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December 17, 2009

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, 2009, 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, 2009, 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.

As discussed in Note 9 to basic financial statements, the City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended June 30, 2009.

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In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2009 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.

Diehl, Evans and Company, LLP



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2009

This discussion and analysis of the City of Oceanside's financial performance provides an overview of the fiscal year ended June 30, 2009. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements. A glossary has been provided at the end of this analysis to assist the reader in understanding the terminology used within.

FINANCIAL HIGHLIGHTS

- The City's Total Assets decreased by \$18.4 million as a result of this year's operations.
- The City's Total Net Assets yielded an overall increase of \$0.1 million.
- The City's total revenues decreased \$19.6 million from 2008.
 - Governmental activities revenues decreased \$21.7 million
 - Business-type activities revenues increased \$2.1 million.
- The City's total expenses increased \$19.9 million from 2008.
 - Governmental activities expenses increased \$16.4 million.
 - Business-type activities expenses increased \$3.5 million.

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 (proprietary) 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. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are 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.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as *Net Assets*, which is one way to measure the City's financial health. Over time, increases or decreases in the City's Net Assets are one indicator of whether its financial health is improving or deteriorating.

The Statement of Activities and Changes in Net Assets present information showing how the City's Net Assets changed during the most recent fiscal year. All changes in Net Assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e. uncollected taxes and earned but unused vacation leave).

In both 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, Public Safety, 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.

Fiduciary funds - 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 a separate Statement of Fiduciary Assets and Liabilities. 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.

Net Assets - The City's combined Net Assets (i.e. inclusive of *all* City funds) for the fiscal year ended June 30, 2009 are compared to results for 2008 in Table 1.

Table 1

City of Oceanside Net Assets						
(in thousands of dollars)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Current & other assets	\$ 214,048	\$ 223,150	\$ 60,774	\$ 78,075	\$ 274,822	\$ 301,225
Net pension assets	39,041	39,406	0	0	39,041	39,406
Capital assets	<u>337,421</u>	<u>331,621</u>	<u>293,111</u>	<u>290,559</u>	<u>630,532</u>	<u>622,180</u>
Total assets	590,510	594,177	353,885	368,634	944,395	962,811
Long-term debt outstanding	171,186	174,692	88,123	98,893	258,479	273,585
Other liabilities	<u>17,430</u>	<u>21,207</u>	<u>11,464</u>	<u>11,937</u>	<u>29,724</u>	<u>33,144</u>
Total liabilities	188,616	195,899	99,587	110,830	288,203	306,729
Net assets						
Invested in capital assets, net of related debt	234,317	223,022	207,637	196,363	441,954	419,385
Restricted	127,608	130,217	33,895	2,253	161,503	132,470
Unrestricted	<u>39,968</u>	<u>45,039</u>	<u>12,767</u>	<u>59,188</u>	<u>52,735</u>	<u>104,227</u>
Total net assets	\$ 401,893	\$ 398,278	\$ 254,299	\$ 257,804	\$656,192	\$656,082

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 a slight 0.02% from \$656.1 million at June 30, 2008 to \$656.2 million at June 30, 2009 due to an increase of \$3.6 million in Governmental Activities Net Assets and a decrease of \$3.5 million in the Business-type Activities.

Governmental current assets decreased by \$9.1 million due to a decrease in interest, tax and other receivables, coupled with cash and investment reductions. At the same time Business-type current assets decreased by \$17.3 million due to expenditures for capital assets and scheduled long-term debt payments, along with the defeasement of the 1998 Water System COP. Governmental capital assets increased by \$5.8 million due to infrastructure additions including various street restorations, bridges, detention basins and sidewalks. Business-type capital assets increased by \$2.6 million due to Water and Wastewater infrastructure improvements.

Total Net Assets increased \$0.1 million or 0.02% during the fiscal year. A reduction in total assets as discussed above, coupled with a reduction in total liabilities, is indicative of the City's large Investment in Capital Assets (net of related debt) of over 67% of the City's Net Assets. A decline of Unrestricted Net Assets by 49% draws caution on the availability of funding for new programs, projects and services, along with unfunded long-term obligations (such as employee compensated absences, pension liabilities, and other post employment benefits).

Since 2002 the City's Unrestricted Net Assets have been in excess of \$100 million, and this is the first time it has dropped significantly below that level to \$53 million, as reflected in Table 2. A portion of the \$51.5 million reduction in Unrestricted Net Assets is attributed to the reclassification of \$29 million as Restricted Net Assets in compliance with GASB 54. An additional \$18.4 million is attributed to a decrease in Total Assets, notably cash and investments. The remaining reduction includes \$3 million restatement of beginning Net Assets as discussed in Note 16.

Table 2

City of Oceanside								
Summary of Net Assets (in millions)								
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Invested in Capital Assets	\$280.6	\$319.5	\$292.6	\$314.7	\$338.7	\$380.5	\$419.4	\$442.0
Restricted	71.5	45.5	102.1	101.3	111.6	125.8	132.5	161.5
Unrestricted	<u>115.4</u>	<u>124.3</u>	<u>112.8</u>	<u>116.2</u>	<u>105.4</u>	<u>108.8</u>	<u>104.2</u>	<u>52.7</u>
Total Net Assets	467.5	489.3	507.5	532.2	555.7	615.1	656.1	656.2
\$ increase from prior year	n/a	21.8	18.2	24.7	23.5	59.4	41.0	0.1
% increase from prior year	n/a	4.66%	3.72%	4.86%	4.41%	10.69%	6.67%	0.02%

Activities - The City's combined Activities for the fiscal year ended June 30, 2009 is compared to results for 2008 in Table 3. The Statement of Activities reveals a decrease of revenues of \$19.6 million from 2008 while expenses increased \$19.9 million. Total revenues less expenditures contributed \$3.0 million to Net Assets.

Governmental Activities increased Net Assets \$6.4 million compared to \$38.2 million in 2008 as identified in Table 3. Decreases in program revenues such as charges for service and grants, along with decreases in general revenues including sales taxes and use of money and property are indicative of the economic decline.

Expenses increased by \$16.4 million in 2009. General Government expenses increased \$3.0 million, Public Works increased \$1.2 million, Community Development increased \$4.0 million, and Police and Fire operations increased \$8.2 million.

Overall, the increased contribution to Net Assets can be attributed to a transfer in from the business-type activities, specifically from the sale of the Marina Towers (Harbor Fund) for future general purpose. A restatement downward of prior year Net Assets is largely attributed to corrections made on TransNet funds as part of a SANDAG audit.

Table 3

City of Oceanside Activities						
(in thousands of dollars)						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
<i>Program Revenues</i>						
Charges for services	\$ 23,564	\$ 36,869	\$ 94,838	\$ 93,684	\$ 118,402	\$ 130,553
Operating grants and contributions	24,120	31,173	1,133	4,221	25,253	35,394
Capital grants and contributions	9,997	9,418	0	0	9,997	9,418
<i>General Revenues</i>						
Property taxes	61,239	58,664	0	0	61,239	58,664
Sales taxes	16,914	18,735	0	0	16,914	18,735
Other taxes	12,425	11,746	0	0	12,425	11,746
Use of money and property	9,861	13,344	2,110	3,018	11,971	16,362
Other	<u>14,507</u>	<u>14,354</u>	<u>4,964</u>	<u>1</u>	<u>19,471</u>	<u>14,355</u>
Total Revenues	172,627	194,303	103,045	100,924	275,672	295,227
Expenses						
General government	19,051	16,004	0	0	19,051	16,004
Public safety	76,759	68,521	0	0	76,759	68,521
Public works	28,263	27,088	0	0	28,263	27,088
Community development	28,757	24,715	0	0	28,757	24,715
Community/cultural services	14,193	14,191	0	0	14,193	14,191
Interest on long-term debt	7,364	7,487	0	0	7,364	7,487
Water	0	0	41,652	40,649	41,652	40,649
Sewer	0	0	28,234	27,040	28,234	27,040
Waste disposal	0	0	21,283	20,846	21,283	20,846
Other	<u>0</u>	<u>0</u>	<u>7,117</u>	<u>6,240</u>	<u>7,117</u>	<u>6,240</u>
Total Expenses	174,387	158,006	98,286	94,775	272,673	252,781
Increase (decrease) in net assets before transfers	(1,760)	36,297	4,759	6,149	2,999	42,446
Transfers	8,214	1,884	(8,214)	(1,884)	0	0
Increase (decrease) in net assets	6,454	38,181	(3,455)	4,265	2,999	42,446
Beginning net assets as restated	<u>395,439</u>	<u>360,097</u>	<u>257,754</u>	<u>253,539</u>	<u>653,193</u>	<u>613,636</u>
Ending net assets	\$ 401,893	\$ 398,278	\$ 254,299	\$ 257,804	\$ 656,192	\$ 656,082

Note 16 provides information related to the restatement of beginning Net Assets.

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.

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 73% 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.

Chart 1

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

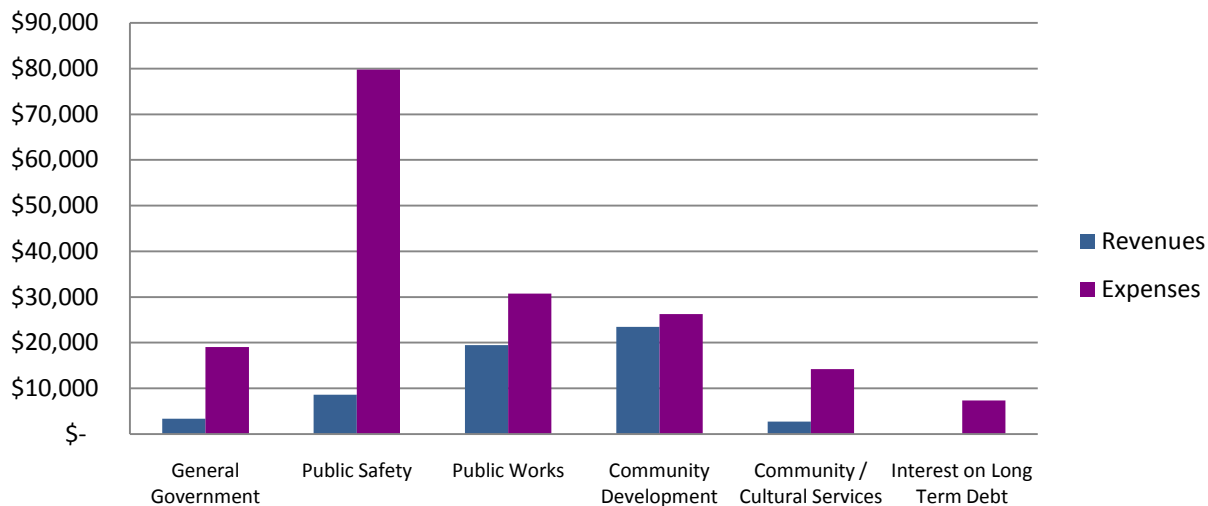
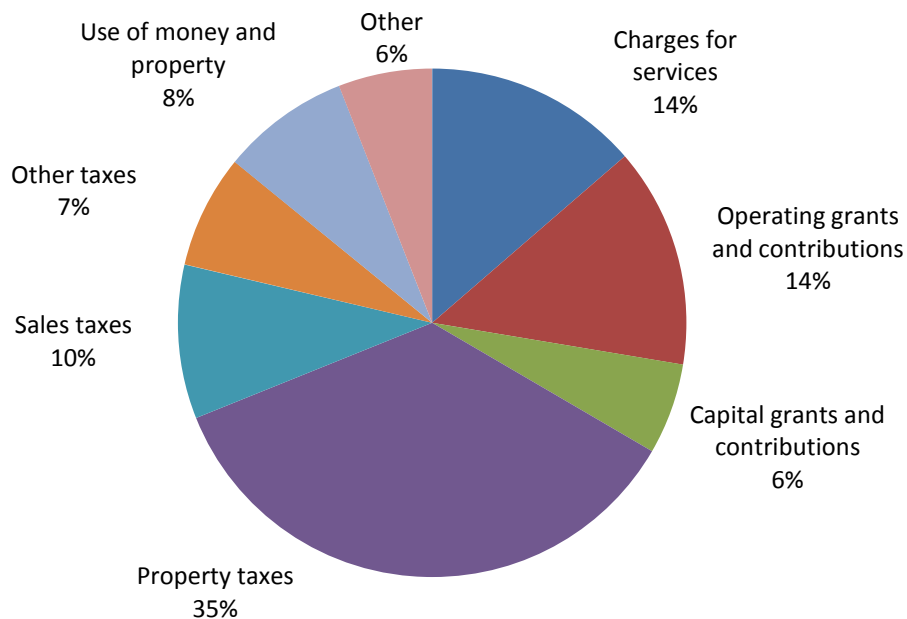


Chart 2

Revenue by Source - Governmental Activities

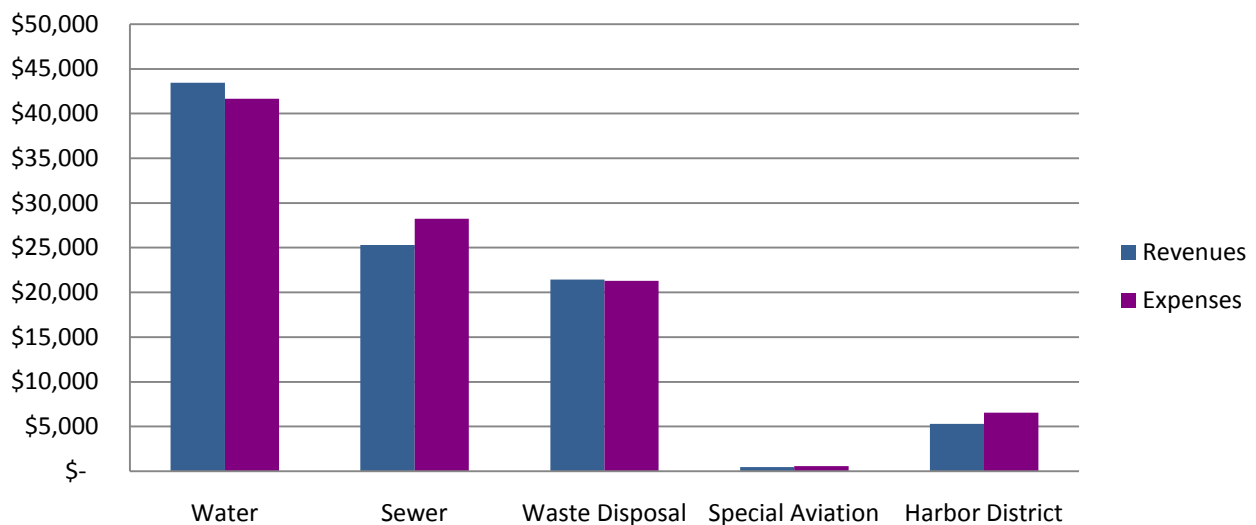


Business-Type Activities for the City of Oceanside include Water, Sewer, Solid Waste, Harbor, and Special Aviation. Net Assets of the Business-type activities decreased \$3.5 million or 1.4% in the last fiscal year.

The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds indicate an increase of \$1.2 million in operating revenues. The Water, Sewer and Waste Disposal funds operating revenue increased \$0.1, \$0.6 and \$0.5 million respectively. Developer fees for Water Utilities decreased \$0.3 million from the last fiscal year while Sewer decreased by \$0.5 million. Expenses for the Water, Sewer, Waste Disposal and Harbor funds increased \$0.5, \$0.7, \$0.3 and \$0.5 million respectively due to increases in personnel services and maintenance and operations costs.

Overall revenue nominally matched expenses (before transfers) in 2009 with a total operating income of \$95,000. Operating losses in Sewer and Harbor (\$0.8 and \$0.9 million respectively) were offset by operating income in Water Utilities (\$1.6 million). Chart 3 below compares program revenues from business-type activities to program expenses. The Sewer, Aviation and Harbor enterprises operated at a deficit, as referenced in the Statement of Activities and Changes in Net Assets.

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



Financial Analysis of the City's Funds

The total fund balance of \$41.4 million at year-end for the City's General Fund, as shown on the Balance Sheet, is a decrease of \$2.7 million from 2008. Of this total amount, \$3.7 million is nonspendable, \$15.4 million is committed, and \$15.7 million is assigned. The residual amount of \$6.6 million is unassigned, or available for future expenditure allocation. These categories are in compliance with GASB 54 and full disclosure can be found in Note 9.

The Statement of Revenues, Expenditures and Changes in Fund Balances also reflects the \$2.7 million reduction in the General Fund balance. Revenues (excluding sales of real property) remained flat compared to 2008, with a decrease of \$0.4 million or 0.3%. Expenditures increased overall \$3.8 million

or 3.4% with increases in public safety expenses accounting for \$3.4 million. Other Financing Sources includes a transfer in of \$5.8 million of which \$5.0 million came from the Harbor fund for future general purposes, and \$0.8 million from other governmental funds. Other Financing Sources also includes a transfer out of \$10.9 million for housing assistance, general improvement capital projects, internal services, and other governmental funds.

The fund balance of the Housing Assistance Program Special Fund has decreased \$2.4 million. Revenues increased \$0.7 million while expenses increased \$1.3 million. Other Financing Sources reflect a net transfer out of \$1.3 million with \$1.8 million loaned to the Redevelopment Agency Capital Fund for the SERAF contribution to the State.

The fund balance of the Redevelopment Agency Capital Projects Fund has decreased \$1.3 million, which reflects a restatement of \$1.5 million. Revenues increased \$1.3 million while expenses increased \$6.4 million. Other Financing Sources reflect a net transfer out of \$3.2 million with \$5.0 million transferred out for debt service, offset by the \$1.8 million transfer in from the Housing Assistance Fund.

The fund balance of the General Improvement Capital Projects Fund has decreased \$3.6 million, which reflects a restatement of \$2.0 million. Revenues decreased \$19.8 million due to decreased intergovernmental revenue (2008 recognized a one-time capital grant). Expenses for capital projects decreased \$24.7 million from 2008. Net transfers in from other funds were \$6.3 million.

The fund balance of \$20.5 million in total Other Governmental Funds (which includes minor special revenue and debt service funds) is a decrease of \$4.0 million from 2008, which reflects a restatement of \$3.3 million. The Gas Tax & Transportation Special Revenue Fund revenues decreased \$5.5 million due to the City's inability to draw against TransNet funds in 2009 based on a SANDAG policy requirement. Expenses for capital projects against the same fund increased \$0.8 million, while expenses also increased in the Community Development Block Grant fund by \$0.7 million and the Grants Fund by \$2.7 million.

Debt Administration

Debt of governmental activities (including the Redevelopment Agency) realized a net decrease of \$3.9 million due to normal amortization, as noted in Table 4. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

Table 4

City of Oceanside				
Governmental Debt Outstanding (including the Redevelopment Agency)				
	Balance July 1, 2008	Incurred or Issued	Satisfied or Matured	Balance June 30, 2009
Governmental Activities				
Bonds Payable	\$ 54,975,000	\$ 0	\$ (2,050,000)	\$ 52,925,000
Certificates of Participation	51,535,000	0	(2,970,000)	48,565,000
Capital Leases Payable	1,664,098	0	(259,857)	1,404,241
Notes Payable	3,925,000	0	(215,000)	3,710,000
Pension Obligation Bonds	42,707,243	0	(726,644)	41,980,599
Claims Payable	9,606,467	2,756,674	(2,357,239)	10,005,902
Compensated Absences	10,279,402	1,642,446	(156,301)	11,765,547
Other Post-Employment Benefits	370,963	611,173	(152,115)	830,021
Total Governmental Activities	\$ 175,063,173	\$ 5,010,293	\$ (8,887,156)	\$ 171,186,310

Debt of the business-type activities decreased in the fiscal year ending 2009 by \$10.8 million. Table 5 is a synopsis of detail presented in Note 8 of the financial statements.

Table 5

City of Oceanside				
Business-Type Activities Debt Outstanding				
	Balance <u>July 1, 2008</u>	Incurred or Issued	Satisfied or Matured	Balance <u>June 30, 2009</u>
Business-Type Activities				
Bonds Payable	\$ 7,905,000	\$ 0	\$ (640,000)	\$ 7,265,000
Certificates of Participation	19,335,000	10,326,668	(2,073,795)	27,587,873
Notes Payable	69,208,462	0	(18,586,897)	50,621,565
Compensated Absences	<u>2,444,129</u>	<u>226,704</u>	<u>(22,771)</u>	<u>2,648,062</u>
Total Business-Type Activities	\$ 98,892,591	\$ 10,553,372	\$ (21,323,463)	\$ 88,122,500

Capital Assets

The capital assets of the City are those assets that are used in the performance of the City's functions, including land, buildings and infrastructure. Table 6 identifies that at June 30, 2009, net capital assets of the governmental activities totaled \$337 million and the net capital assets of the business-type activities totaled \$293 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. The \$8.4 million increase in total Capital Assets from 2008 to 2009 is indicative of the City's continuing investment in infrastructure and other capital assets.

Table 6

City of Oceanside				
Capital Assets (including Redevelopment Agency)				
Description	Governmental Activities		Business-Type Activities	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 57,843,987	\$ 57,843,987	\$ 20,810,642	\$ 20,836,745
Buildings	80,798,717	78,698,579	137,476,425	137,476,425
Improvements	9,507,033	8,652,043	224,507,146	217,609,795
Equipment	57,503,767	56,099,439	12,059,079	12,059,079
Construction in Progress	43,221,549	44,065,679	52,874,096	46,738,623
Infrastructure	<u>298,129,834</u>	<u>283,073,387</u>	<u>0</u>	<u>0</u>
Capital Assets	547,004,887	528,433,114	447,727,388	434,720,667
Accumulated Depreciation	<u>(209,583,840)</u>	<u>(196,811,938)</u>	<u>(154,615,862)</u>	<u>(144,162,048)</u>
Total Capital Assets	\$ 337,421,047	\$ 331,621,176	\$ 293,111,526	\$ 290,558,619

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

Budgets and Budgetary Accounting

Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The City Council adopts a biennial operating budget and an annual capital budget. All appropriations are as originally adopted or as amended by the City Council, and budgeted amounts lapse at year-end unless the adopting resolutions specifically allows the carry-over of specific unexpended

amounts into the next fiscal year. Budgetary control is exercised at the fund level. The City Manager is authorized to transfer monies appropriated within the same fund provided the total amount within a fund has not changed. A budget adjustment to increase a fund's total, or to transfer monies between funds, requires City Council approval. The City of Oceanside does not distinguish between Basis of Budgeting and Basis of Accounting. The principles set forth as the Basis of Accounting are strictly observed in the budgeting process.

General Fund Budget – Table 7 is a comparison of actual revenues/expenditures versus the amended budget. Revenues received were less than budgeted due to economic declines notably in sales taxes, property taxes, and intergovernmental revenues. Charges to appropriations were under budget due to the delay of projects from prior fiscal years. Expenditures and transfers exceeded revenues by \$2.7 million, requiring the fund balance to absorb the shortfall. Of the \$6.5 million that was not expended from the amended budget, \$5 million was carried-forward to FY 2009-2010 in accordance with the City Administrative Directive.

Table 7

City of Oceanside			
General Fund Comparison – Actual and Budget			
	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Pos/(Neg)</u>
Resources (inflows)			
Taxes	\$ 83,154,300	\$ 80,200,196	\$ (2,954,104)
Licenses and Permits	1,776,000	1,756,154	(19,846)
Fines and Penalties	4,645,000	4,222,374	(422,626)
Investment Earnings & Rentals	5,582,100	5,075,276	(506,824)
Intergovernmental Revenue	2,118,900	1,271,264	(847,636)
Charges for Service	7,788,281	9,109,355	1,321,074
Other Revenue (including Transfers In)	<u>20,474,370</u>	<u>20,183,479</u>	<u>(290,891)</u>
Amount Available for Appropriation	125,538,951	121,818,098	(3,720,853)
Charges to Appropriations (outflows)			
General Government	16,389,436	15,680,572	708,864
Public Safety	73,695,210	71,304,745	2,390,465
Public Works	7,506,060	6,831,859	674,201
Community Development	9,674,258	8,335,680	1,338,578
Community/Cultural Services	<u>12,277,730</u>	<u>11,453,145</u>	<u>824,585</u>
Charges to Appropriations	119,542,694	113,606,001	5,936,693
Transfers Out	<u>11,489,271</u>	<u>10,942,729</u>	<u>546,542</u>
Total Charges to Appropriations and Transfers*	131,031,965	124,548,730	6,483,235
<i>*\$5.0 million of the \$6.5 unexpended was carried forward for expenditure in FY 2009-2010</i>			
Excess of Resources Over (Under)	\$ (5,493,014)	\$ (2,730,632)	
Charges to Appropriations and Transfers			

Table 8 compares the General Fund original adopted budget of \$120.4 million to the final budget amount of \$131.0 million, which shows a net increase of \$10.6 million as delineated below. The \$10.6 million variance between the adopted and amended budget is due, in large part, to carry-forward funds from prior fiscal years for incomplete projects and programs.

Table 8

City of Oceanside			
General Fund Budget Comparison As Adopted and Amended			
	<u>Adopted</u>	<u>Amended</u>	<u>Variance</u>
General Government			
Operational	\$ 10,888,437	\$ 12,354,842	\$ 1,466,405
Non-Departmental	2,254,047	4,034,594	1,780,547
Public Safety			
Police	48,270,567	49,258,253	987,686
Fire	24,456,957	24,436,957	(20,000)
Public Works	7,397,874	7,506,060	108,186
Community Development			
Economic Development	588,059	678,059	90,000
Housing & Neighborhood Services	918,151	918,151	0
Planning	1,817,098	2,549,865	732,767
Building	2,474,870	2,541,190	66,320
Engineering	3,002,793	2,986,993	(15,800)
Community & Cultural Services			
Library	5,475,681	5,851,067	375,386
Parks & Recreation	3,772,127	3,848,427	76,300
Beach Recreation	2,568,236	2,578,236	10,000
Transfers	<u>6,493,595</u>	<u>11,489,271</u>	<u>4,995,676</u>
Total Budget	\$ 120,378,492	\$ 131,031,965	\$ 10,653,473

All City Funds Budget – Table 9 is a summary of the adopted budget for all City funds totaling \$356 million.

Table 9

City of Oceanside		
Adopted Budget Fiscal Year 2008-2009		
Governmental and Internal Service Funds		
General Fund	\$ 120,378,492	
Special Revenue Funds	44,526,997	
Internal Service Funds	49,697,468	
Capital Project Funds	20,568,862	
Debt Service Funds	<u>13,730,030</u>	
Subtotal General Operations		\$ 248,901,849
Enterprise Funds		
Water Utility	\$ 47,833,509	
Wastewater Utility	30,628,434	
Waste Disposal	22,174,821	
Special Aviation	625,083	
Harbor District Operations	<u>6,047,416</u>	
Subtotal Enterprise Operations		\$ 107,309,263
Total Budget		\$ 356,211,112

GLOSSARY

- **Business-Type Activities:** in the context of the government-wide financial statements, activities of the City that are intended to totally or partially recover costs through user charges. Examples include Water Utilities, Wastewater Utilities, Waste Disposal, Special Aviation and Small Craft Harbor District.
- **Capital Assets:** assets used in operations that are not available for spending (i.e. land, buildings, structures and improvements other than buildings, machinery and equipment, infrastructure, and construction in progress.)
- **Fiduciary Funds:** funds used to account for resources held for the benefit of outside parties as an agent, and therefore not available to support the City's own programs.
- **Fund Balance:** the difference between assets and liabilities reported in a governmental fund.
- **Governmental Activities:** in the context of the government-wide financial statements, activities of the City that are supported by taxes. Examples include General Fund, Housing Assistance Program Special Revenue Fund, Redevelopment Agency Debt Service Fund, Redevelopment Agency Capital Projects Fund, General Improvement Capital Projects Fund, and Other Governmental Funds such as additional "minor" special revenue funds and debt service funds.
- **Governmental Funds:** funds generally used to account for tax-supported activities.
- **Invested in Capital Assets Net of Related Debt:** the portion of net assets reflecting equity in capital assets (i.e. capital assets minus related debt).
- **Net Assets:** the difference between assets and liabilities in proprietary funds and government-wide financial statements.
- **Proprietary Funds:** funds used to account for business-type activities.
- **Restricted Net Assets:** the portion of net assets equal to resources whose use is legally restricted minus any non-capital-related liabilities payable from those same resources.
- **Unrestricted Net Assets:** the residual balance of net assets after the elimination of *invested in capital assets net of related debt* and *restricted net assets*.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors 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) 435-3830.

City of Oceanside
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$ 149,234,080	\$ 48,180,097	\$ 197,414,177
Restricted cash and investments (Note 2)	8,588,185	1,015,875	9,604,060
Accounts receivable	4,790,162	9,106,118	13,896,280
Notes receivable (Note 4)	31,055,495	-	31,055,495
Interest receivable	1,510,282	-	1,510,282
Taxes receivable	2,582,985	-	2,582,985
Other receivable	5,297,094	304,614	5,601,708
Due from other governments	1,504,001	-	1,504,001
Internal balances	(391,427)	391,427	-
Prepaid items	23,054	6,445	29,499
Inventory	360,361	1,420,842	1,781,203
Other assets	-	129,092	129,092
Land and buildings held for resale (Note 7)	9,492,993	-	9,492,993
Bond issuance costs	-	219,368	219,368
Net pension assets (Notes 1I and 13)	39,041,388	-	39,041,388
Capital assets (Note 6):			
Non depreciable assets	101,065,536	73,684,738	174,750,274
Depreciable assets, net	236,355,511	219,426,788	455,782,299
TOTAL ASSETS	590,509,700	353,885,404	944,395,104
LIABILITIES:			
Accounts payable	6,528,866	7,612,199	14,141,065
Accrued liabilities	5,411,001	745,239	6,156,240
Accrued interest payable	2,466,508	938,471	3,404,979
Deposits	710,143	1,249,710	1,959,853
Unearned revenue	2,197,040	918,551	3,115,591
Due to other governments	116,890	-	116,890
Long-term liabilities (Note 8):			
Due within one year	11,227,336	6,119,211	17,346,547
Due in more than one year	159,958,974	82,003,289	241,962,263
TOTAL LIABILITIES	188,616,758	99,586,670	288,203,428
NET ASSETS:			
Invested in capital assets, net of related debt	234,316,806	207,637,088	441,953,894
Restricted (Note 10)	127,608,041	33,894,838	161,502,879
Unrestricted	39,968,095	12,766,808	52,734,903
TOTAL NET ASSETS	\$ 401,892,942	\$ 254,298,734	\$ 656,191,676

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

City of Oceanside
Statement of Activities
For the year ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 19,051,433	\$ 2,735,446	\$ 235,759	\$ 406,753
Public safety	76,759,409	6,016,525	2,629,701	-
Public works	28,263,292	6,881,633	3,012,304	9,590,276
Community development	28,756,441	5,509,157	17,953,244	-
Community/cultural services	14,193,259	2,421,512	288,614	-
Interest on long-term debt	7,363,801	-	-	-
Total governmental activities	174,387,635	23,564,273	24,119,622	9,997,029
Business-type Activities:				
Water	41,651,535	42,313,563	1,132,596	-
Sewer	28,233,964	25,304,602	-	-
Waste disposal	21,282,754	21,442,968	-	-
Special aviation	565,477	465,150	-	-
Oceanside Small Craft Harbor District	6,551,918	5,311,555	-	-
Total business-type activities	98,285,648	94,837,838	1,132,596	-
Total	\$ 272,673,283	\$ 118,402,111	\$ 25,252,218	\$ 9,997,029

General revenues:

Taxes:

Property

Sales

Other

Intergovernmental unrestricted

Investment earnings

Miscellaneous

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 16)

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
\$ (15,673,475)	\$ -	\$ (15,673,475)
(68,113,183)	-	(68,113,183)
(8,779,079)	-	(8,779,079)
(5,294,040)	-	(5,294,040)
(11,483,133)	-	(11,483,133)
(7,363,801)	-	(7,363,801)
(116,706,711)	-	(116,706,711)
-	1,794,624	1,794,624
-	(2,929,362)	(2,929,362)
-	160,214	160,214
-	(100,327)	(100,327)
-	(1,240,363)	(1,240,363)
-	(2,315,214)	(2,315,214)
(116,706,711)	(2,315,214)	(119,021,925)
61,239,407	-	61,239,407
16,914,344	-	16,914,344
12,424,966	-	12,424,966
14,083,346	-	14,083,346
9,861,241	2,109,687	11,970,928
423,227	-	423,227
-	4,964,630	4,964,630
8,214,295	(8,214,295)	-
123,160,826	(1,139,978)	122,020,848
6,454,115	(3,455,192)	2,998,923
395,438,827	257,753,926	653,192,753
\$ 401,892,942	\$ 254,298,734	\$ 656,191,676

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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, 2009

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service
ASSETS			
Cash and investments	\$ 34,434,850	\$ 11,036,786	\$ 740,026
Restricted cash and investments	-	-	4,412,804
Receivables:			
Accounts	1,252,969	1,667	-
Notes	-	24,794,305	-
Interest	1,413,834	-	-
Taxes	1,715,620	-	-
Other	3,791,975	-	-
Due from other funds	826,048	-	-
Due from other governments	-	1,753	-
Advances to other funds	9,953,390	-	-
Inventory	6,299	-	-
Prepaid items	22,249	214	-
Land and buildings held for resale	-	-	-
TOTAL ASSETS	\$ 53,417,234	\$ 35,834,725	\$ 5,152,830
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 665,941	\$ 478,984	\$ -
Accrued liabilities	3,697,871	104,853	-
Deposits	481,585	102,638	-
Due to other funds	55,500	-	-
Due to other governments	-	116,890	-
Deferred revenue	7,154,758	1,200,000	-
Advances from other funds	-	72,507	13,982,686
TOTAL LIABILITIES	12,055,655	2,075,872	13,982,686
FUND BALANCES (DEFICIT):			
Nonspendable	3,680,434	214	-
Restricted	-	1,790,736	4,412,804
Committed	15,442,512	-	-
Assigned	15,680,540	31,967,903	-
Unassigned	6,558,093	-	(13,242,660)
TOTAL FUND BALANCES (DEFICIT)	41,361,579	33,758,853	(8,829,856)
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,417,234	\$ 35,834,725	\$ 5,152,830

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

Capital Projects Funds		Other	Total
Redevelopment	General	Governmental	Governmental
Agency	Improvement	Funds	Funds
\$ 24,926,280	\$ 35,373,152	\$ 16,455,553	\$ 122,966,647
100,000	1,897,524	2,177,857	8,588,185
244,121	-	3,029,846	4,528,603
6,261,190	-	-	31,055,495
96,448	-	-	1,510,282
-	-	-	1,715,620
-	1,487,053	18,066	5,297,094
-	55,500	-	881,548
-	-	1,502,248	1,504,001
3,737,267	-	-	13,690,657
-	-	-	6,299
-	-	-	22,463
9,492,993	-	-	9,492,993
<u>\$ 44,858,299</u>	<u>\$ 38,813,229</u>	<u>\$ 23,183,570</u>	<u>\$ 201,259,887</u>
\$ 62,000	\$ 2,934,370	\$ 1,475,932	\$ 5,617,227
1,266,760	-	101,626	5,171,110
-	54,824	71,096	710,143
-	-	277,019	332,519
-	-	-	116,890
6,206,380	2,270,274	719,643	17,551,055
-	-	-	14,055,193
<u>7,535,140</u>	<u>5,259,468</u>	<u>2,645,316</u>	<u>43,554,137</u>
13,285,070	-	-	16,965,718
747,997	1,897,524	17,306,801	26,155,862
179,149	27,313	-	15,648,974
23,110,943	31,628,924	3,231,453	105,619,763
-	-	-	(6,684,567)
<u>37,323,159</u>	<u>33,553,761</u>	<u>20,538,254</u>	<u>157,705,750</u>
<u>\$ 44,858,299</u>	<u>\$ 38,813,229</u>	<u>\$ 23,183,570</u>	<u>\$ 201,259,887</u>

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City of Oceanside
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets
June 30, 2009

Fund balances - total governmental funds	\$ 157,705,750
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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.	325,716,176
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Pension contributions were expenditures in the fund financial statements but are deferred and subject to capitalization and amortization on the Government-wide statements.	39,041,388
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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.

Accrued interest	\$ 6,301,504	
Long-term receivable	9,132,233	
Sales tax	<u>867,365</u>	
		16,301,102

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.	25,812,559
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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	(52,925,000)	
Certificate of participation	(48,565,000)	
Pension obligation bonds payable	(41,150,000)	
Capital leases payable	(1,331,737)	
Notes payable	(3,710,000)	
Bond premium	<u>(830,599)</u>	
Total long-term liabilities		(148,512,336)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(2,466,065)
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OPEB obligation is not accrued in governmental funds, but rather is recognized as an expenditure when paid.	(830,021)
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Compensated absences are not due and payable in the current period and therefore were not reported in the governmental funds.	<u>(10,875,611)</u>
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Net assets of governmental activities	<u><u>\$ 401,892,942</u></u>
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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, 2009

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service
REVENUES:			
Taxes	\$ 80,200,196	\$ -	\$ -
Special assessments	-	-	-
License and permits	1,756,154	121,644	-
Intergovernmental revenues	1,271,264	13,663,566	-
Charges for services	9,109,355	296,228	-
Fines and forfeitures	4,222,374	-	-
Lease revenue	-	-	2,407,448
Interest and rentals	5,075,276	504,904	21,158
Administrative and in lieu charges	14,083,346	-	-
Developer fees	-	1,727,600	-
Other revenues	306,446	4,348	-
TOTAL REVENUES	116,024,411	16,318,290	2,428,606
EXPENDITURES:			
Current:			
General government	15,680,572	-	-
Public safety	71,304,745	-	-
Public works	6,831,859	-	-
Community development	8,335,680	17,344,964	-
Community/cultural services	11,453,145	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	3,535,000
Interest and fees	-	-	4,372,099
TOTAL EXPENDITURES	113,606,001	17,344,964	7,907,099
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,418,410	(1,026,674)	(5,478,493)
OTHER FINANCING SOURCES (USES):			
Sale of property	1,910	-	-
Transfers in	5,791,777	578,718	5,046,174
Transfers out	(10,942,729)	(1,911,504)	(150,000)
TOTAL OTHER FINANCING SOURCES (USES)	(5,149,042)	(1,332,786)	4,896,174
NET CHANGE IN FUND BALANCES	(2,730,632)	(2,359,460)	(582,319)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	44,092,211	36,118,313	(8,247,537)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 41,361,579	\$ 33,758,853	\$ (8,829,856)

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

Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
Redevelopment Agency	General Improvement		
\$ 11,139,814	\$ -	\$ -	\$ 91,340,010
-	-	2,351,621	2,351,621
-	-	-	1,877,798
-	1,625,469	11,381,456	27,941,755
27,975	-	932,554	10,366,112
-	-	547,691	4,770,065
-	-	2,330,833	4,738,281
920,369	1,333,473	818,020	8,673,200
-	-	-	14,083,346
132,963	2,578,458	-	4,439,021
9,987	309,788	140,242	770,811
<u>12,231,108</u>	<u>5,847,188</u>	<u>18,502,417</u>	<u>171,352,020</u>
-	-	548,725	16,229,297
-	-	2,174,979	73,479,724
-	506,547	7,993,907	15,332,313
8,348,487	-	1,873,167	35,902,298
-	-	1,445,038	12,898,183
2,063,096	15,229,017	4,774,934	22,067,047
-	-	2,565,728	6,100,728
-	-	3,780,168	8,152,267
<u>10,411,583</u>	<u>15,735,564</u>	<u>25,156,646</u>	<u>190,161,857</u>
<u>1,819,525</u>	<u>(9,888,376)</u>	<u>(6,654,229)</u>	<u>(18,809,837)</u>
5,995	-	-	7,905
1,928,859	6,903,454	4,431,853	24,680,835
<u>(5,102,151)</u>	<u>(613,066)</u>	<u>(1,765,457)</u>	<u>(20,484,907)</u>
<u>(3,167,297)</u>	<u>6,290,388</u>	<u>2,666,396</u>	<u>4,203,833</u>
<u>(1,347,772)</u>	<u>(3,597,988)</u>	<u>(3,987,833)</u>	<u>(14,606,004)</u>
<u>38,670,931</u>	<u>37,151,749</u>	<u>24,526,087</u>	<u>172,311,754</u>
<u>\$ 37,323,159</u>	<u>\$ 33,553,761</u>	<u>\$ 20,538,254</u>	<u>\$ 157,705,750</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, 2009

Net change in fund balances - total governmental funds			\$(14,606,004)
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. In addition, losses arising from the disposal of capital assets are reported in the Statement of Activities, while the governmental funds do not. This is the amount by which capitalizable capital outlays exceeded depreciation and losses on disposition of capital assets in the current period.			
Capital outlay	\$ 18,825,535		
Disposal of capital assets	(533,004)		
Depreciation expense	<u>(10,754,949)</u>	7,537,582	
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.			
Investment earnings	713,464		
Intergovernmental revenues	1,725,853		
Loans provided	7,406,380		
Sales tax	<u>(196,124)</u>	9,649,573	
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.			
		(364,135)	
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.			
		(1,445,518)	
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		6,100,728	
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 expense and related items	29,860		
OPEB contributions	(459,058)		
Amortization of bond premium	<u>51,644</u>	(377,554)	
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.			
		<u>(40,557)</u>	
Change in net assets of governmental activities			<u>\$ 6,454,115</u>

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, 2009

		Business-type Activities - Enterprise Funds		
ASSETS		Water	Sewer	Waste Disposal
CURRENT ASSETS:				
Cash and investments		\$ 38,203,776	\$ 1,760,590	\$ 1,796,633
Receivables:				
Accounts		5,125,966	2,709,177	1,248,369
Other		75	304,539	-
Prepaid items		6,445	-	-
Inventory		717,575	638,430	-
Other assets		129,092	-	-
Restricted cash and investments		-	1,015,875	-
TOTAL CURRENT ASSETS		44,182,929	6,428,611	3,045,002
NONCURRENT ASSETS:				
Bond issuance costs		-	219,368	-
Advance to other funds		4,913,658	-	-
Capital assets:				
Land		16,096,364	843,552	35,328
Construction in progress		25,410,799	24,106,012	-
Depreciable buildings and structures		21,717,958	114,763,059	27,630
Depreciable improvements other than buildings		103,743,986	96,456,388	526
Depreciable machinery and equipment		3,249,444	7,463,841	282,148
Less accumulated depreciation		(65,016,888)	(70,966,310)	(282,293)
TOTAL NONCURRENT ASSETS		110,115,321	172,885,910	63,339
TOTAL ASSETS		154,298,250	179,314,521	3,108,341
LIABILITIES				
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable		4,241,283	1,934,071	1,422,489
Accrued liabilities		285,730	277,447	48,433
Interest payable		223,572	549,084	-
Deposits from others		966,694	-	-
Due to other funds		-	-	-
Unearned revenue		130,832	-	631,788
Bonds payable, current portion		670,000	-	-
Notes payable, current portion		-	2,705,955	-
Certificates of participation, current portion		1,015,000	885,000	-
Compensated absences, current portion		187,362	205,899	34,474
TOTAL CURRENT LIABILITIES		7,720,473	6,557,456	2,137,184
NONCURRENT LIABILITIES:				
Bonds payable		6,595,000	-	-
Notes payable		-	43,962,085	-
Certificates of participation		8,165,000	17,522,873	-
Advances from other funds		-	4,300,000	-
Claims and judgments payable		-	-	-
Compensated absences		749,447	823,594	137,896
TOTAL NONCURRENT LIABILITIES		15,509,447	66,608,552	137,896
TOTAL LIABILITIES		23,229,920	73,166,008	2,275,080
NET ASSETS:				
Invested in capital assets, net of related debt		88,756,663	107,590,629	63,339
Restricted		29,385,885	4,508,953	-
Unrestricted		12,925,782	(5,951,069)	769,922
TOTAL NET ASSETS		\$ 131,068,330	\$ 106,148,513	\$ 833,261

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

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
\$ -	\$ 6,419,098	\$ 48,180,097	\$ 26,267,433
9,502	13,104	9,106,118	261,559
-	-	304,614	-
-	-	6,445	591
64,837	-	1,420,842	354,062
-	-	129,092	-
-	-	1,015,875	-
74,339	6,432,202	60,163,083	26,883,645
-	-	219,368	-
-	-	4,913,658	-
3,835,398	-	20,810,642	-
-	3,357,285	52,874,096	353,260
66,286	901,492	137,476,425	-
1,601,656	22,704,590	224,507,146	-
46,249	1,017,397	12,059,079	30,618,962
(580,332)	(17,770,039)	(154,615,862)	(19,267,351)
4,969,257	10,210,725	298,244,552	11,704,871
5,043,596	16,642,927	358,407,635	38,588,516
1,374	12,982	7,612,199	911,639
10,215	123,414	745,239	239,891
19,168	146,647	938,471	443
18,965	264,051	1,249,710	-
549,029	-	549,029	-
-	155,931	918,551	79,722
-	-	670,000	-
51,000	262,643	3,019,598	72,504
-	-	1,900,000	-
11,608	90,270	529,613	177,987
661,359	1,055,938	18,132,410	1,482,186
-	-	6,595,000	-
598,778	3,041,104	47,601,967	-
-	-	25,687,873	-
249,122	-	4,549,122	-
-	-	-	10,005,902
46,432	361,080	2,118,449	711,949
894,332	3,402,184	86,552,411	10,717,851
1,555,691	4,458,122	104,684,821	12,200,037
4,319,479	6,906,978	207,637,088	11,632,367
-	-	33,894,838	-
(831,574)	5,277,827	12,190,888	14,756,112
\$ 3,487,905	\$ 12,184,805	253,722,814	\$ 26,388,479
		575,920	
		\$ 254,298,734	

City of Oceanside
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
OPERATING REVENUES:			
Charges for services	\$ 40,894,122	\$ 24,549,653	\$ 21,442,968
License and permits	487,235	-	-
Developer fees	921,081	754,869	-
Slip rental and other related fees	-	-	-
Other revenues	11,126	80	-
TOTAL OPERATING REVENUES	42,313,564	25,304,602	21,442,968
OPERATING EXPENSES:			
Personal services	6,128,512	6,266,398	1,344,840
Maintenance and operations	9,879,492	14,235,753	19,833,329
Cost of purchased water	20,662,348	-	-
Insurance premium and settlements	-	-	-
Depreciation	4,004,318	5,572,603	34,013
Amortization	-	1,247	-
TOTAL OPERATING EXPENSES	40,674,670	26,076,001	21,212,182
OPERATING INCOME (LOSS)	1,638,894	(771,399)	230,786
NONOPERATING REVENUES (EXPENSES):			
Investment income	1,463,356	408,012	-
Gain from disposal of assets	-	-	-
Grants and contributions	1,132,596	-	-
Interest expense	(706,480)	(1,919,990)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	1,889,472	(1,511,978)	-
INCOME (LOSS) BEFORE TRANSFERS	3,528,366	(2,283,377)	230,786
TRANSFERS:			
Transfers in	-	-	27,387
Transfers out	(2,346,491)	(359,038)	(364,577)
TOTAL TRANSFERS	(2,346,491)	(359,038)	(337,190)
CHANGE IN NET ASSETS	1,181,875	(2,642,415)	(106,404)
TOTAL NET ASSETS - BEGINNING OF YEAR, AS RESTATED	129,886,455	108,790,928	939,665
TOTAL NET ASSETS - END OF YEAR	\$ 131,068,330	\$ 106,148,513	\$ 833,261

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
\$ 444,591	\$ -	\$ 87,331,334	\$ 47,133,070
-	-	487,235	-
-	-	1,675,950	-
-	5,301,453	5,301,453	-
20,559	10,102	41,867	907,726
<u>465,150</u>	<u>5,311,555</u>	<u>94,837,839</u>	<u>48,040,796</u>
153,172	2,796,768	16,689,690	5,354,529
304,566	2,682,521	46,935,661	19,405,346
-	-	20,662,348	-
-	-	-	25,363,318
67,763	775,117	10,453,814	2,737,550
-	-	1,247	-
<u>525,501</u>	<u>6,254,406</u>	<u>94,742,760</u>	<u>52,860,743</u>
<u>(60,351)</u>	<u>(942,851)</u>	<u>95,079</u>	<u>(4,819,947)</u>
-	238,319	2,109,687	-
-	4,964,630	4,964,630	44,940
-	-	1,132,596	-
<u>(33,854)</u>	<u>(159,979)</u>	<u>(2,820,303)</u>	<u>(6,503)</u>
<u>(33,854)</u>	<u>5,042,970</u>	<u>5,386,610</u>	<u>38,437</u>
<u>(94,205)</u>	<u>4,100,119</u>	<u>5,481,689</u>	<u>(4,781,510)</u>
-	-	27,387	4,184,483
<u>(5,785)</u>	<u>(5,165,791)</u>	<u>(8,241,682)</u>	<u>(166,116)</u>
<u>(5,785)</u>	<u>(5,165,791)</u>	<u>(8,214,295)</u>	<u>4,018,367</u>
(99,990)	(1,065,672)	(2,732,606)	(763,143)
<u>3,587,895</u>	<u>13,250,477</u>		<u>27,151,622</u>
<u>\$ 3,487,905</u>	<u>\$ 12,184,805</u>		<u>\$ 26,388,479</u>
		<u>(722,586)</u>	
		<u>\$ (3,455,192)</u>	

City of Oceanside
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 43,920,964	\$ 24,886,432	21,386,958
Payments to suppliers	(31,704,511)	(13,461,186)	(19,837,781)
Payments to employees	(5,996,687)	(6,198,119)	(1,323,528)
Insurance premiums and settlements	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,219,766	5,227,127	225,649
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	-	27,387
Advances to/from other funds	22,365	-	-
Cash paid to other funds	(2,346,491)	(359,038)	(364,577)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(2,324,126)	(359,038)	(337,190)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets - capital replacement	(5,160,015)	(7,781,132)	-
Issuance of debt	-	10,540,000	-
Bond discount	-	(220,615)	-
Bond issue costs	-	(213,332)	-
Sales of assets	-	-	-
Grants and contributions	1,132,596	-	-
Retirement of debt	(2,070,000)	(18,933,344)	-
Interest paid	(737,194)	(1,864,118)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,834,613)	(18,472,541)	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	1,463,356	408,012	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,463,356	408,012	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,475,617)	(13,196,440)	(111,541)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	39,679,393	15,972,905	1,908,174
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 38,203,776	\$ 2,776,465	\$ 1,796,633

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
456,298	5,256,056	\$ 95,906,708	\$ 49,686,852
(314,568)	(2,713,707)	(68,031,753)	(19,267,660)
(142,674)	(2,731,211)	(16,392,219)	(5,731,554)
-	-	-	(24,963,883)
(944)	(188,862)	11,482,736	(276,245)
-	-	27,387	4,184,483
89,196	-	111,561	-
(5,785)	(5,165,791)	(8,241,682)	(166,116)
83,411	(5,165,791)	(8,102,734)	4,018,367
-	(91,677)	(13,032,824)	(1,046,489)
-	-	10,540,000	-
-	-	(220,615)	-
-	-	(213,332)	-
-	4,990,733	4,990,733	91,591
-	-	1,132,596	-
(47,220)	(251,333)	(21,301,897)	(69,129)
(35,247)	(159,979)	(2,796,538)	(6,926)
(82,467)	4,487,744	(20,901,877)	(1,030,953)
-	238,319	2,109,687	-
-	238,319	2,109,687	-
-	(628,590)	(15,412,188)	2,711,169
-	7,047,688	64,608,160	23,556,264
\$ -	\$ 6,419,098	\$ 49,195,972	\$ 26,267,433

City of Oceanside
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,638,894	\$ (771,399)	\$ 230,786
Depreciation and amortization	4,004,318	5,573,850	34,013
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	1,589,933	(418,170)	61,667
(Increase) decrease in inventory	(48,135)	78,219	-
(Increase) decrease in prepaid items	(43)	1,786	-
(Increase) decrease in other current assets	14,343	-	-
Increase (decrease) in accounts payable	(1,084,484)	694,562	(4,452)
Increase (decrease) in accrued liabilities	46,176	23,483	5,494
Increase (decrease) in compensated absences	85,649	44,796	15,818
Increase (decrease) in deferred revenue	17,467	-	(117,677)
Increase (decrease) in deposits	(44,352)	-	-
Increase (decrease) in claims and judgments payable	-	-	-
NET CASH PROVIDED (USED)			
BY OPERATING ACTIVITIES	<u>\$ 6,219,766</u>	<u>\$ 5,227,127</u>	<u>\$ 225,649</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
\$ (60,351)	\$ (942,851)	\$ 95,079	\$ (4,819,947)
67,763	775,117	10,455,061	2,737,550
(8,852)	(38,505)	1,186,073	1,566,334
(9,844)	-	20,240	14,873
-	2,101	3,844	5
-	-	14,343	-
(984)	(43,273)	(438,631)	122,808
1,375	17,010	93,538	(417,652)
9,123	48,547	203,933	40,627
-	(16,994)	(117,204)	79,722
826	9,986	(33,540)	-
-	-	-	399,435
<u>\$ (944)</u>	<u>\$ (188,862)</u>	<u>\$ 11,482,736</u>	<u>\$ (276,245)</u>

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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, 2009

	Total
ASSETS:	
Cash and investments	\$ 5,709,542
Restricted cash and investments	12,429,473
Accounts receivable	132,735
TOTAL ASSETS	\$ 18,271,750
LIABILITIES:	
Accounts payable	\$ 118,393
Deposits	4,097,679
Due to bondholders	14,055,678
TOTAL LIABILITIES	\$ 18,271,750

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

City of Oceanside
Notes to Basic Financial Statements
June 30, 2009

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. Each blended component unit has a June 30 year-end. 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.

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

Oceanside Public Financing Authority - The Oceanside Public Financing Authority (the 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 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.

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 FASB 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.

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Fiduciary Fund Financial Statements (Continued):

The Agency funds are used to account for the (1) receipt of special taxes and assessments used to pay principal and interest on related bonds with no direct City liability as well as receipt and disbursement of capital project bond proceeds related to bonds for which the City has no direct liability and (2) money and property held by the City as trustee or custodian such as refundable deposits.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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 - 60 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, 2009 was \$39,041,388.

J. Long-Term Liabilities:

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 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".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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. Implementation of New GASB Pronouncements:

The City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of *existing* pollution by participating in pollution remediation activities such as site assessments and cleanups.
- GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. 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.

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, 2009:

	Government Wide Statement of Net Assets	Fiduciary Funds Statement of Assets and Liabilities	Total
Cash and investments	\$ 197,414,177	\$ 5,709,542	\$ 203,123,719
Restricted cash and investments	<u>9,604,060</u>	<u>12,429,473</u>	<u>22,033,533</u>
Total cash and investments	<u>\$ 207,018,237</u>	<u>\$ 18,139,015</u>	<u>\$ 225,157,252</u>

Cash and investments at June 30, 2009 consisted of the following:

Demand deposits (overdraft)	\$ (235,681)
Petty cash	13,725
Escrow deposits	2,371,790
Investments	<u>223,007,418</u>
Total cash and investments	<u>\$ 225,157,252</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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 Treasury Obligations	5 years	None	None
United States 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%
Municipal Bonds	5 years	15%	None
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.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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>
United States Treasury Obligations	None	None	None
United States 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			

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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	
United States Treasury Obligations	\$ -	\$ -	\$ 1,988,750	\$ 1,988,750
United States Government Sponsored Enterprise Securities	13,724,329	24,772,447	122,047,753	160,544,529
Local Agency Investment Fund (LAIF)	40,498,772	-	-	40,498,772
Held by Bond Trustees:				
Money Market Mutual Funds	19,975,367	-	-	19,975,367
	<u>\$ 74,198,468</u>	<u>\$ 24,772,447</u>	<u>\$ 124,036,503</u>	<u>\$ 223,007,418</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, 2009 is \$125,024,002 or 66.32% of the City's portfolio (excluding held by bond trustees).

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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, 2009	Minimum Legal Rating	Exempt from Disclosure	AAA	Unrated
United States Treasury Obligations	\$ 1,988,750	N/A	\$ 1,988,750	\$ -	\$ -
United States Government Sponsored Enterprise Securities	160,544,529	N/A	-	160,544,529	-
Local Agency Investment Fund (LAIF)	40,498,772	N/A	-	-	40,498,772
Held by Bond Trustees: Money Market Mutual Funds	<u>19,975,367</u>	AAA/Aaa	<u>-</u>	<u>19,975,367</u>	<u>-</u>
	<u>\$ 223,007,418</u>		<u>\$ 1,988,750</u>	<u>\$ 180,519,896</u>	<u>\$ 40,498,772</u>

Concentration of Credit Risk:

The investment policy of the City limits the amount that can be invested in any one issuer of United States Government Sponsored Enterprise Securities. The limit has been set at 25% of the cost value of the portfolio in any single issuer of United States 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 United States 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	United States Government Sponsored Enterprise Securities	\$ 38,047,597	18.74 %
Federal Home Loan Bank	United States Government Sponsored Enterprise Securities	37,878,133	18.66 %
Federal Home Loan Mortgage Corporation	United States Government Sponsored Enterprise Securities	43,277,940	21.32 %
Federal National Mortgage Association	United States Government Sponsored Enterprise Securities	41,340,859	20.36 %

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 deposits, and that the use of a third party bank trust department is to act as the City's safekeeping agent for investments.

On June 30, 2009, \$1,002,639 of the bank value of the City's deposits with financial institutions were in excess of federal depository insurance limits and were collateralized in accordance with California Law. The actual amount of deposits reflected on the City's records at year-end is reduced for outstanding obligations. As of June 30, 2009, the City's investments in the following investment types were held by the City's safekeeping agent:

<u>Investment Type</u>	<u>Market Value</u>
United States Treasury Obligations	\$ 1,988,750
United States Government Sponsored Enterprise Securities	160,544,529

The following cash and investments were held by the bond trustee:

<u>Investment Type</u>	<u>Market Value</u>
Money Market Mutual Funds	\$ 19,975,367

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.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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.

4. NOTES RECEIVABLE:

A. Government-Wide Financial Statements:

The following is a summary of notes receivable at June 30, 2009:

	Government-Wide Statement of Net Assets
Governmental Activities:	
Notes	\$ <u>31,055,495</u>

B. Fund Financial Statements:

At June 30, 2009, the City had notes receivable reported in the following funds:

Housing Assistance Program Special Revenue Fund	\$ 24,794,305
Redevelopment Agency Capital Projects Fund	<u>6,261,190</u>
Total	\$ <u>31,055,495</u>

The City made several housing rehabilitation, rental rehabilitation and long-term loans totaling \$24,794,305 to qualified applicants using Community Development Block Grants and Inclusionary-in-lieu fees. The rehabilitation loans bear interest up to 3% and are repaid either by monthly payments or when there is a change of title. The rental rehabilitation loans are forgiven after a ten-year period. The long-term loans are paid back based on residual receipts agreements.

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

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

4. NOTES RECEIVABLE (CONTINUED):

B. Fund Financial Statements (Continued):

On September 10, 2008, the Oceanside Community Development Commission loaned \$5,600,000 to a developer in accordance with a regulatory agreement executed by the Commission and the Developer. The note is secured by a deed of trust. The note bears interest at a rate of 3% compounded annually from the date the amounts are disbursed for 55 years, at which time all principal and interest are due. At June 30, 2009, the outstanding balance is \$5,600,000.

On June 10, 2009, the Oceanside Community Development Commission loaned \$606,380 to California Surf Museum in accordance with the tenant improvement loan agreement executed by the Commission and the Museum on August 13, 2008. Pursuant to the agreement, in the event that the Museum satisfies the performance standards set forth in the agreement, the Commission agrees to forgive 1/5th of the loan amount each year for five years. At June 30, 2009, the outstanding balance is \$606,380.

5. INTERFUND TRANSACTIONS:

Interfund Receivables and Payables:

At June 30, 2009, the City had the following short-term interfund receivables and payables:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 277,019
	Special Aviation Enterprise Fund	549,029
General Improvement Capital Projects Fund	General Fund	<u>55,500</u>
		<u>\$ 881,548</u>

The outstanding balances between funds result mainly from temporary operating cash loans.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

5. INTERFUND TRANSACTIONS (CONTINUED):

Long-Term Advances:

At June 30, 2009, the City had the following interfund long-term advances:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>
Housing Assistance Program Special Revenue Fund	General Fund	\$ 72,507
Redevelopment Agency Debt Service Fund	General Fund	9,631,761
	Redevelopment Agency Capital Projects Fund	3,737,267
	Water Enterprise Fund	613,658
Sewer Enterprise Fund	Water Enterprise Fund	4,300,000
Special Aviation Enterprise Fund	General Fund	<u>249,122</u>
		<u>\$ 18,604,315</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, 2009 the outstanding balance of the loan was \$9,631,761.

The Redevelopment Agency Capital Projects 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, 2009 the outstanding balance of the loan was \$3,737,267.

The Water Fund advanced funds to the Redevelopment Agency Debt Service Fund and the Sewer Enterprise Fund for operational purposes. As of June 30, 2009 the outstanding balance of the loan was \$4,913,658.

The General Fund advanced funds to the Housing Assistance Program Special Revenue Fund and Special Aviation Enterprise Fund for operational purposes. As of June 30, 2009 the outstanding balance of the loan was \$72,507 and \$249,122, respectively.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

5. INTERFUND TRANSACTIONS (CONTINUED):

Transfers:

Transfers in and out for the year ended June 30, 2009 are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Housing Assistance Program Special Revenue Fund	\$ 578,718
	General Improvement Capital Projects Fund	5,353,773
	Other Governmental Funds	2,726,520
	Internal Service Funds	2,283,718
Housing Assistance Program Special Revenue Fund	Redevelopment Agency Capital Projects Fund	1,778,859
	Other Governmental Funds	15,761
	Internal Service Funds	116,884
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	150,000
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	5,046,174
	Other Governmental Funds	29,703
	Internal Service Funds	26,274
General Improvement Capital Projects Fund	Other Governmental Funds	613,066
Other Governmental Funds	General Fund	801,044
	General Improvement Capital Projects Fund	229,757
	Other Governmental Funds	677,821
	Waste Disposal Enterprise Fund	27,387
	Internal Service Funds	29,448
Water Enterprise Fund	General Improvement Capital Projects Fund	1,287,558
	Other Governmental Funds	42,917
	Internal Service Funds	1,016,016
Sewer Enterprise Fund	General Improvement Capital Projects Fund	18,366
	Other Governmental Funds	44,254
	Internal Service Funds	296,418
Waste Disposal Enterprise Fund	Other Governmental Funds	148,265
	Internal Service Funds	216,312
Special Aviation Enterprise Fund	Other Governmental Funds	969
	Internal Service Funds	4,816
Oceanside Small Craft Harbor District Enterprise Fund	General Fund	4,990,733
	General Improvement Capital Projects Fund	14,000
	Other Governmental Funds	97,574
	Internal Service Funds	63,484
Internal Service Funds	Other Governmental Funds	35,003
	Internal Service Funds	131,113
		<u>\$ 28,892,705</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

5. INTERFUND TRANSACTIONS (CONTINUED):

Transfers (Continued):

The General Fund, Other Governmental Funds and the Water Enterprise Fund transferred \$5,353,773, \$229,757 and \$1,287,558, respectively, to the General Improvement Capital Projects Fund for capital improvement projects.

The Redevelopment Agency Debt Service Fund transferred \$150,000 to the Redevelopment Agency Capital Projects Fund for specific projects.

The Redevelopment Agency Capital Projects Fund transferred \$5,046,174 to the Redevelopment Agency Debt Service Fund for debt service payments.

The Oceanside Small Craft Harbor District transferred \$4,990,733 to the General Fund for future capital projects.

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2009 is as follows:

Governmental Activities:	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 57,843,987	\$ -	\$ -	\$ 57,843,987
Construction in progress	<u>44,065,679</u>	<u>11,160,568</u>	<u>(12,004,698)</u>	<u>43,221,549</u>
Total capital assets, not being depreciated	<u>101,909,666</u>	<u>11,160,568</u>	<u>(12,004,698)</u>	<u>101,065,536</u>
Capital assets, being depreciated:				
Buildings and structures	78,698,579	2,633,145	(533,007)	80,798,717
Improvements other than buildings	8,652,043	854,990	-	9,507,033
Machinery and equipment	56,099,439	2,171,576	(767,248)	57,503,767
Infrastructure	<u>283,073,387</u>	<u>15,056,447</u>	<u>-</u>	<u>298,129,834</u>
Total capital assets, being depreciated	<u>426,523,448</u>	<u>20,716,158</u>	<u>(1,300,255)</u>	<u>445,939,351</u>
Less accumulated depreciation for:				
Buildings and structures	(21,959,173)	(2,140,834)	-	(24,100,007)
Improvements other than buildings	(4,015,066)	(375,967)	-	(4,391,033)
Machinery and equipment	(35,301,140)	(3,867,488)	720,597	(38,448,031)
Infrastructure	<u>(135,536,559)</u>	<u>(7,108,210)</u>	<u>-</u>	<u>(142,644,769)</u>
Total accumulated depreciation	<u>(196,811,938)</u>	<u>(13,492,499)</u>	<u>720,597</u>	<u>(209,583,840)</u>
Total capital assets, being depreciated, net	<u>229,711,510</u>	<u>7,223,659</u>	<u>(579,658)</u>	<u>236,355,511</u>
Governmental activities capital assets, net	<u>\$ 331,621,176</u>	<u>\$ 18,384,227</u>	<u>\$(12,584,356)</u>	<u>\$ 337,421,047</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

6. CAPITAL ASSETS (CONTINUED):

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

General government	\$ 692,926
Public safety	989,668
Public works	7,630,033
Community development	26,837
Community/culture services	1,415,485
Internal service funds	<u>2,737,550</u>
Total depreciation expense - governmental activities	<u>\$ 13,492,499</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2009 is as follows:

Business-type Activities:	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2009</u>
Capital assets, not being depreciated:				
Land	\$ 20,836,745	\$ -	\$ (26,103)	\$ 20,810,642
Construction in progress	<u>46,738,623</u>	<u>13,032,826</u>	<u>(6,897,353)</u>	<u>52,874,096</u>
Total capital assets, not being depreciated	<u>67,575,368</u>	<u>13,032,826</u>	<u>(6,923,456)</u>	<u>73,684,738</u>
Capital assets, being depreciated:				
Buildings and structures	137,476,425	-	-	137,476,425
Improvements other than buildings	217,609,795	6,897,351	-	224,507,146
Machinery and equipment	<u>12,059,079</u>	<u>-</u>	<u>-</u>	<u>12,059,079</u>
Total capital assets, being depreciated	<u>367,145,299</u>	<u>6,897,351</u>	<u>-</u>	<u>374,042,650</u>
Less accumulated depreciation for:				
Buildings and structures	(30,198,890)	(2,771,046)	-	(32,969,936)
Improvements other than buildings	(110,476,674)	(6,816,145)	-	(117,292,819)
Machinery and equipment	<u>(3,486,484)</u>	<u>(866,623)</u>	<u>-</u>	<u>(4,353,107)</u>
Total accumulated depreciation	<u>(144,162,048)</u>	<u>(10,453,814)</u>	<u>-</u>	<u>(154,615,862)</u>
Total capital assets, being depreciated, net	<u>222,983,251</u>	<u>(3,556,463)</u>	<u>-</u>	<u>219,426,788</u>
Business-type activities capital assets, net	<u>\$ 290,558,619</u>	<u>\$ 9,476,363</u>	<u>\$ (6,923,456)</u>	<u>\$ 293,111,526</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

6. CAPITAL ASSETS (CONTINUED):

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

Water	\$ 4,004,318
Sewer	5,572,603
Waste disposal	34,013
Special aviation	67,763
Oceanside Small Craft Harbor District	<u>775,117</u>
Total depreciation expense - business-type activities	<u>\$ 10,453,814</u>

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 amount recorded as land and buildings held for resale and the corresponding fund balance reserved as of June 30, 2009, 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, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
Bonds payable	\$ 54,975,000	\$ -	\$ (2,050,000)	\$ 52,925,000	\$ 2,135,000	\$ 50,790,000
Certificates of participation	51,535,000	-	(2,970,000)	48,565,000	3,125,000	45,440,000
Capital leases payable	1,664,098	-	(259,857)	1,404,241	274,217	1,130,024
Notes payable	3,925,000	-	(215,000)	3,710,000	310,000	3,400,000
Pension obligation bonds	42,707,243	-	(726,644)	41,980,599	825,000	41,155,599
Claims payable	9,606,467	2,756,674	(2,357,239)	10,005,902	2,200,000	7,805,902
Compensated absences	10,279,402	1,642,446	(156,301)	11,765,547	2,358,119	9,407,428
Other post-employment benefit obligation (Note 14)	<u>370,963</u>	<u>611,173</u>	<u>(152,115)</u>	<u>830,021</u>	<u>-</u>	<u>830,021</u>
Total	<u>\$ 175,063,173</u>	<u>\$ 5,010,293</u>	<u>\$ (8,887,156)</u>	<u>\$ 171,186,310</u>	<u>\$ 11,227,336</u>	<u>\$ 159,958,974</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Bonds Payable:

At June 30, 2009, bonds payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
2002 Tax Allocation						
Refunding Bonds	\$ 19,430,000	\$ -	\$ (685,000)	\$ 18,745,000	\$ 715,000	\$ 18,030,000
2003 Tax Allocation						
Refunding Bonds	6,060,000	-	(450,000)	5,610,000	460,000	5,150,000
Subordinate 2003 Tax Allocation						
Bonds	16,940,000	-	(595,000)	16,345,000	620,000	15,725,000
2004 Tax Allocation						
Refunding Bonds	<u>12,545,000</u>	<u>-</u>	<u>(320,000)</u>	<u>12,225,000</u>	<u>340,000</u>	<u>11,885,000</u>
Totals	<u>\$ 54,975,000</u>	<u>\$ -</u>	<u>\$ (2,050,000)</u>	<u>\$ 52,925,000</u>	<u>\$ 2,135,000</u>	<u>\$ 50,790,000</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 \$715,000 to \$1,640,000. 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, 2009, the outstanding balance of these bonds was \$18,745,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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
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	825,000	888,213	1,713,213
2014	865,000	845,963	1,710,963
2015 - 2019	5,040,000	3,486,731	8,526,731
2020 - 2024	6,575,000	1,897,850	8,472,850
2025 - 2026	<u>3,190,000</u>	<u>186,013</u>	<u>3,376,013</u>
Totals	<u>\$ 18,745,000</u>	<u>\$ 10,199,827</u>	<u>\$ 28,944,827</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 \$460,000 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, 2009, the outstanding balance of these bonds was \$5,610,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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
2010	\$ 460,000	\$ 205,850	\$ 665,850
2011	485,000	189,250	674,250
2012	505,000	169,450	674,450
2013	525,000	148,850	673,850
2014	545,000	128,813	673,813
2015 - 2019	<u>3,090,000</u>	<u>315,562</u>	<u>3,405,562</u>
Totals	<u>\$ 5,610,000</u>	<u>\$ 1,157,775</u>	<u>\$ 6,767,775</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 \$620,000 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, 2009, the outstanding balance of these bonds was \$16,345,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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
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	720,000	766,058	1,486,058
2014	755,000	728,798	1,483,798
2015 - 2019	4,395,000	3,007,940	7,402,940
2020 - 2024	5,740,000	1,631,522	7,371,522
2025 - 2026	<u>2,775,000</u>	<u>159,343</u>	<u>2,934,343</u>
Totals	<u>\$ 16,345,000</u>	<u>\$ 8,794,736</u>	<u>\$ 25,139,736</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 \$340,000 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, 2009, the outstanding balance of these bonds was \$12,225,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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
2010	\$ 340,000	\$ 517,354	\$ 857,354
2011	340,000	503,754	843,754
2012	355,000	489,854	844,854
2013	370,000	476,279	846,279
2014	375,000	462,773	837,773
2015 - 2019	2,070,000	2,077,227	4,147,227
2020 - 2024	6,825,000	1,137,912	7,962,912
2025	<u>1,550,000</u>	<u>34,875</u>	<u>1,584,875</u>
Totals	<u>\$ 12,225,000</u>	<u>\$ 5,700,028</u>	<u>\$ 17,925,028</u>

Certificates of Participation:

At June 30, 2009, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
1995 Refunding COP	\$ 2,780,000	\$ -	\$ (1,350,000)	\$ 1,430,000	\$ 1,430,000	\$ -
1998 COP	8,695,000	-	(350,000)	8,345,000	375,000	7,970,000
2003 COP	20,145,000	-	(1,135,000)	19,010,000	1,185,000	17,825,000
2005 Refunding COP	<u>19,915,000</u>	<u>-</u>	<u>(135,000)</u>	<u>19,780,000</u>	<u>135,000</u>	<u>19,645,000</u>
Totals	<u>\$ 51,535,000</u>	<u>\$ -</u>	<u>\$ (2,970,000)</u>	<u>\$ 48,565,000</u>	<u>\$ 3,125,000</u>	<u>\$ 45,440,000</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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 \$1,430,000 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 \$1,430,000.

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>
2010	<u>\$ 1,430,000</u>	<u>\$ 39,325</u>	<u>\$ 1,469,325</u>

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

The 1998 Certificates of Participation were issued by the Building 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 \$375,000 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, 2009, the outstanding balance of these certificates was \$8,345,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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
2010	\$ 375,000	\$ 413,988	\$ 788,988
2011	400,000	395,775	795,775
2012	430,000	376,055	806,055
2013	460,000	354,465	814,465
2014	490,000	330,945	820,945
2015 - 2019	3,000,000	1,232,803	4,232,803
2020 - 2023	<u>3,190,000</u>	<u>344,760</u>	<u>3,534,760</u>
Totals	<u>\$ 8,345,000</u>	<u>\$ 3,448,791</u>	<u>\$ 11,793,791</u>

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

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

The certificates are due in annual installments of \$1,185,000 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, 2009, the outstanding balance of these certificates was \$19,010,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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>
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	1,375,000	796,103	2,171,103
2014	1,445,000	727,352	2,172,352
2015 - 2019	8,180,000	2,416,925	10,596,925
2020 - 2023	4,270,000	569,400	4,839,400
Totals	<u>\$ 19,010,000</u>	<u>\$ 7,278,339</u>	<u>\$ 26,288,339</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 \$135,000 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, 2009, the outstanding balance of these certificates was \$19,780,000.

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>
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	1,765,000	653,000	2,418,000
2014	1,835,000	583,087	2,418,087
2015 - 2019	10,340,000	1,747,414	12,087,414
2020	2,350,000	58,750	2,408,750
Totals	<u>\$ 19,780,000</u>	<u>\$ 5,321,958</u>	<u>\$ 25,101,958</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Capital Lease Obligations:

At June 30, 2009, capital lease obligations payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
2004 Streetlight Lease/Purchase Agreement	\$ 1,522,465	\$ -	\$ (190,728)	\$ 1,331,737	\$ 201,713	\$ 1,130,024
2005 Vactor Truck Lease	141,633	-	(69,129)	72,504	72,504	-
Totals	<u>\$ 1,664,098</u>	<u>\$ -</u>	<u>\$ (259,857)</u>	<u>\$ 1,404,241</u>	<u>\$ 274,217</u>	<u>\$ 1,130,024</u>

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 \$201,713 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, 2009, the outstanding balance of this lease was \$1,331,737.

The future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 201,713	\$ 51,697	\$ 253,410
2011	206,985	43,115	250,100
2012	216,608	34,219	250,827
2013	225,631	24,932	250,563
2014	234,028	15,279	249,307
2015	<u>246,772</u>	<u>5,182</u>	<u>251,954</u>
Totals	<u>\$ 1,331,737</u>	<u>\$ 174,424</u>	<u>\$ 1,506,161</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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, 2009, the outstanding balance of this lease was \$72,504.

The future minimum lease payments are as follows:

Year Ending June 30,	Annual Payment
2010	\$ 76,054
Less interest portion	<u>(3,550)</u>
Totals	<u>\$ 72,504</u>

Notes Payable:

At June 30, 2009, notes payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
HUD 108 Loans	\$ 425,000	\$ -	\$ (215,000)	\$ 210,000	\$ 210,000	\$ -
HUD 108 Loans	<u>3,500,000</u>	<u>-</u>	<u>-</u>	<u>3,500,000</u>	<u>100,000</u>	<u>3,400,000</u>
	<u>\$ 3,925,000</u>	<u>\$ -</u>	<u>\$ (215,000)</u>	<u>\$ 3,710,000</u>	<u>\$ 310,000</u>	<u>\$ 3,400,000</u>

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

In July 2001, the City entered into a contract with the United States 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, 2009, the outstanding balance of the loans was \$210,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 210,000	\$ 4,652	\$ 214,652

HUD 108 Loans - Original Issue \$3,500,000

In June 2008, the City entered into a contract with the United States 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 2008-A Certificates. The loans are due in annual installments ranging from \$100,000 to \$279,000. Interest is payable quarterly at a rate equal to 20 basis points above the applicable LIBOR, adjusted monthly on the first day of each month. At June 30, 2009, the outstanding balance of the loans was \$3,500,000.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 100,000	\$ 165,645	\$ 265,645
2011	105,000	162,702	267,702
2012	111,000	159,160	270,160
2013	117,000	155,016	272,016
2014	124,000	150,302	274,302
2015 - 2019	730,000	663,348	1,393,348
2020 - 2024	958,000	463,002	1,421,002
2025 - 2029	<u>1,255,000</u>	<u>168,321</u>	<u>1,423,321</u>
Totals	\$ 3,500,000	\$ 2,087,496	\$ 5,587,496

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Pension Obligation Bonds:

At June 30, 2009, pension obligation bonds consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
2005 Taxable Pension						
Obligation Bonds	\$ 41,825,000	\$ -	\$ (675,000)	\$ 41,150,000	\$ 825,000	\$ 40,325,000
Bond premium	<u>882,243</u>	<u>-</u>	<u>(51,644)</u>	<u>830,599</u>	<u>-</u>	<u>830,599</u>
Totals	<u>\$ 42,707,243</u>	<u>\$ -</u>	<u>\$ (726,644)</u>	<u>\$ 41,980,599</u>	<u>\$ 825,000</u>	<u>\$ 41,155,599</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 \$825,000 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, 2009, the outstanding balance of the bonds was \$41,150,000.

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

Year Ending June 30,	Principal	Interest	Total
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	1,335,000	1,940,475	3,275,475
2014	1,535,000	1,872,129	3,407,129
2015 - 2019	11,175,000	7,929,387	19,104,387
2020 - 2024	18,890,000	4,101,899	22,991,899
2025 - 2026	<u>5,260,000</u>	<u>155,079</u>	<u>5,415,079</u>
Subtotal	41,150,000	22,137,080	63,287,080
Add: Bond premium	<u>830,599</u>	<u>-</u>	<u>830,599</u>
Totals	<u>\$ 41,980,599</u>	<u>\$ 22,137,080</u>	<u>\$ 64,117,679</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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, 2009, was \$10,005,902.

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 \$11,765,547 at June 30, 2009. The liability is liquidated from the appropriate fund that employees are funded from.

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, 2009:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
Bonds payable	\$ 7,905,000	\$ -	\$ (640,000)	\$ 7,265,000	\$ 670,000	\$ 6,595,000
Certificates of participation	19,335,000	10,326,668	(2,073,795)	27,587,873	1,900,000	25,687,873
Notes payable	69,208,462	-	(18,586,897)	50,621,565	3,019,598	47,601,967
Compensated absences	<u>2,444,129</u>	<u>226,704</u>	<u>(22,771)</u>	<u>2,648,062</u>	<u>529,613</u>	<u>2,118,449</u>
Total	<u>\$ 98,892,591</u>	<u>\$ 10,553,372</u>	<u>\$ (21,323,463)</u>	<u>\$ 88,122,500</u>	<u>\$ 6,119,211</u>	<u>\$ 82,003,289</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Bonds Payable:

At June 30, 2009, bonds payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
1998 Water Revenue						
Refunding Bonds	\$ 7,905,000	\$ -	\$ (640,000)	\$ 7,265,000	\$ 670,000	\$ 6,595,000

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 \$670,000 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, 2009, the outstanding balance of these bonds was \$7,265,000.

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 670,000	\$ 331,779	\$ 1,001,779
2011	705,000	301,176	1,006,176
2012	725,000	268,548	993,548
2013	765,000	233,805	998,805
2014	800,000	196,628	996,628
2015 - 2018	3,600,000	368,143	3,968,143
Totals	\$ 7,265,000	\$ 1,700,079	\$ 8,965,079

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Certificates of Participation:

At June 30, 2009, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
Revenue COP (1993 Water System Refunding Project) Series 2003	\$ 10,610,000	\$ -	\$ (1,430,000)	\$ 9,180,000	\$ 1,015,000	\$ 8,165,000
Revenue COP (1993 Wastewater System Refunding Project) Series 2003	8,725,000	-	(520,000)	8,205,000	540,000	7,665,000
Revenue COP Series 2008	-	10,540,000	(125,000)	10,415,000	345,000	10,070,000
Subtotals	19,335,000	10,540,000	(2,075,000)	27,800,000	1,900,000	25,900,000
Bond discount	-	(213,332)	1,205	(212,127)	-	(212,127)
Totals	<u>\$ 19,335,000</u>	<u>\$ 10,326,668</u>	<u>\$ (2,073,795)</u>	<u>\$ 27,587,873</u>	<u>\$ 1,900,000</u>	<u>\$ 25,687,873</u>

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, 2009 the outstanding balance of these certificates was \$9,180,000.

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

Year Ending June 30,	Principal	Interest	Total
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	560,000	241,913	801,913
2014	580,000	224,100	804,100
2015 - 2019	3,205,000	784,369	3,989,369
2020 - 2022	2,235,000	140,319	2,375,319
Totals	<u>\$ 9,180,000</u>	<u>\$ 2,245,439</u>	<u>\$ 11,425,439</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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

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 \$540,000 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, 2009 the outstanding balance of these certificates was \$8,205,000.

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

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 540,000	\$ 367,550	\$ 907,550
2011	565,000	345,950	910,950
2012	585,000	323,350	908,350
2013	605,000	299,950	904,950
2014	635,000	275,750	910,750
2015 - 2019	3,585,000	956,050	4,541,050
2020 - 2021	<u>1,690,000</u>	<u>127,750</u>	<u>1,817,750</u>
Totals	<u>\$ 8,205,000</u>	<u>\$ 2,696,350</u>	<u>\$ 10,901,350</u>

Revenue Certificates of Participation Series 2008 - Original Issue \$10,540,000

The 2008 Revenue Certificates of Participation were issued to prepay all outstanding obligations of the City under the Installment Purchase Contract, dated as of April 1, 2002, by and between the City and Water Reuse Financing Authority. Annual payments of \$345,000 to \$875,000 will be made through May 1, 2028; interest ranges from 3.00% to 6.50%. 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, 2009 the outstanding balance of these certificates was \$10,415,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Certificates of Participation (Continued):

Revenue Certificates of Participation Series 2008 - Original Issue \$10,540,000 (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2010	\$ 345,000	\$ 590,406	\$ 935,406
2011	360,000	576,606	936,606
2012	370,000	562,206	932,206
2013	385,000	547,406	932,406
2014	405,000	531,044	936,044
2015 - 2019	2,315,000	2,353,888	4,668,888
2020 - 2024	3,035,000	1,633,888	4,668,888
2025 - 2028	<u>3,200,000</u>	<u>536,250</u>	<u>3,736,250</u>
Subtotal	10,415,000	7,331,694	17,746,694
Bond discount	<u>(212,127)</u>	<u>-</u>	<u>(212,127)</u>
Totals	<u>\$ 10,202,873</u>	<u>\$ 7,331,694</u>	<u>\$ 17,534,567</u>

Notes Payable:

At June 30, 2009, notes payable consisted of the following:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Due Within One Year	Due in More Than One Year
State revolving loan	\$ 44,642,056	\$ -	\$ (2,121,495)	\$ 42,520,561	\$ 2,159,746	\$ 40,360,815
State Water Resources						
Control Board	4,679,328	-	(531,849)	4,147,479	546,209	3,601,270
Department of						
Boating and						
Waterways	3,555,080	-	(251,333)	3,303,747	262,643	3,041,104
Department of						
Transportation	696,998	-	(47,220)	649,778	51,000	598,778
1998 Wateruse						
Purchase Contract	<u>15,635,000</u>	<u>-</u>	<u>(15,635,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 69,208,462</u>	<u>\$ -</u>	<u>\$ (18,586,897)</u>	<u>\$ 50,621,565</u>	<u>\$ 3,019,598</u>	<u>\$ 47,601,967</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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, 2009, the outstanding balance of these notes was \$42,520,561.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,278,685	647,706	2,926,391
2014	2,319,770	606,621	2,926,391
2015 - 2019	12,241,521	2,390,437	14,631,958
2020 - 2024	13,385,612	1,246,346	14,631,958
2025 - 2026	<u>5,698,213</u>	<u>154,567</u>	<u>5,852,780</u>
Totals	<u>\$ 42,520,561</u>	<u>\$ 7,228,090</u>	<u>\$ 49,748,651</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 \$546,209 to \$640,887 through 2015. The interest rate is 2.7% payable annually on November 1. At June 30, 2009, the outstanding balance of this note was \$4,147,479.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 546,209	\$ 111,982	\$ 658,191
2011	560,956	97,235	658,191
2012	576,103	82,088	658,191
2013	591,657	66,534	658,191
2014	607,632	50,559	658,191
2015 - 2016	<u>1,264,922</u>	<u>51,456</u>	<u>1,316,378</u>
Totals	<u>\$ 4,147,479</u>	<u>\$ 459,854</u>	<u>\$ 4,607,333</u>

Department of Boating and Waterways

At June 30, 2009, the Department of Boating and Waterways loans payable consisted of the following:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
1984 loan payable	\$ 425,368	\$ -	\$ (45,348)	\$ 380,020	\$ 47,389	\$ 332,631
1986 loan payable	1,826,081	-	(148,605)	1,677,476	155,292	1,522,184
1994 loan payable	<u>1,303,631</u>	<u>-</u>	<u>(57,380)</u>	<u>1,246,251</u>	<u>59,962</u>	<u>1,186,289</u>
Totals	<u>\$ 3,555,080</u>	<u>\$ -</u>	<u>\$ (251,333)</u>	<u>\$ 3,303,747</u>	<u>\$ 262,643</u>	<u>\$ 3,041,104</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.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

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

Notes Payable (Continued):

Department of Boating and Waterways (Continued)

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 262,643	\$ 148,668	\$ 411,311
2011	274,461	136,850	411,311
2012	286,812	124,499	411,311
2013	299,719	111,592	411,311
2014	313,206	98,105	411,311
2015 - 2019	1,357,479	274,827	1,632,306
2020 - 2023	<u>509,427</u>	<u>70,792</u>	<u>580,219</u>
Totals	<u>\$ 3,303,747</u>	<u>\$ 965,333</u>	<u>\$ 4,269,080</u>

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 \$51,000 to \$81,222 through 2020. At June 30, 2009, the outstanding balance of this note was \$649,778.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 51,000	\$ 32,859	\$ 83,859
2011	54,778	30,280	85,058
2012	58,556	27,510	86,066
2013	62,333	24,547	86,880
2014	66,112	21,396	87,508
2015 - 2019	<u>356,999</u>	<u>53,013</u>	<u>410,012</u>
Totals	<u>\$ 649,778</u>	<u>\$ 189,605</u>	<u>\$ 839,383</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

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

This installment purchase contract was issued to finance the acquisition, construction and expansion of the City's San Luis Rey Wastewater Treatment Facility. The note was refunded by the Revenue COP Series 2008.

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, 2009, compensated absences in the proprietary funds were as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
Business-Type Activities:				
Water	\$ 851,160	\$ 92,904	\$ (7,255)	\$ 936,809
Sewer	984,697	60,312	(15,516)	1,029,493
Waste Disposal	156,552	15,818	-	172,370
Special Aviation	48,917	9,123	-	58,040
Oceanside Small Craft Harbor District	402,803	48,547	-	451,350
Totals	<u>\$ 2,444,129</u>	<u>\$ 226,704</u>	<u>\$ (22,771)</u>	<u>\$ 2,648,062</u>

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 various 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.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

8. LONG-TERM LIABILITIES (CONTINUED):

C. Debt Without City Commitment - Mortgage Revenue Bonds and Special District Bonds (Continued):

Therefore, none of the following obligations were included in the accompanying basic financial statements.

<u>Issue</u>	<u>Issuing Agency</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance at June 30, 2009</u>
City of Oceanside Assessment District No. 4-1998 (Mission Square)	City of Oceanside	May 1, 1994	320,830	\$ 95,000
1990 Residential Mortgage Revenue Bonds	City of Oceanside	July 1, 1990	21,000,000	14,170,000
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	10,661,697
2008 Multi-Family Housing Revenue Bonds Country Club apartments	City of Oceanside	June 12, 2008	11,707,272	10,553,556
Trendwest CFD 2001-2 Owners Participation Agreement	City of Oceanside	December 1, 2002	1,500,000	460,000
Ocean Ranch CFD 2000-1 Ocean Ranch Corporate Centre	City of Oceanside	December 30, 2002	12,265,000	12,105,000
Morro Hill CFD 2002	City of Oceanside	December 1, 2002	16,085,000	14,805,000
Ocean Ranch CFD 2004	City of Oceanside	February 1, 2004	12,735,000	12,725,000
Morro Hills CFD 2001-1 Special Tax Bonds Series A of 2002	City of Oceanside	November 14, 2002	9,915,000	8,785,000
Morro Hills CFD 2004 Improvement Area #1	City of Oceanside	February 1, 2004	11,000,000	9,765,000
Pacific Coast Business Park CFD 2008	City of Oceanside	May 20, 2008	8,880,000	8,880,000
Multi-Family Housing Revenue Bonds	City of Oceanside	September 1, 2008	15,000,000	15,000,000

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

9. FUND BALANCES:

The City has implemented Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", for the year ended June 30, 2009. The fund balances reported on the fund statements now consist of the following categories:

Nonspendable Fund Balance - This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - This includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed Fund Balance - This includes amounts that can be used only for the specific purposes determined by a formal action of the city council.

Assigned Fund Balance - This includes amounts that are designated by the city council for specific purposes.

Unassigned Fund Balance - This is the residual classification that includes all spendable amounts not contained in the other classifications.

	Housing Assistance Program		Redevelopment Agency Debt Service		Capital Projects Fund		Other	Total
	General	Revenue	Special	Revenue	Redevelopment	General	Governmental	Governmental
	Fund	Fund	Fund	Fund	Agency	Improvement	Funds	Funds
Nonspendable:								
Inventory	\$ 6,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,299
Prepaid items	22,249	214	-	-	-	-	-	22,463
Long-term receivable	-	-	-	-	54,810	-	-	54,810
Advances to other funds	3,651,886	-	-	-	3,737,267	-	-	7,389,153
Land held for resale	-	-	-	-	9,492,993	-	-	9,492,993

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

9. FUND BALANCES (CONTINUED):

	Housing		Redevelopment		Capital Projects Fund		Other	Total
	Assistance	Program	Agency	Debt	Redevelopment	General	Governmental	Governmental
	Special	Revenue	Service	Agency	Improvement	Funds	Funds	
	Fund	Fund	Fund	Fund	Fund	Fund	Fund	Fund
Restricted for:								
Public Safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,445,857	\$ 1,445,857
Highways	-	-	-	-	-	-	9,489,265	9,489,265
Street lighting and landscape maintenance	-	-	-	-	-	-	1,318,715	1,318,715
Debt service reserve	-	-	4,412,804	-	-	-	2,177,857	6,590,661
Retention	-	-	-	-	1,897,524	-	-	1,897,524
Other purposes	-	1,790,736	-	747,997	-	-	2,875,107	5,413,840
Committed to:								
Healthy City Policy	14,500,000	-	-	-	-	-	-	14,500,000
Encumbrances	942,512	-	-	179,149	27,313	-	-	1,148,974
Assigned to:								
Continuing appropriations	4,058,082	-	-	1,681,779	1,565,547	-	-	7,305,408
Infrastructure reserve	7,081,277	-	-	-	-	-	-	7,081,277
Economic stabilization	4,052,614	-	-	-	-	-	-	4,052,614
Housing assistance program	-	31,967,903	-	-	-	-	-	31,967,903
Library	-	-	-	-	-	-	8,482	8,482
Parks and recreation	-	-	-	-	-	-	392,975	392,975
Debt service	-	-	-	-	-	-	2,829,996	2,829,996
Public facility fees	-	-	-	-	729,659	-	-	729,659
Other capital projects	-	-	-	21,429,164	29,333,718	-	-	50,762,882
Other purposes	488,567	-	-	-	-	-	-	488,567
Unassigned	6,558,093	-	(13,242,660)	-	-	-	-	(6,684,567)
Total fund balances	\$ 41,361,579	\$ 33,758,853	\$ (8,829,856)	\$ 37,323,159	\$ 33,553,761	\$ 20,538,254	\$ 157,705,070	

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the City's policy is to apply restricted fund balance first.

When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the City's policy is to apply committed fund balance first, then assigned fund balance and finally unassigned fund balance.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

10. RESTRICTED NET ASSETS:

Restricted net assets consist of the following:

Restricted for:	Governmental Activities	Business-type Activities
Debt service	\$ 5,007,853	\$ 955,233
Capital projects	78,554,859	32,638,174
Housing program	28,269,116	-
Public safety	1,445,857	-
Highways	9,489,265	-
Recreation	392,975	-
Lighting and landscape maintenance	1,318,715	-
Various grant programs	3,129,401	-
Continuing appropriations	-	301,431
	<u>\$ 127,608,041</u>	<u>\$ 33,894,838</u>

11. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balance:

The following fund reported a deficit in fund balance at June 30, 2009:

Major Fund - Redevelopment Agency Debt Service Fund	\$ (8,829,856)
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The deficit in the Redevelopment Agency Debt Service Fund will be eliminated through collection of tax increments.

Excess of Expenditures over Appropriations:

The following funds reported expenditures exceeding appropriations at June 30, 2009:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Funds:			
General Fund:			
Nondepartmental	\$ 4,034,594	\$ 4,255,021	\$ (220,427)
Redevelopment Agency Capital Projects Fund:			
Community development -redevelopment	8,049,530	8,348,487	(298,957)
Other Governmental Funds:			
Asset Seizure Special Revenue Fund:			
Public safety	523,594	549,445	(25,851)
Library Special Revenue Fund:			
Community/cultural services	452,280	459,471	(7,191)
Gas Tax and Transportation Special Revenue Fund:			
Public works	2,773,611	2,859,607	(85,996)
Community Development Block Grant Special Revenue Fund:			
General government	411,024	548,725	(137,071)
STOP Special Revenue Fund:			
Public safety	886,826	925,219	(38,393)

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

12. 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 \$500,000 and is insured through SANDPIPA from \$500,000 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 \$10,005,902 reported at June 30, 2009, are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amounts were as follows:

Year Ended June 30,	Claims Payable July 1,	Fiscal Year Claims and Changes in Estimates	Claims Payments	Claims Payable June 30,
2007	\$ 10,711,922	\$ (483,108)	\$ (641,178)	\$ 9,587,636
2008	9,587,636	3,756,927	(3,738,096)	9,606,467
2009	9,606,467	4,413,997	(4,014,562)	10,005,902

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.

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

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

12. RISK MANAGEMENT (CONTINUED):

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.

13. 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 \$6,218,549 for the year ended June 30, 2009. The City employer is required to contribute at actuarially determined rates, the rates for fiscal year 2008-2009, were 8.479% and 21.772% of annual covered payroll for the miscellaneous and safety employees, respectively.

Annual Pension Cost:

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

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual required contribution	\$ 3,707,443	\$ 7,047,337	\$ 10,754,780
Interest on net pension asset	(1,160,493)	(1,893,435)	(3,053,928)
Adjustment to annual required contribution	<u>1,298,864</u>	<u>2,119,199</u>	<u>3,418,063</u>
Annual pension cost	3,845,814	7,273,101	11,118,915
Contributions made	<u>(3,707,443)</u>	<u>(7,047,337)</u>	<u>(10,754,780)</u>
Decrease in net pension asset	138,371	225,764	364,135
Net pension asset - beginning of year	<u>(14,974,098)</u>	<u>(24,431,425)</u>	<u>(39,405,523)</u>
Net pension asset - end of year	<u>\$ (14,835,727)</u>	<u>\$ (24,205,661)</u>	<u>\$ (39,041,388)</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

13. RETIREMENT PLANS (CONTINUED):

Annual Pension Cost (Continued):

The required contribution for the fiscal year 2008-2009 was determined as part of the June 30, 2006 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, 2006, was 30 years for both miscellaneous and safety employees.

Three-Year Trend Information for CalPERS - Miscellaneous

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Assets) Obligation</u>
2007	\$ 3,295,118	\$ 3,154,154	96%	\$ (15,113,760)
2008	3,519,651	3,379,989	96%	(14,974,098)
2009	3,845,814	3,707,443	96%	(14,835,727)

Three-Year Trend Information for CalPERS - Safety

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Assets) Obligation</u>
2007	\$ 5,280,060	\$ 5,050,066	96%	\$ (24,659,293)
2008	5,765,011	5,537,143	96%	(24,431,425)
2009	7,273,101	7,047,337	97%	(24,205,661)

Funded Status and Funding Progress:

As of June 30, 2008, the most recent actuarial valuation date, the miscellaneous and safety plans were 89.18% and 92.34% funded, respectively. The actuarial accrued liability for benefits was \$232,543,630 and \$287,436,841 for miscellaneous and safety, respectively, and the actuarial value of assets was \$207,379,041 and \$265,407,541 for miscellaneous and safety, respectively, resulting in an unfunded actuarial accrued liability (UAAL) of \$25,164,589 and \$22,029,300 for miscellaneous and safety, respectively. The covered payroll (annual payroll of active employees covered by the plans) were \$42,087,226 and \$30,336,216 for miscellaneous and safety, respectively, and the ratios of the UAAL to the covered payroll were 59.79% and 72.62% for miscellaneous and safety, respectively.

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

See independent auditors' report.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS:

A. The Retiree Health Plan:

Plan Description:

The City administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides healthcare insurance for eligible retirees and their covered dependents, other than those retirees belonging to the Firefighters Association (OFA), through the City's group health insurance plans, which cover both active and retired employees. Non-OFA retirees under the age of 65 are eligible to join one of four plan options. Upon attaining age 65, Medicare-eligible non-OFA retirees must join one of three plan options and assign their Medicare Part A and Part B benefits to the plan chosen. The ability to participate in the City's group insurance health plans by self-paying the premium extends for a period equal to the number of years of service at retirement (with a minimum of one-year). Non-OFA retirees with at least 15 years of service may continue to self-pay for this coverage as long as the City continues to offer this benefit. Benefit provisions are established through negotiations between the City and the non-OFA employee associations and are renegotiated periodically. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy:

Contribution requirements are also negotiated between the City and the non-OFA employee associations. Eligible non-OFA retirees and their covered dependents receiving benefits contribute 100% of their premium costs. For the year ended June 30, 2009, the total retiree contributions were \$823,329. While the City does not directly contribute towards the cost of premiums for non-OFA retirees, the ability to obtain coverage at an active employee rate constitutes a significant economic benefit to the non-OFA retirees, called an "implicit subsidy". This implicit subsidy is considered to be an other post employment benefit (OPEB) obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended June 30, 2009, the City estimated that it paid \$113,928 in health care costs for its non-OFA retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a closed period not to exceed thirty years.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):

A. The Retiree Health Plan (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 489,847
Interest on net OPEB obligation	16,046
Adjustment to annual required contribution	<u>(19,428)</u>
Annual OPEB cost (expense)	486,465
Implicit subsidy made	<u>(113,928)</u>
Increase in net OPEB obligation	372,537
Net OPEB Obligation - beginning of year	<u>267,429</u>
Net OPEB Obligation - end of year	<u>\$ 639,966</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009, the second year in which GASB Statement 45 is required to be implemented, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$ 489,847	45.4 %	\$ 267,429
6/30/09	486,465	23.4 %	639,966

Funded Status and Funding Progress:

As of July 1, 2009, the most current actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,187,232, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$3,187,232. The covered payroll (annual payroll of active employees covered by the plan) was \$66,597,119 and the ratio of the UAL to the covered payroll was 4.79 percent.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):

A. The Retiree Health Plan (Continued):

Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 5.0% per annum, a rate of return on assets of 5.0% per annum and a healthcare cost trend rate of 9.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 7.0% after two years.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):

B. The PERS Health Program:

Plan Description:

In connection with the retirement benefits for safety employees described in Note 12, the City provides post-retirement health care benefits to retirees belonging to the Firefighters Association (OFA) through the California Public Employees' Retirement System Health Benefits program (the PERS Health program). The program is a agent multiple-employer defined benefit health care plan that provides healthcare insurance for eligible OFA retirees and their covered dependents, through the City's group plans, which cover both active and retired OFA employees. OFA employees become eligible to retire and receive City-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service, or by qualifying disability retirement status. Retired OFA members over the age of 65 may join one of the supplemental (Medicare-coordinated) options under the PERS Health Program. Benefits are paid for the lifetime of the retiree. Benefit provisions are established by city ordinance which references state statutes (the Public Employees' Medical and Hospital Care Act). The PERS Health Program does not issue a publicly available financial report.

Funding Policy:

The City's contribution on behalf of all OFA retirees is determined under the "unequal contribution method" as described in California Government Code Section 22892(c). The current rate for retirees is \$101/month. Effective January 1, 2008, the unequal contribution method was amended by Assembly Bill 2544 to require a catch-up calculation each year, but not to exceed \$101/month increase per retiree in any one year. The City is currently funding this OPEB obligation on a pay-as-you-go basis. For the year ended June 30, 2009, the City paid \$37,085 in health care costs for its OFA retirees and their covered dependents.

Annual OPEB Cost and Net OPEB Obligation:

The City's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities of the plan over a closed period not to exceed thirty years.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):

B. The PERS Health Program (Continued):

Annual OPEB Cost and Net OPEB Obligation (Continued):

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the PERS Health Program:

Annual required contribution	\$ 126,018
Interest on net OPEB obligation	6,212
Adjustment to annual required contribution	<u>(7,522)</u>
Annual OPEB cost (expense)	124,708
Contributions made	<u>(38,187)</u>
Increase in net OPEB obligation	86,521
Net OPEB Obligation - beginning of year	<u>103,534</u>
Net OPEB Obligation - end of year	<u>\$ 190,055</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2009, the second year in which GASB Statement 45 is required to be implemented, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/08	\$ 126,018	17.8 %	\$ 103,534
6/30/09	124,708	30.6 %	190,055

Funded Status and Funding Progress:

As of July 1, 2009, the most current actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,408,928, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$1,408,928. The covered payroll (annual payroll of active employees covered by the plan) was \$12,563,175 and the ratio of the UAL to the covered payroll was 11.21 percent.

14. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED):

B. The PERS Health Program (Continued):

Funded Status and Funding Progress (Continued):

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of employee turnover, retirement, mortality, as well as economic assumptions regarding claim costs per retiree, healthcare inflation and interest rates. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the July 1, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 5.0% per annum, a rate of return on assets of 5.0% per annum and a healthcare cost trend rate of 9.0% initially, reduced by annual decrements of 1.0% to an ultimate rate of 7.0% after two years.

15. COMMITMENTS AND CONTINGENCIES:

SERAF Contingency:

Pursuant to AB 26 4x, a budget trailer bill, California redevelopment agencies were required to make Supplemental Education Revenue Augmentation Fund (SERAF) contributions totaling \$1.7 billion for the fiscal year 2009-2010 and \$350 million for the fiscal year 2010-2011. Under AB 26 4x, agencies may borrow a portion of the required contributions from their low and moderate income housing fund. Alternatively, sponsoring governmental agencies (the cities or counties) may elect to pay the SERAF contributions on behalf of their redevelopment agencies. On October 20, 2009 the California Redevelopment Association filed a class action lawsuit on behalf of all California redevelopment agencies, again challenging the SERAF obligations as unconstitutional.

15. COMMITMENTS AND CONTINGENCIES (CONTINUED):

SERAF Contingency (Continued):

The Commission's estimated SERAF contributions are \$3,600,000 for the fiscal year 2009-2010 and approximately \$800,000 for 2010-2011. It is the position of Commission officials that the SERAF contributions required by AB 26 4x are unconstitutional, and that the Commission is not obligated to make these contributions. However, if the class action lawsuit is unsuccessful, and if the Commission were required to make these SERAF contributions, Commission officials have estimated that the Commission would have sufficient funds to make the required contribution.

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.

16. 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 Activities</u>	<u>Business-type Activities</u>
Net assets as previously reported	\$ 398,278,389	\$ 257,803,884
Fund statements adjustments (see schedule below)	<u>(2,839,562)</u>	<u>(49,958)</u>
Net assets as restated	<u>\$ 395,438,827</u>	<u>\$ 257,753,926</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2009

16. 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:

	<u>Major Funds</u>			
		Redevelopment Agency Capital Projects Fund	General Improvement Capital Projects Fund	Other Governmental Funds
	General Fund			
Fund balances as previously reported	\$ 44,123,818	\$ 40,133,572	\$ 35,168,606	\$ 27,854,544
To record tax increment pass through for prior years	209,070	(1,462,641)	-	-
To correct lease payment from Harbor Small Craft District	62,211	-	-	-
To correct prior year revenues	(256,054)	-	-	49,910
To correct various asset and liability accounts	(46,834)	-	-	19,675
To correct various asset and liability accounts as a result of Agency audit	-	-	1,983,143	(3,398,042)
Fund balances as restated	<u>\$ 44,092,211</u>	<u>\$ 38,670,931</u>	<u>\$ 37,151,749</u>	<u>\$ 24,526,087</u>

Restatement of Fund Balances - Proprietary Fund Financial Statements:

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

	<u>Enterprise Funds</u>		
		Water	Sewer
			Oceanside Small Craft Harbor District
Fund balances as previously reported	\$ 129,880,415	\$ 108,784,715	\$ 13,312,688
To correct lease payment to general fund	-	-	(62,211)
To correct various asset and liability accounts	6,040	6,213	-
Fund balances as restated	<u>\$ 129,886,455</u>	<u>\$ 108,790,928</u>	<u>\$ 13,250,477</u>

17. SUBSEQUENT EVENT:

On November 12, 2009, the Council adopted new sewer rates, increasing the rates by 29.5%.

See independent auditors' report.

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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 fund. 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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 44,092,211	\$ 44,092,211	\$ 44,092,211	\$ -
Resources (inflows):				
Taxes	83,154,300	83,154,300	80,200,196	(2,954,104)
Licenses and permits	1,776,000	1,776,000	1,756,154	(19,846)
Intergovernmental revenues	2,118,900	2,118,900	1,271,264	(847,636)
Charges of services	7,788,281	7,788,281	9,109,355	1,321,074
Fines and forfeitures	4,645,000	4,645,000	4,222,374	(422,626)
Interest and rentals	5,582,100	5,582,100	5,075,276	(506,824)
Administrative and in lieu charges	14,317,585	14,317,585	14,083,346	(234,239)
Other revenues	342,400	361,900	306,446	(55,454)
Proceeds from sale of real property	-	-	1,910	1,910
Transfers in	801,044	5,794,885	5,791,777	(3,108)
Total resources (inflows)	120,525,610	125,538,951	121,818,098	(3,720,853)
Charges to appropriations (outflows):				
City council	891,604	898,136	827,328	70,808
City clerk	1,180,628	1,271,909	1,077,300	194,609
City treasurer	297,526	297,526	291,513	6,013
City manager	969,483	969,483	919,871	49,612
City attorney	1,652,863	1,652,863	1,634,703	18,160
Financial services	4,802,453	6,171,045	5,691,492	479,553
Personnel	1,093,880	1,093,880	983,344	110,536
Economic development	588,059	678,059	505,587	172,472
Planning	1,817,098	2,549,865	2,059,864	490,001
Building	2,474,870	2,541,190	2,454,548	86,642
Housing and neighborhood services	918,151	918,151	834,030	84,121
Police	48,270,567	49,258,253	47,197,362	2,060,891
Fire	24,456,957	24,436,957	24,107,383	329,574
Engineering	3,002,793	2,986,993	2,481,651	505,342
Public works	7,397,874	7,506,060	6,831,859	674,201
Library	5,475,681	5,851,067	5,354,757	496,310
Parks and recreation	3,772,127	3,848,427	3,581,180	267,247
Beach recreation	2,568,236	2,578,236	2,517,208	61,028
Nondepartmental	2,254,047	4,034,594	4,255,021	(220,427)
Transfers out	6,493,595	11,489,271	10,942,729	546,542
Total charges to appropriations (outflows)	120,378,492	131,031,965	124,548,730	6,483,235
Excess of resources over (under) charges to appropriations	147,118	(5,493,014)	(2,730,632)	2,762,382
Fund balance, June 30	\$ 44,239,329	\$ 38,599,197	\$ 41,361,579	\$ 2,762,382

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 36,118,313	\$ 36,118,313	\$ 36,118,313	\$ -
Resources (inflows):				
Licenses and permits	122,238	122,238	121,644	(594)
Intergovernmental revenues	12,032,169	13,840,769	13,663,566	(177,203)
Charges of services	182,601	182,601	296,228	113,627
Interest and rentals	621,817	621,817	504,904	(116,913)
Developer fees	150,000	212,006	1,727,600	1,515,594
Other revenues	353,625	67,400	4,348	(63,052)
Transfers in	649,018	649,018	578,718	(70,300)
Total resources (inflows)	14,111,468	15,695,849	16,897,008	1,201,159
Charges to appropriations (outflows):				
Community development:				
Housing and neighborhood services	16,457,977	23,308,299	17,344,964	5,963,335
Transfers out	132,645	4,549,947	1,911,504	2,638,443
Total charges to appropriations (outflows)	16,590,622	27,858,246	19,256,468	8,601,778
Excess of resources over (under) charges to appropriations	(2,479,154)	(12,162,397)	(2,359,460)	9,802,937
Fund balance, June 30	\$ 33,639,159	\$ 23,955,916	\$ 33,758,853	\$ 9,802,937

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

City of Oceanside
Required Supplementary Information, Continued
For the year ended June 30, 2009

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

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Actuarial Accrued Liability (UAAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
<u>Miscellaneous Employees</u>						
06/30/06	\$ 177,606,330	\$ 176,754,615	\$ 851,715	99.52%	\$ 33,929,574	2.51%
06/30/07	197,099,559	192,236,398	4,863,161	97.53%	39,800,897	12.22%
06/30/08	232,543,630	207,379,041	25,164,589	89.18%	42,087,226	59.79%
<u>Safety Employees</u>						
06/30/06	\$ 244,592,900	\$ 230,235,864	\$ 14,357,036	94.13%	\$ 25,447,560	56.42%
06/30/07	268,872,924	249,466,759	19,406,165	92.78%	28,502,999	68.08%
06/30/08	287,436,841	265,407,541	22,029,300	92.34%	30,336,216	72.62%

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.

**OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Accrued Liability (UAL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UAL as a Percentage of Covered Payroll [(a)-(b)]/(c)
<u>Retiree Health Plan</u>						
06/30/08	\$ 3,787,718	\$ -	\$ 3,787,718	0.00%	\$ 63,551,511	5.96%
06/30/09	3,187,232	-	3,187,232	0.00%	66,597,119	4.79%
<u>PERS Health Program</u>						
06/30/08	\$ 1,214,849	\$ -	\$ 1,214,849	0.00%	\$ 11,823,069	10.28%
06/30/09	1,408,928	-	1,408,928	0.00%	12,563,175	11.21%

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

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 and Transportation 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 **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, 2009

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 13,625,557	\$ 2,829,996	\$ 16,455,553
Restricted cash and investments	-	2,177,857	2,177,857
Receivables:			
Accounts	3,029,846	-	3,029,846
Other	18,066	-	18,066
Due from other governments	1,502,248	-	1,502,248
TOTAL ASSETS	\$ 18,175,717	\$ 5,007,853	\$ 23,183,570
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,475,932	\$ -	\$ 1,475,932
Accrued liabilities	101,626	-	101,626
Deposits	71,096	-	71,096
Due to other funds	277,019	-	277,019
Deferred revenue	719,643	-	719,643
TOTAL LIABILITIES	2,645,316	-	2,645,316
FUND BALANCES:			
Restricted for:			
Public safety	1,445,857	-	1,445,857
Highways	9,489,265	-	9,489,265
Street lighting and landscape maintenance	1,318,715	-	1,318,715
Other purposes	2,875,107	-	2,875,107
Debt service	-	2,177,857	2,177,857
Assigned to:			
Library	8,482	-	8,482
Parks and recreation	392,975	-	392,975
Debt service	-	2,829,996	2,829,996
TOTAL FUND BALANCES	15,530,401	5,007,853	20,538,254
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,175,717	\$ 5,007,853	\$ 23,183,570

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, 2009

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
REVENUES:			
Special assessments	\$ 2,351,606	\$ 15	\$ 2,351,621
Intergovernmental revenues	11,381,456	-	11,381,456
Charges for services	932,554	-	932,554
Fines and forfeitures	547,691	-	547,691
Lease revenue	-	2,330,833	2,330,833
Interest and rentals	775,125	42,895	818,020
Other revenues	140,242	-	140,242
TOTAL REVENUES	16,128,674	2,373,743	18,502,417
EXPENDITURES:			
Current:			
General government	548,725	-	548,725
Public safety	2,174,979	-	2,174,979
Public works	7,993,907	-	7,993,907
Community development	1,873,167	-	1,873,167
Community/cultural services	1,445,038	-	1,445,038
Capital outlay	4,774,934	-	4,774,934
Debt service:			
Principal retirement	215,000	2,350,728	2,565,728
Interest and fees	119,977	3,660,191	3,780,168
TOTAL EXPENDITURES	19,145,727	6,010,919	25,156,646
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,017,053)	(3,637,176)	(6,654,229)
OTHER FINANCING SOURCES (USES):			
Transfers in	766,100	3,665,753	4,431,853
Transfers out	(1,765,457)	-	(1,765,457)
TOTAL OTHER FINANCING SOURCES (USES)	(999,357)	3,665,753	2,666,396
NET CHANGE IN FUND BALANCES	(4,016,410)	28,577	(3,987,833)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	19,546,811	4,979,276	24,526,087
FUND BALANCES - END OF YEAR	\$ 15,530,401	\$ 5,007,853	\$ 20,538,254

See independent auditors' report.

City of Oceanside
Combining Balance Sheet
Other Special Revenue Funds
June 30, 2009

	Asset Seizure	Library	Gas Tax and Transportation
ASSETS			
Cash and investments	\$ 1,318,972	\$ 12,587	\$ 9,588,987
Receivables:			
Accounts	-	-	-
Other	1,278	-	-
Due from other governments	-	-	590,152
TOTAL ASSETS	\$ 1,320,250	\$ 12,587	\$ 10,179,139
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 593,336	\$ 4,105	\$ 537,700
Accrued liabilities	-	-	42,171
Deposits	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	110,003
TOTAL LIABILITIES	593,336	4,105	689,874
FUND BALANCES:			
Restricted for:			
Public safety	726,914	-	-
Highways	-	-	9,489,265
Street lighting and landscape maintenance	-	-	-
Other purposes	-	-	-
Assigned to:			
Library	-	8,482	-
Parks and recreation	-	-	-
TOTAL FUND BALANCES	726,914	8,482	9,489,265
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,320,250	\$ 12,587	\$ 10,179,139

See independent auditors' report.

Community Development Block Grant	Recreation	Maintenance Districts	STOP	Grants	Totals
\$ -	\$ 582,577	\$ 1,375,776	\$ 746,658	\$ -	\$ 13,625,557
-	-	-	-	3,029,846	3,029,846
-	-	16,788	-	-	18,066
349,857	-	-	-	562,239	1,502,248
<u>\$ 349,857</u>	<u>\$ 582,577</u>	<u>\$ 1,392,564</u>	<u>\$ 746,658</u>	<u>\$ 3,592,085</u>	<u>\$ 18,175,717</u>
\$ 102,633	\$ 1,693	\$ 73,849	\$ 54	\$ 162,562	\$ 1,475,932
5,004	24,867	-	27,661	1,923	101,626
-	71,096	-	-	-	71,096
242,220	-	-	-	34,799	277,019
-	91,946	-	-	517,694	719,643
<u>349,857</u>	<u>189,602</u>	<u>73,849</u>	<u>27,715</u>	<u>716,978</u>	<u>2,645,316</u>
-	-	-	718,943	-	1,445,857
-	-	-	-	-	9,489,265
-	-	1,318,715	-	-	1,318,715
-	-	-	-	2,875,107	2,875,107
-	-	-	-	-	8,482
-	392,975	-	-	-	392,975
<u>-</u>	<u>392,975</u>	<u>1,318,715</u>	<u>718,943</u>	<u>2,875,107</u>	<u>15,530,401</u>
<u>\$ 349,857</u>	<u>\$ 582,577</u>	<u>\$ 1,392,564</u>	<u>\$ 746,658</u>	<u>\$ 3,592,085</u>	<u>\$ 18,175,717</u>

City of Oceanside
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Other Special Revenue Funds
For the year ended June 30, 2009

	Asset Seizure	Library	Gas Tax and Transportation
REVENUES:			
Special assessments	\$ -	\$ -	\$ -
Intergovernmental revenues	116,239	61,181	4,394,375
Charges for services	-	125,648	-
Fines and forfeitures	-	-	-
Interest and rentals	41,060	-	625,462
Other revenues	-	41,452	-
TOTAL REVENUES	157,299	228,281	5,019,837
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	549,445	-	-
Public works	-	-	2,859,607
Community development	-	-	-
Community/cultural services	-	459,471	-
Capital outlay	-	-	4,694,344
Debt service:			
Principal retirement	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	549,445	459,471	7,553,951
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(392,146)	(231,190)	(2,534,114)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	232,600	135,160
Transfers out	-	-	(1,043,125)
TOTAL OTHER FINANCING SOURCES (USES)	-	232,600	(907,965)
NET CHANGE IN FUND BALANCES	(392,146)	1,410	(3,442,079)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	1,119,060	7,072	12,931,344
FUND BALANCES - END OF YEAR	\$ 726,914	\$ 8,482	\$ 9,489,265

See independent auditors' report.

Community Development Block Grant	Recreation	Maintenance Districts	STOP	Grants	Totals
\$ -	\$ -	\$ 2,351,606	\$ -	\$ -	\$ 2,351,606
2,164,054	-	-	-	4,645,607	11,381,456
-	806,906	-	-	-	932,554
-	-	-	547,691	-	547,691
-	19,644	39,994	36,492	12,473	775,125
-	51,034	4,727	-	43,029	140,242
2,164,054	877,584	2,396,327	584,183	4,701,109	16,128,674
548,725	-	-	-	-	548,725
-	-	-	925,219	700,315	2,174,979
-	-	2,187,977	-	2,946,323	7,993,907
1,147,296	-	-	-	725,871	1,873,167
47,800	906,632	-	-	31,135	1,445,038
80,590	-	-	-	-	4,774,934
215,000	-	-	-	-	215,000
119,977	-	-	-	-	119,977
2,159,388	906,632	2,187,977	925,219	4,403,644	19,145,727
4,666	(29,048)	208,350	(341,036)	297,465	(3,017,053)
-	-	390,000	8,340	-	766,100
(4,666)	(4,776)	(662,628)	(21,355)	(28,907)	(1,765,457)
(4,666)	(4,776)	(272,628)	(13,015)	(28,907)	(999,357)
-	(33,824)	(64,278)	(354,051)	268,558	(4,016,410)
-	426,799	1,382,993	1,072,994	2,606,549	19,546,811
\$ -	\$ 392,975	\$ 1,318,715	\$ 718,943	\$ 2,875,107	\$ 15,530,401

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 1,119,060	\$ 1,119,060	\$ 1,119,060	\$ -
Resources (inflows):				
Intergovernmental revenues	100,000	100,000	116,239	16,239
Interest and rentals	20,000	20,000	41,060	21,060
Total resources (inflows)	120,000	120,000	157,299	37,299
Charges to appropriations (outflows):				
Public safety	-	523,594	549,445	(25,851)
Excess of resources over (under) charges to appropriations	120,000	(403,594)	(392,146)	11,448
Fund balance, June 30	\$ 1,239,060	\$ 715,466	\$ 726,914	\$ 11,448

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 7,072	\$ 7,072	\$ 7,072	\$ -
Resources (inflows):				
Intergovernmental revenues	50,250	50,250	61,181	10,931
Charges for services	129,000	129,000	125,648	(3,352)
Other revenues	41,000	41,000	41,452	452
Transfers in	232,600	232,600	232,600	-
Total resources (inflows)	452,850	452,850	460,881	8,031
Charges to appropriations (outflows):				
Community/cultural services:				
Library	452,280	452,280	459,471	(7,191)
Excess of resources over (under) charges to appropriations	570	570	1,410	840
Fund balance, June 30	\$ 7,642	\$ 7,642	\$ 8,482	\$ 840

See independent auditors' report.

City of Oceanside
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax and Transportation Special Revenue Fund
For the year ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 12,931,344	\$ 12,931,344	\$ 12,931,344	\$ -
Resources (inflows):				
Special assessments	3,952,000	3,952,000	-	(3,952,000)
Intergovernmental revenues	7,560,052	4,848,854	4,394,375	(454,479)
Interest and rentals	295,000	302,000	625,462	323,462
Other revenues	-	-	-	-
Transfers in	307,000	300,000	135,160	(164,840)
Total resources (inflows)	12,114,052	9,402,854	5,154,997	(4,247,857)
Charges to appropriations (outflows):				
Public works	2,679,849	2,773,611	2,859,607	(85,996)
Capital outlay	8,554,838	13,918,156	4,694,344	9,223,812
Transfers out	2,813,368	2,813,368	1,043,125	1,770,243
Total charges to appropriations (outflows)	14,048,055	19,505,135	8,597,076	10,908,059
Excess of resources over (under) charges to appropriations	(1,934,003)	(10,102,281)	(3,442,079)	6,660,202
Fund balance, June 30	\$ 10,997,341	\$ 2,829,063	\$ 9,489,265	\$ 6,660,202

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental revenues	2,085,660	3,179,068	2,164,054	(1,015,014)
Charges to appropriations (outflows):				
Current:				
General government	504,080	411,024	548,725	(137,701)
Community development	1,025,339	1,515,737	1,147,296	368,441
Community/cultural services	47,800	109,554	47,800	61,754
Capital outlay	45,000	803,110	80,590	722,520
Debt service:				
Principal retirement	315,000	215,000	215,000	-
Interest and fees	143,775	119,977	119,977	-
Transfers out	4,666	4,666	4,666	-
Total charges to appropriations (outflows)	2,085,660	3,179,068	2,164,054	1,015,014
Excess of resources over (under) charges to appropriations	-	-	-	-
Fund balance, June 30	\$ -	\$ -	\$ -	\$ -

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 426,799	\$ 426,799	\$ 426,799	\$ -
Resources (inflows):				
Charges for services	754,000	754,000	806,906	52,906
Interest and rentals	23,500	23,500	19,644	(3,856)
Other revenues	91,800	91,800	51,034	(40,766)
Total resources (inflows)	869,300	869,300	877,584	8,284
Charges to appropriations (outflows):				
Community/cultural services:				
Parks and recreation	699,355	999,645	760,235	239,410
Beach recreation	201,011	217,944	146,397	71,547
Transfers out	4,776	4,776	4,776	-
Total charges to appropriations (outflows)	905,142	1,222,365	911,408	310,957
Excess of resources over (under) charges to appropriations	(35,842)	(353,065)	(33,824)	319,241
Fund balance, June 30	\$ 390,957	\$ 73,734	\$ 392,975	\$ 319,241

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,382,993	\$ 1,382,993	\$ 1,382,993	\$ -
Resources (inflows):				
Special assessments	2,380,361	2,380,361	2,351,606	(28,755)
Interest and rentals	53,249	53,249	39,994	(13,255)
Other revenues	15,000	15,000	4,727	(10,273)
Transfers in	390,000	390,000	390,000	-
Total resources (inflows)	2,838,610	2,838,610	2,786,327	(52,283)
Charges to appropriations (outflows):				
Public works	2,310,141	2,401,625	2,187,977	213,648
Transfers out	662,628	662,628	662,628	-
Total charges to appropriations (outflows)	2,972,769	3,064,253	2,850,605	213,648
Excess of resources over (under) charges to appropriations	(134,159)	(225,643)	(64,278)	161,365
Fund balance, June 30	\$ 1,248,834	\$ 1,157,350	\$ 1,318,715	\$ 161,365

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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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,072,994	\$ 1,072,994	\$ 1,072,994	\$ -
Resources (inflows):				
Fines and forfeitures	600,000	600,000	547,691	(52,309)
Interest and rentals	52,000	52,000	36,492	(15,508)
Transfers in	-	-	8,340	8,340
Total resources (inflows)	652,000	652,000	592,523	(59,477)
Charges to appropriations (outflows):				
Public safety:				
Police	686,826	886,826	925,219	(38,393)
Transfers out	21,355	21,355	21,355	-
Total charges to appropriations (outflows)	708,181	908,181	946,574	(38,393)
Excess of resources over (under) charges to appropriations	(56,181)	(256,181)	(354,051)	(97,870)
Fund balance, June 30	\$ 1,016,813	\$ 816,813	\$ 718,943	\$ (97,870)

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 2,606,549	\$ 2,606,549	\$ 2,606,549	\$ -
Resources (inflows):				
Intergovernmental revenues	1,965,383	8,038,196	4,645,607	(3,392,589)
Interest and rentals	23,000	16,000	12,473	(3,527)
Other revenues	101,000	126,000	43,029	(82,971)
Transfers in	-	3,829,209	-	(3,829,209)
Tota resources (inflows)	2,089,383	12,009,405	4,701,109	(7,308,296)
Charges to appropriations (outflows):				
Public safety:				
Police	852,252	973,435	592,788	380,647
Fire	-	239,929	107,527	132,402
Public works	98,083	3,035,468	2,946,323	89,145
Community development:				
Housing and neighborhood services	1,134,039	8,258,728	725,871	7,532,857
Community/cultural services:				
Library	26,812	40,806	31,135	9,671
Transfers out	1,669	1,669	28,907	(27,238)
Total charges to appropriations (outflows)	2,112,855	12,550,035	4,432,551	8,117,484
Excess of resources over (under) charges to appropriations	(23,472)	(540,630)	268,558	809,188
Fund balance, June 30	\$ 2,583,077	\$ 2,065,919	\$ 2,875,107	\$ 809,188

See independent auditors' report.

City of Oceanside
Combining Balance Sheet
Other Debt Service Funds
June 30, 2009

	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Pension Obligation Bonds	Total Other Debt Service Funds
ASSETS					
Cash and investments	\$ 1,921,788	\$ 777,457	\$ 30,735	\$ 100,016	\$ 2,829,996
Restricted cash and investments	2,174,858	-	-	2,999	2,177,857
TOTAL ASSETS	\$ 4,096,646	\$ 777,457	\$ 30,735	\$ 103,015	\$ 5,007,853
LIABILITIES AND FUND BALANCES					
LIABILITIES	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:					
Restricted for:					
Debt service	2,174,858	-	-	2,999	2,177,857
Assigned to:					
Debt service	1,921,788	777,457	30,735	100,016	2,829,996
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,096,646	\$ 777,457	\$ 30,735	\$ 103,015	\$ 5,007,853

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, 2009

	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Pension Obligation Funds	Total Other Debt Service Funds
REVENUES:					
Special assessments	\$ -	\$ 15	\$ -	\$ -	\$ 15
Lease revenue	2,158,105	172,728	-	-	2,330,833
Interest and rentals	8,989	30,907	-	2,999	42,895
TOTAL REVENUES	2,167,094	203,650	-	2,999	2,373,743
EXPENDITURES:					
Debt service:					
Principal retirement	1,135,000	350,000	190,728	675,000	2,350,728
Interest and fees	1,039,852	433,516	59,938	2,126,885	3,660,191
TOTAL EXPENDITURES	2,174,852	783,516	250,666	2,801,885	6,010,919
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,758)	(579,866)	(250,666)	(2,798,886)	(3,637,176)
OTHER FINANCING SOURCES:					
Transfers in	-	612,398	250,666	2,802,689	3,665,753
NET CHANGE IN FUND BALANCES	(7,758)	32,532	-	3,803	28,577
FUND BALANCES - BEGINNING OF YEAR	4,104,404	744,925	30,735	99,212	4,979,276
FUND BALANCES - END OF YEAR	\$ 4,096,646	\$ 777,457	\$ 30,735	\$ 103,015	\$ 5,007,853

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 38,670,931	\$ 38,670,931	\$ 38,670,931	\$ -
Resources (inflows):				
Taxes	9,156,696	9,156,696	11,139,814	1,983,118
Charges of services	40,000	40,000	27,975	(12,025)
Interest and rentals	456,000	456,000	920,369	464,369
Developer fees	50,000	50,000	132,963	82,963
Other revenues	-	-	9,987	9,987
Sale of property	-	-	5,995	5,995
Transfers in	-	2,003,859	1,928,859	(75,000)
Total resources (inflows)	9,702,696	11,706,555	14,165,962	2,459,407
Charges to appropriations (outflows):				
Community development:				
Redevelopment	2,387,335	8,049,530	8,348,487	(298,957)
Capital outlay	2,070,000	10,624,725	2,063,096	8,561,629
Transfers out	6,201,214	7,464,774	5,102,151	2,362,623
Total charges to appropriations (outflows)	10,658,549	26,139,029	15,513,734	10,625,295
Excess of resources over (under) charges to appropriations	(955,853)	(14,432,474)	(1,347,772)	13,084,702
Fund balance, June 30	\$ 37,715,078	\$ 24,238,457	\$ 37,323,159	\$ 13,084,702

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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 37,151,749	\$ 37,151,749	\$ 37,151,749	\$ -
Resources (inflows):				
Intergovernmental revenues	1,087,570	1,087,570	1,625,469	537,899
Interest and rentals	958,500	959,600	1,333,473	373,873
Developer fees	2,736,304	2,735,204	2,578,458	(156,746)
Other revenues	-	205,760	309,788	104,028
Transfers in	4,335,000	9,968,001	6,903,454	(3,064,547)
Total resources (inflows)	9,117,374	14,956,135	12,750,642	(2,205,493)
Charges to appropriations (outflows):				
Public works	456,072	2,099,926	506,547	1,593,379
Capital outlay	7,983,278	29,132,742	15,229,017	13,903,725
Transfers out	613,006	1,339,725	613,066	726,659
Total charges to appropriations (outflows)	9,052,356	32,572,393	16,348,630	16,223,763
Excess of resources over (under) charges to appropriations	65,018	(17,616,258)	(3,597,988)	14,018,270
Fund balance, June 30	\$ 37,216,767	\$ 19,535,491	\$ 33,553,761	\$ 14,018,270

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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, 2009

	Loss Prevention	General Services	Total
ASSETS			
CURRENT ASSETS:			
Cash and investments	\$ 15,337,058	\$ 10,930,375	\$ 26,267,433
Accounts receivable	252,907	8,652	261,559
Prepaid items	-	591	591
Inventory	-	354,062	354,062
TOTAL CURRENT ASSETS	15,589,965	11,293,680	26,883,645
NONCURRENT ASSETS:			
Capital assets:			
Machinery and equipment	234,104	30,384,858	30,618,962
Construction in progress	-	353,260	353,260
Less: accumulated depreciation	(41,983)	(19,225,368)	(19,267,351)
TOTAL NONCURRENT ASSETS	192,121	11,512,750	11,704,871
TOTAL ASSETS	15,782,086	22,806,430	38,588,516
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	613,388	298,251	911,639
Accrued liabilities	35,449	204,442	239,891
Interest payable	-	443	443
Unearned revenue	79,722	-	79,722
Notes payable, current portion	-	72,504	72,504
Compensated absences, current portion	29,494	148,493	177,987
TOTAL CURRENT LIABILITIES	758,053	724,133	1,482,186
NON CURRENT LIABILITIES:			
Claims and judgments payable	10,005,902	-	10,005,902
Compensated absences	117,975	593,974	711,949
TOTAL NONCURRENT LIABILITIES	10,123,877	593,974	10,717,851
TOTAL LIABILITIES	10,881,930	1,318,107	12,200,037
NET ASSETS			
Invested in capital assets, net of related debt	192,121	11,440,246	11,632,367
Unrestricted	4,708,035	10,048,077	14,756,112
TOTAL NET ASSETS	\$ 4,900,156	\$ 21,488,323	\$ 26,388,479

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, 2009

	Loss Prevention	General Services	Total
OPERATING REVENUES:			
Charges for services	\$ 27,873,562	\$ 19,259,508	\$ 47,133,070
Other revenues	904,538	3,188	907,726
TOTAL OPERATING REVENUES	28,778,100	19,262,696	48,040,796
OPERATING EXPENSES:			
Personal services	840,965	4,513,564	5,354,529
Maintenance and operations	8,270,743	11,134,603	19,405,346
Insurance premium and settlements	25,363,318	-	25,363,318
Depreciation	21,885	2,715,665	2,737,550
TOTAL OPERATING EXPENSES	34,496,911	18,363,832	52,860,743
OPERATING INCOME (LOSS)	(5,718,811)	898,864	(4,819,947)
NONOPERATING REVENUES (EXPENSES):			
Gain from disposal of assets	-	44,940	44,940
Interest expense	-	(6,503)	(6,503)
TOTAL NONOPERATING REVENUES (EXPENSES)	-	38,437	38,437
INCOME (LOSS) BEFORE TRANSFERS	(5,718,811)	937,301	(4,781,510)
TRANSFERS:			
Transfers in	4,016,108	168,375	4,184,483
Transfers out	(6,355)	(159,761)	(166,116)
TOTAL TRANSFERS	4,009,753	8,614	4,018,367
CHANGE IN NET ASSETS	(1,709,058)	945,915	(763,143)
TOTAL NET ASSETS - BEGINNING OF YEAR	6,609,214	20,542,408	27,151,622
TOTAL NET ASSETS - END OF YEAR	\$ 4,900,156	\$ 21,488,323	\$ 26,388,479

See independent auditors' report.

City of Oceanside
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2009

	Loss Prevention	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 30,415,638	\$ 19,271,214	\$ 49,686,852
Payments to suppliers	(7,766,565)	(11,501,095)	(19,267,660)
Payments to employees	(1,260,075)	(4,471,479)	(5,731,554)
Insurance premiums and settlements	(24,963,883)	-	(24,963,883)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(3,574,885)	3,298,640	(276,245)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	4,016,108	168,375	4,184,483
Cash paid to other funds	(6,355)	(159,761)	(166,116)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	4,009,753	8,614	4,018,367
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets - capital replacement	-	(1,046,489)	(1,046,489)
Sales of assets	-	91,591	91,591
Retirement of debt	-	(69,129)	(69,129)
Interest paid	-	(6,926)	(6,926)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(1,030,953)	(1,030,953)
NET INCREASE IN CASH AND CASH EQUIVALENTS	434,868	2,276,301	2,711,169
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	14,902,190	8,654,074	23,556,264
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 15,337,058</u>	<u>\$ 10,930,375</u>	<u>\$ 26,267,433</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (5,718,811)	\$ 898,864	\$ (4,819,947)
Depreciation	21,885	2,715,665	2,737,550
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	1,557,816	8,518	1,566,334
(Increase) decrease in inventory	-	14,873	14,873
(Increase) decrease in prepaid items	-	5	5
Increase (decrease) in accounts payable	504,178	(381,370)	122,808
Increase (decrease) in accrued liabilities	(437,849)	20,197	(417,652)
Increase (decrease) in unearned revenue	79,722	-	79,722
Increase (decrease) in compensated absences	18,739	21,888	40,627
Increase (decrease) in claims and judgments payable	399,435	-	399,435
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (3,574,885)</u>	<u>\$ 3,298,640</u>	<u>\$ (276,245)</u>

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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, 2009

	Special Assessment District	Deposits	Total
ASSETS:			
Cash and investments	\$ 2,091,469	\$ 3,618,073	\$ 5,709,542
Restricted cash and investments	12,429,473	-	12,429,473
Accounts receivable	128,552	4,183	132,735
TOTAL ASSETS	<u>\$ 14,649,494</u>	<u>\$ 3,622,256</u>	<u>\$ 18,271,750</u>
LIABILITIES:			
Accounts payable	\$ 118,393	\$ -	\$ 118,393
Deposits	475,423	3,622,256	4,097,679
Due to bondholders	14,055,678	-	14,055,678
TOTAL LIABILITIES	<u>\$ 14,649,494</u>	<u>\$ 3,622,256</u>	<u>\$ 18,271,750</u>

See independent auditors' report.

City of Oceanside
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
For the year ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<u>Special Assessment Districts</u>				
ASSETS:				
Cash and investments	\$ 4,051,178	\$ 10,761,497	\$ 12,721,206	\$ 2,091,469
Restricted cash and investments	16,777,397	9,243,714	13,591,638	12,429,473
Accounts receivable	20,254	195,419	87,121	128,552
TOTAL ASSETS	\$ 20,848,829	\$ 20,200,630	\$ 26,399,965	\$ 14,649,494
LIABILITIES:				
Accounts payable	\$ 152,769	\$ 19,702	\$ 54,078	\$ 118,393
Deposits	1,683	473,740	-	475,423
Due to bondholders	20,694,377	7,199,247	13,837,946	14,055,678
TOTAL LIABILITIES	\$ 20,848,829	\$ 7,692,689	\$ 13,892,024	\$ 14,649,494
<u>Deposits</u>				
ASSETS:				
Cash and investments	\$ 3,835,408	\$ 78,615,974	\$ 78,833,309	\$ 3,618,073
Accounts receivable	-	4,183	-	4,183
TOTAL ASSETS	\$ 3,835,408	\$ 78,620,157	\$ 78,833,309	\$ 3,622,256
LIABILITIES:				
Accounts payable	\$ 21,507	\$ 40,997,642	\$ 41,019,149	\$ -
Deposits	3,813,901	638,697	830,342	3,622,256
TOTAL LIABILITIES	\$ 3,835,408	\$ 41,636,339	\$ 41,849,491	\$ 3,622,256
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 7,886,586	\$ 89,377,471	\$ 91,554,515	\$ 5,709,542
Restricted cash and investments	16,777,397	9,243,714	13,591,638	12,429,473
Accounts receivable	20,254	199,602	87,121	132,735
TOTAL ASSETS	\$ 24,684,237	\$ 98,820,787	\$ 105,233,274	\$ 18,271,750
LIABILITIES:				
Accounts payable	\$ 174,276	\$ 41,017,344	\$ 41,073,227	\$ 118,393
Deposits	3,815,584	1,112,437	830,342	4,097,679
Due to bondholders	20,694,377	7,199,247	13,837,946	14,055,678
TOTAL LIABILITIES	\$ 24,684,237	\$ 49,329,028	\$ 55,741,515	\$ 18,271,750

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City of Oceanside
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source *
June 30, 2009

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 57,843,987
Buildings, structures and improvements other than buildings	90,305,750
Machinery and equipment	26,884,805
Infrastructure	298,129,834
Construction in progress	<u>42,868,289</u>
Total governmental funds capital assets	516,032,665
Less: accumulated depreciation	<u>(190,316,489)</u>
Total governmental funds capital assets, net	<u><u>\$ 325,716,176</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 816,726
Federal grants	5,773,356
General fund revenue	33,309,788
Special revenue funds revenues	27,771,088
Capital projects funds revenues	253,046,133
Special assessments	4,897,791
Enterprise funds revenues	<u>101,294</u>
Total governmental funds capital assets	<u><u>\$ 325,716,176</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, 2009

	Capital Assets July 1, 2008	Additions	Deletions	Capital Assets June 30, 2009
Function and Activity:				
General government	\$ 75,968,504	\$ 7,884,744	\$ -	\$ 83,853,248
Public safety	27,145,750	1,097,905	-	28,243,655
Public works	158,328,509	1,829,878	(8,395,607)	151,762,780
Community development	27,944,008	7,853,335	(2,114,808)	33,682,535
Community/cultural services	28,791,823	755,462	(1,373,327)	28,173,958
Total capital assets	\$ 318,178,594	\$ 19,421,324	\$ (11,883,742)	\$ 325,716,176

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