

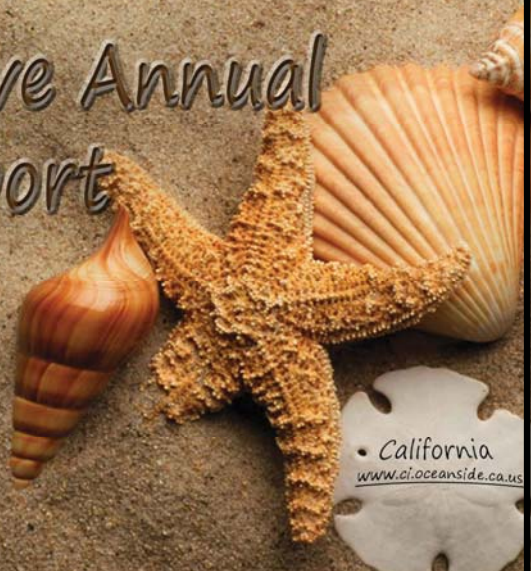


City of ceanside



# Comprehensive Annual Financial Report

For the year ended  
June 30, 2009



California  
[www.ci.oceanside.ca.us](http://www.ci.oceanside.ca.us)

# CITY OF OCEANSIDE CALIFORNIA

## Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009



### *City Council*

Jim Wood, Mayor

Rocky Chavez, Council Member

Jack Feller, Council Member

Jerome Kern, Council Member

Esther Sanchez, Council Member

City Manager

**Peter A. Weiss**

Director of Financial Services

**Teri Ferro**

Accounting Manager

**Melissa Slagle**



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# City of Oceanside

Financial Services Department  
300 N. Coast Hwy, Oceanside, CA 92054  
telephone: (760)435-3830 fax: (760)439-9011

December 17, 2009

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Oceanside (the City) for the fiscal year ended June 30, 2009.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

The City's financial statements have been audited by Diehl, Evans & Company, LLP, a firm of certified public accountants. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2009. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **City of Oceanside Profile**

The City of Oceanside (City) is a general law city that was incorporated on January 3, 1888. It is located 35 miles north of San Diego and 83 miles south of Los Angeles. The City is located on the Pacific Ocean, offering a moderate climate that ranks as one of the most desirable in the nation. Oceanside boasts 3.5 miles of coastline, a harbor with over 900 boat slips, and one of the longest wooden piers on the West Coast, measuring 1,942 feet in length. The City occupies a land area of 42 square miles and provides a full range

of services, including police, fire, library, water, sewer, street and other infrastructure construction and maintenance, parks and recreation services. The City also maintains an airport and a small craft harbor.

The population of Oceanside is estimated at 179,681, making it the third largest city in San Diego County. The median household income for the City is \$68,906.

The City operates under the council-manager form of government. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

The financial activities of the four legally separate entities for which the City serves as the governing body are also included in this report; the Oceanside Community Development Commission, which includes the Redevelopment Agency of the City of Oceanside, the Oceanside Small Craft Harbor District, the Oceanside Building Authority and the Oceanside Public Financing Authority. Additional information on these entities is contained in Note 1 to the Financial Statements.

### **Economic Outlook**

San Diego County enjoys close proximity to the major economic centers of Los Angeles and Mexico, and a prominent shipping industry assures ready access to Pacific Rim markets. Since the decline of the defense industry in the early nineties, the county has been able to diversify into high-technology commercial endeavors, with growth in areas such as telecommunications, electronics, computers and biotechnology. Traffic congestion, water supply, sewage treatment capacity and solid waste disposal are challenges that are being studied by both the public and private sectors.

Along with every city and government agency across the country, the City of Oceanside has been impacted by the national, state and local economic downturn. Coupled with the rising cost of personnel, fuel, utilities, materials and supplies, the City also anticipates a decline in the real estate tax revenue increases it has enjoyed over the past several years. In order to adjust to the changing financial climate, the City has initiated the development of a five-year forecast for both revenue and expenditures to assist in long-range financial planning.

As a well-established coastal community, Oceanside continues to be a destination for retail, office and industrial development and these projects will help sustain the economic viability of the City in future years.

## **Major Initiatives**

### **Enhance and Improve Downtown Oceanside**

The City is getting ready for the economic recovery by moving various capital improvement projects forward. A traffic consultant and designer were hired to redesign Mission Avenue into a walkable area. Plans and specifications are underway to construct drainage improvements in the downtown area. A call for bids to construct the project will occur in winter 2009. A Request for Proposal was issued and RRM was chosen to design new beach restrooms to upgrade the infrastructure and increase stall count. A Request for Proposal was also issued to hire a designer to develop plans to reinvent the beach amphitheatre area. Plans and specifications are also underway to construct a new surface parking lot to provide public parking between Myers and Wisconsin west of the railroad tracks.

### **Promote Tourism**

A new 100-room Holiday Inn hotel located on Carmelo Drive near the Oceanside Harbor will be opening in winter 2009. The City approved entitlements for a new resort hotel that will contain 289 hotel rooms, 47 boutique hotel rooms, 48 timeshares, a ballroom and 18,000 square feet of commercial space. Additionally, the City approved a Disposition Agreement and Ground Lease for this redevelopment project with developer SD Malkin. The developer has approximately 2 ½ years to begin construction on the Beach Resort Hotel.

The City funded the renovation and relocation of the California Surf Museum into a City owned 5,000 sq ft building in the downtown area that was previously a non-conforming use (strip club). This project expands and enhances an important cultural resource in the Downtown area for residents and visitors to the City.

The City and the California Welcome Center are working together to form a Tourism Marketing District (TMD) that will provide funds that are specifically earmarked to market Oceanside as a tourist destination.

### **Job Retention, Expansion and Development**

The City is working to retain and expand existing businesses in the City through a variety of programs including a Business Visitation Program, and the recent development of a Business Resource Guide. The City also developed several workshops geared to assist Oceanside businesses including: “Doing Business With Camp Pendleton” with assistance from the Small Business Development Center (SBDC); a Business to Business event for Oceanside businesses with an emphasis on manufacturers luncheons; and a Coast Highway and Downtown Merchants Seminar in partnership with the SBDC.

The City, in partnership with California Manufacturers Technology Consultants (CMTC), sent letters and materials to over 300 Oceanside manufacturers offering the services of the CMTC. CMTC is a free federally funded consulting service that can help small manufacturers with marketing and sales, strategic and financial planning, workforce development or manufacturing improvements. Fifteen Oceanside businesses contacted CMTC for assistance.

Construction continues on the Veterans Administration's new 65,465 square foot clinic that will provide medical care for approximately 88,000 visits per year and 180 employees. The ground breaking was held in December 2008 with the project to be completed in winter 2010.

Pacific Marine Credit Union is building a 60,000 sq ft corporate headquarters and bank in Pacific Coast Business Park. The project broke ground in June 2009 and should be completed in fall 2010.

Loma Alta Village off of Oceanside Blvd. completed 37,000 sq ft of office in December 2008; and Pacific Coast Business Park completed a 214,000 sq ft of speculative office building in December 2008.

#### Retail Recruitment

Programs available for retail recruitment include a commercial property database, demographics, maps of new developments and customized research for retail property owners, developers, brokers and users. The City has an email based newsletter that is sent monthly to the development community; and attends and participates in many professional and community meetings, speaking engagements and trade shows to promote Oceanside to brokers, developers and end users.

Mission & Douglas Center, a 15,500 sq ft retail center under construction, should be completed by winter 2009 with tenant improvements to be completed by Spring 2010. Tenants include a burger shop, a bakery and a convenience store.

Oceanside Marketplace and Business Center located between Oceanside Blvd. and College completed construction in April 2009 of 28,000 sq ft of office and 18,100 sq ft of retail with a new IHop that anchors the center.

#### Enhance the community

A Request for Qualifications to redevelop El Corazon, a 465-acre City-owned property is open until January 27, 2010. The proposed El Corazon project would contain a mixture of land uses including: a six-acre Senior Citizen Center, which was completed in 2009; natural open space at 150 acres; 160 acres of active park land; six acres for community public use; a six-acre recreation center; a 16 acre green waste facility, nine acres of trails and pathways, and 55 acres for retail and hotel commercial uses. El Corazon is

immediately adjacent to a Sprinter Light Rail station and will enhance the Oceanside community with its mix of uses.

Plans and specifications are complete for Oceanside Blvd. Gateway Enhancements. A call for bids to construct the improvements should be complete by winter 2009 with construction occurring in the spring of 2010.

### **Financial Policies**

*Budgeting* - The annual budget serves as the foundation for the City's financial planning and control. The City Manager presents the proposed budget to the City Council for review prior to the beginning of the fiscal year. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than June 30, the close of the City's fiscal year. The budget is prepared according to fund and department (e.g., police). 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 City Council.

*Appropriations Limit* – Proposition 4, known as the Gann Initiative, was passed in 1979 to limit government spending by capping the total proceeds of taxes that may be appropriated in a fiscal year. When a city exceeds the limit, excess tax revenue must be returned to the citizens through refunds, rebates, or other means. The City is well below the established Gann limit of \$291,330,859.

*Debt Administration* – As of June 30, 2009 the City had a total of \$258,478,789 in long-term debt. Additional information can be found in Note 8 of the Notes to the Financial Statement. As a result of indebtedness issued by other governmental agencies operating within the City of Oceanside, net bonded debt (i.e. bonds not supported by user charges) per City assessed valuation was 2.68% as of June 30, 2009.

*Cash Management* – The City Council annually adopts an investment policy presented by the City Treasurer, which is intended to provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, and conforming to all state and local statutes governing the investment of public funds. In accordance with City Council policy, the City has an obligation to be aware of the social and political impacts of its investments, and as such will not knowingly invest in any institution that practices or supports any form of discrimination as to race, religion, sex or physical disability. The City's total portfolio as of June 30, 2009 totaled \$225,157,252.

*Risk Management* – The City has initiated self-insurance programs to provide for general liability and workers' compensation claims. The City belongs to a joint powers authority insurance pool to provide insurance coverage for payment of claims beyond its self-

insured retention. The fund revenues are primarily premium charges to other funds based on past loss histories, as well as refunds from insurance premiums based on the City's annual loss history.

GASB 54 – The City adopted new accounting standards in order to conform to the Governmental Accounting Standards Board Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”.

Fiscal Adversity and Healthy City Reserves – The City Council established a Healthy City Reserve Fund to maintain a stable tax and revenue structure and provide for the orderly provision of services to the citizens of Oceanside; and to establish a process for the use of these funds in the event of fiscal adversity (defined as a five percent or greater reduction of discretionary General Fund revenues).

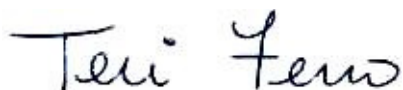
### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oceanside for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation and publication of this report would not have been possible without the dedication, professionalism, and teamwork of the entire staff of the Financial Services Department. I would like to express my appreciation to all members of the department who assisted in its preparation. The City Council has continued to extend its support to the Financial Services Department in the planning of responsible and progressive financial operations. I would like to thank the Mayor, City Council and City Manager for their continued support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,



Teri Ferro  
Director of Financial Services



# City of Oceanside

## List of Principal Officials

### CITY COUNCIL

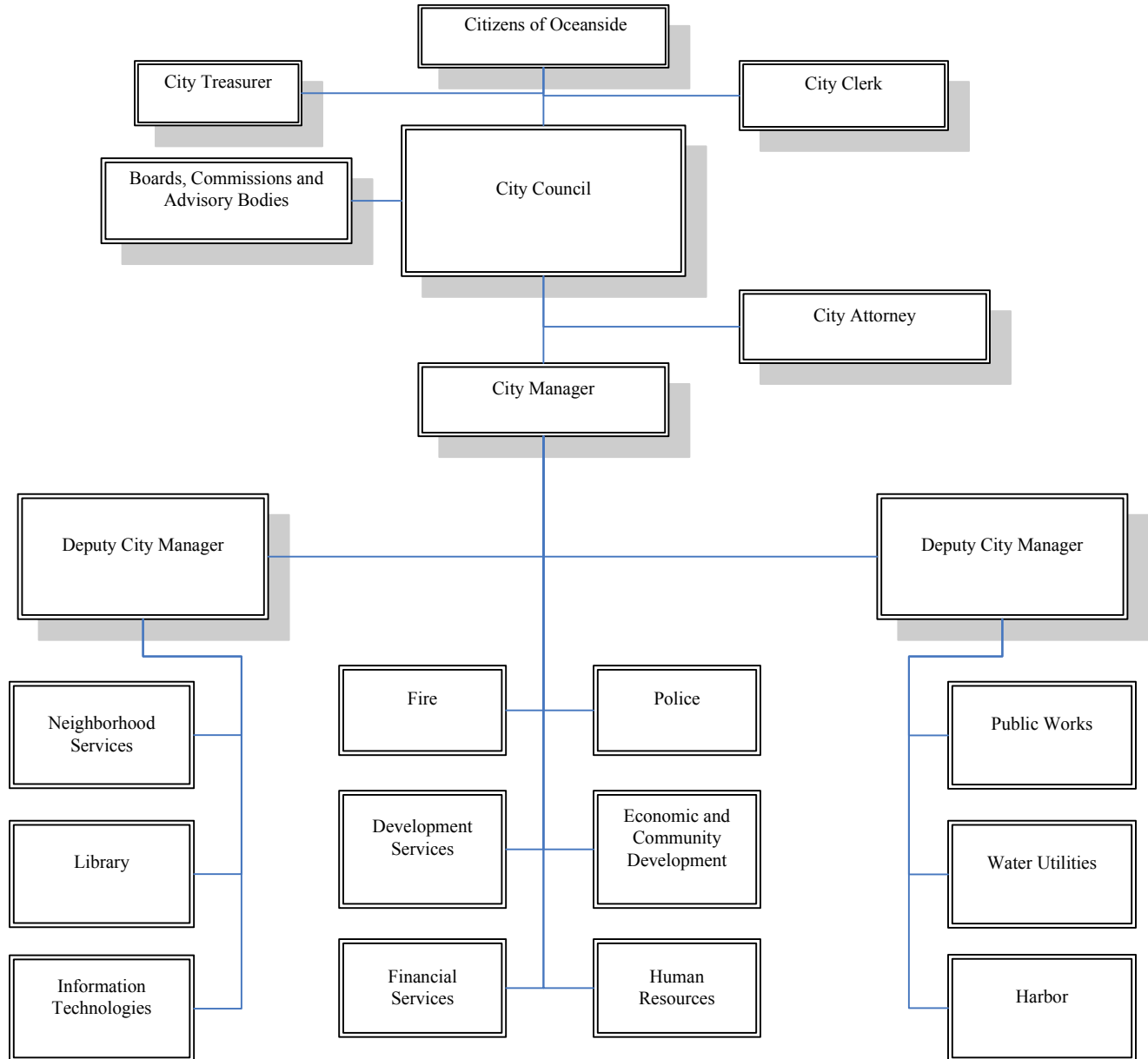
**Jim Wood, Mayor**  
**Rocky Chavez, Council Member**  
**Jack Feller, Council Member**  
**Jerome Kern, Council Member**  
**Esther Sanchez, Council Member**

### ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Peter A. Weiss
City Attorney	John P. Mullen
City Clerk	Barbara Riegel Wayne
City Treasurer	Gary Felien
Deputy City Manager	Michelle Skaggs-Lawrence
Deputy City Manager	Donald L. Hadley
Economic and Community Development Director	Jane D. McVey
Financial Services Director	Teri Ferro
Fire Chief	Terry Garrison
Harbor and Beaches Manager	Ray Duncan
Housing & Neighborhood Services Director	Margery Pierce
Library Director	Deborah Polich
Human Resources Director	Brian Kammerer
Police Chief	Frank McCoy
Deputy Public Works Director	Joseph Arranaga
Water Utilities Director	Lonnie Thibodeaux
Development Services Director	George Buell
Chief Information Technologies Officer	Michael Sherwood



# City of Oceanside Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oceanside  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director

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