	38,324,701	23,618,575
Infrastructure	264,985,092	254,900,398	-	-
<b>Capital Assets</b>	<b>484,726,912</b>	<b>456,516,197</b>	<b>422,136,089</b>	<b>407,359,123</b>
Accumulated Depreciation	(185,734,166)	(175,890,633)	(133,747,353)	(123,317,931)
<b>Total Capital Assets</b>	<b>\$ 298,992,746</b>	<b>\$ 280,625,564</b>	<b>\$ 288,388,736</b>	<b>\$ 284,041,192</b>

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

**Table 6**  
**City of Oceanside**  
**General Fund Comparison - Budget and Actual**

	Amended Budget	Actual	Variance Pos/(Neg)
Resources (inflows)			
Taxes	\$ 73,499,559	\$ 74,986,564	\$ 1,487,005
Licenses and permits	2,158,990	2,174,146	15,156
Fines and penalties	3,444,110	3,611,708	167,598
Investment Earnings	4,088,181	6,109,397	2,021,216
Intergovernmental revenue	2,331,942	2,775,167	443,225
Charges for services	10,099,009	8,959,141	(1,139,868)
Other revenues	14,315,204	15,754,633	1,439,429
Amount available for appropriation	<u>109,936,995</u>	<u>114,370,756</u>	<u>4,433,761</u>
Charges to appropriations (outflows)			
General government	15,941,687	12,535,790	3,405,897
Public Safety	64,755,199	63,653,113	1,102,086
Public Works	10,290,577	9,950,343	340,234
Community development	5,850,838	5,053,851	796,987
Community/cultural services	11,468,856	10,943,752	525,104
Charges to appropriations	<u>108,277,157</u>	<u>102,136,849</u>	<u>6,140,308</u>
Transfers out	<u>22,774,954</u>	<u>8,684,602</u>	<u>14,090,352</u>
Total charges to appropriations and transfers	<u>131,052,111</u>	<u>110,821,451</u>	<u>20,230,660</u>
Excess of resources over (under) charges to appropriations and transfers	<u>\$ (21,115,116)</u>	<u>\$ 3,549,305</u>	<u>\$ 24,664,421</u>

Taxes and Investment Earnings exceeded budget due to strong property valuations, new growth and an improving economy. Other Revenues were over budget due the proceeds from sale of real property.

See independent auditors' report.

## BUDGETS AND BUDGETARY ACCOUNTING

### Policies:

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

1. During May of even numbered fiscal years, the City Manager submits to the City Council a proposed biennial operating budget for the two fiscal years commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
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 2006-07 original budget (as adopted) General Fund amount of \$110.3 million to the final budget amount of \$131.1 million shows a net increase of \$20.2 million, as delineated below.

**Table 7**  
**City of Oceanside**  
**General Fund Budget Comparison, As Adopted and Amended**

	<u>Adopted</u>	<u>Amended</u>	<u>Variance</u>
<b>General Government</b>			
Operational	\$ 12,076,293	\$ 12,331,107	\$ 254,814
Non-Departmental	2,001,200	3,580,580	1,579,380
<b>Public Safety</b>			
Police	42,501,882	42,836,882	335,000
Fire	21,852,728	21,918,317	65,589
<b>Public Works</b>	9,997,515	10,290,577	293,062
<b>Community Development</b>	5,518,911	5,850,838	331,927
<b>Community &amp; Cultural Services</b>			
Library	5,496,053	5,556,232	60,179
Beach & Recreation	5,887,197	5,912,624	25,427
<b>Transfers</b>	4,986,519	22,774,954	17,788,435
<b>Total Budget</b>	<u>\$ 110,318,298</u>	<u>\$ 131,052,111</u>	<u>\$ 20,733,813</u>

See independent auditors' report.

## General Fund Budget

The \$20.7 million variance between the adopted and amended budget is due, in large part, to transfers, including over \$15.8 million to the General Capital Improvement Fund for various projects, including a \$7.0 million transfer to partially fund construction of the Loma Alta Creek Detention Basin.

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. The adopted budget for all City funds for the fiscal year 2007-08 is \$456 million and is summarized as follows:

**Table 8**  
**City of Oceanside**  
**Adopted Budget Fiscal Year 2007-08**

<b>Governmental and Internal Service Funds</b>		
General Fund	\$	136,373,622
Special Revenue Funds		41,507,913
Internal Service Funds		50,089,381
Capital Project Funds		77,055,359
Debt Service		16,243,343
Subtotal General Operations		<u>\$ 321,269,618</u>
<b>Enterprise Funds</b>		
Water Utility	\$	58,768,327
Wastewater Utility		44,368,343
Waste Disposal		21,054,985
Special Aviation		644,885
Harbor District Operations		9,412,207
Subtotal Enterprise Operations		<u>134,248,747</u>
<b>Total Budget</b>		<u><u>\$ 455,518,365</u></u>

## 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 or phone (760) 435-3832.

See independent auditors' report.

**This page intentionally left blank**

## **BASIC FINANCIAL STATEMENTS**

**This page intentionally left blank**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**This page intentionally left blank**

City of Oceanside  
Statement of Net Assets  
June 30, 2007

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments (Note 2)	\$ 174,446,731	\$ 69,874,498	\$ 244,321,229
Restricted cash and investments (Note 2)	7,229,005	1,899,746	9,128,751
Accounts receivable	4,248,280	7,655,082	11,903,362
Notes receivable (Note 4)	9,231,738	-	9,231,738
Interest receivable	2,356,269	-	2,356,269
Assessments	1,272	-	1,272
Taxes receivable	1,765,408	-	1,765,408
Other receivable	2,727,470	827,226	3,554,696
Due from other governments	3,478,204	-	3,478,204
Internal balances	(516,265)	516,265	-
Prepaid items	53,932	35,096	89,028
Inventory	326,343	1,258,901	1,585,244
Other assets	-	157,778	157,778
Land and buildings held for resale (Note 7)	9,492,993	-	9,492,993
Net pension assets	39,773,053	-	39,773,053
Capital assets (Note 6):			
Non depreciable assets	94,080,157	59,161,446	153,241,603
Depreciable assets, net	204,912,589	229,227,290	434,139,879
<b>TOTAL ASSETS</b>	<b>553,607,179</b>	<b>370,613,328</b>	<b>924,220,507</b>
<b>LIABILITIES:</b>			
Accounts payable	8,044,423	8,119,213	16,163,636
Accrued liabilities	3,167,528	603,232	3,770,760
Accrued interest payable	2,586,010	1,009,045	3,595,055
Deposits	941,401	1,305,899	2,247,300
Unearned revenue	985,279	1,452,280	2,437,559
Due to other governments	168,351	-	168,351
Long-term liabilities (Note 8):			
Due within one year	7,678,354	6,383,859	14,062,213
Due in more than one year	168,498,642	98,200,927	266,699,569
<b>TOTAL LIABILITIES</b>	<b>192,069,988</b>	<b>117,074,455</b>	<b>309,144,443</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	192,580,094	187,894,276	380,474,370
Restricted for:			
Debt service	10,400,086	-	10,400,086
Capital projects	56,481,472	1,899,746	58,381,218
Specific projects and programs	56,971,726	-	56,971,726
Unrestricted	45,103,813	63,744,851	108,848,664
<b>TOTAL NET ASSETS</b>	<b>\$ 361,537,191</b>	<b>\$ 253,538,873</b>	<b>\$ 615,076,064</b>

See independent auditors' report and notes to basic financial statements.

City of Oceanside  
Statement of Activities  
For the year ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 13,958,047	\$ 2,726,649	\$ 389,831	\$ 456,091
Public safety	64,713,256	4,506,019	3,941,044	-
Public works	24,585,242	6,546,976	14,662,458	7,156,626
Community development	26,915,033	7,426,082	23,254,779	-
Community/cultural services	14,224,389	952,830	523,031	-
Interest on long-term debt	7,634,724	-	-	-
Total governmental activities	152,030,691	22,158,556	42,771,143	7,612,717
<b>Business-type Activities:</b>				
Water	41,066,482	39,415,143	-	-
Sewer	26,465,182	23,054,008	-	-
Waste disposal	20,074,362	20,405,194	-	-
Special aviation	467,505	439,422	-	-
Oceanside Small Craft Harbor District	5,700,513	5,299,861	-	-
Total business-type activities	93,774,044	88,613,628	-	-
Total	\$ 245,804,735	\$ 110,772,184	\$ 42,771,143	\$ 7,612,717

General revenues:  
Taxes:  
Property  
Sales  
Other  
Intergovernmental unrestricted  
Investment earnings  
Miscellaneous  
Gain (loss) on sale of capital assets  
Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning of year as restated (Note 14)  
Net assets - end of year

See independent auditors' report and notes to basic financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (10,385,476)	\$ -	\$ (10,385,476)
(56,266,193)	-	(56,266,193)
3,780,818	-	3,780,818
3,765,828	-	3,765,828
(12,748,528)	-	(12,748,528)
(7,634,724)	-	(7,634,724)
<u>(79,488,275)</u>	<u>-</u>	<u>(79,488,275)</u>
-	(1,651,339)	(1,651,339)
-	(3,411,174)	(3,411,174)
-	330,832	330,832
-	(28,083)	(28,083)
-	(400,652)	(400,652)
<u>-</u>	<u>(5,160,416)</u>	<u>(5,160,416)</u>
<u>(79,488,275)</u>	<u>(5,160,416)</u>	<u>(84,648,691)</u>
54,682,295	-	54,682,295
17,814,047	-	17,814,047
11,437,735	-	11,437,735
12,682,555	-	12,682,555
14,095,895	3,945,045	18,040,940
1,072,547	-	1,072,547
219,935	5,599	225,534
1,408,380	(1,408,380)	-
<u>113,413,389</u>	<u>2,542,264</u>	<u>115,955,653</u>
33,925,114	(2,618,152)	31,306,962
<u>327,612,077</u>	<u>256,157,025</u>	<u>583,769,102</u>
<u>\$ 361,537,191</u>	<u>\$ 253,538,873</u>	<u>\$ 615,076,064</u>

**This page intentionally left blank**

**FUND FINANCIAL STATEMENTS**

**Governmental Fund Financial Statements**  
**Proprietary Fund Financial Statements**  
**Fiduciary Fund Financial Statements**

**This page intentionally left blank**

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City reports the following major governmental funds:

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.

The **Housing Assistance Program Special Revenue Fund** is used 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.

The **Redevelopment Agency Debt Service Fund** is used to account for the payment of interest and principal on debt of the Community Development Commission.

The **Redevelopment Agency Capital Projects Fund** is used to account for administrative costs and capital improvements funded by long-term debt issued by the Community Development Commission.

The **General Improvement Capital Projects Fund** is used to account for general purpose capital projects funded primarily from developer impact fees.

The **Other Governmental Funds** are the aggregate of all the other governmental funds.

**City of Oceanside**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2007**

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service
<b>ASSETS</b>			
Cash and investments	\$ 42,466,713	\$ 25,644,946	\$ 1,086,119
Restricted cash and investments	-	-	4,776,344
Receivables:			
Accounts	1,902,090	-	-
Notes	-	9,176,928	-
Interest	2,295,893	-	-
Assessments	-	-	-
Taxes	1,539,247	-	-
Other	1,913,064	2,309	-
Due from other funds	885,745	-	-
Due from other governments	-	2,094,316	-
Advances to other funds	8,932,825	-	-
Inventory	3,252	-	-
Prepaid items	44,843	1,311	-
Land and buildings held for resale	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 59,983,672</b>	<b>\$ 36,919,810</b>	<b>\$ 5,862,463</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 1,626,638	\$ 142,378	\$ -
Accrued liabilities	2,723,705	72,764	-
Deposits	449,804	388,944	-
Due to other funds	-	-	-
Due to other governments	-	168,351	-
Deferred revenue	5,240,691	-	-
Advances from other funds	-	-	13,520,574
<b>TOTAL LIABILITIES</b>	<b>10,040,838</b>	<b>772,437</b>	<b>13,520,574</b>
<b>FUND BALANCES (DEFICIT):</b>			
<b>Reserved:</b>			
Noncurrent assets	-	9,176,928	-
Advances to other funds	3,692,134	-	-
Inventory	3,252	-	-
Prepaid items	44,843	1,311	-
Land and buildings held for resale	-	-	-
Debt service	-	-	4,776,344
<b>Unreserved, Reported In:</b>			
General fund	46,202,605	-	-
Special revenue funds	-	26,969,134	-
Debt service funds	-	-	(12,434,455)
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>49,942,834</b>	<b>36,147,373</b>	<b>(7,658,111)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 59,983,672</b>	<b>\$ 36,919,810</b>	<b>\$ 5,862,463</b>

See independent auditors' report and notes to basic financial statements.

Capital Projects Funds		Other	Total
Redevelopment Agency	General Improvement	Governmental Funds	Governmental Funds
\$ 25,597,619	\$ 39,694,075	\$ 20,070,565	\$ 154,560,037
-	214,024	2,238,637	7,229,005
66,889	-	1,983,765	3,952,744
54,810	-	-	9,231,738
59,695	-	681	2,356,269
-	-	16,217	16,217
226,161	-	-	1,765,408
-	795,880	1,272	2,712,525
-	-	-	885,745
-	-	1,383,888	3,478,204
4,179,767	-	-	13,112,592
-	-	-	3,252
-	-	817	46,971
9,492,993	-	-	9,492,993
<u>\$ 39,677,934</u>	<u>\$ 40,703,979</u>	<u>\$ 25,695,842</u>	<u>\$ 208,843,700</u>

\$ 817,853	\$ 4,118,810	\$ 513,792	\$ 7,219,471
68,265	11,620	86,965	2,963,319
-	29,443	73,210	941,401
-	-	444,128	444,128
-	-	-	168,351
-	-	985,280	6,225,971
-	-	-	13,520,574
<u>886,118</u>	<u>4,159,873</u>	<u>2,103,375</u>	<u>31,483,215</u>

54,810	-	-	9,231,738
4,179,767	-	-	7,871,901
-	-	-	3,252
-	-	817	46,971
9,492,993	-	-	9,492,993
-	-	4,945,605	9,721,949
-	-	-	46,202,605
-	-	18,646,045	45,615,179
-	-	-	(12,434,455)
25,064,246	36,544,106	-	61,608,352
<u>38,791,816</u>	<u>36,544,106</u>	<u>23,592,467</u>	<u>177,360,485</u>
<u>\$ 39,677,934</u>	<u>\$ 40,703,979</u>	<u>\$ 25,695,842</u>	<u>\$ 208,843,700</u>

**This page intentionally left blank**

**City of Oceanside**  
**Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets**  
**June 30, 2007**

Fund balances - total governmental funds		\$ 177,360,485
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		286,179,995
Pension contributions were expenditures in the fund financial statements but are deferred and subject to capitalization and amortization on the Government-wide statements.		39,773,053
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.		5,240,692
Internal service funds are used by management to charge the costs of self-insurance, information services and capital replacements to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		21,183,927
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the Statement of Net Assets:		
Tax allocation bonds payable	\$(56,950,000)	
Certificate of participation	(54,345,000)	
Pension obligation bonds payable	(42,365,000)	
Capital leases payable	(1,706,657)	
Notes payable	(640,000)	
Bond premium	(933,887)	
Total long-term liabilities	<u>(156,940,544)</u>	
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(2,584,741)
Compensated absences are not due and payable in the current period and therefore were not reported in the governmental funds.		<u>(8,675,676)</u>
Net assets of governmental activities		<u>\$ 361,537,191</u>

See independent auditors' report and 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, 2007

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service
<b>REVENUES:</b>			
Taxes	\$ 74,986,564	\$ -	\$ -
Special assessments	-	-	-
License and permits	2,174,146	122,833	-
Intergovernmental revenues	2,775,167	14,713,584	-
Charges for services	8,959,141	735,600	-
Fines and forfeitures	3,611,708	-	-
Lease revenue	-	-	2,400,835
Interest and rentals	6,109,397	1,127,927	366,994
Administrative and in lieu charges	12,682,555	-	-
Developer fees	-	2,579,025	-
Other revenues	493,668	330,666	-
<b>TOTAL REVENUES</b>	<b>111,792,346</b>	<b>19,609,635</b>	<b>2,767,829</b>
<b>EXPENDITURES:</b>			
Current:			
General government	12,535,791	-	-
Public safety	63,653,113	-	-
Public works	9,950,343	-	-
Community development	5,053,850	17,768,429	-
Community/cultural services	10,943,752	-	-
Capital outlay	-	-	-
Debt Service:			
Principal retirement	-	-	2,805,000
Interest and fees	-	-	4,605,937
<b>TOTAL EXPENDITURES</b>	<b>102,136,849</b>	<b>17,768,429</b>	<b>7,410,937</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>9,655,497</b>	<b>1,841,206</b>	<b>(4,643,108)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds from sale of real property	1,663,000	-	-
Transfers in	915,410	490,459	4,183,925
Transfers out	(8,684,602)	(21,998)	(14,512,233)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(6,106,192)</b>	<b>468,461</b>	<b>(10,328,308)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,549,305</b>	<b>2,309,667</b>	<b>(14,971,416)</b>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (NOTE 14)</b>	<b>46,393,529</b>	<b>33,837,706</b>	<b>7,313,305</b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 49,942,834</b>	<b>\$ 36,147,373</b>	<b>\$ (7,658,111)</b>

See independent auditors' report and notes to basic financial statements.

Capital Projects Funds		Other	Total
Redevelopment Agency	General Improvement	Governmental Funds	Governmental Funds
\$ 9,164,289	\$ -	\$ -	\$ 84,150,853
-	-	12,453,958	12,453,958
-	-	-	2,296,979
-	1,867,581	9,095,270	28,451,602
303,802	-	843,815	10,842,358
-	-	687,742	4,299,450
-	-	2,244,123	4,644,958
962,999	2,513,009	1,294,767	12,375,093
-	-	-	12,682,555
3,166,257	5,252,163	-	10,997,445
-	62,008	253,739	1,140,081
<u>13,597,347</u>	<u>9,694,761</u>	<u>26,873,414</u>	<u>184,335,332</u>
-	-	377,478	12,913,269
-	-	1,807,018	65,460,131
-	360,781	5,435,522	15,746,646
9,254,187	-	1,836,988	33,913,454
-	-	1,437,295	12,381,047
2,573,307	20,192,829	2,774,017	25,540,153
-	-	3,447,146	6,252,146
-	-	3,920,701	8,526,638
<u>11,827,494</u>	<u>20,553,610</u>	<u>21,036,165</u>	<u>180,733,484</u>
<u>1,769,853</u>	<u>(10,858,849)</u>	<u>5,837,249</u>	<u>3,601,848</u>
-	-	-	1,663,000
14,575,444	13,357,446	4,474,383	37,997,067
(4,211,345)	(701,867)	(8,565,345)	(36,697,390)
<u>10,364,099</u>	<u>12,655,579</u>	<u>(4,090,962)</u>	<u>2,962,677</u>
12,133,952	1,796,730	1,746,287	6,564,525
<u>26,657,864</u>	<u>34,747,376</u>	<u>21,846,180</u>	<u>170,795,960</u>
<u>\$ 38,791,816</u>	<u>\$ 36,544,106</u>	<u>\$ 23,592,467</u>	<u>\$ 177,360,485</u>

**City of Oceanside**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the year ended June 30, 2007**

Net change in fund balances - total governmental funds \$ 6,564,525

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalizable capital outlays and the disposition of capital assets exceeded depreciation in the current period. 20,033,796

Some revenues reported in the Statement of Activities are not considered to be available to finance current expenditures and therefore are not reported as revenues in the governmental funds. (1,007,869)

Payment of unfunded pension liabilities are expenditures at the fund level but are deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets. (370,958)

Compensated absences are reported in the Government-Wide Statement of Activities, but they do 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. (477,892)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. These amounts are the net effect of these differences in the treatment of long-term debt:

Principal payments 6,252,146

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Interest and related items	\$ 192,860	
Amortization of bond premium	51,644	
		244,504

Internal service funds are used by management to charge the costs of self-insurance, information services and capital replacements to individual funds. A portion of the net income of the internal service funds is reported with governmental activities. 2,686,862

Change in net assets of governmental activities \$ 33,925,114

See independent auditors' report and notes to basic financial statements.

## PROPRIETARY FUND FINANCIAL STATEMENTS

The City reports the following major proprietary funds:

The **Water Fund** is used to account for the operation of the City's water utility, a self-supporting activity which provides services on a user charge basis.

The **Sewer Fund** is used 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.

The **Waste Disposal Fund** is used 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.

The **Special Aviation Fund** is used to account for the operation of the Oceanside (General Aviation) Airport.

The **Oceanside Small Craft Harbor District Fund** is used 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, 2007

ASSETS	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
<b>CURRENT ASSETS:</b>			
Cash and investments	\$ 46,366,304	\$ 14,063,902	\$ 2,080,608
Receivables:			
Accounts	4,269,720	2,046,326	1,328,389
Other	501,045	326,181	-
Prepaid items	24,050	9,646	25
Inventory	589,169	648,871	-
Other assets	157,778	-	-
<b>TOTAL CURRENT ASSETS</b>	<b>51,908,066</b>	<b>17,094,926</b>	<b>3,409,022</b>
<b>NONCURRENT ASSETS:</b>			
Restricted cash and investments	681	1,899,065	-
Advance to other funds	657,104	-	-
Capital assets:			
Land	16,096,364	843,552	35,328
Buildings and structures	18,773,758	114,763,059	27,630
Improvements other than buildings	97,664,465	95,599,314	526
Machinery and equipment	3,249,444	7,476,145	282,148
Construction in progress	20,396,621	13,857,128	-
Less accumulated depreciation	(57,048,302)	(59,767,651)	(214,268)
<b>TOTAL NONCURRENT ASSETS</b>	<b>99,790,135</b>	<b>174,670,612</b>	<b>131,364</b>
<b>TOTAL ASSETS</b>	<b>151,698,201</b>	<b>191,765,538</b>	<b>3,540,386</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	4,441,317	1,931,161	1,522,473
Accrued liabilities	204,458	227,493	71,071
Interest payable	283,790	546,845	-
Deposits from others	1,046,733	-	-
Due to other funds	-	-	-
Deferred revenue	585,606	-	724,749
Bonds payable, current portion	620,000	-	-
Notes payable, current portion	-	3,161,788	-
Certificates of participation, current portion	1,375,000	505,000	-
Compensated absences, current portion	149,588	178,887	29,321
<b>TOTAL CURRENT LIABILITIES</b>	<b>8,706,492</b>	<b>6,551,174</b>	<b>2,347,614</b>
<b>NONCURRENT LIABILITIES:</b>			
Bonds payable	7,905,000	-	-
Notes payable	-	64,956,384	-
Certificates of participation	10,610,000	8,725,000	-
Advances from other funds	-	-	-
Claims and judgments payable	-	-	-
Compensated absences	598,351	715,547	117,282
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>19,113,351</b>	<b>74,396,931</b>	<b>117,282</b>
<b>TOTAL LIABILITIES</b>	<b>27,819,843</b>	<b>80,948,105</b>	<b>2,464,896</b>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	78,623,031	97,322,440	131,364
Restricted for capital projects	681	1,899,065	-
Unrestricted	45,254,646	11,595,928	944,126
<b>TOTAL NET ASSETS</b>	<b>\$ 123,878,358</b>	<b>\$ 110,817,433</b>	<b>\$ 1,075,490</b>

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

Net assets of business-type activities

See independent auditors' report and notes to basic financial statements.

Special Aviation	Business-type Activities - Enterprise Funds (Continued)		Total Enterprise Funds	Governmental Activities
	Oceanside Small Craft Harbor District			Internal Service Funds
\$ -	\$ 7,363,684		69,874,498	\$ 19,886,694
1,799	8,848		7,655,082	295,536
-	-		827,226	-
-	1,375		35,096	6,961
20,861	-		1,258,901	323,091
-	-		157,778	-
<u>22,660</u>	<u>7,373,907</u>		<u>79,808,581</u>	<u>20,512,282</u>
-	-		1,899,746	-
-	-		657,104	-
3,835,398	26,103		20,836,745	-
66,286	901,492		134,532,225	-
490,240	22,704,591		216,459,136	-
46,249	929,296		11,983,282	28,034,255
1,154,291	2,916,661		38,324,701	710,640
(499,335)	(16,217,797)		(133,747,353)	(15,932,144)
<u>5,093,129</u>	<u>11,260,346</u>		<u>290,945,586</u>	<u>12,812,751</u>
<u>5,115,789</u>	<u>18,634,253</u>		<u>370,754,167</u>	<u>33,325,033</u>
45,643	178,619		8,119,213	824,952
4,802	95,408		603,232	204,209
21,842	156,568		1,009,045	1,269
13,954	245,212		1,305,899	-
441,617	-		441,617	-
-	141,925		1,452,280	-
-	-		620,000	-
43,444	240,510		3,445,742	65,906
-	-		1,880,000	-
7,613	72,708		438,117	153,120
<u>578,915</u>	<u>1,130,950</u>		<u>19,315,145</u>	<u>1,249,456</u>
-	-		7,905,000	-
697,000	3,555,080		69,208,464	141,632
-	-		19,335,000	-
249,122	-		249,122	-
-	-		-	9,587,636
30,453	290,830		1,752,463	612,482
<u>976,575</u>	<u>3,845,910</u>		<u>98,450,049</u>	<u>10,341,750</u>
<u>1,555,490</u>	<u>4,976,860</u>		<u>117,765,194</u>	<u>11,591,206</u>
4,352,685	7,464,756		187,894,276	12,605,213
-	-		1,899,746	-
(792,386)	6,192,637		63,194,951	9,128,614
<u>\$ 3,560,299</u>	<u>\$ 13,657,393</u>		<u>252,988,973</u>	<u>\$ 21,733,827</u>
			549,900	
			<u>\$ 253,538,873</u>	

City of Oceanside  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the year ended June 30, 2007

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 36,833,856	\$ 20,782,234	\$ 20,402,753
License and permits	332,776	-	-
Developer fees	2,225,255	2,268,834	-
Slip rental and other related fees	-	-	-
Other revenues	23,256	2,940	2,441
<b>TOTAL OPERATING REVENUES</b>	<b>39,415,143</b>	<b>23,054,008</b>	<b>20,405,194</b>
<b>OPERATING EXPENSES:</b>			
Personal services	5,107,395	5,375,035	1,295,644
Maintenance and operations	11,685,446	13,188,296	18,809,641
Cost of purchased water	19,644,996	-	-
Insurance premium	-	-	-
Depreciation	3,975,425	5,602,542	35,405
<b>TOTAL OPERATING EXPENSES</b>	<b>40,413,262</b>	<b>24,165,873</b>	<b>20,140,690</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(998,119)</b>	<b>(1,111,865)</b>	<b>264,504</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment income	2,426,197	1,137,978	-
Gain from disposal of assets	-	-	-
Interest expense	(871,506)	(2,494,446)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,554,691</b>	<b>(1,356,468)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>556,572</b>	<b>(2,468,333)</b>	<b>264,504</b>
<b>TRANSFERS:</b>			
Transfers in	-	-	-
Transfers out	(974,989)	(126,622)	(215,798)
<b>TOTAL TRANSFERS</b>	<b>(974,989)</b>	<b>(126,622)</b>	<b>(215,798)</b>
<b>CHANGE IN NET ASSETS</b>	<b>(418,417)</b>	<b>(2,594,955)</b>	<b>48,706</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR, AS RESTATED (NOTE 14)</b>	<b>124,296,775</b>	<b>113,412,388</b>	<b>1,026,784</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 123,878,358</b>	<b>\$ 110,817,433</b>	<b>\$ 1,075,490</b>

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

Changes in net assets of business-type activities

See independent auditors' report and notes to basic financial statements.

Business-type Activities - Enterprise Funds (Continued)			Governmental Activities
Special Aviation	Oceanside Small Craft Harbor District	Total Enterprise Funds	Internal Service Funds
\$ 430,950	\$ -	\$ 78,449,793	\$ 44,539,239
-	-	332,776	-
-	-	4,494,089	-
-	5,287,657	5,287,657	-
8,472	12,204	49,313	251,296
<u>439,422</u>	<u>5,299,861</u>	<u>88,613,628</u>	<u>44,790,535</u>
127,390	2,493,252	14,398,716	4,828,098
275,665	2,312,578	46,271,626	14,828,857
-	-	19,644,996	-
-	-	-	19,878,255
25,931	790,119	10,429,422	2,331,638
<u>428,986</u>	<u>5,595,949</u>	<u>90,744,760</u>	<u>41,866,848</u>
<u>10,436</u>	<u>(296,088)</u>	<u>(2,131,132)</u>	<u>2,923,687</u>
-	380,870	3,945,045	-
-	5,599	5,599	212,093
<u>(41,567)</u>	<u>(171,665)</u>	<u>(3,579,184)</u>	<u>(7,721)</u>
<u>(41,567)</u>	<u>214,804</u>	<u>371,460</u>	<u>204,372</u>
<u>(31,131)</u>	<u>(81,284)</u>	<u>(1,759,672)</u>	<u>3,128,059</u>
-	-	-	141,014
<u>(895)</u>	<u>(90,076)</u>	<u>(1,408,380)</u>	<u>(32,311)</u>
<u>(895)</u>	<u>(90,076)</u>	<u>(1,408,380)</u>	<u>108,703</u>
(32,026)	(171,360)	(3,168,052)	3,236,762
<u>3,592,325</u>	<u>13,828,753</u>		<u>18,497,065</u>
<u>\$ 3,560,299</u>	<u>\$ 13,657,393</u>		<u>\$ 21,733,827</u>
		<u>549,900</u>	
		<u>\$ (2,618,152)</u>	

**City of Oceanside**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2007**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 38,963,098	\$ 22,541,192	\$ 20,232,455
Payments to suppliers	(30,204,599)	(12,287,905)	(18,588,264)
Payments to employees	(5,009,965)	(5,232,296)	(1,241,368)
Insurance premiums and settlements	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,748,534</u>	<u>5,020,991</u>	<u>402,823</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash received from other funds	-	-	-
Advances to/from other funds	19,871	-	-
Cash paid to other funds	(974,989)	(126,622)	(215,798)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(955,118)</u>	<u>(126,622)</u>	<u>(215,798)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets - capital replacement	(4,906,425)	(8,689,260)	-
Proceeds from sale of assets	-	-	-
Proceeds from loans	-	1,715,924	-
Retirement of debt	(1,915,000)	(3,586,267)	-
Interest paid	(899,710)	(2,113,106)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,721,135)</u>	<u>(12,672,709)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Investment income	<u>2,426,197</u>	<u>1,137,978</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,501,522)	(6,640,362)	187,025
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>48,868,507</u>	<u>22,603,329</u>	<u>1,893,583</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 46,366,985</u>	<u>\$ 15,962,967</u>	<u>\$ 2,080,608</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities - Enterprise Funds (Continued)			Governmental Activities
Special Aviation	Oceanside Small Craft Harbor District	Total Enterprise Funds	Internal Service Funds
\$ 457,389	\$ 5,301,503	\$ 87,495,637	\$ 44,618,492
(301,162)	(2,334,456)	(63,716,386)	(15,070,936)
(122,937)	(2,480,419)	(14,086,985)	(4,655,095)
-	-	-	(21,002,541)
<u>33,290</u>	<u>486,628</u>	<u>9,692,266</u>	<u>3,889,920</u>
-	-	-	141,014
18,834	-	38,705	-
(895)	(90,076)	(1,408,380)	(32,311)
<u>17,939</u>	<u>(90,076)</u>	<u>(1,369,675)</u>	<u>108,703</u>
-	(1,209,167)	(14,804,852)	(2,461,751)
27,888	5,599	33,487	283,392
-	-	1,715,924	-
(39,667)	(230,154)	(5,771,088)	(2,104,488)
(39,450)	(181,159)	(3,233,425)	(6,452)
<u>(51,229)</u>	<u>(1,614,881)</u>	<u>(22,059,954)</u>	<u>(4,289,299)</u>
-	380,872	3,945,047	-
-	(837,457)	(9,792,316)	(290,676)
-	8,201,141	81,566,560	20,177,370
<u>\$ -</u>	<u>\$ 7,363,684</u>	<u>\$ 71,774,244</u>	<u>\$ 19,886,694</u>

(Continued)

**City of Oceanside**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2007**

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (998,119)	\$ (1,111,865)	\$ 264,504
Depreciation	3,975,425	5,602,542	35,405
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(964,444)	(512,816)	(123,563)
(Increase) decrease in inventory	(45,715)	48,220	-
(Increase) decrease in prepaid items	(13,547)	(9,646)	(25)
(Increase) decrease in other current assets	14,343	-	-
Increase (decrease) in accounts payable	677,796	861,817	221,402
Increase (decrease) in accrued liabilities	34,727	51,507	38,407
Increase (decrease) in compensated absences	62,703	91,232	15,869
Increase (decrease) in deferred revenue	512,399	-	(49,176)
Increase (decrease) in deposits	492,966	-	-
Increase (decrease) in claims and judgments payable	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 3,748,534</u>	<u>\$ 5,020,991</u>	<u>\$ 402,823</u>

See independent auditors' report and notes to basic financial statements.

Business-type Activities - Enterprise Funds (Continued)			Governmental Activities
Special Aviation	Oceanside Small Craft Harbor District	Total Enterprise Funds	Internal Service Funds
\$ 10,436	\$ (296,088)	\$ (2,131,132)	\$ 2,923,687
25,931	790,119	10,429,422	2,331,638
17,967	(626)	(1,583,482)	(172,043)
14,082	-	16,587	(20,249)
-	411,751	388,533	5,747
-	-	14,343	-
(41,353)	(443,297)	1,276,365	(227,577)
(2,356)	(307)	121,978	71,898
6,809	13,140	189,753	101,105
-	2,268	465,491	-
1,774	9,668	504,408	-
-	-	-	(1,124,286)
<u>\$ 33,290</u>	<u>\$ 486,628</u>	<u>\$ 9,692,266</u>	<u>\$ 3,889,920</u>

**This page intentionally left blank**

## **FIDUCIARY FUND FINANCIAL STATEMENTS**

Fiduciary fund types are accounted for according to the nature of the fund. The City has only agency funds, which are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations.

**City of Oceanside**  
**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2007**

---

---

	<u>Total</u>
ASSETS:	
Cash and investments	\$ 7,475,854
Restricted cash and investments	12,765,617
Accounts receivable	<u>30,949</u>
 TOTAL ASSETS	 <u>\$ 20,272,420</u>
 LIABILITIES:	
Accounts payable	\$ 322,630
Accrued liabilities	408
Deposits	4,010,597
Due to bondholders	<u>15,938,785</u>
 TOTAL LIABILITIES	 <u>\$ 20,272,420</u>

See independent auditors' report and notes to basic financial statements.

**City of Oceanside**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of Oceanside, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (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 on 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, Waste Disposal, General Aviation Airport and a Harbor District.

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. The following blended component units, 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 since the governing board is substantively the same as the primary government:

Oceanside Community Development Commission - The Oceanside Community Development Commission (the 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.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Financial Reporting Entity (Continued):

**Blended Component Units (Continued):**

Oceanside Small Craft Harbor District - The Oceanside Small Craft Harbor District (the 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 activity and are a proprietary fund of the City.

Oceanside Building Authority - The Oceanside Building Authority (the 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 governmental funds of the City.

Oceanside Public Financing Authority - The Oceanside Public Financing 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 Public Financing Authority are reported as governmental 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's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. 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.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

**Government-Wide Financial Statements (Continued):**

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.

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 regard 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.

See independent auditors’ report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

**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 other governmental 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 (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues 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) and 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 generally recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term liabilities, and compensated absences which are recognized as expenditures only when payment is due.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

**Governmental Fund Financial Statements (Continued):**

The funds designated as major funds are determined by a mathematical calculation consistent with GASB Statement No. 34. The City reports the following major governmental funds:

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.

The Housing Assistance Program Special Revenue Fund is used 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.

The Redevelopment Agency Debt Service Fund is used to account for the payment of interest and principal on debt of the Community Development Commission.

The Redevelopment Agency Capital Projects Fund is used to account for administrative costs and capital improvements funded by long-term debt issued by the Community Development Commission.

The General Improvement Capital Projects Fund is used to account for general purpose capital projects funded primarily from developer impact fees.

**Proprietary Fund Financial Statements:**

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes 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. Internal service funds account for activities involved in rendering risk management, automotive equipment maintenance, City building maintenance and central data processing services provided to other departments of the City on a cost-reimbursement basis. Because the principal users of the internal service funds are the City's governmental entities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the Government-wide Statement of Net Assets.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Accounting and Measurement Focus (Continued):

**Proprietary Fund Financial Statements (Continued):**

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 for the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major enterprise funds:

The Water Fund is used to account for the operation of the City’s water utility, a self-supporting activity which provides services on a user charge basis.

The Sewer Fund is used 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.

The Waste Disposal Fund is used 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.

The Special Aviation Fund is used to account for the operation of the Oceanside (General Aviation) Airport.

The Oceanside Small Craft Harbor District Fund is used to account for the operation and maintenance of the Oceanside Small Craft Harbor. Funding for operating expenses is provided by user charges.

**Fiduciary Fund Financial Statements:**

Fiduciary fund types are accounted for according to the nature of the fund. The City has only agency funds, which are purely custodial in nature (assets equal liabilities) and thus do not involve measurement of results of operations. Agency funds are accounted for using accrual basis accounting.

See independent auditors’ report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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.

Investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

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 and Buildings Held for Resale:

Land and buildings 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

I. Net Pension Assets:

A pension asset is created when an employer pays into a retirement plan amounts in excess of its annual required contribution (ARC). The ARC is an actuarially calculated amount that is sufficient to fund future costs and extinguish any existing unfunded actuarial accrued liability (UAAL). In August 2005, the City made a payment of \$42,072,326 to CalPERS from the proceeds of the issuance of pension obligation bonds to reduce the City's UAAL as calculated at that time. The prepaid pension asset will be amortized over the life of the bonds on a straight-line basis. Unamortized balance of the net pension assets at June 30, 2007 was \$39,773,053.

J. 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 on a straight-line basis. 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. Therefore, it is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

K. Net Assets:

**Government-Wide Financial Statements:**

The net assets reported on the Statement of Net Assets consist of the following three categories:

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.

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".

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Net Assets (Continued):

**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 of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

M. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates and assumptions.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

---

2. CASH AND INVESTMENTS:

**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.

The following is a summary of cash and investments at June 30, 2007:

	Government Wide Statement of Net Assets	Fiduciary Funds Statement of Assets and Liabilities	Total
Cash and investments	\$ 244,321,229	\$ 7,475,854	\$ 251,797,083
Restricted cash and investments	<u>9,128,751</u>	<u>12,765,617</u>	<u>21,894,368</u>
Total cash and investments	<u>\$ 253,449,980</u>	<u>\$ 20,241,471</u>	<u>\$ 273,691,451</u>

Cash and investments at June 30, 2007 consisted of the following:

Demand deposits (overdraft)	\$ (648,139)
Escrow deposits	214,024
Investments	<u>274,125,566</u>
Total cash and investments	<u>\$ 273,691,451</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by the California Government Code and the City's Investment Policy:**

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of bond indentures of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment in One Issuer</u>
United States (U.S.) Treasury Obligations	5 years	None	None
U.S. Government Sponsored Enterprise Securities	5 years	None	25%
Banker's Acceptances	180 days	20%	5%
Time Deposits	1 year	15%	None
Repurchase Agreements	30 days	30%	None
Reverse Repurchase Agreements	60 days	15%	None
Commercial Paper	270 days	15%	5%
Corporate Medium Term Notes	5 years	15%	5%
Local Agency Investment Fund (LAIF)	N/A	None	None

N/A - Not Applicable

\* - Excluding amounts held by bond trustees that are not subject to California Government Code restrictions.

See independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

**Investments Authorized by Debt Agreements:**

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
U.S. Government Sponsored Enterprise Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

N/A - Not Applicable

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.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

**2. CASH AND INVESTMENTS (CONTINUED):**

**Disclosures Relating to Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
U.S. Treasury Obligations	\$ 1,993,438	\$ 3,972,800	\$ -	\$ -	\$ 5,966,238
U.S. Government Sponsored Enterprise Securities	88,245,045	60,633,708	66,114,563	-	214,993,316
Local Agency Investment Fund (LAIF)	31,485,668	-	-	-	31,485,668
Held by Bond Trustees:					
Money Market Mutual Funds	20,223,166	-	-	-	20,223,166
Investment Contracts	-	-	-	1,457,178	1,457,178
	<u>\$141,947,317</u>	<u>\$ 64,606,508</u>	<u>\$ 66,114,563</u>	<u>\$ 1,457,178</u>	<u>\$274,125,566</u>

**Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations:**

The City holds investments in callable federal agency securities that are highly sensitive to interest rate fluctuations. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes their fair values highly sensitive to changes in interest rates. The fair value of callable investments in the City's portfolio at June 30, 2007 is \$89,283,908 or 37.48% of the City's portfolio (excluding held by bond trustees).

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

2. CASH AND INVESTMENTS (CONTINUED):

**Disclosures Relating to Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standards and Poor, as of year end for each investment type:

Investment Type	Total as of June 30, 2007	Minimum Legal Rating	Exempt from Disclosure	AAA/Aaa	AA-/Aa2
U.S. Treasury Obligations	\$ 5,966,238	N/A	\$ 5,966,238	\$ -	\$ -
U.S. Government Sponsored					
Enterprise Securities	214,993,316	N/A	-	214,993,316	-
Local Agency Investment Fund (LAIF)	31,485,668	N/A	31,485,668	-	-
Held by Bond Trustees:					
Money Market Mutual Funds	20,223,166	AAA/Aaa	-	20,223,166	-
Investment Contracts	1,457,178	A/A	-	-	1,457,178
	<u>\$274,125,566</u>		<u>\$ 37,451,906</u>	<u>\$235,216,482</u>	<u>\$ 1,457,178</u>

**Concentration of Credit Risk:**

The investment policy of the City limits the amount that can be invested in any one issuer of U.S. Government Sponsored Enterprise Securities. The limit has been set at 25% of the cost value of the portfolio in any single issuer of U.S. Government Sponsored Enterprise Securities. This limit is beyond that stipulated by the California Government Code. All other investments contain no limitations beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury Obligations, mutual funds, and external investment pools) that represent 5% or more of total City's investments (excluding held by bond trustees) are as follows:

Issuer	Investment Type	Reported Amount	Percent of Investment
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$ 46,524,697	18.43%
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	59,959,839	22.67%
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	51,628,275	20.45%
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	53,005,634	22.26%

See independent auditors' report.

2. CASH AND INVESTMENTS (CONTINUED):

**Custodial Credit Risk:**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The City's investment policy does not contain any additional provisions that would limit the exposure to custodial credit risk for deposits. However the policy does stipulate that mortgage collateral cannot be used to secure deposit, and that the use of a third party bank trust department is to act as the City's safekeeping agent for investments. At June 30, 2007, the City deposits (bank balances) were insured by the Federal Depository Insurance Corporation or collateralized as required under California Law

**Investment in State Investment Pool:**

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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 (the 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 assessed value 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.

See independent auditors' report.



**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

5. INTERFUND TRANSACTIONS (CONTINUED):

**Long-Term Advances:**

At June 30, 2007, the City had the following interfund long-term advances:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>
Redevelopment Agency Debt Service Fund	General Fund	\$ 8,683,703
	Redevelopment Agency Capital Projects Fund	4,179,767
	Water Enterprise Fund	657,104
Special Aviation Enterprise Fund	General Fund	<u>249,122</u>
		<u>\$ 13,769,696</u>

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, 2007 the outstanding balance of the loan was \$8,683,703.

The Low and Moderate Income Housing Fund advanced funds to the Redevelopment Agency Debt Service Fund to fund redevelopment projects. The loan is payable from tax increment revenues. As of June 30, 2007 the outstanding balance of the loan was \$4,179,767.

The Water Fund advanced funds to the Commission for operational purposes. As of June 30, 2007 the outstanding balance of the loan was \$657,104.

The General Fund advanced funds to the Special Aviation Enterprise Fund for operational purposes. As of June 30, 2007 the outstanding balance of the loan was \$249,122.

**Transfers:**

Transfers in and out for the year ended June 30, 2007 are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Housing Assistance Program	
	Special Revenue Fund	\$ 490,459
	Redevelopment Agency Capital Projects Fund	63,211
	General Improvement Capital Projects Fund	5,374,884
	Other Governmental Funds	2,737,088
	Internal Service Funds	18,960

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

5. INTERFUND TRANSACTIONS (CONTINUED):

**Transfers (Continued):**

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Housing Assistance Program Special Revenue Fund	Other Governmental Funds	\$ 21,998
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	14,512,233
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	4,183,925
	Other Governmental Funds	27,420
General Improvement Capital Projects Fund	General Fund	100,410
	Other Governmental Funds	601,457
Other Governmental Funds	General Fund	815,000
	General Improvement Capital Projects Fund	7,073,407
	Other Governmental Funds	676,938
Water Enterprise Fund	General Improvement Capital Projects Fund	909,155
	Other Governmental Funds	40,834
	Internal Service Funds	25,000
Sewer Enterprise Fund	Other Governmental Funds	42,068
	Internal Service Funds	84,554
Waste Disposal Enterprise Fund	Other Governmental Funds	203,298
	Internal Service Funds	12,500
Special Aviation Enterprise Fund	Other Governmental Funds	895
Oceanside Small Craft Harbor District Enterprise Fund	Other Governmental Funds	90,076
Internal Service Funds	Other Governmental Funds	32,311
		<u>\$ 38,138,081</u>

The General Fund, Other Governmental Funds and the Water Enterprise Fund transferred \$5,374,884, \$7,073,407 and \$909,155, respectively, to the General Improvement Capital Projects Fund for capital improvement projects.

The Redevelopment Agency Debt Service Fund transferred \$14,512,233 to the Redevelopment Agency Capital Projects Fund for specific projects.

The Redevelopment Agency Capital Projects Fund transferred \$4,183,925 to the Redevelopment Agency Debt Service Fund for debt service payments.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

**6. CAPITAL ASSETS:**

A summary of changes in the Governmental Activities capital assets at June 30, 2007 is as follows:

<b>Governmental Activities:</b>	Balance at July 1, 2006, As Restated (See Note 14)	Additions	Deletions	Balance at June 30, 2007
Capital assets, not being depreciated:				
Land	\$ 49,899,487	\$ 7,944,500	\$ -	\$ 57,843,987
Construction in progress	<u>28,148,515</u>	<u>12,715,944</u>	<u>(4,628,289)</u>	<u>36,236,170</u>
Total capital assets, not being depreciated	<u>78,048,002</u>	<u>20,660,444</u>	<u>(4,628,289)</u>	<u>94,080,157</u>
Capital assets, being depreciated:				
Buildings and structures	63,198,537	1,075,812	-	64,274,349
Improvements other than buildings	8,652,043	-	-	8,652,043
Machinery and equipment	51,717,217	3,234,780	(2,216,726)	52,735,271
Infrastructure	<u>254,900,398</u>	<u>10,084,694</u>	<u>-</u>	<u>264,985,092</u>
Total capital assets, being depreciated	<u>378,468,195</u>	<u>14,395,286</u>	<u>(2,216,726)</u>	<u>390,646,755</u>
Less accumulated depreciation for:				
Buildings and structures	(18,689,294)	(1,621,828)	-	(20,311,122)
Improvements other than buildings	(3,260,138)	(378,961)	-	(3,639,099)
Machinery and equipment	(31,941,452)	(3,284,260)	2,145,427	(33,080,285)
Infrastructure	<u>(121,999,749)</u>	<u>(6,703,911)</u>	<u>-</u>	<u>(128,703,660)</u>
Total accumulated depreciation	<u>(175,890,633)</u>	<u>(11,988,960)</u>	<u>2,145,427</u>	<u>(185,734,166)</u>
Total capital assets, being depreciated, net	<u>202,577,562</u>	<u>2,406,326</u>	<u>(71,299)</u>	<u>204,912,589</u>
Governmental activities capital assets, net	<u>\$ 280,625,564</u>	<u>\$23,066,770</u>	<u>\$(4,699,588)</u>	<u>\$ 298,992,746</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

General government	\$ 665,889
Public safety	809,720
Public works	6,886,313
Community development	14,556
Community/culture services	1,280,844
Internal service funds	<u>2,331,638</u>
Total depreciation expense - governmental activities	<u>\$ 11,988,960</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

6. CAPITAL ASSETS (CONTINUED):

A summary of changes in the Business-type Activities capital assets at June 30, 2007 is as follows:

<b>Business-type Activities:</b>	Balance at July 1, 2006, As Restated (See Note 14)	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2007</u>
Capital assets, not being depreciated:				
Land	\$ 20,836,745	\$ -	\$ -	\$ 20,836,745
Construction in progress	<u>23,618,575</u>	<u>14,706,126</u>	<u>-</u>	<u>38,324,701</u>
Total capital assets, not being depreciated	<u>44,455,320</u>	<u>14,706,126</u>	<u>-</u>	<u>59,161,446</u>
Capital assets, being depreciated:				
Buildings and structures	134,532,225	-	-	134,532,225
Improvements other than buildings	216,442,273	16,863	-	216,459,136
Machinery and equipment	<u>11,929,305</u>	<u>53,977</u>	<u>-</u>	<u>11,983,282</u>
Total capital assets, being depreciated	<u>362,903,803</u>	<u>70,840</u>	<u>-</u>	<u>362,974,643</u>
Less accumulated depreciation for:				
Buildings and structures	(24,749,424)	(2,706,306)	-	(27,455,730)
Improvements other than buildings	(96,825,234)	(6,843,267)	-	(103,668,501)
Machinery and equipment	<u>(1,743,273)</u>	<u>(879,849)</u>	<u>-</u>	<u>(2,623,122)</u>
Total accumulated depreciation	<u>(123,317,931)</u>	<u>(10,429,422)</u>	<u>-</u>	<u>(133,747,353)</u>
Total capital assets, being depreciated, net	<u>239,585,872</u>	<u>(10,358,582)</u>	<u>-</u>	<u>229,227,290</u>
Business-type activities capital assets, net	<u>\$ 284,041,192</u>	<u>\$ 4,347,544</u>	<u>\$ -</u>	<u>\$ 288,388,736</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Water	\$ 3,975,425
Sewer	5,602,542
Waste disposal	35,405
Special aviation	25,931
Oceanside Small Craft Harbor District	<u>790,119</u>
Total depreciation expense - business-type activities	<u>\$ 10,429,422</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

7. LAND AND BUILDINGS HELD FOR RESALE:

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 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, 2007, was \$9,492,993.

8. LONG-TERM LIABILITIES:

A. Governmental Activities Long-Term Debt:

The following is a summary of changes in governmental activities long-term debt for the year ended June 30, 2007:

	Balance July 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2007</u>	Due Within <u>One Year</u>	Due in More Than <u>One Year</u>
Bonds payable	\$ 58,420,000	\$ -	\$ (1,470,000)	\$ 56,950,000	\$ 1,975,000	\$ 54,975,000
Certificates of participation	57,020,000	-	(2,675,000)	54,345,000	2,810,000	51,535,000
Capital leases payable	2,160,944	-	(246,749)	1,914,195	250,098	1,664,097
Notes payable	855,000	-	(215,000)	640,000	215,000	425,000
Special assessment debt with government commitment	1,300,000	-	(1,300,000)	-	-	-
Pension obligation bonds	43,765,531	-	(466,644)	43,298,887	540,000	42,758,887
Claims payable	10,711,922	-	(1,124,286)	9,587,636	-	9,587,636
Compensated absences	<u>8,836,605</u>	<u>649,173</u>	<u>(44,500)</u>	<u>9,441,278</u>	<u>1,888,256</u>	<u>7,553,022</u>
Total	<u>\$ 183,070,002</u>	<u>\$ 649,173</u>	<u>\$ (7,542,179)</u>	<u>\$ 176,176,996</u>	<u>\$ 7,678,354</u>	<u>\$ 168,498,642</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Bonds Payable:**

At June 30, 2007, bonds payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
2002 Tax Allocation						
Refunding Bonds	\$ 20,715,000	\$ -	\$ (630,000)	\$ 20,085,000	\$ 655,000	\$ 19,430,000
2003 Tax Allocation						
Refunding Bonds	6,920,000	-	(425,000)	6,495,000	435,000	6,060,000
Subordinate 2003						
Tax Allocation						
Bonds	17,620,000	-	(110,000)	17,510,000	570,000	16,940,000
2004 Tax Allocation						
Refunding Bonds	<u>13,165,000</u>	<u>-</u>	<u>(305,000)</u>	<u>12,860,000</u>	<u>315,000</u>	<u>12,545,000</u>
Totals	<u>\$ 58,420,000</u>	<u>\$ -</u>	<u>\$ (1,470,000)</u>	<u>\$ 56,950,000</u>	<u>\$ 1,975,000</u>	<u>\$ 54,975,000</u>

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 \$655,000 to \$1,240,000. Interest rates vary from 3.0% to a maximum of 5.5% and are payable semiannually 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. Bonds maturing before September 1, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2013, are subject to redemption in whole or in part on September 1, 2012, and each interest date thereafter. At June 30, 2007, the outstanding balance of these bonds was \$20,085,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Bonds Payable (Continued):**

2002 Tax Allocation Refunding Bonds - Original Issue \$22,030,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 655,000	\$ 1,062,419	\$ 1,717,419
2009	685,000	1,033,088	1,718,088
2010	715,000	1,000,694	1,715,694
2011	750,000	965,900	1,715,900
2012	785,000	928,463	1,713,463
2013 - 2017	4,560,000	3,989,007	8,549,007
2018 - 2022	5,895,000	2,596,725	8,491,725
2023 - 2026	<u>6,040,000</u>	<u>719,038</u>	<u>6,759,038</u>
Totals	<u>\$ 20,085,000</u>	<u>\$ 12,295,334</u>	<u>\$ 32,380,334</u>

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 \$435,000 to \$670,000. Interest rates vary from 2.0% to a maximum of 4.0% and are payable semiannually 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. Bonds maturing before September 1, 2014, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2014, are subject to redemption in whole or in part on September 1, 2013, and each interest date thereafter. At June 30, 2007, the outstanding balance of these bonds was \$6,495,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Bonds Payable (Continued):**

2003 Tax Allocation Refunding Bonds - Original Issue \$7,740,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 435,000	\$ 232,775	\$ 667,775
2009	450,000	219,500	669,500
2010	460,000	205,850	665,850
2011	485,000	189,250	674,250
2012	505,000	169,450	674,450
2013 - 2017	2,845,000	540,125	3,385,125
2018 - 2019	<u>1,315,000</u>	<u>53,100</u>	<u>1,368,100</u>
Totals	<u>\$ 6,495,000</u>	<u>\$ 1,610,050</u>	<u>\$ 8,105,050</u>

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 \$570,000 to \$1,425,000. Interest rates vary from 2.0% to a maximum of 5.2% and are payable semiannually 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. Bonds maturing before September 1, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2013, are subject to redemption in whole or in part on September 1, 2012, and each interest date thereafter. At June 30, 2007, the outstanding balance of these bonds was \$17,510,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Bonds Payable (Continued):**

Subordinate 2003 Tax Allocation Bonds - Original Issue \$17,800,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 570,000	\$ 922,761	\$ 1,492,761
2009	595,000	894,939	1,489,939
2010	620,000	865,505	1,485,505
2011	655,000	834,350	1,489,350
2012	685,000	801,220	1,486,220
2013 - 2017	3,975,000	3,437,119	7,412,119
2018 - 2022	5,150,000	2,240,142	7,390,142
2023 - 2026	<u>5,260,000</u>	<u>616,400</u>	<u>5,876,400</u>
Totals	<u>\$ 17,510,000</u>	<u>\$ 10,612,436</u>	<u>\$ 28,122,436</u>

2004 Tax Allocation Refunding Bonds - Original Issue \$13,510,000

The 2004 Tax Allocation Refunding Bonds were issued to defease the Commission's outstanding \$14,935,000 Downtown Redevelopment Project, 1994 Tax Allocation Refunding Bonds outstanding, to acquire a municipal bond issuance policy and to pay costs of issuance.

The bonds mature annually through 2024, in amounts ranging from \$315,000 to \$1,550,000. Interest rates vary from 2.5% to a maximum of 4.5% and are payable semiannually on March 1 and September 1, commencing March 1, 2005. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before September 1, 2015, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2015, are subject to redemption in whole or in part on September 1, 2014, and each interest date thereafter. At June 30, 2007, the outstanding balance of these bonds was \$12,860,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Bonds Payable (Continued):**

2004 Tax Allocation Refunding Bonds - Original Issue \$13,510,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 315,000	\$ 538,479	\$ 853,479
2009	320,000	528,954	848,954
2010	340,000	517,354	857,354
2011	340,000	503,754	843,754
2012	355,000	489,854	844,854
2013 - 2017	1,945,000	2,235,475	4,180,475
2018 - 2022	4,790,000	1,647,029	6,437,029
2023 - 2025	<u>4,455,000</u>	<u>306,562</u>	<u>4,761,562</u>
Totals	<u>\$ 12,860,000</u>	<u>\$ 6,767,461</u>	<u>\$ 19,627,461</u>

**Certificates of Participation:**

At June 30, 2007, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
1995 Refunding COP	\$ 5,265,000	\$ -	\$ (1,210,000)	\$ 4,055,000	\$ 1,275,000	\$ 2,780,000
1998 COP	9,325,000	-	(305,000)	9,020,000	325,000	8,695,000
2003 COP	22,260,000	-	(1,035,000)	21,225,000	1,080,000	20,145,000
2005 Refunding COP	<u>20,170,000</u>	<u>-</u>	<u>(125,000)</u>	<u>20,045,000</u>	<u>130,000</u>	<u>19,915,000</u>
Totals	<u>\$ 57,020,000</u>	<u>\$ -</u>	<u>\$ (2,675,000)</u>	<u>\$ 54,345,000</u>	<u>\$ 2,810,000</u>	<u>\$ 51,535,000</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

---

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Certificates of Participation (Continued):**

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 \$1,275,000 to \$1,430,000. Interest rates range from 4.0% to 6.07% and are 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, 2007, a certificate was partially defeased by the 2005 Refunding Certificates of Participation and the outstanding balance of the 1995 Certificates was \$4,055,000.

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,275,000	\$ 194,075	\$ 1,469,075
2009	1,350,000	119,150	1,469,150
2010	<u>1,430,000</u>	<u>39,325</u>	<u>1,469,325</u>
Totals	<u>\$ 4,055,000</u>	<u>\$ 352,550</u>	<u>\$ 4,407,550</u>

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

The 1998 Certificates of Participation were issued by the Authority for the purpose of reimbursing the City for 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 \$325,000 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, 2007, the outstanding balance of these certificates was \$9,020,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Certificates of Participation (Continued):**

1998 Certificates of Participation - Original Issue \$10,750,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 325,000	\$ 446,725	\$ 771,725
2009	350,000	431,025	781,025
2010	375,000	413,988	788,988
2011	400,000	395,775	795,775
2012	430,000	376,055	806,055
2013 - 2017	2,635,000	1,517,730	4,152,730
2018 - 2022	3,630,000	722,493	4,352,493
2023	875,000	22,750	897,750
Totals	<u>\$ 9,020,000</u>	<u>\$ 4,326,541</u>	<u>\$ 13,346,541</u>

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 \$1,080,000 to \$1,770,000 through 2023. Interest rates range from 4.5% to 5.2% and are payable semiannually on September 15 and March 15. Certificates maturing before April 1, 2013, are not subject to redemption prior to maturity. Certificates maturing on or after April 1, 2013, are subject to redemption in whole or in part on April 1, 2012, and each interest date thereafter. At June 30, 2007, the outstanding balance of these certificates was \$21,225,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Certificates of Participation (Continued):**

2003 Certificates of Participation - Original Issue \$25,185,000 (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,080,000	\$ 1,093,853	\$ 2,173,853
2009	1,135,000	1,039,853	2,174,853
2010	1,185,000	983,103	2,168,103
2011	1,245,000	923,853	2,168,853
2012	1,310,000	861,603	2,171,603
2013 - 2017	7,620,000	3,234,325	10,854,325
2018 - 2022	6,500,000	1,215,655	7,715,655
2023	1,150,000	59,800	1,209,800
Totals	<u>\$ 21,225,000</u>	<u>\$ 9,412,045</u>	<u>\$ 30,637,045</u>

2005 Refunding Certificates of Participation - Original Issue \$20,170,000

The 2005 Refunding Certificates of Participation were issued by the Commission to partially refund the 1995 Refunding Certificates of Participation, which was used for the City's Civic Center Project and to pay the costs of issuance. The certificates consist of serial certificates in the amount of \$20,170,000 due in annual installments of \$130,000 to \$2,350,000. Interest rates range from 3% to 5% and are payable semiannually on February 1 and August 1. Certificates maturing before August 1, 2016, are not subject to redemption prior to maturity. Certificates maturing on or after August 1, 2016, are subject to redemption in whole or in part on August 1, 2015, and each interest date thereafter. At June 30, 2007, the outstanding balance of these certificates was \$20,045,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 130,000	\$ 803,588	\$ 933,588
2009	135,000	799,288	934,288
2010	135,000	795,238	930,238
2011	1,650,000	768,463	2,418,463
2012	1,705,000	716,006	2,421,006
2013 - 2017	9,555,000	2,537,875	12,092,875
2018 - 2020	6,735,000	504,375	7,239,375
Totals	<u>\$ 20,045,000</u>	<u>\$ 6,924,833</u>	<u>\$ 26,969,833</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Capital Lease Obligations:**

At June 30, 2007, capital lease obligations payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
2004 Streetlight Lease/Purchase Agreement	\$ 1,883,803	\$ -	\$ (177,146)	\$ 1,706,657	\$ 184,192	\$ 1,522,465
2005 Vactor Truck Lease	277,141	-	(69,603)	207,538	65,906	141,632
Totals	\$ 2,160,944	\$ -	\$ (246,749)	\$ 1,914,195	\$ 250,098	\$ 1,664,097

The gross amount of assets acquired under capital leases is \$2,411,009 and is classified as machinery and equipment within capital assets. The amortization of the leased assets is included as part of depreciation expense.

2004 Streetlight Lease/Purchase Agreement

On October 1, 2004, the Authority entered into a lease/purchase agreement with Zion First National Bank in the amount of \$2,064,583 for the streetlight improvement and appurtenance currently existing upon public streets and right of way within the boundaries of the City of Oceanside. The lease is due in annual installments of \$184,192 to \$246,772. The lease bears an interest rate of 4.2% and is payable semiannually on March 1 and September 1. At June 30, 2007, the outstanding balance of this lease was \$1,706,657.

The future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 184,192	\$ 67,812	\$ 252,004
2009	190,728	59,938	250,666
2010	201,713	51,697	253,410
2011	206,985	43,115	250,100
2012	216,608	34,219	250,827
2013 - 2015	706,431	45,393	751,824
Totals	\$ 1,706,657	\$ 302,174	\$ 2,008,831

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Capital Lease Obligations (Continued):**

2005 Vactor Truck Lease

On May 16, 2006, the City entered into a lease/purchase agreement with Vactor Manufacturing, Inc. for the Vactor Sewer Cleaner Truck. The lease is due in annual installments of \$76,054, commencing on May 17, 2006. The lease bears an interest rate of 4.89% and is payable annually. At June 30, 2007, the outstanding balance of this lease was \$207,538.

The future minimum lease payments are as follows:

Year Ending June 30,	Annual Payment
2008	\$ 76,054
2009	76,054
2010	<u>76,054</u>
Subtotal	228,162
Less interest portion	<u>(20,624)</u>
Totals	<u>\$ 207,538</u>

**Notes Payable:**

At June 30, 2007, notes payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
HUD 108 Loans	\$ 855,000	\$ -	\$ (215,000)	\$ 640,000	\$ 215,000	\$ 425,000

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. Section 5308 for Series HUD 2002-A Certificates. The loans are due in annual installments of \$215,000. Interest rates vary from 3.15% to 4.43% and are payable on February 1 and August 1. At June 30, 2007, the outstanding balance of the loans was \$640,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Notes Payable (Continued):**

HUD 108 Loans - Original Issue \$1,500,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 215,000	\$ 22,332	\$ 237,332
2009	215,000	13,775	228,775
2010	210,000	4,652	214,652
Totals	<u>\$ 640,000</u>	<u>\$ 40,759</u>	<u>\$ 680,759</u>

**Special Assessment Debt with City Commitment:**

At June 30, 2007, special assessment debt with City commitment consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
1994 Assessment						
District Refinancing						
Local Agency						
Revenue Bonds	\$ 1,300,000	\$ -	\$ (1,300,000)	\$ -	\$ -	\$ -

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 were paid off during the current fiscal year.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Pension Obligation Bonds:**

At June 30, 2007, pension obligation bonds consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
2005 Taxable Pension						
Obligation Bonds	\$ 42,780,000	\$ -	\$ (415,000)	\$ 42,365,000	\$ 540,000	\$ 41,825,000
Bond premium	<u>985,531</u>	<u>-</u>	<u>(51,644)</u>	<u>933,887</u>	<u>-</u>	<u>933,887</u>
Totals	<u>\$ 43,765,531</u>	<u>\$ -</u>	<u>\$ (466,644)</u>	<u>\$ 43,298,887</u>	<u>\$ 540,000</u>	<u>\$ 42,758,887</u>

2005 Taxable Pension Obligation Bonds - Original Issuance \$42,780,000

On August 1, 2005, the City issued \$42,780,000 Taxable Pension Obligation Bonds, Series 2005 for the purpose of paying the City's currently, unamortized, unfunded accrued actuarial liability to the California Public Employees' Retirement System (CalPERS) for the benefit of the City's employees. The bonds are due in annual installments of \$540,000 to \$4,975,000. Interest rates range from 4.17% to 5.25% and are payable semiannually on February 15 and August 15. At June 30, 2007, the outstanding balance of the bonds was \$42,365,000.

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 540,000	\$ 2,151,772	\$ 2,691,772
2009	675,000	2,124,691	2,799,691
2010	825,000	2,090,461	2,915,461
2011	980,000	2,048,701	3,028,701
2012	1,150,000	1,998,949	3,148,949
2013 - 2017	8,805,000	8,909,260	17,714,260
2018 - 2022	15,455,000	5,902,684	21,357,684
2023 - 2026	<u>13,935,000</u>	<u>1,187,025</u>	<u>15,122,025</u>
Subtotal	42,365,000	26,413,543	68,778,543
Add: Bond premium	<u>933,887</u>	<u>-</u>	<u>933,887</u>
Totals	<u>\$ 43,298,887</u>	<u>\$ 26,413,543</u>	<u>\$ 69,712,430</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

A. Governmental Activities Long-Term Debt (Continued):

**Claims Payable:**

Claims payable have been accrued. Amounts determined to be debts of either the business-type and/or the 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, 2007, was \$9,587,636.

**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 \$9,441,278 at June 30, 2007. The general fund typically has been used in prior years to liquidate the liability for governmental compensated absences.

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

The following is a summary of changes in business-type and proprietary funds activities long-term debt for the year ended June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
Bonds payable	\$ 9,115,000	\$ -	\$ (590,000)	\$ 8,525,000	\$ 620,000	\$ 7,905,000
Certificates of participation	23,035,000	-	(1,820,000)	21,215,000	1,880,000	19,335,000
Notes payable	74,299,370	1,715,924	(3,361,088)	72,654,206	3,445,742	69,208,464
Compensated absences	<u>2,000,827</u>	<u>245,253</u>	<u>(55,500)</u>	<u>2,190,580</u>	<u>438,117</u>	<u>1,752,463</u>
Total	<u>\$ 108,450,197</u>	<u>\$ 1,961,177</u>	<u>\$ (5,826,588)</u>	<u>\$ 104,584,786</u>	<u>\$ 6,383,859</u>	<u>\$ 98,200,927</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Bonds Payable:**

At June 30, 2007, bonds payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
1998 Water Revenue						
Refunding Bonds	\$ 9,115,000	\$ -	\$ (590,000)	\$ 8,525,000	\$ 620,000	\$ 7,905,000

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 \$620,000 to \$965,000 through 2017. Interest rates range from 3.5% to 5.0% and are payable semiannually on April 1 and October 1. Bonds maturing before October 1, 2008, are not subject to redemption prior to maturity. Bonds maturing on or after October 1, 2008, are subject to redemption in whole or in part on October 1, 2007, and each interest date thereafter. At June 30, 2007, the outstanding balance of these bonds was \$8,525,000.

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 620,000	\$ 387,214	\$ 1,007,214
2009	640,000	360,279	1,000,279
2010	670,000	331,779	1,001,779
2011	705,000	301,176	1,006,176
2012	725,000	268,548	993,548
2013 - 2017	4,200,000	774,451	4,974,451
2018	965,000	24,125	989,125
Totals	<u>\$ 8,525,000</u>	<u>\$ 2,447,572</u>	<u>\$ 10,972,572</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Certificates of Participation:**

At June 30, 2007, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
Revenue COP (1993 Water System Refunding Project) Series 2003	\$ 13,310,000	\$ -	\$ (1,325,000)	\$ 11,985,000	\$ 1,375,000	\$ 10,610,000
Revenue COP (1993 Wastewater System Refunding Project) Series 2003	9,725,000	-	(495,000)	9,230,000	505,000	8,725,000
Totals	\$ 23,035,000	\$ -	\$ (1,820,000)	\$ 21,215,000	\$ 1,880,000	\$ 19,335,000

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 (the 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%. Certificates maturing before August 1, 2014, are not subject to redemption prior to maturity. Certificates maturing on or after August 1, 2014, are subject to redemption in whole or in part on August 1, 2013, and each interest date thereafter. At June 30, 2007 the outstanding balance of these certificates was \$11,985,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Certificates of Participation (Continued):**

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

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 1,375,000	\$ 413,362	\$ 1,788,362
2009	1,430,000	357,263	1,787,263
2010	1,015,000	313,438	1,328,438
2011	1,045,000	282,538	1,327,538
2012	540,000	258,762	798,762
2013 - 2017	2,990,000	1,013,082	4,003,082
2018 - 2022	<u>3,590,000</u>	<u>377,619</u>	<u>3,967,619</u>
Totals	<u>\$ 11,985,000</u>	<u>\$ 3,016,064</u>	<u>\$ 15,001,064</u>

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 (the 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 \$505,000 to \$865,000 will be made through May 1, 2021; interest ranges from 2.25% to 5.00%. Certificates maturing before May 1, 2014, are not subject to redemption prior to maturity. Certificates maturing on or after May 1, 2014, are subject to redemption in whole or in part on May 1, 2013, and each interest date thereafter. At June 30, 2007 the outstanding balance of these certificates was \$9,230,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Certificates of Participation (Continued):**

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

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 505,000	\$ 400,900	\$ 905,900
2009	520,000	385,750	905,750
2010	540,000	367,550	907,550
2011	565,000	345,950	910,950
2012	585,000	323,350	908,350
2013 - 2017	3,290,000	1,246,750	4,536,750
2018 - 2021	<u>3,225,000</u>	<u>412,750</u>	<u>3,637,750</u>
Totals	<u>\$ 9,230,000</u>	<u>\$ 3,483,000</u>	<u>\$ 12,713,000</u>

**Notes Payable:**

At June 30, 2007, notes payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
State revolving loan	\$ 47,057,070	\$ 1,715,924	\$ (2,047,015)	\$ 46,725,979	\$ 2,083,922	\$ 44,642,057
State Water Resources						
Control Board	5,701,446	-	(504,252)	5,197,194	517,866	4,679,328
Department of						
Boating and						
Waterways	4,025,743	-	(230,154)	3,795,589	240,510	3,555,079
Department of						
Transportation	780,111	-	(39,667)	740,444	43,444	697,000
1998 Wateruse						
Purchase Contract	<u>16,735,000</u>	<u>-</u>	<u>(540,000)</u>	<u>16,195,000</u>	<u>560,000</u>	<u>15,635,000</u>
Totals	<u>\$ 74,299,370</u>	<u>\$ 1,715,924</u>	<u>\$ (3,361,088)</u>	<u>\$ 72,654,206</u>	<u>\$ 3,445,742</u>	<u>\$ 69,208,464</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Notes Payable (Continued):**

State Revolving Loan Regarding the State Water Resources Control Board Loan for the San Luis Rey Wastewater Treatment Plant Interim Expansion - Original Issue \$35,074,673

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 \$2,926,391 commencing in January 2007 through 2026. The interest rate is 1.803% payable annually on January 26. At June 30, 2007, the outstanding balance of these notes was \$46,725,979.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 2,083,922	\$ 842,469	\$ 2,926,391
2009	2,121,495	804,896	2,926,391
2010	2,159,746	766,645	2,926,391
2011	2,198,686	727,705	2,926,391
2012	2,238,328	688,063	2,926,391
2013 - 2017	11,811,749	2,820,208	14,631,957
2018 - 2022	12,915,674	1,716,283	14,631,957
2023 - 2026	<u>11,196,379</u>	<u>509,185</u>	<u>11,705,564</u>
Totals	<u>\$ 46,725,979</u>	<u>\$ 8,875,454</u>	<u>\$ 55,601,433</u>

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 \$517,866 to \$658,191 through 2015. The interest rate is 2.7% payable annually on November 1. At June 30, 2007, the outstanding balance of this note was \$5,197,194.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Notes Payable (Continued):**

State Water Resources Control Board - Original Issue \$9,204,539 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 517,866	\$ 140,325	\$ 658,191
2009	532,194	125,997	658,191
2010	546,218	111,973	658,191
2011	560,986	97,225	658,211
2012	576,112	82,079	658,191
2013 - 2016	<u>2,463,818</u>	<u>168,311</u>	<u>2,632,129</u>
Totals	<u>\$ 5,197,194</u>	<u>\$ 725,910</u>	<u>\$ 5,923,104</u>

Department of Boating and Waterways

At June 30, 2007, the Department of Boating and Waterways loans payable consisted of the following:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007	Due Within One Year	Due in More Than One Year
1984 loan payable	\$ 510,291	\$ -	\$ (41,527)	\$ 468,764	\$ 43,396	\$ 425,368
1986 loan payable	2,104,367	-	(136,081)	1,968,286	142,205	1,826,081
1994 loan payable	<u>1,411,085</u>	-	<u>(52,546)</u>	<u>1,358,539</u>	<u>54,909</u>	<u>1,303,630</u>
Totals	<u>\$ 4,025,743</u>	<u>\$ -</u>	<u>\$ (230,154)</u>	<u>\$ 3,795,589</u>	<u>\$ 240,510</u>	<u>\$ 3,555,079</u>

These loans were issued as follows: (1) the 1984 loan payable is due in annual installments of \$64,490 through 2015, including interest of 4.5% per annum, (2) the 1986 loan payable is due in annual installments of \$230,778 through 2017, including interest of 4.5% per annum, and (3) the 1994 loan payable is due in annual installments of \$116,043 through 2023, including interest of 4.5% per annum.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

---

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Notes Payable (Continued):**

Department of Transportation - Original Issue \$850,000

On June 9, 2003, the City entered into a California Airport Loan Agreement with the California Department of Transportation for the purpose of planning, acquisition, construction, improvement, maintenance or operation of the airport located in the City of Oceanside. The interest on the agreement is 5.0569%; annual principal payments range from \$43,444 to \$81,222 through 2020. At June 30, 2007, the outstanding balance of this note was \$740,444.

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 43,444	\$ 37,444	\$ 80,888
2009	47,222	35,247	82,469
2010	51,000	32,859	83,859
2011	54,778	30,280	85,058
2012	58,556	27,510	86,066
2013 - 2017	349,444	89,309	438,753
2018 - 2020	<u>136,000</u>	<u>9,647</u>	<u>145,647</u>
Totals	<u>\$ 740,444</u>	<u>\$ 262,296</u>	<u>\$ 1,002,740</u>

1998 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 \$560,000 to \$1,005,000 through 2028. At June 30, 2007, the outstanding balance of this note was \$16,195,000.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (CONTINUED):

B. Business-Type and Proprietary Funds Long-Term Debt (Continued):

**Notes Payable (Continued):**

1998 Wateruse Finance Authority Installment Purchase Contract - Original Issue \$55,785,000  
(Continued)

The annual debt service requirements on this purchase contract (assuming 4% interest) are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 560,000	\$ 647,800	\$ 1,207,800
2009	580,000	625,400	1,205,400
2010	595,000	602,200	1,197,200
2011	615,000	578,400	1,193,400
2012	630,000	553,800	1,183,800
2013 - 2017	3,480,000	2,373,000	5,853,000
2018 - 2022	4,060,000	1,631,600	5,691,600
2023 - 2027	4,735,000	767,600	5,502,600
2028	<u>940,000</u>	<u>37,600</u>	<u>977,600</u>
Totals	<u>\$ 16,195,000</u>	<u>\$ 7,817,400</u>	<u>\$ 24,012,400</u>

**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, 2007, compensated absences in the proprietary funds were as follows:

	Balance at July 1, 2006	Additions	Deletions	Balance at June 30, 2007
Business-Type Activities:				
Water	\$ 685,236	\$ 92,031	\$ (29,328)	\$ 747,939
Sewer	803,202	95,155	(3,923)	894,434
Waste Disposal	130,734	16,103	(234)	146,603
Special Aviation	31,257	6,809	-	38,066
Oceanside Small Craft Harbor District	<u>350,398</u>	<u>35,155</u>	<u>(22,015)</u>	<u>363,538</u>
Totals	<u>\$ 2,000,827</u>	<u>\$ 245,253</u>	<u>\$ (55,500)</u>	<u>\$ 2,190,580</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

8. LONG-TERM LIABILITIES (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	Balance at June 30, 2007
City of Oceanside Assessment District No. 4-1998 (Mission Square)	City of Oceanside	May 1, 1994	320,830	\$ 145,000
1990 Residential Mortgage Revenue Bonds	City of Oceanside	July 1, 1990	21,000,000	14,870,000
1994 Multi-Family Housing Revenue Refunding Bonds Lakeridge	City of Oceanside	December 1, 1994	43,240,000	43,240,000
1996 Multi-Family Housing Revenue Bonds	City of Oceanside	December 1, 1996	29,430,000	28,999,166
2001 Multi-Family Rental Housing Refunding Revenue Bonds Vista Del Oro	City of Oceanside	March 1, 2001	13,325,000	13,325,000
2002 Multi-Family Housing Revenue Bonds Vintage Point II Senior Apartments	City of Oceanside	December 1, 2002	11,300,000	10,998,638
Trendwest CFD 2001-2 Owners Participation Agreement	City of Oceanside	December 1, 2002	1,500,000	805,000
Ocean Ranch CFD 2000-1 Ocean Ranch Corporate Centre	City of Oceanside	December 30, 2002	12,265,000	12,220,000
Morro Hill CFD 2002	City of Oceanside	December 1, 2002	16,085,000	15,720,000
Ocean Ranch CFD 2004	City of Oceanside	February 1, 2004	12,735,000	12,735,000
Morro Hills CFD 2001-1 Special Tax Bonds Series A of 2002	City of Oceanside	November 14, 2002	9,915,000	9,395,000
Morro Hills CFD 2004 Improvement Area #1	City of Oceanside	February 1, 2004	11,000,000	10,515,000

See independent auditors' report.

9. RESERVES AND DESIGNATIONS OF FUND BALANCES:

A City may set up reserves of fund equity to segregate fund balances which are appropriable for expenditure in future periods, or which are legally set aside for a specific future use. Fund "designations" also may be established to indicate tentative plans for financial resource utilization in a future period.

A. Reserved for Noncurrent Assets:

This reserve is provided to indicate amounts for noncurrent assets that are not available as a resource to meet expenditures of the current year.

B. Reserved for Advances to Other Funds:

This reserve is provided to indicate that amounts advanced to other funds are not available as a resource to meet expenditures of the current year.

C. Reserved for Inventory:

This reserve is provided to indicate that the inventory balance is not available as a spendable resource to meet expenditures of the current year.

D. Reserved for Prepaid Items:

This reserve is provided to indicate that prepaid items are not available as a resource to meet expenditures of the current year.

E. Reserved for Land and Buildings Held for Resale:

This reserve is provided to indicate that land and buildings held for resale is not available as a resource to meet expenditures of the current year.

F. Reserved for Debt Service:

This reserve is provided to indicate amounts are to be used for future debt service, including amounts held in accordance with bond indenture or similar covenants.

G. Designated for Continuing Appropriations:

These funds have been designated for capital projects in prior years, but carried over to the next year.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

**10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:**

**Deficit Fund Balances:**

The following funds reported deficits in fund balances at June 30, 2007:

Major Fund:	
Redevelopment Agency Debt Service Fund	\$ (7,658,111)
Other Governmental Fund:	
Storm Damage Special Revenue Fund	(80,905)

The deficit in the Redevelopment Agency Debt Service Fund will be eliminated through collection of tax increments. The deficit in the Storm Damage Special Revenue Fund will be eliminated through reimbursements of costs from FEMA.

**11. 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 \$9,587,636 reported at June 30, 2007, 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 <u>June 30,</u>	Claims Payable <u>July 1,</u>	Fiscal Year Claims and Changes in <u>Estimates</u>	Claims Payments	Claims Payable <u>June 30,</u>
2006	\$ 8,940,159	\$ 3,622,880	\$ (1,851,117)	\$ 10,711,922
2007	10,711,922	(483,108)	(641,178)	9,587,636

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.

See independent auditors' report.

11. 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

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.

12. RETIREMENT PLANS:

**Pension Plan Description:**

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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 CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 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 \$5,243,020 for the year ended June 30, 2007. The City employer is required to contribute at actuarially determined rates, the rates for fiscal year 2006-2007, were 8.492% and 18.221% of annual covered payroll for the miscellaneous and safety employees, respectively.

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

**12. RETIREMENT PLANS (CONTINUED):**

**Annual Pension Cost:**

The City's annual pension cost and net pension asset to the current year were as follows:

Annual required contribution	\$ 8,201,220
Interest on net pension asset	(3,111,161)
Adjustment to annual required contribution	<u>3,482,119</u>
Annual pension cost	8,572,178
Contributions made	<u>(8,201,220)</u>
Increase in net pension asset	370,958
Net pension asset - beginning of year	<u>(40,144,011)</u>
Net pension asset - end of year	<u>\$ (39,773,053)</u>

The required contribution for the fiscal year 2006-2007 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging 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 CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS 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, 2004, was 30 years for both miscellaneous and safety employees.

**Three-Year Trend Information for CalPERS**

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension (Assets) Obligation
2005	\$ 8,640,714	\$ 8,640,714	100%	\$ -
2006	7,691,694	49,764,020	647%	(40,144,011)
2007	8,572,178	8,201,220	96%	(39,773,053)

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

---

13. 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.

14. RESTATEMENT OF NET ASSETS/FUND BALANCES:

**Restatement of Net Assets - Government-wide Financial Statements:**

Beginning net assets balances in the government-wide financial statements were restated as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
Net assets as previously reported	\$ 300,707,746	\$ 254,985,529
To recognize developer fees that were incorrectly reported as unearned revenues	25,970,263	-
To reclassify transient occupancy tax revenue recorded in incorrect funds	(127,831)	-
To record sales tax revenues to the proper period	1,356,560	-
To record allowance for uncollectible account as of July 1, 2006	(316,016)	-
To record note receivable not previously reported	1,663,000	-
To correct various asset and liability account as a result of program audits	(158,786)	-
To record assets not previously reported	-	1,171,496
To remove duplicate assets and related accumulated depreciation	<u>(1,482,859)</u>	<u>-</u>
Net assets as restated	<u>\$ 327,612,077</u>	<u>\$ 256,157,025</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

14. RESTATEMENT OF NET ASSETS/FUND BALANCES (CONTINUED):

**Restatement of Fund Balances - Governmental Fund Financial Statements:**

Beginning fund balances in the governmental fund financial statements were restated as follows:

	Major Funds				
	General Fund	Housing Assistance Program Special Revenue Fund	Redevelopment Agency Capital Projects Fund	General Improvement Capital Projects Fund	Other Governmental Funds
Fund balances as previously reported	\$ 45,359,846	\$ 11,689,370	\$ 24,495,148	\$ 31,777,696	\$ 21,401,520
To recognize developer fees that were incorrectly reported as unearned revenues	248,801	22,148,336	-	3,573,126	-
To reclassify transient occupancy tax revenues recorded in incorrect funds	(255,662)	-	127,831	-	-
To record sales tax revenues to the proper period	1,356,560	-	-	-	-
To record allowance for uncollectible accounts at July 1, 2006	(316,016)	-	-	-	-
To correct various asset and liability accounts as a result of program audits	-	-	-	(603,446)	444,660
To reclassify debt service payments recorded in incorrect funds	-	-	2,034,885	-	-
Fund balances as restated	<u>\$ 46,393,529</u>	<u>\$ 33,837,706</u>	<u>\$ 26,657,864</u>	<u>\$ 34,747,376</u>	<u>\$ 21,846,180</u>

See independent auditors' report.

**City of Oceanside**  
**Notes to Basic Financial Statements, Continued**  
**June 30, 2007**

---

14. RESTATEMENT OF NET ASSETS/FUND BALANCES (CONTINUED):

**Restatement of Net Assets - Proprietary Fund Financial Statements:**

Beginning net assets in the proprietary fund financial statements were restated as follows:

	Water Enterprise Fund	Sewer Enterprise Fund	Internal Service Funds
Net assets as previously reported	\$ 123,797,236	\$ 112,740,431	\$ 22,257,375
To record capital assets not previously reported	499,539	671,957	(1,725,425)
To reclassify debt service payments recorded in incorrect funds	-	-	(2,034,885)
Net assets as restated	<u>\$ 124,296,775</u>	<u>\$ 113,412,388</u>	<u>\$ 18,497,065</u>

See independent auditors' report.

**This page intentionally left blank**

**REQUIRED SUPPLEMENTARY INFORMATION**

1. BUDGETARY INFORMATION:

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- During May of even numbered fiscal years, the City Manager submits to the City Council a proposed biennial operating budget for the two fiscal years 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 accounting principles generally accepted in the United States of America. 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**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>Fund balance, July 1 (as restated)</b>	<b>\$ 46,393,529</b>	<b>\$ 46,393,529</b>	<b>\$ 46,393,529</b>	<b>\$ -</b>
Resources (inflows):				
Taxes	73,466,060	73,499,559	74,986,564	1,487,005
Licenses and permits	2,158,990	2,158,990	2,174,146	15,156
Intergovernmental revenues	1,614,620	2,331,942	2,775,167	443,225
Charges of services	10,099,009	10,099,009	8,959,141	(1,139,868)
Fines and forfeitures	3,444,110	3,444,110	3,611,708	167,598
Interest and rentals	4,088,181	4,088,181	6,109,397	2,021,216
Administrative and in lieu charges	13,051,677	13,051,677	12,682,555	(369,122)
Other revenues	281,000	348,117	493,668	145,551
Proceeds from sale of real property	-	-	1,663,000	1,663,000
Transfers in	815,000	915,410	915,410	-
<b>Tota resources (inflows)</b>	<b>109,018,647</b>	<b>109,936,995</b>	<b>114,370,756</b>	<b>4,433,761</b>
Charges to appropriations (outflows):				
City council	938,093	938,093	894,018	44,075
City clerk	1,118,436	1,146,436	931,296	215,140
City treasurer	309,449	309,449	305,225	4,224
City manager	1,097,233	1,197,233	1,047,262	149,971
City attorney	1,636,475	1,636,475	1,547,347	89,128
Financial services	6,205,106	6,211,920	4,236,078	1,975,842
Personnel	861,501	891,501	882,866	8,635
Economic development	495,713	519,138	522,092	(2,954)
Planning	1,493,193	1,680,149	1,242,329	437,820
Building	2,721,198	2,807,744	2,463,397	344,347
Housing and neighborhood services	808,807	843,807	826,033	17,774
Police	42,501,882	42,836,882	41,610,187	1,226,695
Fire	21,852,728	21,918,317	22,042,926	(124,609)
Public works	9,997,515	10,290,577	9,950,343	340,234
Library	5,496,053	5,556,232	5,241,693	314,539
Parks and recreation	3,465,032	3,484,142	3,299,169	184,973
Beach recreation	2,422,165	2,428,482	2,402,890	25,592
Nondepartmental	2,001,200	3,580,580	2,691,698	888,882
Transfers out	4,896,519	22,774,954	8,684,602	14,090,352
<b>Total charges to appropriations (outflows)</b>	<b>110,318,298</b>	<b>131,052,111</b>	<b>110,821,451</b>	<b>20,230,660</b>
Excess of resources over (under) charges to appropriations	<u>(1,299,651)</u>	<u>(21,115,116)</u>	<u>3,549,305</u>	<u>24,664,421</u>
<b>Fund balance, June 30</b>	<b>\$ 45,093,878</b>	<b>\$ 25,278,413</b>	<b>\$ 49,942,834</b>	<b>\$ 24,664,421</b>

See independent auditors' report and note to required supplementary information.

**City of Oceanside**  
**Budgetary Comparison Schedule**  
**Housing Assistance Program Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1 (as restated)</b>	<b>\$ 33,837,706</b>	<b>\$ 33,837,706</b>	<b>\$ 33,837,706</b>	<b>\$ -</b>
Resources (inflows):				
Licenses and permits	120,509	120,509	122,833	2,324
Intergovernmental revenues	14,772,457	15,043,614	14,713,584	(330,030)
Charges of services	336,084	269,320	735,600	466,280
Interest and rentals	63,390	63,390	1,127,927	1,064,537
Developer fees	-	21,665,091	2,579,025	(19,086,066)
Other revenues	546,191	249,264	330,666	81,402
Transfers in	564,431	481,440	490,459	9,019
Tota resources (inflows)	<u>16,403,062</u>	<u>37,892,628</u>	<u>20,100,094</u>	<u>(17,792,534)</u>
Charges to appropriations (outflows):				
Housing and neighborhood services	16,807,237	38,383,294	17,768,429	20,614,865
Transfers out	14,551	14,551	21,998	(7,447)
Total charges to appropriations (outflows)	<u>16,821,788</u>	<u>38,397,845</u>	<u>17,790,427</u>	<u>20,607,418</u>
Excess of resources over (under) charges to appropriations	<u>(418,726)</u>	<u>(505,217)</u>	<u>2,309,667</u>	<u>(38,399,952)</u>
<b>Fund balance, June 30</b>	<b>\$ 33,418,980</b>	<b>\$ 33,332,489</b>	<b>\$ 36,147,373</b>	<b>\$ (38,399,952)</b>

See independent auditors' report and note to required supplementary information.

City of Oceanside  
 Required Supplementary Information, Continued  
 For the year ended June 30, 2007

**PUBLIC EMPLOYEE RETIREMENT SYSTEM  
 SCHEDULE OF FUNDING PROGRESS**

**Miscellaneous Employees**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Actuarial Excess Assets (Unfunded Liability) Percentage of Covered Payroll
06/30/04	\$ 147,880,466	\$ 152,287,691	\$ 4,407,225	97.1%	\$ 31,601,265	13.9%
06/30/05	157,958,947	162,831,419	4,872,472	97.0%	32,821,215	14.8%
06/30/06	176,754,615	177,606,330	851,715	99.5%	33,929,574	2.5%

**Safety Employees**

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Actuarial Excess Assets (Unfunded Liability) Percentage of Covered Payroll
06/30/04	\$ 165,693,965	\$ 202,107,740	\$ 36,413,775	82.0%	\$ 18,955,563	192.1%
06/30/05	180,235,494	222,688,992	42,453,498	80.9%	21,940,504	193.5%
06/30/06	230,235,864	244,592,900	14,357,036	94.1%	25,447,560	56.4%

NOTE: In 2006, the City issued Pension Obligation Bonds for \$42,780,000. The proceeds of these bonds were forwarded to CalPERS to reduce the City's unfunded liabilities.

See independent auditors' report and note to required supplementary information.

**This page intentionally left blank**

## **SUPPLEMENTARY INFORMATION**

**This page intentionally left blank**

## OTHER GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

The **Asset Seizure Fund** is used 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.

The **Library Fund** is used to account for grant revenues and purchases of books. The fund is required by Section 18951 of the California Education Code.

The **Gas Tax Fund** is used 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.

The **Community Development Block Grant Fund** is used to account for funds received from the Federal Government for use on federally approved projects.

The **Recreation Fund** is used to account for the operation of the City's special recreation programs.

The **Maintenance Districts Fund** is used to account for street lighting and landscape maintenance services. Financing is provided by service charges to benefiting properties.

The **Strategic Traffic Offender Program (STOP) Fund** is used 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).

The **Storm Damage Fund** is used to account for federal disaster assistance funds received to cover costs of major storm damage.

The **Grants Fund** is used to account for funds received from federal, state and county governments for use on approved projects.

### DEBT SERVICE FUNDS

The **Oceanside Public Financing Authority Fund** is used to account for payment of interest and principal on debt of the Public Financing Authority.

The **Oceanside Building Authority Fund** is used to account for payment of interest and principal on the certificates of participation and revenue bonds of the Oceanside Building Authority.

The **Oceanside Lighting District Fund** is used to account for payment of interest and principal on the Street-Lighting Lease/Purchase Agreement of the Oceanside Lighting District.

The **Pension Obligation Bonds Fund** is used to account for the payment of interest and principal of debt of the City's Pension Obligation Bonds.

City of Oceanside  
Combining Balance Sheet  
Other Governmental Funds  
June 30, 2007

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 17,362,378	\$ 2,708,187	\$ 20,070,565
Restricted cash and investments	-	2,238,637	2,238,637
Receivables:			
Accounts	1,983,765	-	1,983,765
Interest	681	-	681
Assessments	16,217	-	16,217
Other	-	1,272	1,272
Due from other governments	1,383,888	-	1,383,888
Prepaid items	817	-	817
<b>TOTAL ASSETS</b>	<b>\$ 20,747,746</b>	<b>\$ 4,948,096</b>	<b>\$ 25,695,842</b>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 511,301	\$ 2,491	\$ 513,792
Accrued liabilities	86,965	-	86,965
Deposits	73,210	-	73,210
Due to other funds	444,128	-	444,128
Deferred revenue	985,280	-	985,280
<b>TOTAL LIABILITIES</b>	<b>2,100,884</b>	<b>2,491</b>	<b>2,103,375</b>
FUND BALANCES:			
Reserved for:			
Prepaid items	817	-	817
Debt service	-	4,945,605	4,945,605
Unreserved, reported in:			
Special revenue funds	18,646,045	-	18,646,045
<b>TOTAL FUND BALANCES</b>	<b>18,646,862</b>	<b>4,945,605</b>	<b>23,592,467</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 20,747,746</b>	<b>\$ 4,948,096</b>	<b>\$ 25,695,842</b>

See independent auditors' report.

City of Oceanside  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Other Governmental Funds  
For the year ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
<b>REVENUES:</b>			
Special assessments	\$ 12,449,158	\$ 4,800	\$ 12,453,958
Intergovernmental revenues	9,095,270	-	9,095,270
Charges for services	843,815	-	843,815
Fines and forfeitures	687,742	-	687,742
Lease revenue	-	2,244,123	2,244,123
Interest and rentals	1,119,214	175,553	1,294,767
Other revenues	253,739	-	253,739
<b>TOTAL REVENUES</b>	<b>24,448,938</b>	<b>2,424,476</b>	<b>26,873,414</b>
<b>EXPENDITURES:</b>			
Current:			
General government	377,478	-	377,478
Public safety	1,807,018	-	1,807,018
Public works	5,435,522	-	5,435,522
Community development	1,836,988	-	1,836,988
Community/cultural services	1,437,295	-	1,437,295
Capital outlay	2,774,017	-	2,774,017
Debt Service:			
Principal retirement	215,000	3,232,146	3,447,146
Interest and fees	30,126	3,890,575	3,920,701
<b>TOTAL EXPENDITURES</b>	<b>13,913,444</b>	<b>7,122,721</b>	<b>21,036,165</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>10,535,494</b>	<b>(4,698,245)</b>	<b>5,837,249</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	1,031,247	3,443,136	4,474,383
Transfers out	(8,565,345)	-	(8,565,345)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(7,534,098)</b>	<b>3,443,136</b>	<b>(4,090,962)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>3,001,396</b>	<b>(1,255,109)</b>	<b>1,746,287</b>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<b>15,645,466</b>	<b>6,200,714</b>	<b>21,846,180</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 18,646,862</b>	<b>\$ 4,945,605</b>	<b>\$ 23,592,467</b>

See independent auditors' report.

City of Oceanside  
Combining Balance Sheet  
Other Special Revenue Funds  
June 30, 2007

ASSETS	Asset Seizure	Library	Gas Tax
Cash and investments	\$ 301,863	\$ 17,170	\$ 13,715,301
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Assessments	-	-	-
Due from other governments	-	-	292,314
Prepaid items	-	817	-
<b>TOTAL ASSETS</b>	<b>\$ 301,863</b>	<b>\$ 17,987</b>	<b>\$ 14,007,615</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 9,729	\$ 263,794
Accrued liabilities	-	-	31,324
Deposits	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	232,195
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>9,729</b>	<b>527,313</b>
<b>FUND BALANCES (DEFICIT):</b>			
Reserved for:			
Prepaid items	-	817	-
Unreserved:			
Designated for:			
Continuing appropriations	-	-	13,480,302
Undesignated	301,863	7,441	-
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<b>301,863</b>	<b>8,258</b>	<b>13,480,302</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 301,863</b>	<b>\$ 17,987</b>	<b>\$ 14,007,615</b>

See independent auditors' report.

Community Development Block Grant	Recreation	Maintenance Districts	STOP	Storm Damage	Grants	Totals
\$ -	\$ 821,250	\$ 1,378,625	\$ 1,128,169	\$ -	\$ -	\$ 17,362,378
-	-	-	-	-	1,983,765	1,983,765
-	-	681	-	-	-	681
-	-	16,217	-	-	-	16,217
358,812	-	-	-	-	732,762	1,383,888
-	-	-	-	-	-	817
<u>\$ 358,812</u>	<u>\$ 821,250</u>	<u>\$ 1,395,523</u>	<u>\$ 1,128,169</u>	<u>\$ -</u>	<u>\$ 2,716,527</u>	<u>\$ 20,747,746</u>
\$ 71,198	\$ 14,697	\$ 133,470	\$ 2,594	\$ -	\$ 15,819	\$ 511,301
7,137	27,968	761	17,380	-	2,395	86,965
-	73,210	-	-	-	-	73,210
280,477	-	-	-	80,905	82,746	444,128
-	130,910	-	-	-	622,175	985,280
<u>358,812</u>	<u>246,785</u>	<u>134,231</u>	<u>19,974</u>	<u>80,905</u>	<u>723,135</u>	<u>2,100,884</u>
-	-	-	-	-	-	817
-	574,465	1,261,292	1,108,195	-	1,993,392	18,417,646
-	-	-	-	(80,905)	-	228,399
-	<u>574,465</u>	<u>1,261,292</u>	<u>1,108,195</u>	<u>(80,905)</u>	<u>1,993,392</u>	<u>18,646,862</u>
<u>\$ 358,812</u>	<u>\$ 821,250</u>	<u>\$ 1,395,523</u>	<u>\$ 1,128,169</u>	<u>\$ -</u>	<u>\$ 2,716,527</u>	<u>\$ 20,747,746</u>

**City of Oceanside**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Other Special Revenue Funds**  
**For the year ended June 30, 2007**

	Asset Seizure	Library	Gas Tax
<b>REVENUES:</b>			
Special assessments	\$ -	\$ -	\$ 10,150,000
Intergovernmental revenues	41,614	101,672	3,317,240
Charges for services	-	102,755	-
Fines and forfeitures	-	-	-
Interest and rentals	13,745	-	700,919
Other revenues	-	24,023	32,750
<b>TOTAL REVENUES</b>	<b>55,359</b>	<b>228,450</b>	<b>14,200,909</b>
<b>EXPENDITURES:</b>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	2,893,920
Community development	-	-	-
Community/cultural services	-	464,099	-
Capital outlay	-	-	2,375,574
Debt Service:			
Principal retirement	-	-	-
Interest and fees	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>464,099</b>	<b>5,269,494</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>55,359</b>	<b>(235,649)</b>	<b>8,931,415</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	212,600	191,200
Transfers out	-	-	(7,806,162)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>212,600</b>	<b>(7,614,962)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>55,359</b>	<b>(23,049)</b>	<b>1,316,453</b>
<b>FUND BALANCES (DEFICIT) BEGINNING OF YEAR AS RESTATED</b>	<b>246,504</b>	<b>31,307</b>	<b>12,163,849</b>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b>\$ 301,863</b>	<b>\$ 8,258</b>	<b>\$ 13,480,302</b>

See independent auditors' report.

Community Development Block Grant	Recreation	Maintenance Districts	STOP	Storm Damage	Grants	Totals
\$ -	\$ -	\$ 2,299,158	\$ -	\$ -	\$ -	\$ 12,449,158
2,335,463	-	-	-	767,377	2,531,904	9,095,270
-	731,060	10,000	-	-	-	843,815
-	-	-	672,635	-	15,107	687,742
-	28,494	55,823	53,886	-	266,347	1,119,214
-	172,605	24,361	-	-	-	253,739
<u>2,335,463</u>	<u>932,159</u>	<u>2,389,342</u>	<u>726,521</u>	<u>767,377</u>	<u>2,813,358</u>	<u>24,448,938</u>
377,478	-	-	-	-	-	377,478
-	-	-	617,546	-	1,189,472	1,807,018
-	-	1,980,067	-	-	561,535	5,435,522
1,183,331	-	-	-	-	653,657	1,836,988
56,030	859,371	-	-	-	57,795	1,437,295
398,443	-	-	-	-	-	2,774,017
215,000	-	-	-	-	-	215,000
30,126	-	-	-	-	-	30,126
<u>2,260,408</u>	<u>859,371</u>	<u>1,980,067</u>	<u>617,546</u>	<u>-</u>	<u>2,462,459</u>	<u>13,913,444</u>
<u>75,055</u>	<u>72,788</u>	<u>409,275</u>	<u>108,975</u>	<u>767,377</u>	<u>350,899</u>	<u>10,535,494</u>
-	-	390,000	-	230,000	7,447	1,031,247
<u>(75,055)</u>	<u>(4,409)</u>	<u>(659,358)</u>	<u>(19,714)</u>	<u>-</u>	<u>(647)</u>	<u>(8,565,345)</u>
<u>(75,055)</u>	<u>(4,409)</u>	<u>(269,358)</u>	<u>(19,714)</u>	<u>230,000</u>	<u>6,800</u>	<u>(7,534,098)</u>
-	68,379	139,917	89,261	997,377	357,699	3,001,396
-	506,086	1,121,375	1,018,934	(1,078,282)	1,635,693	15,645,466
<u>\$ -</u>	<u>\$ 574,465</u>	<u>\$ 1,261,292</u>	<u>\$ 1,108,195</u>	<u>\$ (80,905)</u>	<u>\$ 1,993,392</u>	<u>\$ 18,646,862</u>

**City of Oceanside**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Asset Seizure Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<b>\$ 246,504</b>	<b>\$ 246,504</b>	<b>\$ 246,504</b>	<b>\$ -</b>
Resources (inflows):				
Intergovernmental revenues	100,000	100,000	41,614	(58,386)
Interest and rentals	-	-	13,745	13,745
Total resources (inflows)	100,000	100,000	55,359	(44,641)
<b>Fund balance, June 30</b>	<b>\$ 346,504</b>	<b>\$ 346,504</b>	<b>\$ 301,863</b>	<b>\$ (44,641)</b>

See independent auditors' report.

**City of Oceanside**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Library Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<b>\$ 31,307</b>	<b>\$ 31,307</b>	<b>\$ 31,307</b>	<b>\$ -</b>
Resources (inflows):				
Intergovernmental revenues	69,250	69,250	101,672	32,422
Charges for services	100,410	100,410	102,755	2,345
Other revenues	40,000	40,000	24,023	(15,977)
Transfers in	212,600	212,600	212,600	-
Total resources (inflows)	422,260	422,260	441,050	18,790
Charges to appropriations (outflows):				
Library	418,348	448,624	464,099	(15,475)
Excess of resources over (under) charges to appropriations	3,912	(26,364)	(23,049)	3,315
<b>Fund balance, June 30</b>	<b>\$ 35,219</b>	<b>\$ 4,943</b>	<b>\$ 8,258</b>	<b>\$ 3,315</b>

See independent auditors' report.

**City of Oceanside**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Gas Tax Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1 (as restated)</b>	<b>\$ 12,163,849</b>	<b>\$ 12,163,849</b>	<b>\$ 12,163,849</b>	<b>\$ -</b>
Resources (inflows):				
Special assessments	4,250,000	4,250,000	10,150,000	5,900,000
Intergovernmental revenues	3,632,800	3,632,800	3,317,240	(315,560)
Interest and rentals	183,000	183,000	700,919	517,919
Other revenues	-	-	32,750	32,750
Transfers in	300,000	300,000	191,200	(108,800)
Total resources (inflows)	<u>8,365,800</u>	<u>8,365,800</u>	<u>14,392,109</u>	<u>6,026,309</u>
Charges to appropriations (outflows):				
Public works	2,431,646	2,551,405	2,893,920	(342,515)
Capital outlay	7,180,000	11,058,558	2,375,574	8,682,984
Transfers out	806,162	838,904	7,806,162	(6,967,258)
Total charges to appropriations (outflows)	<u>10,417,808</u>	<u>14,448,867</u>	<u>13,075,656</u>	<u>1,373,211</u>
Excess of resources over (under) charges to appropriations	<u>(2,052,008)</u>	<u>(6,083,067)</u>	<u>1,316,453</u>	<u>7,399,520</u>
<b>Fund balance, June 30</b>	<b>\$ 10,111,841</b>	<b>\$ 6,080,782</b>	<b>\$ 13,480,302</b>	<b>\$ 7,399,520</b>

See independent auditors' report.

City of Oceanside  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Community Development Block Grant Special Revenue Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	1,869,878	3,632,261	2,335,463	(1,296,798)
Charges to appropriations (outflows):				
Housing and neighborhood services	1,890,219	3,312,080	2,015,282	1,296,798
Debt Service:				
Principal retirement	215,000	215,000	215,000	-
Interest and fees	30,126	30,126	30,126	-
Transfers out	1,648	75,055	75,055	-
Total charges to appropriations (outflows)	2,136,993	3,632,261	2,335,463	1,296,798
Excess of resources over (under) charges to appropriations	(267,115)	-	-	-
<b>Fund balance, June 30</b>	\$ (267,115)	\$ -	\$ -	\$ -

See independent auditors' report.

**City of Oceanside**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Recreation Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<u>\$ 506,086</u>	<u>\$ 506,086</u>	<u>\$ 506,086</u>	<u>\$ -</u>
Resources (inflows):				
Charges for services	752,080	752,080	731,060	(21,020)
Interest and rentals	27,500	27,500	28,494	994
Other revenues	116,200	116,200	172,605	56,405
Total resources (inflows)	<u>895,780</u>	<u>895,780</u>	<u>932,159</u>	<u>36,379</u>
Charges to appropriations (outflows):				
Parks and recreation	1,106,931	1,243,514	713,398	530,116
Beach recreation	177,989	194,846	145,973	48,873
Transfers out	4,409	4,409	4,409	-
Total charges to appropriations (outflows)	<u>1,289,329</u>	<u>1,442,769</u>	<u>863,780</u>	<u>578,989</u>
Excess of resources over (under) charges to appropriations	<u>(393,549)</u>	<u>(546,989)</u>	<u>68,379</u>	<u>615,368</u>
<b>Fund balance, June 30</b>	<u><u>\$ 112,537</u></u>	<u><u>\$ (40,903)</u></u>	<u><u>\$ 574,465</u></u>	<u><u>\$ 615,368</u></u>

See independent auditors' report.

City of Oceanside  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Maintenance Districts Special Revenue Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<b>\$ 1,121,375</b>	<b>\$ 1,121,375</b>	<b>\$ 1,121,375</b>	<b>\$ -</b>
Resources (inflows):				
Special assessments	2,325,362	2,325,362	2,299,158	(26,204)
Charges for services	-	-	10,000	10,000
Interest and rentals	17,800	17,800	55,823	38,023
Other revenues	10,000	10,000	24,361	14,361
Transfers in	390,000	390,000	390,000	-
<b>Total resources (inflows)</b>	<b>2,743,162</b>	<b>2,743,162</b>	<b>2,779,342</b>	<b>36,180</b>
Charges to appropriations (outflows):				
Public works	2,220,664	2,310,164	1,980,067	330,097
Transfers out	659,358	659,358	659,358	-
<b>Total charges to appropriations (outflows)</b>	<b>2,880,022</b>	<b>2,969,522</b>	<b>2,639,425</b>	<b>330,097</b>
<b>Excess of resources over (under)     charges to appropriations</b>	<b>(136,860)</b>	<b>(226,360)</b>	<b>139,917</b>	<b>366,277</b>
<b>Fund balance, June 30</b>	<b>\$ 984,515</b>	<b>\$ 895,015</b>	<b>\$ 1,261,292</b>	<b>\$ 366,277</b>

See independent auditors' report.

**City of Oceanside**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**STOP Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<b>\$ 1,018,934</b>	<b>\$ 1,018,934</b>	<b>\$ 1,018,934</b>	<b>\$ -</b>
Resources (inflows):				
Fines and forfeitures	455,000	455,000	672,635	217,635
Interest and rentals	-	-	53,886	53,886
Total resources (inflows)	455,000	455,000	726,521	271,521
Charges to appropriations (outflows):				
Police	596,727	596,727	617,546	(20,819)
Transfers out	19,714	19,714	19,714	-
Total charges to appropriations (outflows)	616,441	616,441	637,260	(20,819)
Excess of resources over (under) charges to appropriations	(161,441)	(161,441)	89,261	250,702
<b>Fund balance, June 30</b>	<b>\$ 857,493</b>	<b>\$ 857,493</b>	<b>\$ 1,108,195</b>	<b>\$ 250,702</b>

See independent auditors' report.

**City of Oceanside**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Storm Damage Special Revenue Fund**  
**For the year ended June 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance (deficit), July 1</b>	<u>\$ (1,078,282)</u>	<u>\$ (1,078,282)</u>	<u>\$ (1,078,282)</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental revenues	-	-	767,377	767,377
Transfers in	-	230,000	230,000	-
Total resources (inflows)	-	230,000	997,377	767,377
<b>Fund balance (deficit), June 30</b>	<u>\$ (1,078,282)</u>	<u>\$ (848,282)</u>	<u>\$ (80,905)</u>	<u>\$ 767,377</u>

See independent auditors' report.

City of Oceanside  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Grants Special Revenue Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1</b>	<b>\$ 1,635,693</b>	<b>\$ 1,635,693</b>	<b>\$ 1,635,693</b>	<b>\$ -</b>
Resources (inflows):				
Intergovernmental revenues	4,853,655	8,194,138	2,531,904	(5,662,234)
Fines and forfeitures	10,791	25,529	15,107	(10,422)
Interest and rentals	104,200	496,794	266,347	(230,447)
Transfers in	-	-	7,447	7,447
<b>Tota resources (inflows)</b>	<b>4,968,646</b>	<b>8,716,461</b>	<b>2,820,805</b>	<b>(5,895,656)</b>
Charges to appropriations (outflows):				
Police	521,154	1,200,080	559,367	640,713
Fire	3,000	901,967	630,105	271,862
Public works	92,190	768,585	561,535	207,050
Housing and neighborhood services	1,194,644	2,894,699	653,657	2,241,042
Library	25,438	95,900	57,795	38,105
Transfers out	647	647	647	-
<b>Total charges to appropriations (outflows)</b>	<b>1,837,073</b>	<b>5,861,878</b>	<b>2,463,106</b>	<b>3,398,772</b>
<b>Excess of resources over (under)     charges to appropriations</b>	<b>3,131,573</b>	<b>2,854,583</b>	<b>357,699</b>	<b>(2,496,884)</b>
<b>Fund balance, June 30</b>	<b>\$ 4,767,266</b>	<b>\$ 4,490,276</b>	<b>\$ 1,993,392</b>	<b>\$ (2,496,884)</b>

See independent auditors' report.

**City of Oceanside**  
**Combining Balance Sheet**  
**Other Debt Service Funds**  
**June 30, 2007**

	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Pension Obligation Bonds	Total Other Debt Service Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,921,788	\$ 707,873	\$ 30,735	\$ 47,791	\$ 2,708,187
Restricted cash and investments	2,202,951	5,545	-	30,141	2,238,637
Receivables:					
Other	-	1,272	-	-	1,272
<b>TOTAL ASSETS</b>	<b>\$ 4,124,739</b>	<b>\$ 714,690</b>	<b>\$ 30,735</b>	<b>\$ 77,932</b>	<b>\$ 4,948,096</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ -	\$ 2,491	\$ -	\$ -	\$ 2,491
<b>FUND BALANCES:</b>					
Reserved for:					
Debt service	4,124,739	712,199	30,735	77,932	4,945,605
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,124,739</b>	<b>\$ 714,690</b>	<b>\$ 30,735</b>	<b>\$ 77,932</b>	<b>\$ 4,948,096</b>

See independent auditors' report.

City of Oceanside  
**Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Other Debt Service Funds**  
For the year ended June 30, 2007

	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Pension Obligation Funds	Total Other Debt Service Funds
<b>REVENUES:</b>					
Special assessments	\$ -	\$ 4,800	\$ -	\$ -	\$ 4,800
Lease revenue	2,074,659	169,464	-	-	2,244,123
Interest and rentals	102,132	43,280	-	30,141	175,553
<b>TOTAL REVENUES</b>	<b>2,176,791</b>	<b>217,544</b>	<b>-</b>	<b>30,141</b>	<b>2,424,476</b>
<b>EXPENDITURES:</b>					
Debt Service:					
Principal retirement	1,035,000	1,605,000	177,146	415,000	3,232,146
Interest and fees	1,135,253	505,143	75,400	2,174,779	3,890,575
<b>TOTAL EXPENDITURES</b>	<b>2,170,253</b>	<b>2,110,143</b>	<b>252,546</b>	<b>2,589,779</b>	<b>7,122,721</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>6,538</b>	<b>(1,892,599)</b>	<b>(252,546)</b>	<b>(2,559,638)</b>	<b>(4,698,245)</b>
<b>OTHER FINANCING SOURCES:</b>					
Transfers in	-	600,840	252,546	2,589,750	3,443,136
<b>NET CHANGE IN FUND BALANCES</b>	<b>6,538</b>	<b>(1,291,759)</b>	<b>-</b>	<b>30,112</b>	<b>(1,255,109)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>4,118,201</b>	<b>2,003,958</b>	<b>30,735</b>	<b>47,820</b>	<b>6,200,714</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 4,124,739</b>	<b>\$ 712,199</b>	<b>\$ 30,735</b>	<b>\$ 77,932</b>	<b>\$ 4,945,605</b>

See independent auditors' report.

City of Oceanside  
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
 Redevelopment Agency Capital Projects Fund  
 For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1 (as restated)</b>	<b>\$ 26,657,864</b>	<b>\$ 26,657,864</b>	<b>\$ 26,657,864</b>	<b>\$ -</b>
Resources (inflows):				
Taxes	7,821,408	7,821,408	9,164,289	1,342,881
Charges of services	-	-	303,802	303,802
Interest and rentals	50,150	50,150	962,999	912,849
Developer fees	90,000	3,190,814	3,166,257	(24,557)
Transfers in	2,198,000	2,198,000	14,575,444	12,377,444
Total resources (inflows)	<u>10,159,558</u>	<u>13,260,372</u>	<u>28,172,791</u>	<u>14,912,419</u>
Charges to appropriations (outflows):				
Redevelopment	3,943,390	24,542,380	11,827,494	12,714,886
Transfers out	4,472,234	4,472,234	4,211,345	260,889
Total charges to appropriations (outflows)	<u>8,415,624</u>	<u>29,014,614</u>	<u>16,038,839</u>	<u>12,975,775</u>
Excess of resources over (under) charges to appropriations	<u>1,743,934</u>	<u>(15,754,242)</u>	<u>12,133,952</u>	<u>27,888,194</u>
<b>Fund balance, June 30</b>	<b><u>\$ 28,401,798</u></b>	<b><u>\$ 10,903,622</u></b>	<b><u>\$ 38,791,816</u></b>	<b><u>\$ 27,888,194</u></b>

See independent auditors' report.

City of Oceanside  
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
General Improvement Capital Projects Fund  
For the year ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Fund balance, July 1 (as restated)</b>	<b>\$ 34,747,376</b>	<b>\$ 34,747,376</b>	<b>\$ 34,747,376</b>	<b>\$ -</b>
Resources (inflows):				
Intergovernmental revenues	7,413,945	7,557,755	1,867,581	(5,690,174)
Interest and rentals	763,256	763,256	2,513,009	1,749,753
Developer fees	3,366,722	3,366,722	5,252,163	1,885,441
Other revenues	-	-	62,008	62,008
Proceeds from debt	3,500,000	3,500,000	-	(3,500,000)
Transfers in	2,725,000	20,751,352	13,357,446	(7,393,906)
Total resources (inflows)	<u>17,768,923</u>	<u>35,939,085</u>	<u>23,052,207</u>	<u>(12,886,878)</u>
Charges to appropriations (outflows):				
Public works	422,441	1,610,495	360,781	1,249,714
Capital outlay	35,450,487	54,862,330	20,192,829	34,669,501
Transfers out	600,845	1,291,146	701,867	589,279
Total charges to appropriations (outflows)	<u>36,473,773</u>	<u>57,763,971</u>	<u>21,255,477</u>	<u>36,508,494</u>
Excess of resources over (under) charges to appropriations	<u>(18,704,850)</u>	<u>(21,824,886)</u>	<u>1,796,730</u>	<u>23,621,616</u>
<b>Fund balance, June 30</b>	<b>\$ 16,042,526</b>	<b>\$ 12,922,490</b>	<b>\$ 36,544,106</b>	<b>\$ 23,621,616</b>

See independent auditors' report.

## INTERNAL SERVICE FUNDS

The **Loss Prevention Fund** is used 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.

The **General Services Fund** is used 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  
Internal Service Funds  
June 30, 2007

ASSETS	Loss Prevention	General Services	Total
<b>CURRENT ASSETS:</b>			
Cash and investments	\$ 13,559,934	\$ 6,326,760	\$ 19,886,694
Accounts receivable	244,453	51,083	295,536
Prepaid items	1,950	5,011	6,961
Inventory	-	323,091	323,091
<b>TOTAL CURRENT ASSETS</b>	<b>13,806,337</b>	<b>6,705,945</b>	<b>20,512,282</b>
<b>NONCURRENT ASSETS:</b>			
Capital assets:			
Machinery and equipment	21,302	28,012,953	28,034,255
Construction in progress	212,802	497,838	710,640
Less: accumulated depreciation	(19,493)	(15,912,651)	(15,932,144)
<b>TOTAL NONCURRENT ASSETS</b>	<b>214,611</b>	<b>12,598,140</b>	<b>12,812,751</b>
<b>TOTAL ASSETS</b>	<b>14,020,948</b>	<b>19,304,085</b>	<b>33,325,033</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	95,818	729,134	824,952
Accrued liabilities	41,742	162,467	204,209
Interest payable	-	1,269	1,269
Notes payable, current portion	-	65,906	65,906
Compensated absences, current portion	24,113	129,007	153,120
<b>TOTAL CURRENT LIABILITIES</b>	<b>161,673</b>	<b>1,087,783</b>	<b>1,249,456</b>
<b>NON CURRENT LIABILITIES:</b>			
Notes payable	-	141,632	141,632
Claims and judgments payable	9,587,636	-	9,587,636
Compensated absences	96,454	516,028	612,482
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>9,684,090</b>	<b>657,660</b>	<b>10,341,750</b>
<b>TOTAL LIABILITIES</b>	<b>9,845,763</b>	<b>1,745,443</b>	<b>11,591,206</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	214,611	12,390,602	12,605,213
Unrestricted	3,960,574	5,168,040	9,128,614
<b>TOTAL NET ASSETS</b>	<b>\$ 4,175,185</b>	<b>\$ 17,558,642</b>	<b>\$ 21,733,827</b>

See independent auditors' report.

City of Oceanside  
Combining Statement of Revenues, Expenses and  
Changes in Net Assets - Internal Service Funds  
For the year ended June 30, 2007

	Loss Prevention	General Services	Total
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 26,569,721	\$ 17,969,518	\$ 44,539,239
Other revenues	223,236	28,060	251,296
<b>TOTAL OPERATING REVENUES</b>	<b>26,792,957</b>	<b>17,997,578</b>	<b>44,790,535</b>
<b>OPERATING EXPENSES:</b>			
Personal services	764,722	4,063,376	4,828,098
Maintenance and operations	4,145,208	10,683,649	14,828,857
Insurance premium	19,878,255	-	19,878,255
Depreciation	605	2,331,033	2,331,638
<b>TOTAL OPERATING EXPENSES</b>	<b>24,788,790</b>	<b>17,078,058</b>	<b>41,866,848</b>
<b>OPERATING INCOME</b>	<b>2,004,167</b>	<b>919,520</b>	<b>2,923,687</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Gain from disposal of assets	-	212,093	212,093
Interest expense	-	(7,721)	(7,721)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>204,372</b>	<b>204,372</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>2,004,167</b>	<b>1,123,892</b>	<b>3,128,059</b>
<b>TRANSFERS:</b>			
Transfers in	-	141,014	141,014
Transfers out	(5,866)	(26,445)	(32,311)
<b>TOTAL TRANSFERS</b>	<b>(5,866)</b>	<b>114,569</b>	<b>108,703</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,998,301</b>	<b>1,238,461</b>	<b>3,236,762</b>
<b>TOTAL NET ASSETS - BEGINNING OF YEAR AS RESTATED</b>	<b>2,176,884</b>	<b>16,320,181</b>	<b>18,497,065</b>
<b>TOTAL NET ASSETS - END OF YEAR</b>	<b>\$ 4,175,185</b>	<b>\$ 17,558,642</b>	<b>\$ 21,733,827</b>

See independent auditors' report.

City of Oceanside  
Combining Statement of Cash Flows  
Internal Service Funds  
For the year ended June 30, 2007

	Loss Prevention	General Services	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 26,671,997	\$ 17,946,495	\$ 44,618,492
Payments to suppliers	(4,161,143)	(10,909,793)	(15,070,936)
Payments to employees	(728,285)	(3,926,810)	(4,655,095)
Insurance premiums and settlements	(21,002,541)	-	(21,002,541)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>780,028</u>	<u>3,109,892</u>	<u>3,889,920</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Cash received from other funds	-	141,014	141,014
Cash paid to other funds	(5,866)	(26,445)	(32,311)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(5,866)</u>	<u>114,569</u>	<u>108,703</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition of capital assets - capital replacement	(192,987)	(2,268,764)	(2,461,751)
Proceeds from sale of assets	-	283,392	283,392
Retirement of debt	-	(2,104,488)	(2,104,488)
Interest paid	-	(6,452)	(6,452)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(192,987)</u>	<u>(4,096,312)</u>	<u>(4,289,299)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	581,175	(871,851)	(290,676)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>12,978,759</u>	<u>7,198,611</u>	<u>20,177,370</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 13,559,934</u>	<u>\$ 6,326,760</u>	<u>\$ 19,886,694</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 2,004,167	\$ 919,520	\$ 2,923,687
Depreciation	605	2,331,033	2,331,638
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(120,960)	(51,083)	(172,043)
(Increase) decrease in inventory	-	(20,249)	(20,249)
(Increase) decrease in prepaid items	260	5,487	5,747
Increase (decrease) in accounts payable	(16,195)	(211,382)	(227,577)
Increase (decrease) in accrued liabilities	17,408	54,490	71,898
Increase (decrease) in compensated absences	19,029	82,076	101,105
Increase (decrease) in claims and judgments payable	(1,124,286)	-	(1,124,286)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 780,028</u>	<u>\$ 3,109,892</u>	<u>\$ 3,889,920</u>

See independent auditors' report.

## FIDUCIARY FUNDS

The **Special Assessment District Fund** is used to account for special assessment collections and their disbursement to bondholders.

The **Deposits Fund** is used to account for deposits received and held by the City as an agent for individuals, developers, private organizations, and other governmental agencies.

City of Oceanside  
Combining Statement of Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	Special Assessment District	Deposits	Total
<b>ASSETS:</b>			
Cash and investments	\$ 3,422,621	\$ 4,053,233	\$ 7,475,854
Restricted cash and investments	12,765,617	-	12,765,617
Accounts receivable	30,949	-	30,949
<b>TOTAL ASSETS</b>	<b>\$ 16,219,187</b>	<b>\$ 4,053,233</b>	<b>\$ 20,272,420</b>
<b>LIABILITIES:</b>			
Accounts payable	\$ 279,994	\$ 42,636	\$ 322,630
Accrued liabilities	408	-	408
Deposits	-	4,010,597	4,010,597
Due to bondholders	15,938,785	-	15,938,785
<b>TOTAL LIABILITIES</b>	<b>\$ 16,219,187</b>	<b>\$ 4,053,233</b>	<b>\$ 20,272,420</b>

See independent auditors' report.

City of Oceanside  
Combining Statement of Changes in Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	Balance July 1, 2006	Net Changes	Balance June 30, 2007
<u>Special Assessment Districts</u>			
ASSETS:			
Cash and investments	\$ 3,263,232	\$ 159,389	\$ 3,422,621
Restricted cash and investments	15,649,776	(2,884,159)	12,765,617
Accounts receivable	21,599	9,350	30,949
Prepaid items	423	(423)	-
TOTAL ASSETS	<u>\$ 18,935,030</u>	<u>\$ (2,715,843)</u>	<u>\$ 16,219,187</u>
LIABILITIES:			
Accounts payable	\$ 460,385	\$ (180,391)	\$ 279,994
Accrued liabilities	21,267	(20,859)	408
Due to bondholders	18,453,378	(2,514,593)	15,938,785
TOTAL LIABILITIES	<u>\$ 18,935,030</u>	<u>\$ (2,715,843)</u>	<u>\$ 16,219,187</u>
<u>Deposits</u>			
ASSETS:			
Cash and investments	\$ 6,562,190	\$ (2,508,957)	\$ 4,053,233
Accounts receivable	1,207	(1,207)	-
TOTAL ASSETS	<u>\$ 6,563,397</u>	<u>\$ (2,510,164)</u>	<u>\$ 4,053,233</u>
LIABILITIES:			
Accounts payable	\$ 49,234	\$ (6,598)	\$ 42,636
Accrued liabilities	1,306	(1,306)	-
Deposits	6,497,693	(2,487,096)	4,010,597
Due to other governments	15,164	(15,164)	-
TOTAL LIABILITIES	<u>\$ 6,563,397</u>	<u>\$ (2,510,164)</u>	<u>\$ 4,053,233</u>
<u>Total - All Agency Funds</u>			
ASSETS:			
Cash and investments	\$ 9,825,422	\$ (2,349,568)	\$ 7,475,854
Restricted cash and investments	15,649,776	(2,884,159)	12,765,617
Accounts receivable	22,806	8,143	30,949
Prepaid items	423	(423)	-
TOTAL ASSETS	<u>\$ 25,498,427</u>	<u>\$ (5,226,007)</u>	<u>\$ 20,272,420</u>
LIABILITIES:			
Accounts payable	\$ 509,619	\$ (186,989)	\$ 322,630
Accrued liabilities	22,573	(22,165)	408
Deposits	6,497,693	(2,487,096)	4,010,597
Due to other governments	15,164	(15,164)	-
Due to bondholders	18,453,378	(2,514,593)	15,938,785
TOTAL LIABILITIES	<u>\$ 25,498,427</u>	<u>\$ (5,226,007)</u>	<u>\$ 20,272,420</u>

See independent auditors' report.

**This page intentionally left blank**

**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, 2007**

**GOVERNMENTAL FUNDS CAPITAL ASSETS:**

Land	\$ 57,843,987
Buildings, structures and improvements other than buildings	72,926,392
Machinery and equipment	24,701,016
Infrastructure	264,985,092
Construction in progress	<u>35,525,530</u>
<b>Total governmental funds capital assets</b>	455,982,017
Less: accumulated depreciation	<u>(169,802,022)</u>
<b>Total governmental funds capital assets, net</b>	<u><u>\$ 286,179,995</u></u>

**INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:**

State grants	\$ 789,649
Federal grants	5,573,025
General fund revenue	28,227,362
Special revenue funds revenues	26,725,791
Capital projects funds revenues	224,007,098
Special assessments	755,776
Enterprise funds revenues	<u>101,294</u>
<b>Total governmental funds capital assets</b>	<u><u>\$ 286,179,995</u></u>

\* 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.

See independent auditors' report.

**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, 2007**

	Capital Assets <u>July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Capital Assets <u>June 30, 2007</u>
<b>Function and Activity:</b>				
General government	\$ 76,074,735	\$ 78,763	\$ (119,275)	\$ 76,034,223
Public safety	20,609,559	1,247,887	(809,720)	21,047,726
Public works	132,939,219	18,555,059	(6,643,740)	144,850,538
Community development	5,594,298	9,780,320	(561,170)	14,813,448
Community/cultural services	30,685,822	29,082	(1,280,844)	29,434,060
<b>Total capital assets</b>	<u>\$ 265,903,633</u>	<u>\$ 29,691,111</u>	<u>\$ (9,414,749)</u>	<u>\$ 286,179,995</u>

See independent auditors' report.