

FINANCIAL SECTION



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December 5, 2008

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, 2008, 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, 2008, 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.

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In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2008 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.

Dielt, Evans and Company, LLP



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2008

This discussion and analysis of the City of Oceanside's financial performance provides an overview of the fiscal year ended June 30, 2008. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all the activities of the City of Oceanside (City) and the component units using the integrated approach as prescribed by GASB Statement No. 34.

The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities (other than internal service activities) are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds which only report a balance sheet and do not have a measurement focus. A reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

See independent auditors' report.

These two statements report the City's *net assets* and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

Governmental activities-Most of the City's basic services are reported in this category, including General Government, Fire, Police, Public Works, Community Development and Community/Cultural Services (including Recreation and Library). Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities-The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water, Wastewater, Waste Disposal, Special Aviation and Harbor District activities are reported in this category.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State Law or by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds-Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the Governmental Fund financial statements and those in the Government-Wide financial statements are explained in a reconciliation following each Governmental Fund financial statement

Proprietary funds-When the City charges customers for the services it provides (whether to outside customers or to other units of the City), these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows. We use internal service funds (such as the City's Self-Insurance, Fleet Operations and Information Technology funds) to report activities that provide supplies and services to the City's other programs and activities. The Internal Service funds are reported with governmental activities in the Government-Wide financial Statements.

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THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or *fiduciary*, for certain funds held on behalf of other agencies and organizations. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined Net Assets for the fiscal year ended June 30, 2008 are compared to results for 2007 in Table 1.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current & other assets	\$ 223,150	\$ 214,841	\$ 78,075	\$ 82,224	\$ 301,225	\$ 297,065
Net pension assets	39,406	39,773	-	-	39,406	39,773
Capital assets	331,621	298,993	290,559	288,389	622,180	587,382
Total assets	<u>594,177</u>	<u>553,607</u>	<u>368,634</u>	<u>370,613</u>	<u>962,811</u>	<u>924,220</u>
Long-term debt outstanding	174,692	176,177	98,893	104,585	273,585	280,762
Other liabilities	21,207	17,333	11,937	12,489	33,144	29,822
Total liabilities	<u>195,899</u>	<u>193,510</u>	<u>110,830</u>	<u>117,074</u>	<u>306,729</u>	<u>310,584</u>
Net assets						
Invested in capital assets, net of related debt	223,022	192,580	196,363	187,894	419,385	380,474
Restricted	130,217	123,853	2,253	1,900	132,470	125,753
Unrestricted	45,039	43,664	59,188	63,745	104,227	107,409
Total net assets	<u>\$ 398,278</u>	<u>\$ 360,097</u>	<u>\$ 257,804</u>	<u>\$ 253,539</u>	<u>\$ 656,082</u>	<u>\$ 613,636</u>

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 6.9% from \$613.6 million at June 30, 2007 to \$656.0 million at June 30, 2008 due to an increase of \$38.1 million in Governmental Activities net assets and an increase of \$4.3 million in the Business-type Activities.

Governmental current assets increased by \$8.3 million due to an increase in notes receivable for low and moderate income housing projects, while at the same time Business-type current assets decreased by \$4.1 million due to expenditures for capital assets and scheduled long-term debt payments. Governmental capital assets increased by \$32.6 million due to infrastructure additions of \$18.1 including \$14.5 million for the Pacific Street Bridge. Business-type capital assets increased by \$2.2 million due to Water and Wastewater infrastructure improvements.

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Total assets increased \$38.6 million or 4.2% during the fiscal year due primarily to the addition of \$34.8 million of capital assets such as infrastructure, land, park and community/cultural facilities. Total liabilities decreased \$3.8 million, due to decreased accounts payable and accrued liabilities attributable to the timing of payments near June 30, 2008. Overall long-term debt decreased \$7.2 million due to the normal amortization of long term debt.

The Statement of Activities reveals an increase in revenues of \$18.7 million over 2007 while expenses increased \$6.1 million, contributing to the City's financial health. Total revenues less expenditures contributed \$42.4 to net assets.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 36,869	\$ 22,159	\$ 93,684	\$ 88,613	\$ 130,553	\$ 110,772
Operating grants and contributions	31,173	42,192	4,221	-	35,394	42,192
Capital grants and contributions	9,418	7,613	-	-	9,418	7,613
General revenues:						
Property taxes	58,664	54,682	-	-	58,664	54,682
Sales taxes	18,735	17,814	-	-	18,735	17,814
Other taxes	11,746	11,438	-	-	11,746	11,438
Investment earnings	13,344	14,096	3,018	3,945	16,362	18,041
Other	14,354	13,975	1	6	14,355	13,981
Total revenues	<u>194,303</u>	<u>183,969</u>	<u>100,924</u>	<u>92,564</u>	<u>295,227</u>	<u>276,533</u>
Expenses:						
General government	16,004	13,958	-	-	16,004	13,958
Public safety	68,521	64,713	-	-	68,521	64,713
Public works	27,088	24,585	-	-	27,088	24,585
Community development	24,715	27,776	-	-	24,715	27,776
Community/cultural services	14,191	14,225	-	-	14,191	14,225
Interest on long-term debt	7,487	7,635	-	-	7,487	7,635
Water	-	-	40,649	41,066	40,649	41,066
Sewer	-	-	27,040	26,465	27,040	26,465
Waste disposal	-	-	20,846	20,074	20,846	20,074
Other	-	-	6,240	6,169	6,240	6,169
Total expenses	<u>158,006</u>	<u>152,892</u>	<u>94,775</u>	<u>93,774</u>	<u>252,781</u>	<u>246,666</u>
Increase (decrease) in net assets before Transfers	36,297	31,077	6,149	(1,210)	42,446	29,867
Transfers	<u>1,884</u>	<u>1,408</u>	<u>(1,884)</u>	<u>(1,408)</u>	<u>-</u>	<u>-</u>
Change in net assets	38,181	32,485	4,265	(2,618)	42,446	29,867
Beginning net assets as restated	360,097	327,612	253,539	256,157	613,636	583,769
Ending net assets	<u>\$ 398,278</u>	<u>\$ 360,097</u>	<u>\$ 257,804</u>	<u>\$ 253,539</u>	<u>\$ 656,082</u>	<u>\$ 613,636</u>

Note 15 provides information related to the restatement of beginning net assets.

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Governmental activities increased net assets \$38.1 million compared to \$32.4 million in 2007 as identified in Table 2. Increases in program revenues such as charges for service and general revenues including property tax and sales tax offset increases in expenses.

Expenses increased by \$5.1 million in 2008. Public Works expense increased \$2.5 million, and expenses for Police Department Field Operations and Fire Suppression increased \$3.8 million.

Overall, the increased contribution to net assets can be attributed to an increase in revenues and transfers of \$10.9 million while expenses increased only \$5.1 million over the prior fiscal year.

Chart 1

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

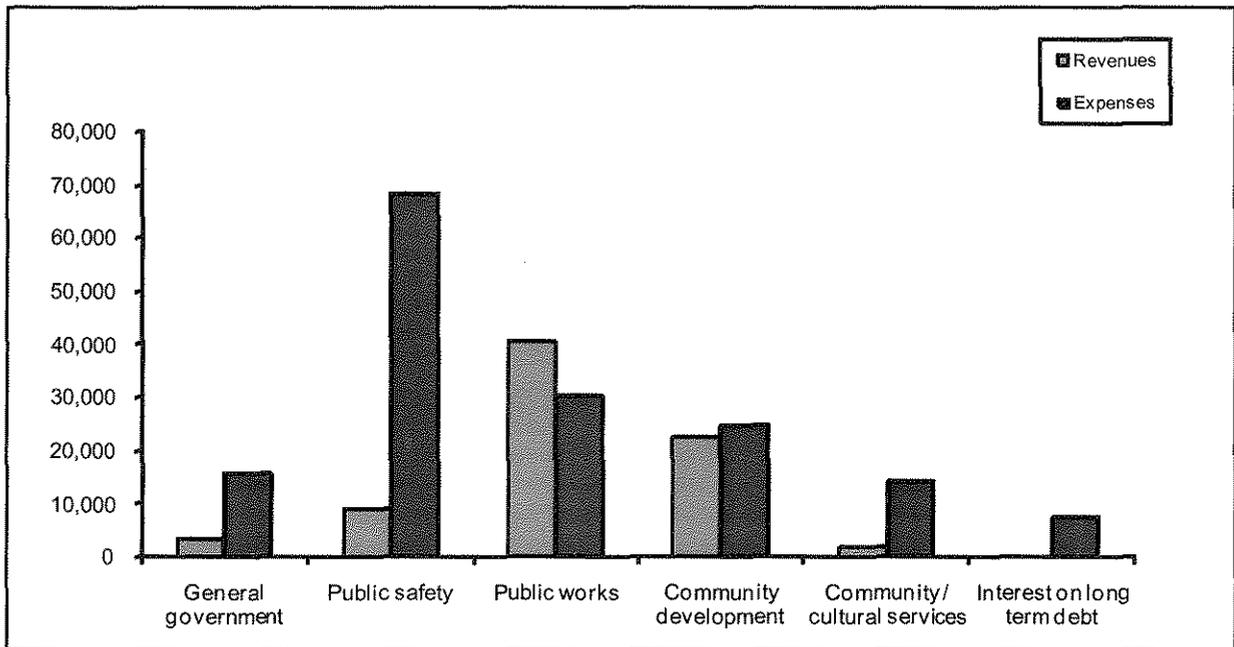


Chart 1 depicts the financial strength of the various City programs, or the extent to which these programs generate revenue from fees and grants. The City's programs include General Government, Public Safety (Fire and Police), Public Works, Community Development, and Community/Cultural Services (Recreation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

See independent auditors' report.

Chart 2
Revenue by Source – Governmental Activities

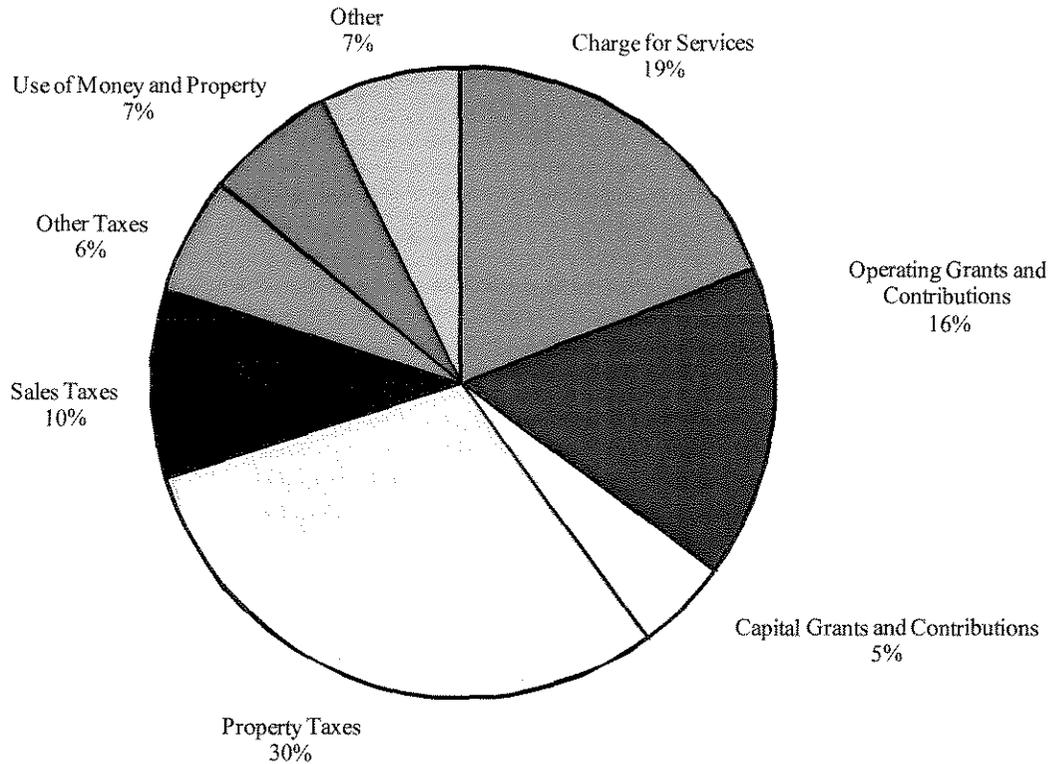


Chart 2 shows that Property Tax, Operating Grants and Contributions, Charges for Service and Sales Tax which are the top four categories of revenue and comprise 75 percent of funding for governmental activities. The *Other* category includes proceeds from the disposition of City real property, intergovernmental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

BUSINESS-TYPE ACTIVITIES

Business-type activities for the City of Oceanside include Water, Sewer, Solid Waste, Harbor, and the Airport. Net assets of the Business-type activities increased \$4.3 million or 1.7 % in the last fiscal year.

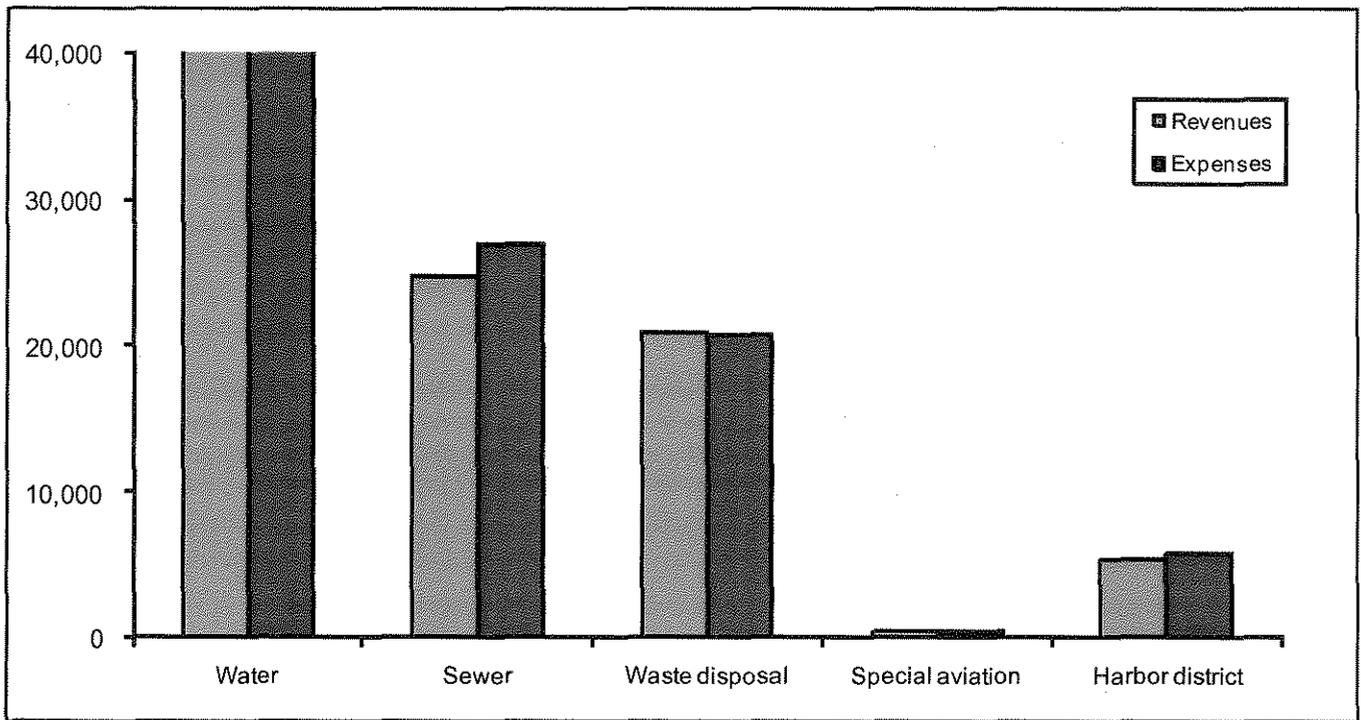
The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds indicates an increase of \$5.1 million in operating revenues. The Water, Sewer and Waste Disposal funds operating revenue increased \$2.8, \$1.7 and \$.6 million respectively. Developer fees for Water Utilities decreased \$1.0 million from the last fiscal year while Sewer decreased by \$1.1 million.

Overall revenue outpaced expenses by \$6.1 million (before transfers) in 2008. Expenses exceeded revenues by \$1.2 million in the fiscal year ending 2007. Sewer operating expenses increased \$.6 million and Waste Disposal operating expenses increased \$.8 million from 2007 to 2008 due to increases in personal services and maintenance and operations costs. Chart 3 below compares program revenues from business-type activities to program expenses.

See independent auditors' report.

Chart 3

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



Fees charged for these services make up 97% of the revenues collected with interest income of \$3.0 million and grant revenue of \$4.2 million accounting for the remainder. The Sewer and Harbor enterprises operated at a deficit, as referenced in the Statement of Activities and Changes in Net Assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund balance of \$44.1 million at year-end for the City's General Fund, as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances, is a decrease of \$6.2 million from 2007. Revenues (excluding sales of real property) increased \$4.6 million or 4.1% due, in part, to a \$3.5 million increase in property tax revenue. Expenditures increased overall \$7.7 million or 7.6% with increases in public safety expenses accounting for \$4.2 million. Other Financing Sources-proceeds from the sale of real property decreased \$1.7 million due to non-recurring transactions included in 2007 results. Net transfers out to other funds increased \$5.0 million.

The fund balance of the General Improvements Capital Projects Fund decreased \$.8 million during 2008. Revenues increased \$16.0 million from 2007 due to increased intergovernmental revenue for reimbursement of expenses associated with the Pacific Street Bridge Project. Expenses for capital projects, including the Pacific Street Bridge increased \$19.9 million. Net transfers in from other funds were \$1.4 million.

The fund balance of \$27.9 million at year-end 2008 for total Other Governmental Funds is an increase of \$4.3 million from 2007. Revenues in the Asset Seizure Special Revenue Fund increased \$0.8 million and the Gas Tax Special Revenue Fund net transfers out to other funds decreased \$6.8 million.

See independent auditors' report.

DEBT ADMINISTRATION

Debt of governmental activities (including the Redevelopment Agency) realized a net decrease of \$1.5 million, due to normal amortization. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

Table 3
City of Oceanside
Governmental Debt Outstanding (including the Redevelopment Agency)

	<u>Balance</u> <u>July 1, 2007</u>	<u>Incurred or</u> <u>Issued</u>	<u>Satisfied or</u> <u>Matured</u>	<u>Balance</u> <u>June 30, 2008</u>
Governmental Activities:				
Bonds Payable	\$ 56,950,000	\$ -	\$ (1,975,000)	\$ 54,975,000
Certificates of Participation	54,345,000	-	(2,810,000)	51,535,000
Capital Leases Payable	1,914,195	-	(250,097)	1,664,098
Notes Payable	640,000	3,500,000	(215,000)	3,925,000
Pension Obligation Bonds	43,298,887	-	(591,644)	42,707,243
Claims Payable	9,587,636	18,831	-	9,606,467
Compensated Absences	9,441,278	967,674	(129,550)	10,279,402
Total Governmental Activities	<u>\$ 176,176,996</u>	<u>\$ 4,486,505</u>	<u>\$ (5,971,291)</u>	<u>\$ 174,692,210</u>

Debt of the business-type activities decreased in the fiscal year ending 2008 by \$5.7 million. Table 4 is a synopsis of detail presented in Note 8 of the financial statements.

Table 4
City of Oceanside
Business-Type Activities Debt Outstanding

	<u>Balance</u> <u>July 1, 2007</u>	<u>Incurred or</u> <u>Issued</u>	<u>Satisfied or</u> <u>Matured</u>	<u>Balance</u> <u>June 30, 2008</u>
Business-Type Activities:				
Bonds Payable	\$ 8,525,000	\$ -	\$ (620,000)	\$ 7,905,000
Certificates of Participation	21,215,000	-	(1,880,000)	19,335,000
Notes Payable	72,654,206	-	(3,445,743)	69,208,463
Compensated Absences	2,190,580	264,712	(11,163)	2,444,129
Total Business-Type Activities	<u>\$ 104,584,786</u>	<u>\$ 264,712</u>	<u>\$ (5,956,906)</u>	<u>\$ 98,892,592</u>

CAPITAL ASSETS

The capital assets of the City are those assets that are used in the performance of the City's functions, including infrastructure. At June 30, 2008, net capital assets of the governmental activities totaled \$332 million and the net capital assets of the business-type activities totaled \$291 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. The \$34.8 million increase in total Capital Assets from 2007 to 2008 is indicative of the City's continuing investment in infrastructure and other capital assets.

See independent auditors' report.

Table 5
City of Oceanside
Capital Assets (including Redevelopment Agency)

Description	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Land	\$ 57,843,987	\$ 57,843,987	\$ 20,836,745	\$ 20,836,745
Buildings	78,698,579	64,274,349	137,476,425	134,532,225
Improvements	8,652,043	8,652,043	217,609,795	216,459,136
Equipment	56,099,439	52,735,271	12,059,079	11,983,282
Construction in Progress	44,065,679	36,236,170	46,738,623	38,324,701
Infrastructure	283,073,387	264,985,092	-	-
Capital Assets	528,433,114	484,726,912	434,720,667	422,136,089
Accumulated Depreciation	(196,811,938)	(185,734,166)	(144,162,048)	(133,747,353)
Total Capital Assets	\$ 331,621,176	\$ 298,992,746	\$ 290,558,619	\$ 288,388,736

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

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

	Amended Budget	Actual	Variance Pos/(Neg)
Resources (inflows)			
Taxes	\$ 78,497,030	\$ 79,061,958	\$ 564,928
Licenses and permits	2,158,990	1,776,875	(382,115)
Intergovernmental revenues	1,675,570	1,725,083	49,513
Charges for services	10,261,286	9,132,237	(1,129,049)
Fines and forfeitures	3,894,110	4,344,699	450,589
Investment and rentals	4,341,911	6,385,835	2,043,924
Other revenues	14,232,291	13,960,151	(272,140)
Transfers in	1,588,849	991,675	(597,174)
Amount available for appropriation	<u>116,650,037</u>	<u>117,378,513</u>	<u>728,476</u>
Charges to appropriations (outflows)			
General government	16,201,246	14,239,772	1,961,474
Public Safety	71,650,259	67,878,888	3,771,371
Public Works	10,878,060	9,901,604	976,456
Community development	7,048,428	5,887,324	1,161,104
Community/cultural services	12,945,961	11,945,378	1,000,583
Charges to appropriations	<u>118,723,954</u>	<u>109,852,966</u>	<u>8,870,988</u>
Transfers out	<u>19,556,827</u>	<u>13,752,830</u>	<u>5,803,997</u>
Total charges to appropriations and transfers	<u>138,280,781</u>	<u>123,605,796</u>	<u>14,674,985</u>
Excess of resources over (under) charges to appropriations and transfers	<u>\$ (21,630,744)</u>	<u>\$ (6,227,283)</u>	<u>\$ 15,403,461</u>

Resources exceeded budget due to greater than expected investment earnings and rental revenue. Charges to appropriations were under budget due to the delay of budgeted transfers out to other funds. Unused appropriations may be carried over to the next fiscal year with appropriate approvals.

See independent auditors' report.

BUDGETS AND BUDGETARY ACCOUNTING

Policies:

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

1. During May of even numbered fiscal years, the City Manager submits to the City Council a proposed biennial operating budget for the two fiscal years commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain public comment.
3. The budget is subsequently adopted through passage of a resolution and is published separately.
4. All appropriations are as originally adopted or as amended by the City Council and all budgeted amounts lapse at year-end unless the adopting resolutions specifically allows the carryover of specific unexpended amounts into the next fiscal year.
5. The City Manager may approve carry-over appropriations for incomplete projects and programs. The City Council may approve carry-over appropriations for reallocated funds to different projects and programs.
6. Legally adopted budget appropriations are set for all funds.
7. The City Manager is authorized to transfer funds appropriated within the same fund. Revisions that alter the total appropriations of any fund must be approved by the City Council.
8. The Budget is adopted on a basis consistent with generally accepted accounting principles.

General Fund Budget

Comparing the FY 2007-08 original budget (as adopted) General Fund amount of \$119.9 million to the final budget amount of \$138.3 million shows a net increase of \$18.4 million, as delineated below.

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

	<u>Adopted</u>	<u>Amended</u>	<u>Variance</u>
General Government			
Operational	\$ 11,333,674	\$ 13,090,930	\$ 1,757,256
Non-Departmental	2,065,250	3,110,316	1,045,066
Public Safety			
Police	48,052,949	48,882,822	829,873
Fire	22,590,762	22,767,437	176,675
Public Works	10,746,236	10,878,060	131,824
Community Development	6,732,497	7,048,428	315,931
Community & Cultural Services			
Library	6,245,810	6,368,840	123,030
Beach & Recreation	6,584,671	6,577,121	(7,550)
Transfers	5,535,846	19,556,827	14,020,981
Total Budget	<u>\$ 119,887,695</u>	<u>\$ 138,280,781</u>	<u>\$ 18,393,086</u>

See independent auditors' report.

General Fund Budget

The \$18.4 million variance between the adopted and amended budget is due, in large part, to transfers, including \$14.8 million to Capital Improvement Funds for various projects including \$6.8 million to partially fund construction of Senior Centers and \$5.2 million to partially fund construction of fire stations.

The Annual Budget assures the efficient, effective and economic use of the City's resources, as well as establishing that the highest priority objectives are accomplished. Through the budget, the City Council sets the direction of the City, allocates its resources and establishes its priorities. The adopted budget for all City funds for the fiscal year 2008-09 is \$356 million and is summarized as follows:

Table 8
City of Oceanside
Adopted Budget Fiscal 2008-09

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		13,730,030
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		6,047,416
Subtotal Enterprise Operations		107,309,263
Total Budget	\$	356,211,112

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investor and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, separate reports of the City's component units or need any additional financial information, contact the Office of the Director of Financial Services at 300 North Coast Highway, Oceanside, California, 92054 or phone (760) 435-3832.

See independent auditors' report.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Oceanside
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments (Note 2)	\$ 161,299,463	\$ 62,355,314	\$ 223,654,777
Restricted cash and investments (Note 2)	8,948,993	2,252,846	11,201,839
Accounts receivable	6,044,955	10,496,656	16,541,611
Notes receivable (Note 4)	22,422,636	-	22,422,636
Interest receivable	2,283,334	-	2,283,334
Taxes receivable	1,954,258	-	1,954,258
Other receivable	9,843,321	150,108	9,993,429
Due from other governments	1,681,900	-	1,681,900
Internal balances	(1,225,574)	1,225,574	-
Prepaid items	15,500	10,289	25,789
Inventory	388,801	1,441,082	1,829,883
Other assets	-	143,435	143,435
Land and buildings held for resale (Note 7)	9,492,993	-	9,492,993
Net pension assets (Note 12)	39,405,523	-	39,405,523
Capital assets (Note 6):			
Non depreciable assets	101,909,666	67,575,368	169,485,034
Depreciable assets, net	229,711,510	222,983,251	452,694,761
TOTAL ASSETS	594,177,279	368,633,923	962,811,202
LIABILITIES:			
Accounts payable	10,079,107	8,050,831	18,129,938
Accrued liabilities	4,294,706	651,701	4,946,407
Accrued interest payable	2,496,791	915,911	3,412,702
Deposits	1,020,008	1,283,250	2,303,258
Unearned revenue	2,778,341	1,035,755	3,814,096
Due to other governments	166,764	-	166,764
Net OPEB payable (Note 13)	370,963	-	370,963
Long-term liabilities (Note 8):			
Due within one year	6,683,827	6,244,105	12,927,932
Due in more than one year	168,008,383	92,648,486	260,656,869
TOTAL LIABILITIES	195,898,890	110,830,039	306,728,929
NET ASSETS:			
Invested in capital assets, net of related debt	223,022,078	196,363,003	419,385,081
Restricted for:			
Debt service	9,401,419	-	9,401,419
Capital projects	75,302,178	2,252,846	77,555,024
Specific projects and programs	45,513,582	-	45,513,582
Unrestricted	45,039,132	59,188,035	104,227,167
TOTAL NET ASSETS	\$ 398,278,389	\$ 257,803,884	\$ 656,082,273

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

City of Oceanside
Statement of Activities
For the year ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 16,004,013	\$ 2,910,185	\$ 326,033	\$ 128,094
Public safety	68,521,173	5,546,313	3,632,430	-
Public works	27,088,207	21,137,007	10,066,790	9,290,066
Community development	24,715,209	5,992,226	16,559,537	-
Community/cultural services	14,191,135	1,283,498	588,440	-
Interest on long-term debt	7,486,339	-	-	-
Total governmental activities	<u>158,006,076</u>	<u>36,869,229</u>	<u>31,173,230</u>	<u>9,418,160</u>
Business-type Activities:				
Water	40,649,208	42,185,950	4,220,677	-
Sewer	27,039,628	24,749,371	-	-
Waste disposal	20,846,158	20,961,319	-	-
Special aviation	432,432	464,774	-	-
Oceanside Small Craft Harbor District	5,807,752	5,322,666	-	-
Total business-type activities	<u>94,775,178</u>	<u>93,684,080</u>	<u>4,220,677</u>	<u>-</u>
Total	<u>\$ 252,781,254</u>	<u>\$ 130,553,309</u>	<u>\$ 35,393,907</u>	<u>\$ 9,418,160</u>

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 15)

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
\$ (12,639,701)	\$ -	\$ (12,639,701)
(59,342,430)	-	(59,342,430)
13,405,656	-	13,405,656
(2,163,446)	-	(2,163,446)
(12,319,197)	-	(12,319,197)
(7,486,339)	-	(7,486,339)
(80,545,457)	-	(80,545,457)
-	5,757,419	5,757,419
-	(2,290,257)	(2,290,257)
-	115,161	115,161
-	32,342	32,342
-	(485,086)	(485,086)
-	3,129,579	3,129,579
(80,545,457)	3,129,579	(77,415,878)
58,663,948	-	58,663,948
18,734,655	-	18,734,655
11,746,323	-	11,746,323
13,633,572	-	13,633,572
13,343,619	3,017,902	16,361,521
563,443	-	563,443
157,154	1,475	158,629
1,883,945	(1,883,945)	-
118,726,659	1,135,432	119,862,091
38,181,202	4,265,011	42,446,213
360,097,187	253,538,873	613,636,060
\$ 398,278,389	\$ 257,803,884	\$ 656,082,273

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FUND FINANCIAL STATEMENTS

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

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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, 2008

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service
ASSETS			
Cash and investments	\$ 37,265,708	\$ 14,417,216	\$ 861,157
Restricted cash and investments	-	-	4,422,143
Receivables:			
Accounts	1,517,344	10,500	-
Notes	-	22,367,826	-
Interest	2,157,669	-	-
Taxes	445,463	-	-
Other	5,107,723	28,174	-
Due from other funds	554,288	-	-
Due from other governments	-	28,320	-
Advances to other funds	9,167,419	-	-
Inventory	19,866	-	-
Prepaid items	8,171	-	-
Land and buildings held for resale	-	-	-
TOTAL ASSETS	\$ 56,243,651	\$ 36,852,036	\$ 5,283,300
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 1,915,025	\$ 47,035	\$ -
Accrued liabilities	3,401,700	94,042	-
Deposits	483,719	425,882	-
Due to other funds	-	-	-
Due to other governments	-	166,764	-
Deferred revenue	6,319,389	-	-
Advances from other funds	-	-	13,530,837
TOTAL LIABILITIES	12,119,833	733,723	13,530,837
FUND BALANCES (DEFICIT):			
Reserved	3,607,416	22,367,826	4,422,143
Unreserved, designated	35,804,645	-	-
Unreserved, undesignated Reported In:			
General fund	4,711,757	-	-
Special revenue funds	-	13,750,487	-
Debt service funds	-	-	(12,669,680)
Capital projects funds	-	-	-
TOTAL FUND BALANCES (DEFICIT)	44,123,818	36,118,313	(8,247,537)
TOTAL LIABILITIES AND FUND BALANCES	\$ 56,243,651	\$ 36,852,036	\$ 5,283,300

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

Capital Projects Funds		Other	Total
Redevelopment Agency	General Improvement	Governmental Funds	Governmental Funds
\$ 26,330,188	\$ 35,546,824	\$ 23,322,106	\$ 137,743,199
-	2,319,133	2,207,717	8,948,993
500	187,139	2,501,579	4,217,062
54,810	-	-	22,422,636
125,665	-	-	2,283,334
278,736	-	166,570	890,769
-	4,677,511	29,913	9,843,321
-	-	-	554,288
-	-	1,653,580	1,681,900
3,976,517	-	-	13,143,936
-	-	-	19,866
1,365	-	5,368	14,904
9,492,993	-	-	9,492,993
<u>\$ 40,260,774</u>	<u>\$ 42,730,607</u>	<u>\$ 29,886,833</u>	<u>\$ 211,257,201</u>

\$ 108,675	\$ 6,250,343	\$ 969,199	\$ 9,290,277
18,527	-	122,894	3,637,163
-	29,443	80,964	1,020,008
-	-	94,455	94,455
-	-	-	166,764
-	1,282,215	764,777	8,366,381
-	-	-	13,530,837
<u>127,202</u>	<u>7,562,001</u>	<u>2,032,289</u>	<u>36,105,885</u>

13,525,685	-	4,984,644	48,907,714
-	-	21,812,104	57,616,749
-	-	-	4,711,757
-	-	1,057,796	14,808,283
-	-	-	(12,669,680)
26,607,887	35,168,606	-	61,776,493
<u>40,133,572</u>	<u>35,168,606</u>	<u>27,854,544</u>	<u>175,151,316</u>
<u>\$ 40,260,774</u>	<u>\$ 42,730,607</u>	<u>\$ 29,886,833</u>	<u>\$ 211,257,201</u>

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City of Oceanside
 Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets
 June 30, 2008

Fund balances - total governmental funds		\$ 175,151,316
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.		318,178,594
Pension contributions were expenditures in the fund financial statements but are deferred and subject to capitalization and amortization on the Government-wide statements.		39,405,523
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	\$ 5,588,040	
Sales tax	<u>1,063,489</u>	
		6,651,529
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.		25,853,116
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	(54,975,000)	
Certificate of participation	(51,535,000)	
Pension obligation bonds payable	(41,825,000)	
Capital leases payable	(1,522,465)	
Notes payable	(3,925,000)	
Bond premium	<u>(882,243)</u>	
Total long-term liabilities		(154,664,708)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(2,495,925)
OPEB obligation is not accrued in governmental funds, but rather is recognized as an expenditure when paid.		(370,963)
Compensated absences are not due and payable in the current period and therefore were not reported in the governmental funds.		<u>(9,430,093)</u>
Net assets of governmental activities		<u>\$ 398,278,389</u>

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

City of Oceanside
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2008

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service
REVENUES:			
Taxes	\$ 79,061,958	\$ -	\$ -
Special assessments	-	-	-
License and permits	1,776,875	122,294	-
Intergovernmental revenues	1,725,083	13,378,666	-
Charges for services	9,132,237	355,292	-
Fines and forfeitures	4,344,699	-	-
Lease revenue	-	-	2,399,758
Interest and rentals	6,385,835	1,153,959	272,497
Administrative and in lieu charges	13,633,572	-	-
Developer fees	-	411,000	-
Other revenues	325,019	183,516	-
TOTAL REVENUES	116,385,278	15,604,727	2,672,255
EXPENDITURES:			
Current:			
General government	14,239,772	-	-
Public safety	67,878,888	-	-
Public works	9,901,604	-	-
Community development	5,887,324	16,094,689	-
Community/cultural services	11,945,378	-	-
Capital outlay	-	-	-
Debt service:			
Principal retirement	-	-	3,380,000
Interest and fees	-	-	4,173,682
TOTAL EXPENDITURES	109,852,966	16,094,689	7,553,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,532,312	(489,962)	(4,881,427)
OTHER FINANCING SOURCES (USES):			
Proceeds from sale of real property	1,560	-	-
Loan proceeds	-	-	-
Transfers in	991,675	476,041	4,318,763
Transfers out	(13,752,830)	(184,940)	(26,762)
TOTAL OTHER FINANCING SOURCES (USES)	(12,759,595)	291,101	4,292,001
NET CHANGE IN FUND BALANCES	(6,227,283)	(198,861)	(589,426)
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	50,351,101	36,317,174	(7,658,111)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 44,123,818	\$ 36,118,313	\$ (8,247,537)

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

Capital Projects Funds		Other	Total
Redevelopment Agency	General Improvement	Governmental Funds	Governmental Funds
\$ 9,570,115	\$ -	\$ -	\$ 88,632,073
-	-	8,286,857	8,286,857
-	-	-	1,899,169
-	19,373,353	8,288,658	42,765,760
104,085	-	963,037	10,554,651
-	-	629,939	4,974,638
-	-	2,256,588	4,656,346
1,191,313	2,053,505	1,109,525	12,166,634
-	-	-	13,633,572
22,500	3,593,158	-	4,026,658
69,103	642,497	266,196	1,486,331
<u>10,957,116</u>	<u>25,662,513</u>	<u>21,800,800</u>	<u>193,082,689</u>
-	-	348,594	14,588,366
-	-	1,457,989	69,336,877
-	237,513	5,529,928	15,669,045
1,706,471	-	1,173,381	24,861,865
-	-	1,906,840	13,852,218
2,280,706	40,180,506	3,558,007	46,019,219
-	-	2,344,192	5,724,192
-	-	3,790,719	7,964,401
<u>3,987,177</u>	<u>40,418,019</u>	<u>20,109,650</u>	<u>198,016,183</u>
<u>6,969,939</u>	<u>(14,755,506)</u>	<u>1,691,150</u>	<u>(4,933,494)</u>
-	-	-	1,560
-	-	3,500,000	3,500,000
26,762	14,745,949	4,481,424	25,040,614
<u>(4,385,374)</u>	<u>(782,460)</u>	<u>(5,245,479)</u>	<u>(24,377,845)</u>
<u>(4,358,612)</u>	<u>13,963,489</u>	<u>2,735,945</u>	<u>4,164,329</u>
2,611,327	(792,017)	4,427,095	(769,165)
<u>37,522,245</u>	<u>35,960,623</u>	<u>23,427,449</u>	<u>175,920,481</u>
<u>\$ 40,133,572</u>	<u>\$ 35,168,606</u>	<u>\$ 27,854,544</u>	<u>\$ 175,151,316</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, 2008

Net change in fund balances - total governmental funds \$ (769,165)

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	\$ 41,863,116	
Depreciation expense	(9,843,518)	
Dispositions	(21,000)	
		31,998,598

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	347,348	
Sales tax	1,063,489	
		1,410,837

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.

(367,530)

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.

(754,416)

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	5,724,192	
Proceeds from notes	(3,500,000)	
		2,224,192

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	88,816	
OPEB contributions	(370,963)	
Amortization of bond premium	51,644	
		(230,503)

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.

4,669,189

Change in net assets of governmental activities \$ 38,181,202

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, 2008

ASSETS	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
CURRENT ASSETS:			
Cash and investments	\$ 39,355,121	\$ 14,044,331	\$ 1,908,174
Receivables:			
Accounts	6,709,355	2,439,805	1,310,036
Other	580	149,528	-
Prepaid items	6,402	1,786	-
Inventory	669,440	716,649	-
Other assets	143,435	-	-
TOTAL CURRENT ASSETS	46,884,333	17,352,099	3,218,210
NONCURRENT ASSETS:			
Restricted cash and investments	324,272	1,928,574	-
Advance to other funds	4,936,023	-	-
Capital assets:			
Land	16,096,364	843,552	35,328
Construction in progress	26,291,061	17,181,954	-
Depreciable buildings and structures	21,717,958	114,763,059	27,630
Depreciable improvements other than buildings	97,703,709	95,599,314	526
Depreciable machinery and equipment	3,249,444	7,463,841	282,148
Less accumulated depreciation	(61,012,570)	(65,393,707)	(248,280)
TOTAL NONCURRENT ASSETS	109,306,261	172,386,587	97,352
TOTAL ASSETS	156,190,594	189,738,686	3,315,562
LIABILITIES			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	5,325,768	1,239,509	1,426,941
Accrued liabilities	239,554	253,964	42,939
Interest payable	254,286	494,417	-
Deposits from others	1,011,046	-	-
Due to other funds	-	-	-
Deferred revenue	113,365	-	749,465
Bonds payable, current portion	640,000	-	-
Notes payable, current portion	-	3,233,344	-
Certificates of participation, current portion	1,430,000	520,000	-
Compensated absences, current portion	42,558	49,235	7,827
TOTAL CURRENT LIABILITIES	9,056,577	5,790,469	2,227,172
NONCURRENT LIABILITIES:			
Bonds payable	7,265,000	-	-
Notes payable	-	61,723,040	-
Certificates of participation	9,180,000	8,205,000	-
Advances from other funds	-	4,300,000	-
Claims and judgments payable	-	-	-
Compensated absences	808,602	935,462	148,725
TOTAL NONCURRENT LIABILITIES	17,253,602	75,163,502	148,725
TOTAL LIABILITIES	26,310,179	80,953,971	2,375,897
NET ASSETS:			
Invested in capital assets, net of related debt	85,855,238	98,705,203	97,352
Restricted for capital projects	324,272	1,928,574	-
Unrestricted	43,700,905	8,150,938	842,313
TOTAL NET ASSETS	\$ 129,880,415	\$ 108,784,715	\$ 939,665

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

Net assets of business-type activities

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

Business-type Activities - Enterprise Funds (Continued)				Governmental Activities
Special Aviation	Oceanside Small Craft Harbor District	Total Enterprise Funds	Internal Service Funds	
\$ -	\$ 7,047,688	\$ 62,355,314	\$ 23,556,264	
650	36,810	10,496,656	1,827,893	
-	-	150,108	-	
-	2,101	10,289	596	
54,993	-	1,441,082	368,935	
-	-	143,435	-	
<u>55,643</u>	<u>7,086,599</u>	<u>74,596,884</u>	<u>25,753,688</u>	
-	-	2,252,846	-	
-	-	4,936,023	-	
3,835,398	26,103	20,836,745	-	
-	3,265,608	46,738,623	653,965	
66,286	901,492	137,476,425	-	
1,601,656	22,704,590	217,609,795	-	
46,249	1,017,397	12,059,079	30,039,015	
(512,569)	(16,994,922)	(144,162,048)	(17,250,398)	
<u>5,037,020</u>	<u>10,920,268</u>	<u>297,747,488</u>	<u>13,442,582</u>	
<u>5,092,663</u>	<u>18,006,867</u>	<u>372,344,372</u>	<u>39,196,270</u>	
2,358	56,255	8,050,831	788,830	
8,840	106,404	651,701	657,543	
20,561	146,647	915,911	866	
18,139	254,065	1,283,250	-	
459,833	-	459,833	-	
-	172,925	1,035,755	-	
-	-	640,000	-	
47,222	251,333	3,531,899	69,129	
-	-	1,950,000	-	
2,446	20,140	122,206	169,862	
<u>559,399</u>	<u>1,007,769</u>	<u>18,641,386</u>	<u>1,686,230</u>	
-	-	7,265,000	-	
649,776	3,303,747	65,676,563	72,504	
-	-	17,385,000	-	
249,122	-	4,549,122	-	
-	-	-	9,606,467	
46,471	382,663	2,321,923	679,447	
<u>945,369</u>	<u>3,686,410</u>	<u>97,197,608</u>	<u>10,358,418</u>	
<u>1,504,768</u>	<u>4,694,179</u>	<u>115,838,994</u>	<u>12,044,648</u>	
4,340,022	7,365,188	196,363,003	13,300,949	
-	-	2,252,846	-	
(752,127)	5,947,500	57,889,529	13,850,673	
<u>\$ 3,587,895</u>	<u>\$ 13,312,688</u>	<u>256,505,378</u>	<u>\$ 27,151,622</u>	
		1,298,506		
		<u>\$ 257,803,884</u>		

City of Oceanside
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
OPERATING REVENUES:			
Charges for services	\$ 40,372,213	\$ 23,534,153	\$ 20,928,918
License and permits	461,185	-	-
Developer fees	1,215,015	1,213,464	-
Slip rental and other related fees	-	-	-
Other revenues	137,537	1,754	32,401
TOTAL OPERATING REVENUES	42,185,950	24,749,371	20,961,319
OPERATING EXPENSES:			
Personal services	5,629,219	5,883,900	1,361,839
Maintenance and operations	11,203,352	13,886,724	19,518,351
Cost of purchased water	19,394,108	-	-
Insurance premium	-	-	-
Depreciation	3,964,267	5,638,359	34,012
TOTAL OPERATING EXPENSES	40,190,946	25,408,983	20,914,202
OPERATING INCOME (LOSS)	1,995,004	(659,612)	47,117
NONOPERATING REVENUES (EXPENSES):			
Investment income	2,005,604	686,818	-
Gain from disposal of assets	-	-	-
Grants and contributions	4,220,677	-	-
Interest expense	(792,356)	(1,885,435)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	5,433,925	(1,198,617)	-
INCOME (LOSS) BEFORE TRANSFERS	7,428,929	(1,858,229)	47,117
TRANSFERS:			
Transfers in	-	-	-
Transfers out	(1,426,872)	(174,489)	(182,942)
TOTAL TRANSFERS	(1,426,872)	(174,489)	(182,942)
CHANGE IN NET ASSETS	6,002,057	(2,032,718)	(135,825)
TOTAL NET ASSETS - BEGINNING OF YEAR	123,878,358	110,817,433	1,075,490
TOTAL NET ASSETS - END OF YEAR	\$ 129,880,415	\$ 108,784,715	\$ 939,665

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
\$ 450,961	\$ -	\$ 85,286,245	\$ 48,564,686
-	-	461,185	-
-	-	2,428,479	-
-	5,311,619	5,311,619	-
13,813	11,047	196,552	817,265
<u>464,774</u>	<u>5,322,666</u>	<u>93,684,080</u>	<u>49,381,951</u>
141,447	2,635,827	15,652,232	5,136,414
245,404	2,321,781	47,175,612	15,448,101
-	-	19,394,108	-
-	-	-	22,348,716
13,234	777,127	10,426,999	2,418,949
<u>400,085</u>	<u>5,734,735</u>	<u>92,648,951</u>	<u>45,352,180</u>
<u>64,689</u>	<u>(412,069)</u>	<u>1,035,129</u>	<u>4,029,771</u>
-	325,480	3,017,902	-
-	1,475	1,475	176,594
-	-	4,220,677	-
<u>(36,162)</u>	<u>(160,880)</u>	<u>(2,874,833)</u>	<u>(9,746)</u>
<u>(36,162)</u>	<u>166,075</u>	<u>4,365,221</u>	<u>166,848</u>
<u>28,527</u>	<u>(245,994)</u>	<u>5,400,350</u>	<u>4,196,619</u>
-	-	-	1,254,793
<u>(931)</u>	<u>(98,711)</u>	<u>(1,883,945)</u>	<u>(33,617)</u>
<u>(931)</u>	<u>(98,711)</u>	<u>(1,883,945)</u>	<u>1,221,176</u>
27,596	(344,705)	3,516,405	5,417,795
<u>3,560,299</u>	<u>13,657,393</u>		<u>21,733,827</u>
<u>\$ 3,587,895</u>	<u>\$ 13,312,688</u>		<u>\$ 27,151,622</u>
		<u>748,606</u>	
		<u>\$ 4,265,011</u>	

City of Oceanside
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 39,774,539	\$ 24,532,545	\$ 21,004,388
Payments to suppliers	(29,796,975)	(14,638,295)	(19,613,858)
Payments to employees	(5,490,902)	(5,767,166)	(1,380,022)
Insurance premiums and settlements	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>4,486,662</u>	<u>4,127,084</u>	<u>10,508</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	-	-
Advances to/from other funds	(4,278,919)	4,300,000	-
Cash paid to other funds	(1,426,872)	(174,489)	(182,942)
Grants received	4,220,677	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,485,114)</u>	<u>4,125,511</u>	<u>(182,942)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets - capital replacement	(8,877,884)	(3,324,824)	-
Proceeds from sale of assets	-	-	-
Retirement of debt	(1,995,000)	(3,666,788)	-
Interest paid	(821,860)	(1,937,863)	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,694,744)</u>	<u>(8,929,475)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	2,005,604	686,818	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>2,005,604</u>	<u>686,818</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,687,592)	9,938	(172,434)
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>46,366,985</u>	<u>15,962,967</u>	<u>2,080,608</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 39,679,393</u>	<u>\$ 15,972,905</u>	<u>\$ 1,908,174</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
\$ 465,923	\$ 5,325,704	\$ 91,103,099	\$ 47,849,594
(318,636)	(2,436,020)	(66,803,784)	(15,523,703)
(126,558)	(2,585,566)	(15,350,214)	(4,599,373)
-	-	-	(22,329,885)
20,729	304,118	8,949,101	5,396,633
-	-	-	1,254,793
18,216	-	39,297	-
(931)	(98,711)	(1,883,945)	(33,617)
-	-	4,220,677	-
17,285	(98,711)	2,376,029	1,221,176
-	(437,049)	(12,639,757)	(3,048,779)
42,875	1,475	44,350	176,594
(43,446)	(240,509)	(5,945,743)	(65,905)
(37,443)	(170,800)	(2,967,966)	(10,149)
(38,014)	(846,883)	(21,509,116)	(2,948,239)
-	325,480	3,017,902	-
-	325,480	3,017,902	-
-	(315,996)	(7,166,084)	3,669,570
-	7,363,684	71,774,244	19,886,694
\$ -	\$ 7,047,688	\$ 64,608,160	\$ 23,556,264

(Continued)

City of Oceanside
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2008

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Waste Disposal
RECONCILIATION OF OPERATING INCOME (LOSS)			
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 1,995,004	\$ (659,612)	\$ 47,117
Depreciation	3,964,267	5,638,359	34,012
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,939,170)	(216,826)	18,353
(Increase) decrease in inventory	(80,271)	(67,778)	-
(Increase) decrease in prepaid items	17,648	7,860	25
(Increase) decrease in other current assets	14,343	-	-
Increase (decrease) in accounts payable	884,452	(691,653)	(95,532)
Increase (decrease) in accrued liabilities	35,096	26,471	(28,132)
Increase (decrease) in compensated absences	103,221	90,263	9,949
Increase (decrease) in deferred revenue	(472,241)	-	24,716
Increase (decrease) in deposits	(35,687)	-	-
Increase (decrease) in claims and judgments payable	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 4,486,662</u>	<u>\$ 4,127,084</u>	<u>\$ 10,508</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
\$ 64,689	\$ (412,069)	\$ 1,035,129	\$ 4,029,771
13,234	777,127	10,426,999	2,418,949
1,149	(27,962)	(2,164,456)	(1,532,357)
(34,132)	-	(182,181)	(45,844)
-	(726)	24,807	6,365
-	-	14,343	-
(43,285)	(122,367)	(68,385)	(36,123)
4,038	10,997	48,470	453,334
10,851	39,265	253,549	83,707
-	31,000	(416,525)	-
4,185	8,853	(22,649)	-
-	-	-	18,831
<u>\$ 20,729</u>	<u>\$ 304,118</u>	<u>\$ 8,949,101</u>	<u>\$ 5,396,633</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, 2008

	<u>Total</u>
ASSETS:	
Cash and investments	\$ 7,886,586
Restricted cash and investments	16,777,397
Accounts receivable	<u>20,254</u>
 TOTAL ASSETS	 \$ 24,684,237
LIABILITIES:	
Accounts payable	\$ 174,276
Deposits	3,815,584
Due to bondholders	<u>20,694,377</u>
 TOTAL LIABILITIES	 \$ 24,684,237

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the City of Oceanside, California (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity:

The City was incorporated on January 3, 1888, under the general laws of the State of California. The City operates under a Council-Manager form of government and provides basic local governmental services including public safety (Police, Fire and Beach Lifeguard), maintenance and construction of public improvements, cultural, recreation planning, zoning, and general administration. In addition, the City operates five enterprise activities: Water, Sewer, Waste Disposal, General Aviation Airport and a Harbor District.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The following blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The following entities are reported as blended component units since the governing board is substantively the same as the primary government:

Oceanside Community Development Commission - The Oceanside Community Development Commission (the Commission) was established on July 16, 1980, and includes all activities previously performed by the Oceanside Redevelopment Agency and the Oceanside Housing Authority. The Oceanside Redevelopment Agency was originally established on February 20, 1974, pursuant to the State of California Health and Safety Code entitled "Community Redevelopment Law". Its purpose is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Oceanside Housing Authority was originally established on February 24, 1971, and dissolved April 9, 1975, due to inactivity. It was reactivated on April 9, 1980, pursuant to the State of California Health and Safety Code. This department is responsible for all assisted housing projects within the City. The operations of the Commission are reported as government funds of the City.

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.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Government-Wide Financial Statements (Continued):

These basic financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. (In the Statement of Activities, internal service fund transactions have been eliminated). However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Advances to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, to the business-type activities, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on Accounting Procedure. The City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

See independent auditors’ report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Fund Financial Statements:

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues Expenditures and Changes in Fund Balances for all major governmental funds and other governmental funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except those revenues subject to accrual (generally 60 days after year-end) and recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are generally recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on long-term liabilities, and compensated absences which are recognized as expenditures only when payment is due.

Deferred revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach of GASB Statement No. 34.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Governmental Fund Financial Statements (Continued):

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

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

The Housing Assistance Program Special Revenue Fund is used to account for the operation of the City's low and moderate income housing program. Financing is provided by HUD (Section 8), Community Development Block Grants, and service fees on mortgage revenue bonds.

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

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

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

Proprietary Fund Financial Statements:

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for all proprietary funds.

A separate column representing internal service funds is also presented in these statements. Internal service funds account for activities involved in rendering risk management, automotive equipment maintenance, City building maintenance and central data processing services provided to other departments of the City on a cost-reimbursement basis. Because the principal users of the internal service funds are the City's governmental entities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the Government-wide Statement of Net Assets.

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Proprietary Fund Financial Statements (Continued):

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations for the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major enterprise funds:

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

The Sewer Fund is used to account for the operation (including waste water treatment) of the City’s sewer facility, a self-supporting activity which provides services on a user charge basis.

The Waste Disposal Fund is used to account for the collection and disposal of solid waste (including waste collected from street sweeping). Monthly service charges to all Oceanside property owners fund the above services.

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

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

Fiduciary Fund Financial Statements:

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

See independent auditors’ report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

See independent auditors' report.

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 - 50 years
Machinery and equipment	5 - 20 years
Infrastructure	15 - 50 years

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include streets, storm drains, park lands, and buildings. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems.

Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach as defined by GASB Statement No. 34 for infrastructure reporting. The City commissioned an appraisal of City owned infrastructure and property as of June 30, 2002. This appraisal determined the original cost, which is defined as the actual cost to acquire new property in accordance with market prices at the time of first construction/acquisition. Original costs were developed in one of three ways: (1) historical records; (2) standard unit costs appropriate for the construction/acquisition date; or (3) present cost indexed by a reciprocal factor of the price increase from the construction/acquisition date to the current date. The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date on a straight-line, unrecovered cost method was computed using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

See independent auditors' report.

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, 2008 was \$39,405,523.

J. Long-Term Debt:

Government-Wide Financial Statements:

Long-term debt and other financed obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds on a straight-line basis. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements:

The fund financial statements do not present long-term debt. Therefore, it is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

K. Net Assets:

Government-Wide Financial Statements:

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

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets".

See independent auditors' report.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

K. Net Assets (Continued):

Fund Financial Statements:

Fund Equity - Reservations of fund balances of governmental funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

L. Compensated Absences:

Government-Wide Financial Statements:

For governmental and business-type activities, compensated absences are recorded as incurred and the related expenses and liabilities are reported.

Fund Financial Statements:

In governmental funds, compensated absences are recorded as expenditures in the years paid, as it is the City's policy to liquidate any unpaid compensated absences at June 30 from future resources, rather than currently available financial resources. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund. Vested or accumulated compensated absences of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

M. Use of Estimates:

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

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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, 2008:

	Government Wide Statement of Net Assets	Fiduciary Funds Statement of Assets and Liabilities	Total
Cash and investments	\$ 223,654,777	\$ 7,886,586	\$ 231,541,363
Restricted cash and investments	<u>11,201,839</u>	<u>16,777,397</u>	<u>27,979,236</u>
Total cash and investments	<u>\$ 234,856,616</u>	<u>\$ 24,663,983</u>	<u>\$ 259,520,599</u>

Cash and investments at June 30, 2008 consisted of the following:

Demand deposits	\$ 369,908
Escrow deposits	2,649,237
Investments	<u>256,501,454</u>
Total cash and investments	<u>\$ 259,520,599</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

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

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

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

N/A - Not Applicable

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

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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.

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

N/A - Not Applicable

In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments were stated at fair value using the aggregate method in all funds and component units.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Interest Rate Risk:

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

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

Investment Type	Remaining Maturity (in Months)				Total
	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months	
U.S. Treasury Obligations	\$ 2,035,460	\$ 5,933,900	\$ -	\$ -	\$ 7,969,360
U.S. Government Sponsored Enterprise Securities	28,746,887	23,700,961	133,310,110	-	185,757,958
Local Agency Investment Fund (LAIF)	37,444,136	-	-	-	37,444,136
Held by Bond Trustees:					
Money Market Mutual Funds	23,872,822	-	-	-	23,872,822
Investment Contracts	-	-	-	1,457,178	1,457,178
	<u>\$ 92,099,305</u>	<u>\$ 29,634,861</u>	<u>\$ 133,310,110</u>	<u>\$ 1,457,178</u>	<u>\$ 256,501,454</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, 2008 is \$136,445,269 or 63.09% of the City's portfolio (excluding held by bond trustees).

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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	Minimum	Exempt from			
	June 30, 2008	Legal Rating	Disclosure	AAA/Aaa	AA-/Aa2	Unrated
U.S. Treasury Obligations	\$ 7,969,360	N/A	\$ 7,969,360	\$ -	\$ -	\$ -
U.S. Government Sponsored						
Enterprise Securities	185,757,958	N/A	-	185,757,958	-	-
Local Agency Investment						
Fund (LAIF)	37,444,136	N/A	-	-	-	37,444,136
Held by Bond Trustees:						
Money Market Mutual						
Funds	23,872,822	AAA/Aaa	-	23,872,822	-	-
Investment Contracts	<u>1,457,178</u>	A/A	-	-	<u>1,457,178</u>	-
	<u>\$ 256,501,454</u>		<u>\$ 7,969,360</u>	<u>\$ 209,630,780</u>	<u>\$ 1,457,178</u>	<u>\$ 37,444,136</u>

Concentration of Credit Risk:

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

Issuer	Investment Type	Reported Amount	Percent of Investment
Federal Farm Credit Bank	U.S. Government Sponsored Enterprise Securities	\$ 30,943,186	14.28 %
Federal Home Loan Bank	U.S. Government Sponsored Enterprise Securities	48,273,428	22.27 %
Federal Home Loan Mortgage Corporation	U.S. Government Sponsored Enterprise Securities	48,513,884	22.38 %
Federal National Mortgage Association	U.S. Government Sponsored Enterprise Securities	58,027,460	26.77 %

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, 2008, \$735,700 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, 2008, 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>
U.S. Treasury Obligations	\$ 7,969,360
U.S. Government Sponsored Enterprise Securities	185,757,958

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

<u>Investment Type</u>	<u>Market Value</u>
Money Market Mutual Funds	\$ 23,872,822
Investment Contracts	1,457,178

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.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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, 2008:

	Government-Wide Statement of Net Assets
Governmental Activities:	
Notes	\$ <u>22,422,636</u>

B. Fund Financial Statements:

At June 30, 2008, the City had notes receivable reported in the following funds:

Housing Assistance Program Special Revenue Fund	\$ 22,367,826
Redevelopment Agency Capital Projects Fund	<u>54,810</u>
Total	<u>\$ 22,422,636</u>

The City made several housing rehabilitation, rental rehabilitation and long-term loans totaling \$22,367,826 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.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

5. INTERFUND TRANSACTIONS:

Interfund Receivables and Payables:

At June 30, 2008, 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	\$ 94,455
	Special Aviation Enterprise Fund	<u>459,833</u>
		<u>\$ 554,288</u>

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

Long-Term Advances:

At June 30, 2008, the City had the following interfund long-term advances:

<u>Advances To</u>	<u>Advances From</u>	<u>Amount</u>
Redevelopment Agency Debt Service Fund	General Fund	\$ 8,918,297
	Redevelopment Agency Capital Projects Fund	3,976,517
	Water Enterprise Fund	636,023
Sewer Enterprise Fund	Water Enterprise Fund	4,300,000
Special Aviation Enterprise Fund	General Fund	<u>249,122</u>
		<u>\$ 18,079,959</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, 2008 the outstanding balance of the loan was \$8,918,297.

The Low and Moderate Income Housing Fund advanced funds to the Redevelopment Agency Debt Service Fund to fund redevelopment projects. The loan is payable from tax increment revenues. As of June 30, 2008 the outstanding balance of the loan was \$3,976,517.

The Water Fund advanced funds to the Commission and the Sewer Enterprise Fund for operational purposes. As of June 30, 2008 the outstanding balance of the loan was \$4,936,023.

The General Fund advanced funds to the Special Aviation Enterprise Fund for operational purposes. As of June 30, 2008 the outstanding balance of the loan was \$249,122.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

5. INTERFUND TRANSACTIONS (CONTINUED):

Transfers:

Transfers in and out for the year ended June 30, 2008 are as follows:

Transfer From	Transfer To	Amount
General Fund	Housing Assistance Program Special Revenue Fund	\$ 476,041
	General Improvement Capital Projects Fund	9,941,330
	Other Governmental Funds	2,619,709
	Internal Service Funds	715,750
Housing Assistance Program Special Revenue Fund	Other Governmental Funds	184,940
Redevelopment Agency Debt Service Fund	Redevelopment Agency Capital Projects Fund	26,762
Redevelopment Agency Capital Projects Fund	Redevelopment Agency Debt Service Fund	4,318,763
	Other Governmental Funds	28,527
	Internal Service Funds	38,084
General Improvement Capital Projects Fund	General Fund	176,675
	Other Governmental Funds	605,785
Other Governmental Funds	General Fund	815,000
	General Improvement Capital Projects Fund	3,700,000
	Other Governmental Funds	682,737
	Internal Service Funds	47,742
Water Enterprise Fund	General Improvement Capital Projects Fund	1,104,619
	Other Governmental Funds	41,219
	Internal Service Funds	281,034
Sewer Enterprise Fund	Other Governmental Funds	42,502
	Internal Service Funds	131,987
Waste Disposal Enterprise Fund	Other Governmental Funds	147,746
	Internal Service Funds	35,196
Special Aviation Enterprise Fund	Other Governmental Funds	931
Oceanside Small Craft Harbor District Enterprise Fund	Other Governmental Funds	93,711
	Internal Service Funds	5,000
Internal Service Funds	Other Governmental Funds	33,617
		<u>\$ 26,295,407</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

5. INTERFUND TRANSACTIONS (CONTINUED):

Transfers (Continued):

The General Fund, Other Governmental Funds and the Water Enterprise Fund transferred \$9,941,330, \$3,700,000 and \$1,104,619, respectively, to the General Improvement Capital Projects Fund for capital improvement projects.

The Redevelopment Agency Debt Service Fund transferred \$26,762 to the Redevelopment Agency Capital Projects Fund for specific projects.

The Redevelopment Agency Capital Projects Fund transferred \$4,318,763 to the Redevelopment Agency Debt Service Fund for debt service payments.

6. CAPITAL ASSETS:

A summary of changes in the Governmental Activities capital assets at June 30, 2008 is as follows:

Governmental Activities:	<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 57,843,987	\$ -	\$ -	\$ 57,843,987
Construction in progress	<u>36,236,170</u>	<u>23,930,461</u>	<u>(16,100,952)</u>	<u>44,065,679</u>
Total capital assets, not being depreciated	<u>94,080,157</u>	<u>23,930,461</u>	<u>(16,100,952)</u>	<u>101,909,666</u>
Capital assets, being depreciated:				
Buildings and structures	64,274,349	14,424,230	-	78,698,579
Improvements other than buildings	8,652,043	-	-	8,652,043
Machinery and equipment	52,735,271	4,569,863	(1,205,695)	56,099,439
Infrastructure	<u>264,985,092</u>	<u>18,088,295</u>	<u>-</u>	<u>283,073,387</u>
Total capital assets, being depreciated	<u>390,646,755</u>	<u>37,082,388</u>	<u>(1,205,695)</u>	<u>426,523,448</u>
Less accumulated depreciation for:				
Buildings and structures	(20,311,122)	(1,648,051)	-	(21,959,173)
Improvements other than buildings	(3,639,099)	(375,967)	-	(4,015,066)
Machinery and equipment	(33,080,285)	(3,405,550)	1,184,695	(35,301,140)
Infrastructure	<u>(128,703,660)</u>	<u>(6,832,899)</u>	<u>-</u>	<u>(135,536,559)</u>
Total accumulated depreciation	<u>(185,734,166)</u>	<u>(12,262,467)</u>	<u>1,184,695</u>	<u>(196,811,938)</u>
Total capital assets, being depreciated, net	<u>204,912,589</u>	<u>24,819,921</u>	<u>(21,000)</u>	<u>229,711,510</u>
Governmental activities capital assets, net	<u>\$ 298,992,746</u>	<u>\$ 48,750,382</u>	<u>\$(16,121,952)</u>	<u>\$ 331,621,176</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

6. CAPITAL ASSETS (CONTINUED):

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

General government	\$ 661,798
Public safety	877,764
Public works	7,004,371
Community development	14,556
Community/culture services	1,285,029
Internal service funds	<u>2,418,949</u>
Total depreciation expense - governmental activities	<u>\$ 12,262,467</u>

A summary of changes in the Business-type Activities capital assets at June 30, 2008 is as follows:

Business-type Activities:	<u>Balance at</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Capital assets, not being depreciated:				
Land	\$ 20,836,745	\$ -	\$ -	\$ 20,836,745
Construction in progress	<u>38,324,701</u>	<u>12,560,256</u>	<u>(4,146,334)</u>	<u>46,738,623</u>
Total capital assets, not being depreciated	<u>59,161,446</u>	<u>12,560,256</u>	<u>(4,146,334)</u>	<u>67,575,368</u>
Capital assets, being depreciated:				
Buildings and structures	134,532,225	2,944,200	-	137,476,425
Improvements other than buildings	216,459,136	1,150,659	-	217,609,795
Machinery and equipment	<u>11,983,282</u>	<u>88,101</u>	<u>(12,304)</u>	<u>12,059,079</u>
Total capital assets, being depreciated	<u>362,974,643</u>	<u>4,182,960</u>	<u>(12,304)</u>	<u>367,145,299</u>
Less accumulated depreciation for:				
Buildings and structures	(27,455,730)	(2,743,160)	-	(30,198,890)
Improvements other than buildings	(103,668,501)	(6,808,173)	-	(110,476,674)
Machinery and equipment	<u>(2,623,122)</u>	<u>(875,666)</u>	<u>12,304</u>	<u>(3,486,484)</u>
Total accumulated depreciation	<u>(133,747,353)</u>	<u>(10,426,999)</u>	<u>12,304</u>	<u>(144,162,048)</u>
Total capital assets, being depreciated, net	<u>229,227,290</u>	<u>(6,244,039)</u>	<u>-</u>	<u>222,983,251</u>
Business-type activities capital assets, net	<u>\$ 288,388,736</u>	<u>\$ 6,316,217</u>	<u>\$ (4,146,334)</u>	<u>\$ 290,558,619</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

6. CAPITAL ASSETS (CONTINUED):

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

Water	\$ 3,964,267
Sewer	5,638,359
Waste disposal	34,012
Special aviation	13,234
Oceanside Small Craft Harbor District	<u>777,127</u>
Total depreciation expense - business-type activities	<u>\$ 10,426,999</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 available fund balance is reserved in amount equal to the carrying value of land and buildings held for resale because such assets are not available to finance current operations. The amount recorded as assets held for resale and the corresponding fund balance reserved as of June 30, 2008, 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, 2008:

	Balance July 1, <u>2007</u>	Additions	Deletions	Balance June 30, <u>2008</u>	Due Within <u>One Year</u>	Due in More Than <u>One Year</u>
Bonds payable	\$ 56,950,000	\$ -	\$ (1,975,000)	\$ 54,975,000	\$ 2,050,000	\$ 52,925,000
Certificates of participation	54,345,000	-	(2,810,000)	51,535,000	2,970,000	48,565,000
Capital leases payable	1,914,195	-	(250,097)	1,664,098	259,857	1,404,241
Notes payable	640,000	3,500,000	(215,000)	3,925,000	215,000	3,710,000
Pension obligation bonds	43,298,887	-	(591,644)	42,707,243	675,000	42,032,243
Claims payable	9,587,636	18,831	-	9,606,467	-	9,606,467
Compensated absences	<u>9,441,278</u>	<u>967,674</u>	<u>(129,550)</u>	<u>10,279,402</u>	<u>513,970</u>	<u>9,765,432</u>
Total	<u>\$ 176,176,996</u>	<u>\$ 4,486,505</u>	<u>\$ (5,971,291)</u>	<u>\$ 174,692,210</u>	<u>\$ 6,683,827</u>	<u>\$ 168,008,383</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Bonds Payable:

At June 30, 2008, bonds payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
2002 Tax Allocation						
Refunding Bonds	\$ 20,085,000	\$ -	\$ (655,000)	\$ 19,430,000	\$ 685,000	\$ 18,745,000
2003 Tax Allocation						
Refunding Bonds	6,495,000	-	(435,000)	6,060,000	450,000	5,610,000
Subordinate 2003						
Tax Allocation						
Bonds	17,510,000	-	(570,000)	16,940,000	595,000	16,345,000
2004 Tax Allocation						
Refunding Bonds	<u>12,860,000</u>	<u>-</u>	<u>(315,000)</u>	<u>12,545,000</u>	<u>320,000</u>	<u>12,225,000</u>
Totals	<u>\$ 56,950,000</u>	<u>\$ -</u>	<u>\$ (1,975,000)</u>	<u>\$ 54,975,000</u>	<u>\$ 2,050,000</u>	<u>\$ 52,925,000</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 \$685,000 to \$1,240,000. Interest rates vary from 3.0% to a maximum of 5.5% and are payable semiannually on September 1 and March 1. The bonds can be redeemed prior to maturity if notice of such redemption is mailed and trustee is satisfied with such procedure. Bonds maturing before September 1, 2013, are not subject to redemption prior to maturity. Bonds maturing on or after September 1, 2013, are subject to redemption in whole or in part on September 1, 2012, and each interest date thereafter. At June 30, 2008, the outstanding balance of these bonds was \$19,430,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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
2009	\$ 685,000	\$ 1,033,088	\$ 1,718,088
2010	715,000	1,000,694	1,715,694
2011	750,000	965,900	1,715,900
2012	785,000	928,463	1,713,463
2013	825,000	888,213	1,713,213
2014 - 2018	4,790,000	3,746,581	8,536,581
2019 - 2023	6,225,000	2,258,419	8,483,419
2024 - 2026	<u>4,655,000</u>	<u>411,557</u>	<u>5,066,557</u>
Totals	<u>\$ 19,430,000</u>	<u>\$ 11,232,915</u>	<u>\$ 30,662,915</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 \$450,000 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, 2008, the outstanding balance of these bonds was \$6,060,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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
2009	\$ 450,000	\$ 219,500	\$ 669,500
2010	460,000	205,850	665,850
2011	485,000	189,250	674,250
2012	505,000	169,450	674,450
2013	525,000	148,850	673,850
2014 - 2018	2,965,000	430,975	3,395,975
2019	<u>670,000</u>	<u>13,400</u>	<u>683,400</u>
Totals	<u>\$ 6,060,000</u>	<u>\$ 1,377,275</u>	<u>\$ 7,437,275</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 \$595,000 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, 2008, the outstanding balance of these bonds was \$16,940,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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
2009	\$ 595,000	\$ 894,939	\$ 1,489,939
2010	620,000	865,505	1,485,505
2011	655,000	834,350	1,489,350
2012	685,000	801,220	1,486,220
2013	720,000	766,058	1,486,058
2014 - 2018	4,180,000	3,229,326	7,409,326
2019 - 2023	5,435,000	1,945,601	7,380,601
2024 - 2026	<u>4,050,000</u>	<u>352,676</u>	<u>4,402,676</u>
Totals	<u>\$ 16,940,000</u>	<u>\$ 9,689,675</u>	<u>\$ 26,629,675</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 \$320,000 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, 2008, the outstanding balance of these bonds was \$12,545,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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
2009	\$ 320,000	\$ 528,954	\$ 848,954
2010	340,000	517,354	857,354
2011	340,000	503,754	843,754
2012	355,000	489,854	844,854
2013	370,000	476,279	846,279
2014 - 2018	2,000,000	2,158,437	4,158,437
2019 - 2023	5,785,000	1,416,313	7,201,313
2024 - 2025	<u>3,035,000</u>	<u>138,037</u>	<u>3,173,037</u>
Totals	<u>\$ 12,545,000</u>	<u>\$ 6,228,982</u>	<u>\$ 18,773,982</u>

Certificates of Participation:

At June 30, 2008, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
1995 Refunding COP	\$ 4,055,000	\$ -	\$ (1,275,000)	\$ 2,780,000	\$ 1,350,000	\$ 1,430,000
1998 COP	9,020,000	-	(325,000)	8,695,000	350,000	8,345,000
2003 COP	21,225,000	-	(1,080,000)	20,145,000	1,135,000	19,010,000
2005 Refunding COP	<u>20,045,000</u>	<u>-</u>	<u>(130,000)</u>	<u>19,915,000</u>	<u>135,000</u>	<u>19,780,000</u>
Totals	<u>\$ 54,345,000</u>	<u>\$ -</u>	<u>\$ (2,810,000)</u>	<u>\$ 51,535,000</u>	<u>\$ 2,970,000</u>	<u>\$ 48,565,000</u>

See independent auditors' report.

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 \$1,350,000 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 \$2,780,000.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,350,000	\$ 119,150	\$ 1,469,150
2010	<u>1,430,000</u>	<u>39,325</u>	<u>1,469,325</u>
Totals	<u>\$ 2,780,000</u>	<u>\$ 158,475</u>	<u>\$ 2,938,475</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 \$350,000 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, 2008, the outstanding balance of these certificates was \$8,695,000.

See independent auditors' report.

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
2009	\$ 350,000	\$ 431,025	\$ 781,025
2010	375,000	413,988	788,988
2011	400,000	395,775	795,775
2012	430,000	376,055	806,055
2013	460,000	354,465	814,465
2014 - 2018	2,810,000	1,380,358	4,190,358
2019 - 2023	3,870,000	528,150	4,398,150
Totals	<u>\$ 8,695,000</u>	<u>\$ 3,879,816</u>	<u>\$ 12,574,816</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 \$1,135,000 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, 2008, the outstanding balance of these certificates was \$20,145,000.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,135,000	\$ 1,039,853	\$ 2,174,853
2010	1,185,000	983,103	2,168,103
2011	1,245,000	923,853	2,168,853
2012	1,310,000	861,603	2,171,603
2013	1,375,000	796,103	2,171,103
2014 - 2018	8,015,000	2,837,712	10,852,712
2019 - 2023	5,880,000	875,965	6,755,965
Totals	<u>\$ 20,145,000</u>	<u>\$ 8,318,192</u>	<u>\$ 28,463,192</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, 2008, the outstanding balance of these certificates was \$19,915,000.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 135,000	\$ 799,288	\$ 934,288
2010	135,000	795,238	930,238
2011	1,650,000	768,463	2,418,463
2012	1,705,000	716,006	2,421,006
2013	1,765,000	653,000	2,418,000
2014 - 2018	9,940,000	2,157,126	12,097,126
2019 - 2020	4,585,000	232,124	4,817,124
Totals	<u>\$ 19,915,000</u>	<u>\$ 6,121,245</u>	<u>\$ 26,036,245</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Capital Lease Obligations:

At June 30, 2008, capital lease obligations payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
2004 Streetlight						
Lease/Purchase Agreement	\$ 1,706,657	\$ -	\$ (184,192)	\$ 1,522,465	\$ 190,728	\$ 1,331,737
2005 Vactor Truck						
Lease	207,538	-	(65,905)	141,633	69,129	72,504
Totals	<u>\$ 1,914,195</u>	<u>\$ -</u>	<u>\$ (250,097)</u>	<u>\$ 1,664,098</u>	<u>\$ 259,857</u>	<u>\$ 1,404,241</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 \$190,728 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, 2008, the outstanding balance of this lease was \$1,522,465.

The future minimum lease payments are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 190,728	\$ 59,938	\$ 250,666
2010	201,713	51,697	253,410
2011	206,985	43,115	250,100
2012	216,608	34,219	250,827
2013	225,631	24,932	250,563
2014 - 2015	480,800	20,461	501,261
Totals	<u>\$ 1,522,465</u>	<u>\$ 234,362</u>	<u>\$ 1,756,827</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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, 2008, the outstanding balance of this lease was \$141,633.

The future minimum lease payments are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Annual</u> <u>Payment</u>
2009	\$ 76,054
2010	<u>76,054</u>
Subtotal	152,108
Less interest portion	<u>(10,475)</u>
Totals	<u>\$ 141,633</u>

Notes Payable:

At June 30, 2008, notes payable consisted of the following:

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due</u> <u>Within</u> <u>One Year</u>	<u>Due in</u> <u>More Than</u> <u>One Year</u>
HUD 108 Loans	\$ 640,000	\$ -	\$ (215,000)	\$ 425,000	\$ 215,000	\$ 210,000
HUD 108 Loans	<u>-</u>	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>	<u>-</u>	<u>3,500,000</u>
	<u>\$ 640,000</u>	<u>\$ 3,500,000</u>	<u>\$ (215,000)</u>	<u>\$ 3,925,000</u>	<u>\$ 215,000</u>	<u>\$ 3,710,000</u>

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

In July 2001, the City entered into a contract with the U.S. Department of Housing and Urban Development for the Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. Section 5308 for Series HUD 2002-A Certificates. The loans are due in annual installments of \$215,000. Interest rates vary from 3.15% to 4.43% and are payable on February 1 and August 1. At June 30, 2008, the outstanding balance of the loans was \$425,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Notes Payable (Continued):

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

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 215,000	\$ 13,775	\$ 228,775
2010	210,000	4,652	214,652
Totals	<u>\$ 425,000</u>	<u>\$ 18,427</u>	<u>\$ 443,427</u>

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

In June 2008, the City entered into a contract with the U.S. Department of Housing and Urban Development for the Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, 42 U.S.C. Section 5308 for Series 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, 2008, the outstanding balance of the loans was \$3,500,000.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ -	\$ 106,202	\$ 106,202
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 - 2018	692,000	694,491	1,386,491
2019 - 2023	907,000	509,586	1,416,586
2024 - 2028	1,189,000	240,897	1,429,897
2029 - 2033	279,000	7,561	286,561
Totals	<u>\$ 3,500,000</u>	<u>\$ 2,201,260</u>	<u>\$ 5,701,260</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Pension Obligation Bonds:

At June 30, 2008, pension obligation bonds consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
2005 Taxable Pension						
Obligation Bonds	\$ 42,365,000	\$ -	\$ (540,000)	\$ 41,825,000	\$ 675,000	\$ 41,150,000
Bond premium	<u>933,887</u>	<u>-</u>	<u>(51,644)</u>	<u>882,243</u>	<u>-</u>	<u>882,243</u>
Totals	<u>\$ 43,298,887</u>	<u>\$ -</u>	<u>\$ (591,644)</u>	<u>\$ 42,707,243</u>	<u>\$ 675,000</u>	<u>\$ 42,032,243</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 \$675,000 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, 2008, the outstanding balance of the bonds was \$41,825,000.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 675,000	\$ 2,124,691	\$ 2,799,691
2010	825,000	2,090,461	2,915,461
2011	980,000	2,048,701	3,028,701
2012	1,150,000	1,998,949	3,148,949
2013	1,335,000	1,940,475	3,275,475
2014 - 2018	7,470,000	6,968,785	14,438,785
2019 - 2023	15,455,000	5,902,683	21,357,683
2024 - 2026	<u>13,935,000</u>	<u>1,187,026</u>	<u>15,122,026</u>
Subtotal	41,825,000	24,261,771	66,086,771
Add: Bond premium	<u>882,243</u>	<u>-</u>	<u>882,243</u>
Totals	<u>\$ 42,707,243</u>	<u>\$ 24,261,771</u>	<u>\$ 66,969,014</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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, 2008, was \$9,606,467.

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 \$10,279,402 at June 30, 2008. The general fund typically has been used in prior years to liquidate the liability for governmental compensated absences.

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

The following is a summary of changes in business-type and proprietary funds activities long-term debt for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
Bonds payable	\$ 8,525,000	\$ -	\$ (620,000)	\$ 7,905,000	\$ 640,000	\$ 7,265,000
Certificates of participation	21,215,000	-	(1,880,000)	19,335,000	1,950,000	17,385,000
Notes payable	72,654,206	-	(3,445,744)	69,208,462	3,531,899	65,676,563
Compensated absences	<u>2,190,580</u>	<u>264,712</u>	<u>(11,163)</u>	<u>2,444,129</u>	<u>122,206</u>	<u>2,321,923</u>
Total	<u>\$ 104,584,786</u>	<u>\$ 264,712</u>	<u>\$ (5,956,907)</u>	<u>\$ 98,892,591</u>	<u>\$ 6,244,105</u>	<u>\$ 92,648,486</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Bonds Payable:

At June 30, 2008, bonds payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
1998 Water Revenue						
Refunding Bonds	\$ 8,525,000	\$ -	\$ (620,000)	\$ 7,905,000	\$ 640,000	\$ 7,265,000

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 \$640,000 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, 2008, the outstanding balance of these bonds was \$7,905,000.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 640,000	\$ 360,279	\$ 1,000,279
2010	670,000	331,779	1,001,779
2011	705,000	301,176	1,006,176
2012	725,000	268,548	993,548
2013	765,000	233,805	998,805
2014 - 2018	4,400,000	564,771	4,964,771
Totals	\$ 7,905,000	\$ 2,060,358	\$ 9,965,358

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Certificates of Participation:

At June 30, 2008, certificates of participation (COP) payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
Revenue COP (1993 Water System Refunding Project) Series 2003	\$ 11,985,000	\$ -	\$ (1,375,000)	\$ 10,610,000	\$ 1,430,000	\$ 9,180,000
Revenue COP (1993 Wastewater System Refunding Project) Series 2003	9,230,000	-	(505,000)	8,725,000	520,000	8,205,000
Totals	\$ 21,215,000	\$ -	\$ (1,880,000)	\$ 19,335,000	\$ 1,950,000	\$ 17,385,000

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

The 2003 Revenue Certificates of Participation were issued by the Oceanside Public Financing Authority (the Authority) to refinance \$14,835,000 outstanding 1993 Water System Refunding Plan Certificates of Participation. The City has entered into an installment sale agreement with the Authority which provides for the payment by the City from the pledged revenues derived from the operation of the water system equivalent to the principal and interest on the certificates and related costs. Annual payments of \$540,000 to \$1,430,000 will be made through August 1, 2021; interest ranges from 2.00% to 4.13%. Certificates maturing before August 1, 2014, are not subject to redemption prior to maturity. Certificates maturing on or after August 1, 2014, are subject to redemption in whole or in part on August 1, 2013, and each interest date thereafter. At June 30, 2008 the outstanding balance of these certificates was \$10,610,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Certificates of Participation (Continued):

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

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 1,430,000	\$ 357,263	\$ 1,787,263
2010	1,015,000	313,438	1,328,438
2011	1,045,000	282,538	1,327,538
2012	540,000	258,762	798,762
2013	560,000	241,913	801,913
2014 - 2018	3,095,000	903,369	3,998,369
2019 - 2022	2,925,000	245,419	3,170,419
Totals	<u>\$ 10,610,000</u>	<u>\$ 2,602,702</u>	<u>\$ 13,212,702</u>

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

The 2003 Revenue Certificates of Participation were issued by the Oceanside Public Financing Authority (the Authority) to refinance \$10,960,000 outstanding 1993 Wastewater System Refunding Plan Certificates of Participation. The City has entered into an installment sale agreement with the Authority which provides for the payment by the City from the pledged revenues derived from the operation of the sewer system equivalent to the principal and interest on the certificates and related costs. Annual payments of \$520,000 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, 2008 the outstanding balance of these certificates was \$8,725,000.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Certificates of Participation (Continued):

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

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 520,000	\$ 385,750	\$ 905,750
2010	540,000	367,550	907,550
2011	565,000	345,950	910,950
2012	585,000	323,350	908,350
2013	605,000	299,950	904,950
2014 - 2018	3,435,000	1,108,050	4,543,050
2019 - 2021	<u>2,475,000</u>	<u>251,500</u>	<u>2,726,500</u>
Totals	<u>\$ 8,725,000</u>	<u>\$ 3,082,100</u>	<u>\$ 11,807,100</u>

Notes Payable:

At June 30, 2008, notes payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
State revolving loan	\$ 46,725,979	\$ -	\$ (2,083,923)	\$ 44,642,056	\$ 2,121,495	\$ 42,520,561
State Water Resources						
Control Board	5,197,194	-	(517,866)	4,679,328	531,849	4,147,479
Department of						
Boating and						
Waterways	3,795,589	-	(240,509)	3,555,080	251,333	3,303,747
Department of						
Transportation	740,444	-	(43,446)	696,998	47,222	649,776
1998 Wateruse						
Purchase Contract	<u>16,195,000</u>	<u>-</u>	<u>(560,000)</u>	<u>15,635,000</u>	<u>580,000</u>	<u>15,055,000</u>
Totals	<u>\$ 72,654,206</u>	<u>\$ -</u>	<u>\$ (3,445,744)</u>	<u>\$ 69,208,462</u>	<u>\$ 3,531,899</u>	<u>\$ 65,676,563</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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, 2008, the outstanding balance of these notes was \$44,642,056.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 2,121,495	\$ 804,896	\$ 2,926,391
2010	2,159,746	766,645	2,926,391
2011	2,198,686	727,705	2,926,391
2012	2,238,328	688,063	2,926,391
2013	2,278,685	647,706	2,926,391
2014 - 2018	12,024,715	2,607,242	14,631,957
2019 - 2023	13,148,544	1,483,414	14,631,958
2024 - 2026	<u>8,471,857</u>	<u>307,315</u>	<u>8,779,172</u>
Totals	<u>\$ 44,642,056</u>	<u>\$ 8,032,986</u>	<u>\$ 52,675,042</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 \$531,849 to \$658,191 through 2015. The interest rate is 2.7% payable annually on November 1. At June 30, 2008, the outstanding balance of this note was \$4,679,328.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

Notes Payable (Continued):

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

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 531,849	\$ 126,342	\$ 658,191
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 - 2016	<u>1,872,554</u>	<u>102,015</u>	<u>1,974,569</u>
Totals	<u>\$ 4,679,328</u>	<u>\$ 586,196</u>	<u>\$ 5,265,524</u>

Department of Boating and Waterways

At June 30, 2008, the Department of Boating and Waterways loans payable consisted of the following:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Due Within One Year	Due in More Than One Year
1984 loan payable	\$ 468,764	\$ -	\$ (43,396)	\$ 425,368	\$ 45,349	\$ 380,019
1986 loan payable	1,968,286	-	(142,205)	1,826,081	148,604	1,677,477
1994 loan payable	<u>1,358,539</u>	-	(54,908)	<u>1,303,631</u>	<u>57,380</u>	<u>1,246,251</u>
Totals	<u>\$ 3,795,589</u>	<u>\$ -</u>	<u>\$ (240,509)</u>	<u>\$ 3,555,080</u>	<u>\$ 251,333</u>	<u>\$ 3,303,747</u>

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

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 251,333	\$ 159,978	\$ 411,311
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 - 2018	1,581,577	345,998	1,927,575
2019 - 2023	487,490	92,726	580,216
2024	111,045	5,000	116,045
Totals	<u>\$ 3,555,080</u>	<u>\$ 1,125,311</u>	<u>\$ 4,680,391</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 \$47,222 to \$81,222 through 2020. At June 30, 2008, the outstanding balance of this note was \$696,998.

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

Year Ending June 30,	Principal	Interest	Total
2009	\$ 47,222	\$ 35,247	\$ 82,469
2010	51,000	32,859	83,859
2011	54,778	30,280	85,058
2012	58,556	27,510	86,066
2013	62,333	24,547	86,880
2014 - 2018	368,333	71,639	439,972
2019 - 2020	54,776	2,770	57,546
Totals	<u>\$ 696,998</u>	<u>\$ 224,852</u>	<u>\$ 921,850</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

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 interest on the purchase contract is variable; annual principal payments range from \$580,000 to \$1,005,000 through 2028. At June 30, 2008, the outstanding balance of this note was \$15,635,000.

The annual debt service requirements on this purchase contract (assuming 1.32% interest) are as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 580,000	\$ 206,382	\$ 786,382
2010	595,000	198,726	793,726
2011	615,000	190,872	805,872
2012	630,000	182,754	812,754
2013	655,000	174,438	829,438
2014 - 2018	3,590,000	737,154	4,327,154
2019 - 2023	4,185,000	484,836	4,669,836
2024 - 2028	4,785,000	190,806	4,975,806
Totals	<u>\$ 15,635,000</u>	<u>\$ 2,365,968</u>	<u>\$ 18,000,968</u>

Compensated Absences:

In proprietary funds, the liability for vested and unpaid compensated absences (accrued vacation and sick pay) is reported in the fund as the benefits vest and are earned. At June 30, 2008, compensated absences in the proprietary funds were as follows:

Business-Type Activities:	Balance at July 1, 2007	Additions	Deletions	Balance at June 30, 2008
Water	\$ 747,939	\$ 104,160	\$ (939)	\$ 851,160
Sewer	894,434	93,162	(2,899)	984,697
Waste Disposal	146,603	9,949	-	156,552
Special Aviation	38,066	11,826	(975)	48,917
Oceanside Small Craft Harbor District	363,538	45,615	(6,350)	402,803
Totals	<u>\$ 2,190,580</u>	<u>\$ 264,712</u>	<u>\$ (11,163)</u>	<u>\$ 2,444,129</u>

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

8. LONG-TERM LIABILITIES (CONTINUED):

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

The following Mortgage Revenue and Special District Bonds bearing the City's name were issued to finance 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. Therefore, none of the following obligations were included in the accompanying basic financial statements.

Issue	Issuing Agency	Date of Issue	Amount of Issue	Balance at June 30, 2008
City of Oceanside Assessment District No. 4-1998 (Mission Square)	City of Oceanside	May 1, 1994	320,830	\$ 120,000
1990 Residential Mortgage Revenue Bonds	City of Oceanside	July 1, 1990	21,000,000	14,570,000
1994 Multi-Family Housing Revenue Refunding Bonds Lakeridge	City of Oceanside	December 1, 1994	43,240,000	43,240,000
1996 Multi-Family Housing Revenue Bonds	City of Oceanside	December 1, 1996	29,430,000	28,999,166
2001 Multi-Family Rental Housing Refunding Revenue Bonds Vista Del Oro	City of Oceanside	March 1, 2001	13,325,000	13,325,000
2002 Multi-Family Housing Revenue Bonds Vintage Point II Senior Apartments	City of Oceanside	December 1, 2002	11,300,000	10,998,638
2008 Multi-Family Housing Revenue Bonds Country Club apartments	City of Oceanside	June 12, 2008	11,707,272	11,707,272
Trendwest CFD 2001-2 Owners Participation Agreement	City of Oceanside	December 1, 2002	1,500,000	545,000
Ocean Ranch CFD 2000-1 Ocean Ranch Corporate Centre	City of Oceanside	December 30, 2002	12,265,000	12,190,000
Morro Hill CFD 2002	City of Oceanside	December 1, 2002	16,085,000	15,345,000
Ocean Ranch CFD 2004	City of Oceanside	February 1, 2004	12,735,000	12,735,000
Morro Hills CFD 2001-1 Special Tax Bonds Series A of 2002	City of Oceanside	November 14, 2002	9,915,000	9,165,000
Morro Hills CFD 2004 Improvement Area #1	City of Oceanside	February 1, 2004	11,000,000	10,245,000
Pacific Coast Business Park CFD 2008	City of Oceanside	May 20, 2008	8,880,000	8,880,000

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

9. RESERVES AND DESIGNATIONS OF FUND BALANCES:

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

	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service	Redevelopment Agency Capital Projects	Other Governmental Funds	Total Governmental Funds
Reserves:						
Noncurrent assets	\$ -	\$ 22,367,826	\$ -	\$ 54,810	\$ -	\$ 22,422,636
Advances to other funds	3,579,379	-	-	3,976,517	-	7,555,896
Inventory	19,866	-	-	-	-	19,866
Prepaid items	8,171	-	-	1,365	5,368	14,904
Land and buildings held for resale	-	-	-	9,492,993	-	9,492,993
Debt service	-	-	4,422,143	-	4,979,276	9,401,419
Total Reserves	<u>\$ 3,607,416</u>	<u>\$ 22,367,826</u>	<u>\$ 4,422,143</u>	<u>\$ 13,525,685</u>	<u>\$ 4,984,644</u>	<u>\$ 48,907,714</u>
Designations:						
Cash flows/healthy cities	\$ 14,500,000	\$ -	\$ -	\$ -	\$ -	\$ 14,500,000
Economic stabilization	5,800,000	-	-	-	-	5,800,000
Capital projects/ infrastructure	12,255,000	-	-	-	-	12,255,000
Continuing appropriations	3,249,645	-	-	-	21,812,104	25,061,749
Total Designations	<u>\$ 35,804,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,812,104</u>	<u>\$ 57,616,749</u>

A. Reserved for Noncurrent Assets:

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

B. Reserved for Advances to Other Funds:

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

C. Reserved for Inventory:

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

D. Reserved for Prepaid Items:

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

See independent auditors' report.

9. RESERVES AND DESIGNATIONS OF FUND BALANCES (CONTINUED):

E. Reserved for Land and Buildings Held for Resale:

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

F. Reserved for Debt Service:

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

G. Designated for Cash Flows/Healthy Cities:

This designation is to maintain a stable tax and revenue structure and provide for 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.

H. Designated for Economic Stabilization:

This designation is to deal with changing and sometimes volatile funding sources or to continue normal operations and maintain service levels in the case of short-term revenue losses.

I. Designated for Capital Projects/Infrastructure:

This designation is for continued capital and infrastructure projects that were approved by City Council last fiscal year and not yet completed.

J. Designated for Continuing Appropriations:

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

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Deficit Fund Balances:

The following funds reported deficits in fund balances at June 30, 2008:

Major Fund:	
Redevelopment Agency Debt Service Fund	\$ (8,247,537)
Other Governmental Fund:	
Storm Damage Special Revenue Fund	(49,910)

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

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

10. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES:

Excess of Expenditures over Appropriations:

The following funds reported expenditures exceeding appropriations at June 30, 2008:

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Fund:			
Redevelopment Agency Capital			
Projects Fund - Community development	\$ 1,626,400	\$ 1,706,471	\$ (80,071)
Other Governmental Funds:			
Asset Seizure Special Revenue Fund:			
Public safety	-	33,099	(33,099)
Library Special Revenue Fund:			
Community/cultural services	439,376	446,729	(7,353)
Gas Tax Special Revenue Fund:			
Public works	2,757,562	3,286,052	(528,490)

11. RISK MANAGEMENT:

The City is a member of the San Diego Pooled Insurance Program Authority (SANDPIPA) which provides general liability insurance. As a member, the City carries a self-insured retention of \$250,000 and is insured through SANDPIPA from \$250,000 to \$2,000,000. In addition, SANDPIPA has purchased excess insurance coverage from \$2,000,000 to \$28,000,000 for all of its members, including the City. There have been no significant changes in insurance coverage during the current year and settlements have not exceeded coverage in each of the past three fiscal years.

The workers' compensation and general and auto liability claims payable of \$9,606,467 reported at June 30, 2008, 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,
2006	\$ 8,940,159	\$ 3,622,880	\$ (1,851,117)	\$ 10,711,922
2007	10,711,922	(483,108)	(641,178)	9,587,636
2008	9,587,636	3,756,927	(3,738,096)	9,606,467

See independent auditors' report.

11. RISK MANAGEMENT (CONTINUED):

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

Detailed financial information may be obtained from SANDPIPA.

If and when SANDPIPA is dissolved, the remaining assets, after all premiums and assessments have been paid and final disposition of all claims has been determined, will be distributed to members proportionate to each city's cash contributions made during the life of SANDPIPA. Until dissolution, however, no city has identifiable equity in SANDPIPA.

12. RETIREMENT PLANS:

Pension Plan Description:

The City contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of CalPERS' annual financial report may be obtained from the CalPERS Executive Office: 400 P Street, Sacramento, CA 95814.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

12. RETIREMENT PLANS (CONTINUED):

Funding Policy:

Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$5,731,920 for the year ended June 30, 2008. The City employer is required to contribute at actuarially determined rates, the rates for fiscal year 2007-2008, were 8.133% and 18.835% 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	\$ 3,379,989	\$ 5,537,143	\$ 8,917,132
Interest on net pension asset	(1,171,316)	(1,911,096)	(3,082,412)
Adjustment to annual required contribution	<u>1,310,978</u>	<u>2,138,964</u>	<u>3,449,942</u>
Annual pension cost	3,519,651	5,765,011	9,284,662
Contributions made	<u>(3,379,989)</u>	<u>(5,537,143)</u>	<u>(8,917,132)</u>
Increase in net pension asset	139,662	227,868	367,530
Net pension asset - beginning of year	<u>(15,113,760)</u>	<u>(24,659,293)</u>	<u>(39,773,053)</u>
Net pension asset - end of year	<u>\$ (14,974,098)</u>	<u>\$ (24,431,425)</u>	<u>\$ (39,405,523)</u>

The required contribution for the fiscal year 2007-2008 was determined as part of the June 30, 2004 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of payroll. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases ranging from 3.75% to 14.45% for miscellaneous and 3.75% to 13.15% for safety employees, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. CalPERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at June 30, 2004, was 30 years for both miscellaneous and safety employees.

See independent auditors' report.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

12. RETIREMENT PLANS (CONTINUED):

Annual Pension Cost (Continued):

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>
2006	\$ 2,922,844	\$ 20,105,883	688%	\$ (15,254,724)
2007	3,295,118	3,154,154	96%	(15,113,760)
2008	3,519,651	3,379,989	96%	(14,974,098)

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>
2006	\$ 4,768,850	\$ 29,658,137	622%	\$ (24,889,287)
2007	5,280,060	5,050,066	96%	(24,659,293)
2008	5,765,011	5,537,143	96%	(24,431,425)

Funded Status and Funding Progress:

As of June 30, 2007, the most recent actuarial valuation date, the miscellaneous and safety plans were 97.5% and 92.8% funded, respectively. The actuarial accrued liability for benefits was \$197,099,559 and \$268,872,924 for miscellaneous and safety, respectively, and the actuarial value of assets was \$192,236,398 and \$249,466,759 for miscellaneous and safety, respectively, resulting in an unfunded actuarial accrued liability (UAAL) of \$4,863,161 and \$19,406,165 for miscellaneous and safety, respectively. The covered payroll (annual payroll of active employees covered by the plans) were \$39,800,897 and \$28,502,999 for miscellaneous and safety, respectively, and the ratios of the UAAL to the covered payroll were 12.2% and 68.1% 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.

13. 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, 2008, the total retiree contributions were \$771,006. 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, 2008, the City estimated that it paid \$222,418 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 period not to exceed thirty years.

13. 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	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>489,847</u>
Implicit subsidy made	<u>222,418</u>
Increase in net OPEB obligation	267,429
Net OPEB Obligation - beginning of year	<u>-</u>
Net OPEB Obligation - end of year	<u>\$ 267,429</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, 2008, the first 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

Funded Status and Funding Progress:

As of July 1, 2007, the first actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,787,718, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$3,787,718. The covered payroll (annual payroll of active employees covered by the plan) was \$63,551,511 and the ratio of the UAL to the covered payroll was 5.96 percent.

See independent auditors' report.

13. 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, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 6% 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% to an ultimate rate of 5.0% after four years.

13. 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 \$22.70/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 \$100/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, 2008, the City paid \$22,484 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 period not to exceed thirty years.

13. 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	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>126,018</u>
Contributions made	<u>22,484</u>
Increase in net OPEB obligation	103,534
Net OPEB Obligation - beginning of year	<u>-</u>
Net OPEB Obligation - end of year	<u>\$ 103,534</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, 2008, the first 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

Funded Status and Funding Progress:

As of July 1, 2007, the first actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,214,849, and the actuarial value of assets was zero, resulting in an unfunded accrued liability (UAL) of \$1,214,849. The covered payroll (annual payroll of active employees covered by the plan) was \$11,823,069 and the ratio of the UAL to the covered payroll was 10.28 percent.

13. 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, 2007 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a discount rate of 6% 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% to an ultimate rate of 5.0% after four years.

14. 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.

City of Oceanside
Notes to Basic Financial Statements, Continued
June 30, 2008

15. 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:

	Governmental Activities
Net assets as previously reported	\$ 361,537,191
Fund statements adjustments (see schedule below)	<u>(1,440,004)</u>
Net assets as restated	<u>\$ 360,097,187</u>

Restatement of Fund Balances - Governmental Fund Financial Statements:

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

	Major Funds				
	General Fund	Housing Assistance Program Special Revenue Fund	Redevelopment Agency Capital Projects Fund	General Improvement Capital Projects Fund	Other Governmental Funds
Fund balances as previously reported	\$ 49,942,834	\$ 36,147,373	\$ 38,791,816	\$ 36,544,106	\$ 23,592,467
To record tax increment pass through for prior years	408,267	-	(1,269,571)	-	-
To reclassify developer fees revenues recorded in incorrect funds	-	169,801	-	-	(169,801)
To correct revenue received in error (amount should have been recorded as a liability)	-	-	-	(583,483)	-
To correct various asset and liability accounts as a result of gas tax program audit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,783</u>
Fund balances as restated	<u>\$ 50,351,101</u>	<u>\$ 36,317,174</u>	<u>\$ 37,522,245</u>	<u>\$ 35,960,623</u>	<u>\$ 23,427,449</u>

See independent auditors' report.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Oceanside
Note to Required Supplementary Information
June 30, 2008

1. BUDGETARY INFORMATION:

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

- During May of even numbered fiscal years, the City Manager submits to the City Council a proposed biennial operating budget for the two fiscal years commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted at City Council meetings to obtain taxpayer comments prior to and after May.
- Prior to July 1, the budget is legally adopted through passage of an appropriation resolution.

The City Manager is authorized to transfer funds appropriated within the same department. Revisions that alter the total appropriations of any department or fund must be approved by the City Council.

Budgets are adopted for the general, special revenue and capital project funds on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted and as further amended by the City Council. All annual appropriations lapse at year-end.

Formal budgetary integration is employed as a management control device during the year for the governmental fund types other than the debt service funds. Expenditures may not legally exceed appropriations at the activity level.

City of Oceanside
 Budgetary Comparison Schedule
 General Fund
 For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Fund balance, July 1 (as restated)	\$ 50,351,101	\$ 50,351,101	\$ 50,351,101	\$ -
Resources (inflows):				
Taxes	78,497,030	78,497,030	79,061,958	564,928
Licenses and permits	2,158,990	2,158,990	1,776,875	(382,115)
Intergovernmental revenues	1,675,570	1,675,570	1,725,083	49,513
Charges of services	10,261,286	10,261,286	9,132,237	(1,129,049)
Fines and forfeitures	3,894,110	3,894,110	4,344,699	450,589
Interest and rentals	4,341,911	4,341,911	6,385,835	2,043,924
Administrative and in lieu charges	13,933,791	13,933,791	13,633,572	(300,219)
Other revenues	281,000	298,500	325,019	26,519
Proceeds from sale of real property	-	-	1,560	1,560
Transfers in	815,000	1,588,849	991,675	(597,174)
Total resources (inflows)	115,858,688	116,650,037	117,378,513	728,476
Charges to appropriations (outflows):				
City council	954,243	954,243	880,963	73,280
City clerk	1,112,114	1,190,864	1,014,411	176,453
City treasurer	313,301	313,301	316,853	(3,552)
City manager	1,158,175	1,265,398	1,066,754	198,644
City attorney	1,712,819	1,712,819	1,668,056	44,763
Financial services	5,121,620	6,692,903	5,050,520	1,642,383
Personnel	961,402	961,402	978,820	(17,418)
Economic development	640,857	640,857	537,190	103,667
Planning	2,149,787	2,378,218	1,598,204	780,014
Building	2,986,040	3,056,040	2,813,388	242,652
Housing and neighborhood services	955,813	973,313	930,424	42,889
Police	48,052,949	48,882,822	44,803,736	4,079,086
Fire	22,590,762	22,767,437	23,075,152	(307,715)
Public works	10,746,236	10,878,060	9,909,722	968,338
Library	6,245,810	6,368,840	5,881,415	487,425
Parks and recreation	4,082,391	4,052,391	3,504,134	548,257
Beach recreation	2,502,280	2,524,730	2,559,829	(35,099)
Nondepartmental	2,065,250	3,110,316	3,263,395	(153,079)
Transfers out	5,535,846	19,556,827	13,752,830	5,803,997
Total charges to appropriations (outflows)	119,887,695	138,280,781	123,605,796	14,674,985
Excess of resources over (under) charges to appropriations	(4,029,007)	(21,630,744)	(6,227,283)	15,403,461
Fund balance, June 30	\$ 46,322,094	\$ 28,720,357	\$ 44,123,818	\$ 15,403,461

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 36,317,174	\$ 36,317,174	\$ 36,317,174	\$ -
Resources (inflows):				
Licenses and permits	120,509	120,509	122,294	1,785
Intergovernmental revenues	14,258,091	15,402,791	13,378,666	(2,024,125)
Charges of services	310,886	219,196	355,292	136,096
Interest and rentals	62,240	62,240	1,153,959	1,091,719
Developer fees	-	177,025	411,000	233,975
Other revenues	549,568	182,500	183,516	1,016
Transfers in	611,869	611,869	476,041	(135,828)
Total resources (inflows)	15,913,163	16,776,130	16,080,768	(695,362)
Charges to appropriations (outflows):				
Community development:				
Housing and neighborhood services	16,335,784	36,221,825	16,094,689	20,127,136
Transfers out	-	-	184,940	(184,940)
Total charges to appropriations (outflows)	16,335,784	36,221,825	16,279,629	19,942,196
Excess of resources over (under) charges to appropriations	(422,621)	(19,445,695)	(198,861)	19,246,834
Fund balance, June 30	\$ 35,894,553	\$ 16,871,479	\$ 36,118,313	\$ 19,246,834

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

City of Oceanside
 Required Supplementary Information, Continued
 For the year ended June 30, 2008

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

Miscellaneous Employees

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL as a % of Payroll Percentage of [(a)-(b)]/(c)
06/30/05	\$ 162,831,419	\$ 157,958,947	\$ 4,872,472	97.01%	\$ 32,821,215	14.85%
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%

Safety Employees

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL as a % of Payroll Percentage of [(a)-(b)]/(c)
06/30/05	\$ 222,688,992	\$ 180,235,494	\$ 42,453,498	80.94%	\$ 21,940,504	193.49%
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%

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**

Retiree Health Plan

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL as a % of Payroll Percentage of [(a)-(b)]/(c)
06/30/08	\$ 3,787,718	\$ -	\$ 3,787,718	0.00%	\$ 63,551,511	5.96%

PERS Health Program

Actuarial Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a) - (b)	Funded Ratio (b)/(a)	Annual Covered Payroll (c)	UL as a % of Payroll Percentage of [(a)-(b)]/(c)
06/30/08	\$ 1,214,849	\$ -	\$ 1,214,849	0.00%	\$ 11,823,069	10.28%

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

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SUPPLEMENTARY INFORMATION

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OTHER GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The **Asset Seizure Fund** is used to account for funds received as a result of seizure of assets from those convicted of violations of drug laws. Funds are used to enhance law enforcement services and activities.

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

The **Gas Tax Fund** is used to account for the maintenance and capital improvements associated with motor vehicle travel. Financing is provided primarily from the City's share of State gasoline taxes.

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

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

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

The **Strategic Traffic Offender Program (STOP) Fund** is used to account for funds received from the impoundment of vehicles under California Vehicle Code Section 22651(h)(1), (h)(2), (o)(1), (p), 22655.3 (a) & (b), 14602.6 (a), and 14607.6 (a).

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

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

DEBT SERVICE FUNDS

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

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

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

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

City of Oceanside
Combining Balance Sheet
Other Governmental Funds
June 30, 2008

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 20,550,561	\$ 2,771,545	\$ 23,322,106
Restricted cash and investments	-	2,207,717	2,207,717
Receivables:			
Accounts	2,501,579	-	2,501,579
Interest	-	-	-
Taxes	166,570	-	166,570
Other	29,899	14	29,913
Due from other governments	1,653,580	-	1,653,580
Prepaid items	5,368	-	5,368
TOTAL ASSETS	\$ 24,907,557	\$ 4,979,276	\$ 29,886,833
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 969,199	\$ -	\$ 969,199
Accrued liabilities	122,894	-	122,894
Deposits	80,964	-	80,964
Due to other funds	94,455	-	94,455
Deferred revenue	764,777	-	764,777
TOTAL LIABILITIES	2,032,289	-	2,032,289
FUND BALANCES:			
Reserved for:			
Prepaid items	5,368	-	5,368
Debt service	-	4,979,276	4,979,276
Unreserved, designated	21,812,104	-	21,812,104
Unreserved, undesignated, reported in:			
Special revenue funds	1,057,796	-	1,057,796
TOTAL FUND BALANCES	22,875,268	4,979,276	27,854,544
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,907,557	\$ 4,979,276	\$ 29,886,833

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, 2008

	Special Revenue Funds	Debt Service Funds	Total Other Governmental Funds
REVENUES:			
Special assessments	\$ 8,286,184	\$ 673	\$ 8,286,857
Intergovernmental revenues	8,288,658	-	8,288,658
Charges for services	963,037	-	963,037
Fines and forfeitures	629,939	-	629,939
Lease revenue	-	2,256,588	2,256,588
Interest and rentals	984,399	125,126	1,109,525
Other revenues	266,196	-	266,196
TOTAL REVENUES	19,418,413	2,382,387	21,800,800
EXPENDITURES:			
Current:			
General government	348,594	-	348,594
Public safety	1,457,989	-	1,457,989
Public works	5,529,928	-	5,529,928
Community development	1,173,381	-	1,173,381
Community/cultural services	1,906,840	-	1,906,840
Capital outlay	3,558,007	-	3,558,007
Debt service:			
Principal retirement	215,000	2,129,192	2,344,192
Interest and fees	22,332	3,768,387	3,790,719
TOTAL EXPENDITURES	14,212,071	5,897,579	20,109,650
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,206,342	(3,515,192)	1,691,150
OTHER FINANCING SOURCES (USES):			
Loan proceeds	3,500,000	-	3,500,000
Transfers in	932,561	3,548,863	4,481,424
Transfers out	(5,245,479)	-	(5,245,479)
TOTAL OTHER FINANCING SOURCES (USES)	(812,918)	3,548,863	2,735,945
NET CHANGE IN FUND BALANCES	4,393,424	33,671	4,427,095
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	18,481,844	4,945,605	23,427,449
FUND BALANCES - END OF YEAR	\$ 22,875,268	\$ 4,979,276	\$ 27,854,544

See independent auditors' report.

City of Oceanside
Combining Balance Sheet
Other Special Revenue Funds
June 30, 2008

ASSETS	Asset Seizure	Library	Gas Tax
Cash and investments	\$ 1,104,930	\$ 29,040	\$ 15,800,008
Receivables:			
Accounts	-	-	-
Interest	-	-	-
Assessments	-	-	-
Taxes	-	-	-
Other	352	-	-
Due from other governments	-	-	1,036,122
Prepaid items	-	4,648	-
TOTAL ASSETS	\$ 1,105,282	\$ 33,688	\$ 16,836,130
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ -	\$ 26,616	\$ 332,212
Accrued liabilities	-	-	64,528
Deposits	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	110,003
TOTAL LIABILITIES	-	26,616	506,743
FUND BALANCES (DEFICIT):			
Reserved for:			
Prepaid items	-	4,648	-
Unreserved:			
Designated for:			
Continuing appropriations	-	-	16,329,387
Undesignated	1,105,282	2,424	-
TOTAL FUND BALANCES (DEFICIT)	1,105,282	7,072	16,329,387
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,105,282	\$ 33,688	\$ 16,836,130

See independent auditors' report.

Community Development Block Grant	Recreation	Maintenance Districts	STOP	Storm Damage	Grants	Totals
\$ -	\$ 670,247	\$ 1,571,552	\$ 1,094,106	\$ -	\$ 280,678	\$ 20,550,561
-	-	-	-	-	2,501,579	2,501,579
-	-	-	-	-	-	-
-	-	-	-	-	-	-
166,570	-	-	-	-	-	166,570
-	12,998	16,549	-	-	-	29,899
-	-	-	-	-	617,458	1,653,580
-	-	-	-	-	720	5,368
<u>\$ 166,570</u>	<u>\$ 683,245</u>	<u>\$ 1,588,101</u>	<u>\$ 1,094,106</u>	<u>\$ -</u>	<u>\$ 3,400,435</u>	<u>\$ 24,907,557</u>
\$ 117,620	\$ 27,003	\$ 205,108	\$ 1,325	\$ -	\$ 259,315	\$ 969,199
4,405	33,316	-	19,787	-	858	122,894
-	80,964	-	-	-	-	80,964
44,545	-	-	-	49,910	-	94,455
-	115,163	-	-	-	539,611	764,777
<u>166,570</u>	<u>256,446</u>	<u>205,108</u>	<u>21,112</u>	<u>49,910</u>	<u>799,784</u>	<u>2,032,289</u>
-	-	-	-	-	720	5,368
-	426,799	1,382,993	1,072,994	-	2,599,931	21,812,104
-	-	-	-	(49,910)	-	1,057,796
-	426,799	1,382,993	1,072,994	(49,910)	2,600,651	22,875,268
<u>\$ 166,570</u>	<u>\$ 683,245</u>	<u>\$ 1,588,101</u>	<u>\$ 1,094,106</u>	<u>\$ -</u>	<u>\$ 3,400,435</u>	<u>\$ 24,907,557</u>

City of Oceanside
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Other Special Revenue Funds
For the year ended June 30, 2008

	Asset Seizure	Library	Gas Tax
REVENUES:			
Special assessments	\$ -	\$ -	\$ 5,934,360
Intergovernmental revenues	808,324	68,311	3,737,374
Charges for services	-	103,388	-
Fines and forfeitures	-	-	-
Interest and rentals	28,194	-	802,577
Other revenues	-	41,244	25,009
TOTAL REVENUES	836,518	212,943	10,499,320
EXPENDITURES:			
Current:			
General government	-	-	-
Public safety	33,099	-	-
Public works	-	-	3,286,052
Community development	-	-	-
Community/cultural services	-	446,729	-
Capital outlay	-	-	3,452,474
Debt service:			
Principal retirement	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	33,099	446,729	6,738,526
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	803,419	(233,786)	3,760,794
OTHER FINANCING SOURCES (USES):			
Loan proceeds	-	-	-
Transfers in	-	232,600	140,160
Transfers out	-	-	(1,056,652)
TOTAL OTHER FINANCING SOURCES (USES)	-	232,600	(916,492)
NET CHANGE IN FUND BALANCES	803,419	(1,186)	2,844,302
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR, AS RESTATED	301,863	8,258	13,485,085
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 1,105,282	\$ 7,072	\$ 16,329,387

See independent auditors' report.

Community Development Block Grant	Recreation	Maintenance Districts	STOP	Storm Damage	Grants	Totals
\$ -	\$ -	\$ 2,351,824	\$ -	\$ -	\$ -	\$ 8,286,184
1,449,230	-	-	-	30,995	2,194,424	8,288,658
-	859,649	-	-	-	-	963,037
-	-	-	629,939	-	-	629,939
-	27,856	52,518	52,732	-	20,522	984,399
-	24,488	36,956	-	-	138,499	266,196
<u>1,449,230</u>	<u>911,993</u>	<u>2,441,298</u>	<u>682,671</u>	<u>30,995</u>	<u>2,353,445</u>	<u>19,418,413</u>
348,594	-	-	-	-	-	348,594
-	-	-	694,863	-	730,027	1,457,989
-	-	2,050,710	-	-	193,166	5,529,928
706,691	-	-	-	-	466,690	1,173,381
49,409	1,055,072	-	-	-	355,630	1,906,840
105,533	-	-	-	-	-	3,558,007
215,000	-	-	-	-	-	215,000
22,332	-	-	-	-	-	22,332
<u>1,447,559</u>	<u>1,055,072</u>	<u>2,050,710</u>	<u>694,863</u>	<u>-</u>	<u>1,745,513</u>	<u>14,212,071</u>
<u>1,671</u>	<u>(143,079)</u>	<u>390,588</u>	<u>(12,192)</u>	<u>30,995</u>	<u>607,932</u>	<u>5,206,342</u>
3,500,000	-	-	-	-	-	3,500,000
-	-	390,000	-	-	169,801	932,561
<u>(3,501,671)</u>	<u>(4,587)</u>	<u>(658,887)</u>	<u>(23,009)</u>	<u>-</u>	<u>(673)</u>	<u>(5,245,479)</u>
<u>(1,671)</u>	<u>(4,587)</u>	<u>(268,887)</u>	<u>(23,009)</u>	<u>-</u>	<u>169,128</u>	<u>(812,918)</u>
-	(147,666)	121,701	(35,201)	30,995	777,060	4,393,424
-	574,465	1,261,292	1,108,195	(80,905)	1,823,591	18,481,844
<u>\$ -</u>	<u>\$ 426,799</u>	<u>\$ 1,382,993</u>	<u>\$ 1,072,994</u>	<u>\$ (49,910)</u>	<u>\$ 2,600,651</u>	<u>\$ 22,875,268</u>

City of Oceanside
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Asset Seizure Special Revenue Fund
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 301,863	\$ 301,863	\$ 301,863	\$ -
Resources (inflows):				
Intergovernmental revenues	100,000	100,000	808,324	708,324
Interest and rentals	-	-	28,194	28,194
Total resources (inflows)	100,000	100,000	836,518	736,518
Charges to appropriations (outflows):				
Public safety	-	-	33,099	(33,099)
Excess of resources over (under) charges to appropriations	100,000	100,000	803,419	703,419
Fund balance, June 30	\$ 401,863	\$ 401,863	\$ 1,105,282	\$ 703,419

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 8,258</u>	<u>\$ 8,258</u>	<u>\$ 8,258</u>	<u>\$ -</u>
Resources (inflows):				
Intergovernmental revenues	69,250	69,250	68,311	(939)
Charges for services	100,410	100,410	103,388	2,978
Other revenues	40,000	40,000	41,244	1,244
Transfers in	232,600	232,600	232,600	-
Total resources (inflows)	<u>442,260</u>	<u>442,260</u>	<u>445,543</u>	<u>3,283</u>
Charges to appropriations (outflows):				
Community/cultural services:				
Library	<u>438,348</u>	<u>439,376</u>	<u>446,729</u>	<u>(7,353)</u>
Excess of resources over (under) charges to appropriations	<u>3,912</u>	<u>2,884</u>	<u>(1,186)</u>	<u>(4,070)</u>
Fund balance, June 30	<u>\$ 12,170</u>	<u>\$ 11,142</u>	<u>\$ 7,072</u>	<u>\$ (4,070)</u>

See independent auditors' report.

City of Oceanside
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Gas Tax Special Revenue Fund
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 13,485,085	\$ 13,485,085	\$ 13,485,085	\$ -
Resources (inflows):				
Special assessments	4,500,000	4,500,000	5,934,360	1,434,360
Intergovernmental revenues	4,573,830	4,573,830	3,737,374	(836,456)
Interest and rentals	183,000	183,000	802,577	619,577
Other revenues	-	-	25,009	25,009
Transfers in	305,000	308,441	140,160	(168,281)
Total resources (inflows)	<u>9,561,830</u>	<u>9,565,271</u>	<u>10,639,480</u>	<u>1,074,209</u>
Charges to appropriations (outflows):				
Public works	2,668,740	2,757,562	3,286,052	(528,490)
Capital outlay	14,860,003	13,375,126	3,452,474	9,922,652
Transfers out	1,005,000	1,050,242	1,056,652	(6,410)
Total charges to appropriations (outflows)	<u>18,533,743</u>	<u>17,182,930</u>	<u>7,795,178</u>	<u>9,387,752</u>
Excess of resources over (under) charges to appropriations	<u>(8,971,913)</u>	<u>(7,617,659)</u>	<u>2,844,302</u>	<u>10,461,961</u>
Fund balance, June 30	\$ 4,513,172	\$ 5,867,426	\$ 16,329,387	\$ 10,461,961

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Intergovernmental revenues	1,865,865	3,097,644	1,449,230	(1,648,414)
Loan proceeds	-	-	3,500,000	3,500,000
Total resources (inflows)	<u>1,865,865</u>	<u>3,097,644</u>	<u>4,949,230</u>	<u>1,851,586</u>
Charges to appropriations (outflows):				
Current:				
General government	739,413	531,474	348,594	182,880
Community development	1,084,489	1,490,853	706,691	784,162
Community/cultural services	56,159	199,460	49,409	150,051
Capital outlay	-	638,525	105,533	532,992
Debt service:				
Principal retirement	215,000	215,000	215,000	-
Interest and fees	22,332	22,332	22,332	-
Transfers out	-	-	3,501,671	(3,501,671)
Total charges to appropriations (outflows)	<u>2,117,393</u>	<u>3,097,644</u>	<u>4,949,230</u>	<u>(1,851,586)</u>
Excess of resources over (under) charges to appropriations	<u>(251,528)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ (251,528)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	<u>\$ 574,465</u>	<u>\$ 574,465</u>	<u>\$ 574,465</u>	<u>\$ -</u>
Resources (inflows):				
Charges for services	765,080	765,080	859,649	94,569
Interest and rentals	27,500	27,500	27,856	356
Other revenues	121,200	236,200	24,488	(211,712)
Total resources (inflows)	<u>913,780</u>	<u>1,028,780</u>	<u>911,993</u>	<u>(116,787)</u>
Charges to appropriations (outflows):				
Community/cultural services:				
Parks and recreation	852,831	967,831	910,753	57,078
Beach recreation	185,462	185,462	144,319	41,143
Transfers out	-	-	4,587	(4,587)
Total charges to appropriations (outflows)	<u>1,038,293</u>	<u>1,153,293</u>	<u>1,059,659</u>	<u>93,634</u>
Excess of resources over (under) charges to appropriations	<u>(124,513)</u>	<u>(124,513)</u>	<u>(147,666)</u>	<u>(23,153)</u>
Fund balance, June 30	<u>\$ 449,952</u>	<u>\$ 449,952</u>	<u>\$ 426,799</u>	<u>\$ (23,153)</u>

See independent auditors' report.

City of Oceanside
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
Maintenance Districts Special Revenue Fund
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,261,292	\$ 1,261,292	\$ 1,261,292	\$ -
Resources (inflows):				
Special assessments	2,325,362	2,325,638	2,351,824	26,186
Interest and rentals	17,800	19,800	52,518	32,718
Other revenues	10,000	15,000	36,956	21,956
Transfers in	390,000	390,000	390,000	-
Total resources (inflows)	<u>2,743,162</u>	<u>2,750,438</u>	<u>2,831,298</u>	<u>80,860</u>
Charges to appropriations (outflows):				
Public works	2,290,711	2,209,741	2,050,710	159,031
Transfers out	657,003	657,003	658,887	(1,884)
Total charges to appropriations (outflows)	<u>2,947,714</u>	<u>2,866,744</u>	<u>2,709,597</u>	<u>157,147</u>
Excess of resources over (under) charges to appropriations	<u>(204,552)</u>	<u>(116,306)</u>	<u>121,701</u>	<u>238,007</u>
Fund balance, June 30	\$ 1,056,740	\$ 1,144,986	\$ 1,382,993	\$ 238,007

See independent auditors' report.

City of Oceanside
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
STOP Special Revenue Fund
For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 1,108,195	\$ 1,108,195	\$ 1,108,195	\$ -
Resources (inflows):				
Fines and forfeitures	455,000	455,000	629,939	174,939
Interest and rentals	-	-	52,732	52,732
Total resources (inflows)	<u>455,000</u>	<u>455,000</u>	<u>682,671</u>	<u>227,671</u>
Charges to appropriations (outflows):				
Public safety:				
Police	655,670	695,205	694,863	342
Transfers out	-	2,500	23,009	(20,509)
Total charges to appropriations (outflows)	<u>655,670</u>	<u>697,705</u>	<u>717,872</u>	<u>(20,167)</u>
Excess of resources over (under) charges to appropriations	<u>(200,670)</u>	<u>(242,705)</u>	<u>(35,201)</u>	<u>207,504</u>
Fund balance, June 30	\$ 907,525	\$ 865,490	\$ 1,072,994	\$ 207,504

See independent auditors' report.

City of Oceanside
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Storm Damage Special Revenue Fund
 For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance (deficit), July 1	\$ (80,905)	\$ (80,905)	\$ (80,905)	\$ -
Resources (inflows):				
Intergovernmental revenues	-	-	30,995	30,995
Fund balance (deficit), June 30	<u>\$ (80,905)</u>	<u>\$ (80,905)</u>	<u>\$ (49,910)</u>	<u>\$ 30,995</u>

See independent auditors' report.

City of Oceanside
 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
 Grants Special Revenue Fund
 For the year ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 1,823,591	\$ 1,823,591	\$ 1,823,591	\$ -
Resources (inflows):				
Intergovernmental revenues	1,552,127	5,659,150	2,194,424	(3,464,726)
Interest and rentals	3,000	19,000	20,522	1,522
Other revenues	104,200	149,271	138,499	(10,772)
Transfers in	-	-	169,801	169,801
Tota resources (inflows)	1,659,327	5,827,421	2,523,246	(3,304,175)
Charges to appropriations (outflows):				
Public safety:				
Police	463,899	895,096	676,284	218,812
Fire	3,000	111,082	53,743	57,339
Public works	17,584	350,681	193,166	157,515
Community development:				
Housing and neighborhood services	1,073,358	3,704,462	466,690	3,237,772
Community/cultural services:				
Library	25,913	707,795	355,630	352,165
Transfers out	-	-	673	(673)
Total charges to appropriations (outflows)	1,583,754	5,769,116	1,746,186	4,022,930
Excess of resources over (under) charges to appropriations	75,573	58,305	777,060	718,755
Fund balance, June 30	\$ 1,899,164	\$ 1,881,896	\$ 2,600,651	\$ 718,755

See independent auditors' report.

City of Oceanside
Combining Balance Sheet
Other Debt Service Funds
June 30, 2008

	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	\$ 743,234	\$ 30,735	\$ 75,788	\$ 2,771,545
Restricted cash and investments	2,182,616	1,677	-	23,424	2,207,717
Receivables:					
Other	-	14	-	-	14
TOTAL ASSETS	\$ 4,104,404	\$ 744,925	\$ 30,735	\$ 99,212	\$ 4,979,276
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
FUND BALANCES:					
Reserved for:					
Debt service	4,104,404	744,925	30,735	99,212	4,979,276
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,104,404	\$ 744,925	\$ 30,735	\$ 99,212	\$ 4,979,276

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, 2008

	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Pension Obligation Funds	Total Other Debt Service Funds
REVENUES:					
Special assessments	\$ -	\$ 673	\$ -	\$ -	\$ 673
Lease revenue	2,085,912	170,676	-	-	2,256,588
Interest and rentals	67,606	33,990	-	23,530	125,126
TOTAL REVENUES	2,153,518	205,339	-	23,530	2,382,387
EXPENDITURES:					
Debt service:					
Principal retirement	1,080,000	325,000	184,192	540,000	2,129,192
Interest and fees	1,093,853	452,756	67,812	2,153,966	3,768,387
TOTAL EXPENDITURES	2,173,853	777,756	252,004	2,693,966	5,897,579
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,335)	(572,417)	(252,004)	(2,670,436)	(3,515,192)
OTHER FINANCING SOURCES:					
Transfers in	-	605,143	252,004	2,691,716	3,548,863
NET CHANGE IN FUND BALANCES	(20,335)	32,726	-	21,280	33,671
FUND BALANCES - BEGINNING OF YEAR	4,124,739	712,199	30,735	77,932	4,945,605
FUND BALANCES - END OF YEAR	\$ 4,104,404	\$ 744,925	\$ 30,735	\$ 99,212	\$ 4,979,276

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 37,522,245	\$ 37,522,245	\$ 37,522,245	\$ -
Resources (inflows):				
Taxes	8,557,742	8,557,742	9,570,115	1,012,373
Charges of services	60,000	60,000	104,085	44,085
Interest and rentals	39,200	39,200	1,191,313	1,152,113
Developer fees	90,000	90,000	22,500	(67,500)
Other revenues	-	-	69,103	69,103
Transfers in	2,488,000	2,488,000	26,762	(2,461,238)
Total resources (inflows)	<u>11,234,942</u>	<u>11,234,942</u>	<u>10,983,878</u>	<u>(251,064)</u>
Charges to appropriations (outflows):				
Community development:				
Redevelopment	2,029,067	1,626,400	1,706,471	(80,071)
Capital outlay	18,202,366	19,194,160	2,280,706	16,913,454
Transfers out	4,552,979	5,190,153	4,385,374	804,779
Total charges to appropriations (outflows)	<u>24,784,412</u>	<u>26,010,713</u>	<u>8,372,551</u>	<u>17,638,162</u>
Excess of resources over (under) charges to appropriations	<u>(13,549,470)</u>	<u>(14,775,771)</u>	<u>2,611,327</u>	<u>17,387,098</u>
Fund balance, June 30	<u>\$ 23,972,775</u>	<u>\$ 22,746,474</u>	<u>\$ 40,133,572</u>	<u>\$ 17,387,098</u>

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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1 (as restated)	\$ 35,960,623	\$ 35,960,623	\$ 35,960,623	\$ -
Resources (inflows):				
Intergovernmental revenues	5,000,000	8,149,844	19,373,353	11,223,509
Interest and rentals	599,343	599,343	2,053,505	1,454,162
Developer fees	2,888,197	2,950,205	3,593,158	642,953
Other revenues	-	-	642,497	642,497
Loan proceeds	-	3,500,000	-	(3,500,000)
Transfers in	5,225,000	23,610,268	14,745,949	(8,864,319)
Total resources (inflows)	<u>13,712,540</u>	<u>38,809,660</u>	<u>40,408,462</u>	<u>1,598,802</u>
Charges to appropriations (outflows):				
Public works	1,904,872	1,904,872	237,513	1,667,359
Capital outlay	46,865,138	69,482,831	40,180,506	29,302,325
Transfers out	605,143	5,881,818	782,460	5,099,358
Total charges to appropriations (outflows)	<u>49,375,153</u>	<u>77,269,521</u>	<u>41,200,479</u>	<u>36,069,042</u>
Excess of resources over (under) charges to appropriations	<u>(35,662,613)</u>	<u>(38,459,861)</u>	<u>(792,017)</u>	<u>37,667,844</u>
Fund balance, June 30	\$ 298,010	\$ (2,499,238)	\$ 35,168,606	\$ 37,667,844

See independent auditors' report.

INTERNAL SERVICE FUNDS

The **Loss Prevention Fund** is used to account for the costs of the City's risk management and self-insurance programs. Funds are provided primarily from charges to programs and projects.

The **General Services Fund** is used to account for the costs of maintenance of automotive equipment, City buildings, and the costs of operating central data processing operations. Funds are provided from charges to programs and projects.

City of Oceanside
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008

ASSETS	Loss Prevention	General Services	Total
CURRENT ASSETS:			
Cash and investments	\$ 14,902,190	\$ 8,654,074	\$ 23,556,264
Accounts receivable	1,810,724	17,169	1,827,893
Prepaid items	-	596	596
Inventory	-	368,935	368,935
TOTAL CURRENT ASSETS	16,712,914	9,040,774	25,753,688
NONCURRENT ASSETS:			
Capital assets:			
Machinery and equipment	234,104	29,804,911	30,039,015
Construction in progress	-	653,965	653,965
Less: accumulated depreciation	(20,098)	(17,230,300)	(17,250,398)
TOTAL NONCURRENT ASSETS	214,006	13,228,576	13,442,582
TOTAL ASSETS	16,926,920	22,269,350	39,196,270
LIABILITIES			
CURRENT LIABILITIES:			
Accounts payable	109,211	679,619	788,830
Accrued liabilities	473,298	184,245	657,543
Interest payable	-	866	866
Notes payable, current portion	-	69,129	69,129
Compensated absences, current portion	25,746	144,116	169,862
TOTAL CURRENT LIABILITIES	608,255	1,077,975	1,686,230
NON CURRENT LIABILITIES:			
Notes payable	-	72,504	72,504
Claims and judgments payable	9,606,467	-	9,606,467
Compensated absences	102,984	576,463	679,447
TOTAL NONCURRENT LIABILITIES	9,709,451	648,967	10,358,418
TOTAL LIABILITIES	10,317,706	1,726,942	12,044,648
NET ASSETS			
Invested in capital assets, net of related debt	214,006	13,086,943	13,300,949
Unrestricted	6,395,208	7,455,465	13,850,673
TOTAL NET ASSETS	\$ 6,609,214	\$ 20,542,408	\$ 27,151,622

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, 2008

	Loss Prevention	General Services	Total
OPERATING REVENUES:			
Charges for services	\$ 29,431,599	\$ 19,133,087	\$ 48,564,686
Other revenues	805,279	11,986	817,265
TOTAL OPERATING REVENUES	30,236,878	19,145,073	49,381,951
OPERATING EXPENSES:			
Personal services	832,471	4,303,943	5,136,414
Maintenance and operations	4,614,954	10,833,147	15,448,101
Insurance premium	22,348,716	-	22,348,716
Depreciation	605	2,418,344	2,418,949
TOTAL OPERATING EXPENSES	27,796,746	17,555,434	45,352,180
OPERATING INCOME	2,440,132	1,589,639	4,029,771
NONOPERATING REVENUES (EXPENSES):			
Gain from disposal of assets	-	176,594	176,594
Interest expense	-	(9,746)	(9,746)
TOTAL NONOPERATING REVENUES (EXPENSES)	-	166,848	166,848
INCOME BEFORE TRANSFERS	2,440,132	1,756,487	4,196,619
TRANSFERS:			
Transfers in	-	1,254,793	1,254,793
Transfers out	(6,103)	(27,514)	(33,617)
TOTAL TRANSFERS	(6,103)	1,227,279	1,221,176
CHANGE IN NET ASSETS	2,434,029	2,983,766	5,417,795
TOTAL NET ASSETS - BEGINNING OF YEAR	4,175,185	17,558,642	21,733,827
TOTAL NET ASSETS - END OF YEAR	\$ 6,609,214	\$ 20,542,408	\$ 27,151,622

See independent auditors' report.

City of Oceanside
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2008

	Loss Prevention	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 28,670,606	\$ 19,178,988	\$ 47,849,594
Payments to suppliers	(4,599,610)	(10,924,093)	(15,523,703)
Payments to employees	(392,752)	(4,206,621)	(4,599,373)
Insurance premiums and settlements	(22,329,885)	-	(22,329,885)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,348,359</u>	<u>4,048,274</u>	<u>5,396,633</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	-	1,254,793	1,254,793
Cash paid to other funds	(6,103)	(27,514)	(33,617)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(6,103)</u>	<u>1,227,279</u>	<u>1,221,176</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets - capital replacement	-	(3,048,779)	(3,048,779)
Proceeds from sale of assets	-	176,594	176,594
Retirement of debt	-	(65,905)	(65,905)
Interest paid	-	(10,149)	(10,149)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(2,948,239)</u>	<u>(2,948,239)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,342,256	2,327,314	3,669,570
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>13,559,934</u>	<u>6,326,760</u>	<u>19,886,694</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,902,190</u>	<u>\$ 8,654,074</u>	<u>\$ 23,556,264</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 2,440,132	\$ 1,589,639	\$ 4,029,771
Depreciation	605	2,418,344	2,418,949
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(1,566,272)	33,915	(1,532,357)
(Increase) decrease in inventory	-	(45,844)	(45,844)
(Increase) decrease in prepaid items	1,950	4,415	6,365
Increase (decrease) in accounts payable	13,394	(49,517)	(36,123)
Increase (decrease) in accrued liabilities	431,556	21,778	453,334
Increase (decrease) in compensated absences	8,163	75,544	83,707
Increase (decrease) in claims and judgments payable	18,831	-	18,831
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,348,359</u>	<u>\$ 4,048,274</u>	<u>\$ 5,396,633</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, 2008

	Special Assessment District	Deposits	Total
ASSETS:			
Cash and investments	\$ 4,051,178	\$ 3,835,408	\$ 7,886,586
Restricted cash and investments	16,777,397	-	16,777,397
Accounts receivable	20,254	-	20,254
TOTAL ASSETS	\$ 20,848,829	\$ 3,835,408	\$ 24,684,237
LIABILITIES:			
Accounts payable	\$ 152,769	\$ 21,507	\$ 174,276
Deposits	1,683	3,813,901	3,815,584
Due to bondholders	20,694,377	-	20,694,377
TOTAL LIABILITIES	\$ 20,848,829	\$ 3,835,408	\$ 24,684,237

See independent auditors' report.

City of Oceanside
Combining Statement of Changes in Assets and Liabilities
Fiduciary Funds
June 30, 2008

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<u>Special Assessment Districts</u>				
ASSETS:				
Cash and investments	\$ 3,422,621	\$ 5,440,706	\$ 4,812,149	\$ 4,051,178
Restricted cash and investments	12,765,617	12,544,512	8,532,732	16,777,397
Accounts receivable	30,949	121,780	132,475	20,254
TOTAL ASSETS	<u>\$ 16,219,187</u>	<u>\$ 18,106,998</u>	<u>\$ 13,477,356</u>	<u>\$ 20,848,829</u>
LIABILITIES:				
Accounts payable	\$ 279,994	\$ 4,844,156	\$ 4,971,381	\$ 152,769
Accrued liabilities	408	-	408	-
Deposits	-	1,683	-	1,683
Due to bondholders	15,938,785	14,663,342	9,907,750	20,694,377
TOTAL LIABILITIES	<u>\$ 16,219,187</u>	<u>\$ 19,509,181</u>	<u>\$ 14,879,539</u>	<u>\$ 20,848,829</u>
<u>Deposits</u>				
ASSETS:				
Cash and investments	\$ 4,053,233	\$ 74,402,893	\$ 74,620,718	\$ 3,835,408
TOTAL ASSETS	<u>\$ 4,053,233</u>	<u>\$ 74,402,893</u>	<u>\$ 74,620,718</u>	<u>\$ 3,835,408</u>
LIABILITIES:				
Accounts payable	\$ 42,636	\$ 43,555,306	\$ 43,576,435	\$ 21,507
Deposits	4,010,597	896,568	1,093,264	3,813,901
TOTAL LIABILITIES	<u>\$ 4,053,233</u>	<u>\$ 44,451,874</u>	<u>\$ 44,669,699</u>	<u>\$ 3,835,408</u>
<u>Total - All Agency Funds</u>				
ASSETS:				
Cash and investments	\$ 7,475,854	\$ 79,843,599	\$ 79,432,867	\$ 7,886,586
Restricted cash and investments	12,765,617	12,544,512	8,532,732	16,777,397
Accounts receivable	30,949	121,780	132,475	20,254
TOTAL ASSETS	<u>\$ 20,272,420</u>	<u>\$ 92,509,891</u>	<u>\$ 88,098,074</u>	<u>\$ 24,684,237</u>
LIABILITIES:				
Accounts payable	\$ 322,630	\$ 48,399,462	\$ 48,547,816	\$ 174,276
Accrued liabilities	408	-	408	-
Deposits	4,010,597	898,251	1,093,264	3,815,584
Due to bondholders	15,938,785	14,663,342	9,907,750	20,694,377
TOTAL LIABILITIES	<u>\$ 20,272,420</u>	<u>\$ 63,961,055</u>	<u>\$ 59,549,238</u>	<u>\$ 24,684,237</u>

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**CAPITAL ASSETS USED IN THE
OPERATING OF GOVERNMENTAL FUNDS**

City of Oceanside
Capital Assets Used in the Operation of Governmental Funds
Schedule by Source *
June 30, 2008

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 57,843,987
Buildings, structures and improvements other than buildings	87,350,622
Machinery and equipment	26,060,424
Infrastructure	283,073,387
Construction in progress	<u>43,411,714</u>
Total governmental funds capital assets	497,740,134
Less: accumulated depreciation	<u>(179,561,540)</u>
Total governmental funds capital assets, net	<u>\$ 318,178,594</u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 789,649
Federal grants	5,573,023
General fund revenue	27,764,759
Special revenue funds revenues	29,107,190
Capital projects funds revenues	249,944,888
Special assessments	4,897,791
Enterprise funds revenues	<u>101,294</u>
Total governmental funds capital assets	<u>\$ 318,178,594</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, 2008

Function and Activity:	<u>Capital Assets July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Capital Assets June 30, 2008</u>
General government	\$ 76,034,223	\$ 204,405	\$ (270,124)	\$ 75,968,504
Public safety	21,047,726	6,730,499	(632,475)	27,145,750
Public works	144,850,538	20,686,837	(7,208,866)	158,328,509
Community development	14,813,448	13,675,725	(545,165)	27,944,008
Community/cultural services	29,434,060	460,649	(1,102,886)	28,791,823
Total capital assets	<u>\$ 286,179,995</u>	<u>\$ 41,758,115</u>	<u>\$ (9,759,516)</u>	<u>\$ 318,178,594</u>

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