

City of Oceanside



Comprehensive Annual Financial Report

For the year ended June 30, 2002

City of Oceanside
Basic Financial Statements
For the year ended June 30, 2002

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December 13, 2002

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

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) for the City of Oceanside for the fiscal year ended June 30, 2002. This is the first year that the Finance Division has prepared the report in accordance with GASB Statement 34. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by Caporicci & Larson, LLP. The financial statements are the responsibility of the City Management and, to the best of our knowledge, the enclosed statements are accurate in all material respects and present fairly the financial position and results of operations for the City of Oceanside.

The Primary Government

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

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

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

The City of Oceanside

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

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

The population of Oceanside is 167,200, almost a 30 % increase over 1990 census numbers, making it the second largest city in the San Diego. The average household income for the City is \$67,770, just slightly behind the San Diego County average of \$73,377. The overall unemployment rate is 4.9%, over 25% lower than the state average.

Economic Outlook

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

The steady population growth has fueled home prices, with the median price for a single-family detached home in San Diego County increasing 23.7% in one year to \$434,931 in 2002. To Oceanside's benefit, the central portion of the City of San Diego is extensively built out, forcing new development into surrounding communities.

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

As a well-established coastal community, Oceanside should continue to benefit from new development in the eastern portion of the City and the redevelopment efforts in the western portion. Community Facilities Districts (CFD), such as the Ocean Ranch Corporate Centre and Morro Hills, continue to bolster City revenues and increase the allure of Oceanside.

Financial Controls

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

Budgetary Controls are implemented by the City Management to ensure compliance with legal provisions set forth in annual budgets. These controls further ensure that the will of the City Council is preserved. The City budgets on a two-year cycle to facilitate effective planning and to identify shortfalls that may arise from current decisions. Management's

Discussion and Analysis (MD&A) and the Notes to the Financial Statements discuss the budgeting process in more detail.

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

Other Information

Spending Limitation: Proposition 4, known as the Gann Initiative, was passed in 1979 to limit government spending by capping the total proceeds of taxes that may be appropriated in a fiscal year. When a city exceeds the limit, excess tax revenue must be returned to the citizens through refunds, rebates, or other means. The City is well below the established Gann limit of \$211,700,366.

Pension Benefits: The City contributes to a defined benefit pension plan through CalPERS. Recent market trends have eroded investment returns, exposing members of CalPERS to potential increases as high as 34% in fiscal year 2004-05 for Public Safety personnel and 5.9% for Miscellaneous employees. The additional cost to the City could reach \$1 million in fiscal year 2003 – 04 and \$4.4 million in fiscal year 2004 – 05. Presently, CalPERS and the City are investigating measures to mitigate these effects.

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

Acknowledgements

This report has been a joint effort by all members of the Finance Division, who deserve full credit for the preparation of this report. We would also like to take this opportunity to thank the Mayor and the members of the Council for their continuing support and guidance for the staff. We appreciate the dedication and professionalism of our auditors, Caporicci & Larson, who have spent countless hours working with us to successfully transition to the GASB 34 Comprehensive Annual Financial Report format.

Respectfully submitted,

Carol O. Swindell
Chief Financial Officer

**PRINCIPAL OFFICIALS
AT
JUNE 30, 2002**

CITY COUNCIL

**Terry W. Johnson, Mayor
Jack Feller, Deputy Mayor
Betty Harding, Councilmember
Carol McCauley, Councilmember
Esther Sanchez, Councilmember**

ADMINISTRATION AND DEPARTMENT HEADS

City Manager	Steven R. Jepsen
City Clerk	Barbara Riegel Wayne
City Treasurer	Rosemary R. Jones
City Attorney	Duane E. Bennett
Deputy City Managers	Michael J. Blessing Jose Aponte
Assistant to the City Manager	Michelle Skaggs-Lawrence
Administrative Services Director	Ronald C. Jack
Building Director	Gregory C. Anderson
Economic Development/Redevelopment Director	Jane D. McVey
Acting Fire Chief	Glenn McCloskey
Harbor and Beaches Director	Donald L. Hadley
Housing and Neighborhood Services Director	Margery Pierce
Library Director	Deborah Polich
Personnel Director	William McLeod
Planning Director	Gerald Gilbert
Police Chief	Michael S. Poehlman
Public Works Director	Peter A. Weiss
Water Utilities Director	Barry E. Martin
Community Development Commission: Executive Director	Steven R. Jepsen

CITY OF OCEANSIDE ORGANIZATIONAL CHART

