

City of Oceanside California



**Comprehensive Annual Financial Report
For the year ended June 30, 2003**



CITY OF OCEANSIDE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
June 30, 2003

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

**Carol O. Swindell, Director of Financial Services
Charles H. McBride, Accounting Manager
David Crowe, Senior Management Analyst**

City of Oceanside
Basic Financial Statements
For the year ended June 30, 2003

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CITY OF OCEANSIDE

FINANCIAL SERVICES DEPARTMENT

December 19, 2003

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

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) for the City of Oceanside for the fiscal year ended June 30, 2003. This is the first year that the Finance Division has prepared the report in accordance with GASB Statement 34. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Caporicci & Larson, CPAs. The financial statements are the responsibility of the City Management and, to the best of our knowledge, the enclosed statements are accurate in all material respects and present fairly the financial position and results of operations for the City of Oceanside.

The Primary Government

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

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

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

The City of Oceanside

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

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

The population of Oceanside is estimated at 169,800, making it the third largest city in the San Diego. The median household income for the City is \$41,477, just slightly behind the San Diego

County average of \$42,315. The overall unemployment rate is 5.2%, over 20 percent lower than the state average.

Economic Outlook

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

The steady population growth has fueled home prices, with the average resale price for a single-family detached homes in Oceanside increasing 17% in one year to \$348,167 in June, 2003. To Oceanside's benefit, the central portion of the City of San Diego is extensively built out, forcing new development into surrounding communities.

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

As a well-established coastal community, Oceanside should continue to benefit from new development in the eastern portion of the City and the redevelopment efforts in the western portion. The Ocean Ranch Corporate Centre, anchored by IDEC Pharmaceuticals, is a major addition to the City's economic base and will provide thousands of jobs upon completion. The Morro Hills residential development is adding 1,007 new homes to the Oceanside roles, and has already topped \$100 million in property valuation.

Financial Controls

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

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

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

Other Information

Spending Limitation: Proposition 4, known as the Gann Initiative, was passed in 1979 to limit government spending by capping the total proceeds of taxes that may be appropriated in a fiscal year. When a city exceeds the limit, excess tax revenue must be returned to the citizens through refunds, rebates, or other means. The City is well below the established Gann limit of \$213,118,758.

Pension Benefits: The City contributes to a defined benefit pension plan through CalPERS. Recent market trends have eroded investment returns, exposing members of CalPERS to potential rates as high as 34% in fiscal year 2004-05 for Public Safety personnel and 4.7% for Miscellaneous employees. The additional cost to the City is estimated at reach \$1 million in fiscal year 2003 - 04 and is expected to exceed a \$4 million cumulative cost in fiscal year 2004 - 05. Presently, CalPERS and the City are investigating measures to mitigate these effects.

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oceanside for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2002. This was the first time the City achieved this award since 1992.

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

This report has been a joint effort by all members of the Financial Services Division, who deserve full credit for the preparation of this report. We would also like to take this opportunity to thank the Mayor and the members of the Council for their continuing support and guidance for the staff. We appreciate the dedication and professionalism of our auditors, Caporicci & Larson, who have spent countless hours working with us to successfully prepare the 2003 Comprehensive Annual Financial Report.

Respectfully submitted,



Carol O. Swindell
Director of Financial Services

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PRINCIPAL OFFICIALS

**AT
JUNE 30, 2003**

CITY COUNCIL

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

ADMINISTRATION AND DEPARTMENT HEADS

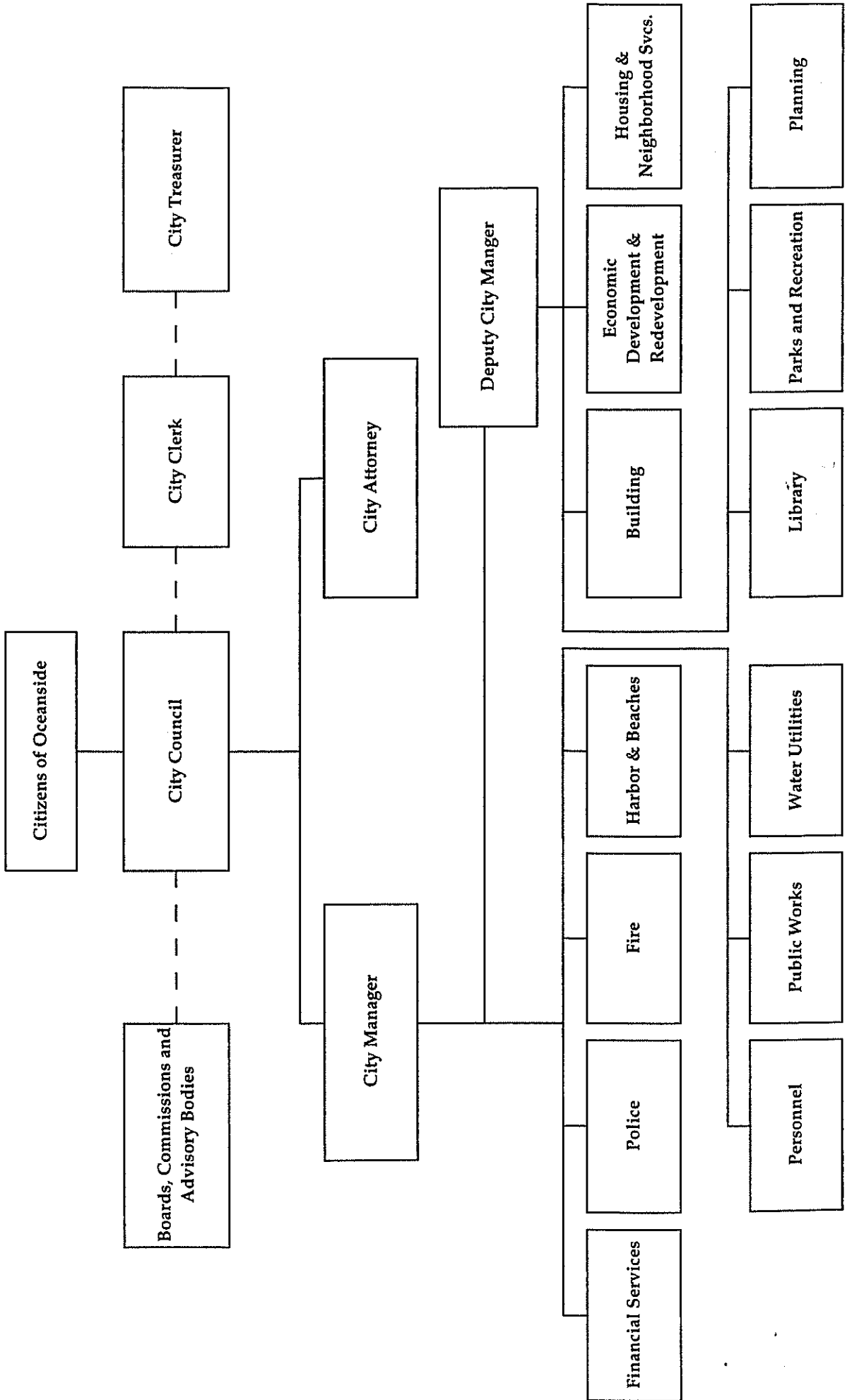
City Manager
City Attorney (Acting)
City Clerk
City Treasurer
Deputy City Manager

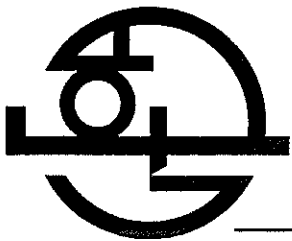
Steven R. Jepsen
Anita Willis
Barbara Riegel Wayne
Rosemary R. Jones
Michael J. Blessing

Building Director
Economic Development/Redevelopment Director
Financial Services Director
Fire Chief
Harbor and Beaches Director
Housing & Neighborhood Services Director
Library Director
Personnel Director (Acting)
Planning Director
Police Chief
Public Works Director
Water Utilities Director

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

CITY OF OCEANSIDE ORGANIZATIONAL CHART





The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Finance Department

City of Oceanside, California

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

Executive Director

A handwritten signature in black ink, appearing to read 'Jeffrey R. ...', is written over the printed name of the Executive Director.

Date

May 23, 2003

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