



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
of the 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, California (City), as of and for the year ended June 30, 2006, 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's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the City adopted the Governmental Accounting Standards Board Statements No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, No. 44, *Economic Condition Reporting: the Statistical Section (an amendment of NCGA Statement 1)*, No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*, and No. 47, *Accounting for Termination Benefits*.

As described in Notes 8 and 11 to the basic financial statements, the City issued \$42,780,000 in Pension Obligation Bonds. The purpose of the bonds is to refund the City's unamortized, unfunded actuarial accrued liability with the Public Employees Retirement System (PERS).

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

Oakland
180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County
9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento
777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego
4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of City Council
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The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on the Required Supplementary Information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Supplementary Information is presented for the purpose of additional analysis and is 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections 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.

Capricci & Carson

San Diego, California
September 15, 2006



MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2006

This discussion and analysis of the City of Oceanside's financial performance provides an overview of the fiscal year ended June 30, 2006. 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.

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.

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, 2006 are compared to results for 2005 in the following table:

City of Oceanside Net Assets (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current & other assets	\$ 201,518	\$ 182,422	\$ 90,342	\$ 97,135	\$ 291,860	\$ 279,557
Net pension assets	40,144	-	-	-	40,144	-
Capital assets	280,383	270,344	282,870	285,355	563,253	555,699
Total assets	522,045	452,766	373,211	382,490	895,257	835,256
Long-term debt outstanding	163,521	129,922	106,449	110,090	269,971	240,012
Other liabilities	57,816	50,938	11,776	12,089	69,592	63,027
Total liabilities	221,337	180,860	118,226	122,179	339,563	303,039
Net assets						
Invested in capital assets, net of related debt	162,782	140,207	175,923	174,542	338,705	314,749
Restricted	109,726	97,692	1,876	3,582	111,602	101,274
Unrestricted	28,200	34,006	77,186	82,187	105,386	116,193
Total net assets	\$ 300,708	\$ 271,905	\$ 254,986	\$ 260,311	\$ 555,693	\$ 532,216

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 4.4% from \$532.2 million at June 30, 2005 to \$555.7 million at June 30, 2006.

Total assets increased \$60.0 million or 7.2% during the fiscal year due primarily to the addition of a \$40.1 million non-current asset for net pension asset. Total liabilities increased \$36.5 million with \$30.0 million of the increase attributable to an increase in long-term debt. Overall long-term debt increased due to the issuance of pension obligation bonds amounting to \$42.8 million.

The Statement of Activities and Changes in Net Assets reveals an increase in revenues of \$15.2 million over 2005 while expenses increased \$14.5 million, contributing to the City's financial health. Total revenues less expenditures contributed \$27.1 to net assets.

City of Oceanside Changes in Net Assets
(in thousands of dollars)

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 22,900	\$ 24,218	\$ 82,648	\$ 79,341	\$ 105,547	\$ 103,559
Operating grants and contributions	33,579	25,831	-	166	33,579	25,997
Capital grants and contributions	5,274	5,357	-	372	5,274	5,729
General revenues:						
Property taxes	48,001	40,005	-	-	48,001	40,005
Sales taxes	15,675	15,198	-	-	15,675	15,198
Other taxes	14,027	10,796	-	-	14,027	10,796
Use of money and property	9,712	9,154	2,275	2,520	11,987	11,674
Other	23,036	28,964	-	-	23,036	28,964
Total revenues	172,204	159,523	84,923	82,400	257,127	241,923
Expenses:						
General government	11,937	11,345	-	-	11,937	11,345
Public safety	61,978	55,728	-	-	61,978	55,728
Public works	25,475	23,141	-	-	25,475	23,141
Community development	23,296	23,377	-	-	23,296	23,377
Community/cultural services	12,807	11,700	-	-	12,807	11,700
Interest on long-term debt	8,634	9,548	-	-	8,634	9,548
Other government	-	-	-	-	-	-
Water	-	-	37,074	34,101	37,074	34,101
Sewer	-	-	23,735	21,607	23,735	21,607
Waste disposal	-	-	19,106	19,365	19,106	19,365
Other	-	-	5,984	5,573	5,984	5,573
Total expenses	144,127	134,840	85,900	80,646	230,027	215,487
Increase (decrease) in net assets before Transfers	28,078	24,683	(977)	1,753	27,101	26,436
Transfers	2,392	1,395	(2,392)	(1,395)	-	-
Increase (decrease) in net assets	30,469	26,078	(3,369)	358	27,101	26,436
Beginning net assets as restated	270,239	245,828	258,354	259,953	528,593	505,780
Ending net assets	\$ 300,708	\$ 271,905	\$ 254,986	\$ 260,311	\$ 555,693	\$ 532,216

Note 13 provides information related to the restatement of beginning net assets.

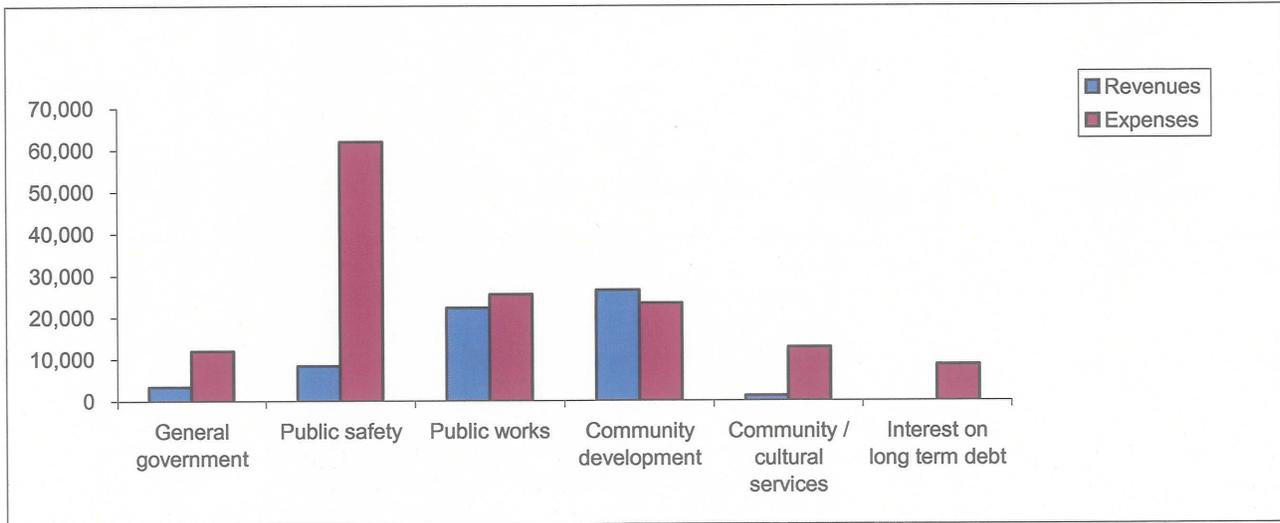
Governmental activities increased net assets \$30.4 million compared to \$26.1 million in 2005. Increases in program revenues such as operating grants and general revenues including property and other taxes offset increases in expenses.

Property taxes increased by \$8.0 million over 2005. However, \$2.7 million of this increase is in the form of increased triple flip revenue, which is a state reimbursement of the sales tax via property tax revenues. Adjusted for the growth in triple flip revenue, actual property taxes increased by \$5.3 million or (16.2%) over 2005. This increase was due to continued growth in the assessed value of real property.

Expenses increased by \$9.3 million in 2006. Increased Public Safety expense represented \$6.3 million of this, mostly attributable to increased expenses for Police Department Field Operations and Fire Suppression.

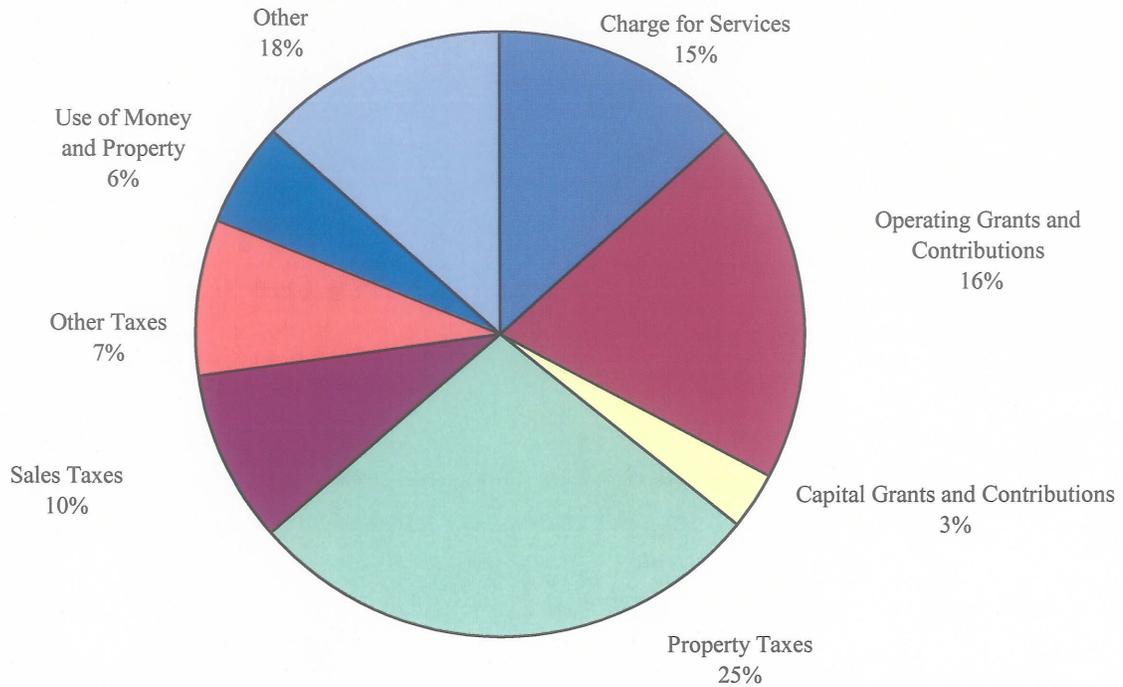
Overall, the increased contribution to net assets can be attributed to an increase in revenues of 7.9% while expenses increased only 6.9% over the prior fiscal year.

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



The chart above 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 and Changes in Net Assets.

Revenue by Source - Governmental Activities



As depicted above, the top four categories of revenue comprise 74 percent of funding for government activities. The *Other* category includes proceeds from the disposition of City real property, intergovernmental administrative fees, developer contributions, and miscellaneous revenues.

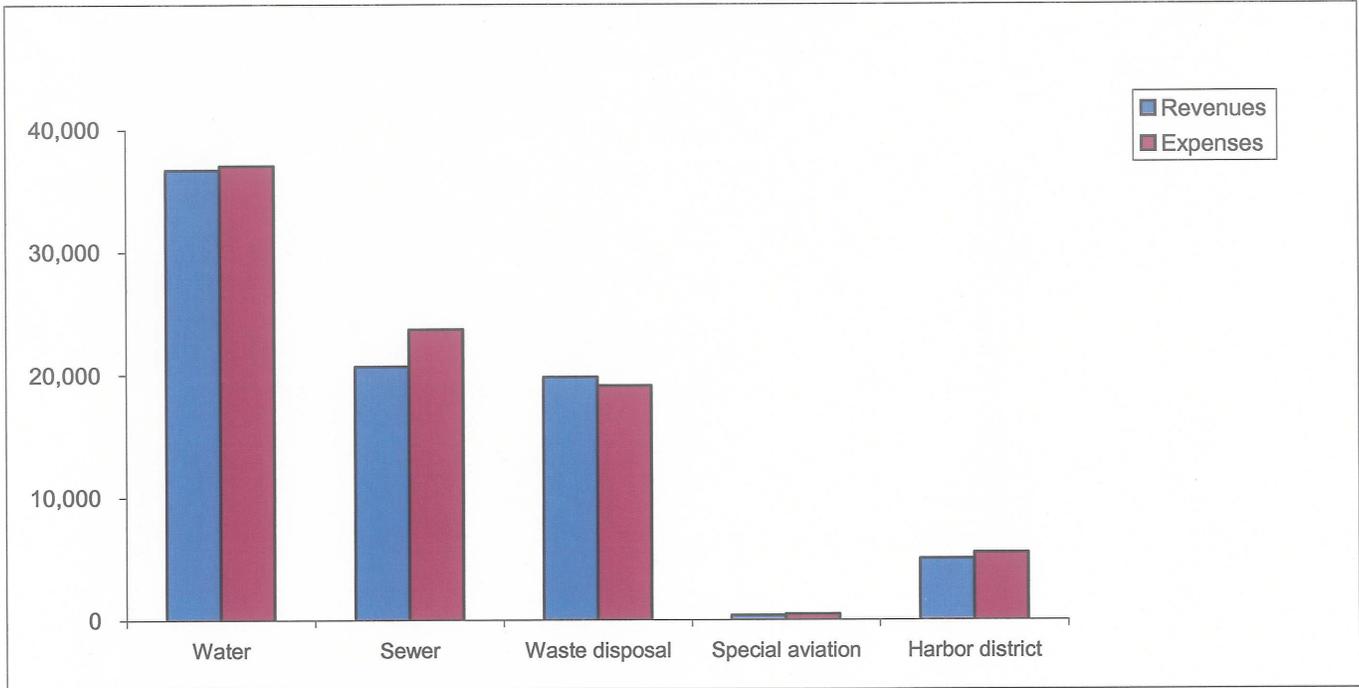
BUSINESS-TYPE ACTIVITIES

Business-type activities for the City of Oceanside include Water, Sewer, Solid Waste, Harbor, and the Airport. Net assets of the Business-type activities decreased \$5.3 million or 2.0% in the last fiscal year. A prior period adjustment related to arbitrage rebate liability is reflected in Note 13.

The Statement of Revenues, Expenses, and Changes in Net Assets for proprietary funds indicates an increase of \$2.5 million in revenues. The Water and Sewer funds operating revenue increased \$1.2 and \$1.0 million respectively. Developer fees for Water Utilities increased \$.9 million from the last fiscal year and \$.7 million for Sewer.

Overall expenses outpaced revenues by \$1.0 million (before transfers) in 2006. Revenues exceeded expenses by \$1.8 million in the fiscal year ending 2005. Water expenses increased \$3.0 million and Sewer expenses increased \$2.1 million from 2005 to 2006 due to increases in personal services and maintenance and operations costs. The chart below compares program revenues from business-type activities to program expenses.

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



Fees charged for these services make up 97% of the revenues collected with interest income of \$2.3 million accounting for the remainder. Only the Solid Waste enterprise operated at a surplus, as referenced in the Statement of Activities and Changes in Net Assets.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The fund balance of \$45.4 million at year-end for the City's General Fund, as shown on the Statement of Revenues, Expenditures and Changes in Fund Balances, is an increase of \$3.8 million from 2005. Revenues (excluding sales of real property) increased \$11.0 million or 11.6% due to an \$8.0 million increase in property tax revenue. Expenditures increased overall \$6.9 million or 8.0% with increases in public safety expenses accounting for \$4.1 million. Other Financing Sources-proceeds from the sale of real property decreased \$5.4 million due to non-recurring transactions included in 2005 results. Net transfers out to other funds increased \$5.1 million.

The fund balance of the Housing Assistance Program Fund increased \$7.0 million over 2005. Revenues increased \$2.6 million due primarily to increased revenue from federal and state housing assistance programs (\$1.1 million) and increased developer fees (\$1.3 million). Expenses decreased \$2.1 million due to a non-recurring land purchase of \$2.5 million in 2005. Net transfers in from other funds increased \$2.4 million due to transfers to fund future low income housing projects.

DEBT ADMINISTRATION

Debt of governmental activities realized a net increase of \$36.0 million, due primarily to the issuance of pension obligation bonds amounting to \$42.8 million and normal amortization. More detail about the City's long-term liabilities is presented in Note 8 to the financial statements.

	Balance July 1, 2005	Incurred or Issued	Satisfied or Matured	Balance June 30, 2006
Governmental Activities:				
Bonds Payable	\$ 59,895,000	\$ -	\$ (1,475,000)	\$ 58,420,000
Certificates of Participation	59,450,000	-	(2,430,000)	57,020,000
Capital Leases Payable	7,746,879	346,426	(5,932,361)	2,160,944
Notes Payable	1,070,000	-	(215,000)	855,000
Special Assessment Debt	1,760,000	-	(460,000)	1,300,000
Pension Obligation Bonds	-	42,780,000	-	42,780,000
Claims Payable	8,595,271	2,461,540	(344,889)	10,711,922
Compensated Absences	7,554,732	1,923,531	(641,658)	8,836,605
	<u>\$ 146,071,882</u>	<u>\$ 47,511,497</u>	<u>\$ (11,498,908)</u>	<u>\$ 182,084,471</u>
Total Governmental Activities	<u>\$ 146,071,882</u>	<u>\$ 47,511,497</u>	<u>\$ (11,498,908)</u>	<u>\$ 182,084,471</u>

Debt of the business-type activities decreased in the fiscal year ending 2006 by \$3.6 million. The following table is a synopsis of detail presented in Note 8.

	Balance July 1, 2005	Incurred or Issued	Satisfied or Matured	Balance June 30, 2006
Business-Type Activities:				
Bonds Payable	\$ 9,690,000	\$ -	\$ (575,000)	\$ 9,115,000
Certificates of Participation	24,795,000	-	(1,760,000)	23,035,000
Notes Payable	75,605,496	-	(1,306,126)	74,299,370
	<u>\$ 110,090,496</u>	<u>\$ -</u>	<u>\$ (3,641,126)</u>	<u>\$ 106,449,370</u>
Total Business-Type Activities	<u>\$ 110,090,496</u>	<u>\$ -</u>	<u>\$ (3,641,126)</u>	<u>\$ 106,449,370</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, 2006, net capital assets of the governmental activities totaled \$280 million and the net capital assets of the business-type activities totaled \$283 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. The \$7.6 million increase in total Capital Assets from 2005 to 2006 is indicative of the City's continuing investment in infrastructure and other capital assets.

Description	Governmental Activities		Business-Type Activities	
	2006	2005	2006	2005
Land	\$ 49,899,487	\$ 49,330,799	\$ 20,836,745	\$ 20,836,745
Buildings	63,198,537	63,121,260	134,532,225	60,632,078
Improvements	8,652,043	8,635,607	216,442,273	208,338,292
Equipment	51,717,217	50,662,416	11,929,305	2,928,286
Construction in Progress	28,148,515	15,714,901	22,447,079	107,971,518
Infrastructure	254,900,398	248,212,508	-	-
Capital Assets	456,516,197	435,677,491	406,187,627	400,706,919
Accumulated Depreciation	(176,133,203)	(165,333,736)	(123,317,931)	(115,351,759)
Total Capital Assets	\$ 280,382,994	\$ 270,343,755	\$ 282,869,696	\$ 285,355,160

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

GENERAL FUND ACTUAL & BUDGET

	Amended Budget	Actual	Variance Pos/(Neg)
Resources (inflows)			
Taxes	\$ 63,570,575	\$ 67,748,805	\$ 4,178,230
Licenses and permits	2,115,001	2,517,246	402,245
Fines and penalties	3,328,336	3,751,107	422,771
Investment Earnings	3,905,239	4,154,563	249,324
Intergovernmental revenue	1,633,690	4,576,732	2,943,042
Charges for services	10,021,323	10,473,189	451,866
Other revenues	12,572,924	12,524,965	(47,959)
Amount available for appropriation	97,147,088	105,746,607	8,599,519
Charges to appropriations (outflows)			
General government	13,793,174	11,219,033	2,574,141
Public Safety	57,422,627	58,159,503	(736,876)
Public Works	9,402,925	8,937,051	465,874
Community development	4,964,615	4,953,012	11,603
Community/cultural services	10,260,426	9,862,145	398,281
Charges to appropriations	95,843,767	93,130,744	2,713,023
Transfers out	10,352,602	9,219,617	1,132,985
Total charges to appropriations and transfers	106,196,369	102,350,361	3,846,008
Excess of resources over (under) charges to appropriations and transfers	\$ (9,049,281)	\$ 3,396,246	\$ 12,445,527

Taxes and Charges for Service exceeded budget due to strong property valuations, new growth and an improving economy. Intergovernmental Revenues were over budget due the State repayment of the \$2.9 million "gap loan" related to the payment of Vehicle License Fees.

Total charges to appropriations and transfers closely approximated budget.

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 not included herein; but 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 allow the carryover of specific unexpended amounts into the next fiscal year.
5. Continuing Appropriations (other than those mentioned in note 4, above) are re-budgeted by the City Council as a separate agenda item.
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 2005-06 original budget (as adopted) General Fund amount of \$104.2 million to the final budget amount of \$106.2 million shows a net increase of \$2.0 million, as delineated below.

	<u>Adopted</u>	<u>Amended</u>	<u>Variance</u>
General Government			
Operational	\$ 10,639,718	\$ 10,031,174	\$ (608,544)
Non-Departmental	3,146,648	3,762,000	615,352
Public Safety			
Police	39,133,857	38,783,941	(349,916)
Fire	18,619,023	18,638,686	19,663
Public Works	8,839,733	9,402,925	563,192
Community Development	4,891,323	4,964,615	73,292
Community & Cultural Services			
Library	5,119,313	5,119,313	-
Beach & Recreation	5,141,113	5,141,113	-
Transfers	8,696,765	10,352,602	1,655,837
Total Budget	<u>\$ 104,227,493</u>	<u>\$ 106,196,369</u>	<u>\$ 1,968,876</u>

The \$2.0 million variance between the adopted and amended budget is due, in large part, to transfers, including over \$1.6 million to the General Capital Improvement Fund for various projects.

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 2006-07 is \$366 million and is summarized as follows:

Governmental and Internal Service Funds		
General Fund	\$	110,318,298
Special Revenue Funds		39,350,069
Internal Service Funds		45,978,363
Capital Project Funds		44,710,411
Debt Service		15,800,643
Subtotal General Operations		<u>256,157,784</u>
	\$	256,157,784
Enterprise Funds		
Water Utility	\$	52,226,540
Wastewater Utility		32,263,262
Waste Disposal		20,236,624
Special Aviation		467,791
Harbor District Operations		5,381,260
Subtotal Enterprise Operations		<u>110,575,477</u>
	\$	110,575,477
Total Budget		<u><u>366,733,261</u></u>
	\$	366,733,261

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Oceanside
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Unrestricted Assets:			
Cash and investments	\$ 54,572,145	\$ 79,690,199	\$ 134,262,344
Accounts receivable, net	2,238,815	6,887,810	9,126,625
Interest receivable	1,830,997	-	1,830,997
Taxes receivable	1,547,178	-	1,547,178
Other receivables	567,090	11,016	578,106
Internal balances	(5,070)	5,070	-
Prepaid items	38,192	423,629	461,821
Inventories	312,582	1,275,488	1,588,070
Other assets	-	172,121	172,121
Total unrestricted assets	61,101,929	88,465,333	149,567,262
Restricted Assets:			
Cash and investments	91,369,363	-	91,369,363
Cash and investments with fiscal agent	22,416,164	1,876,361	24,292,525
Accounts receivable, net	4,034,245	-	4,034,245
Notes receivable	9,069,768	-	9,069,768
Interest receivable	13,407	-	13,407
Taxes receivable	516,446	-	516,446
Other receivables	681,668	-	681,668
Due from other governments	2,814,041	-	2,814,041
Prepaid items	8,144	-	8,144
Land and buildings held for resale	9,492,993	-	9,492,993
Total restricted assets	140,416,239	1,876,361	142,292,600
Total current assets	201,518,168	90,341,694	291,859,862
Noncurrent assets:			
Net pension assets	40,144,011	-	40,144,011
Capital assets:			
Non depreciable assets	78,048,002	43,283,824	121,331,826
Depreciable assets	378,468,195	362,903,803	741,371,998
Total capital assets	456,516,197	406,187,627	862,703,824
Less accumulated depreciation	(176,133,203)	(123,317,931)	(299,451,134)
Capital assets, net	280,382,994	282,869,696	563,252,690
Total noncurrent assets	320,527,005	282,869,696	603,396,701
Total assets	\$ 522,045,173	\$ 373,211,390	\$ 895,256,563

City of Oceanside
Statement of Net Assets, Continued
June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Unrestricted liabilities:			
Accounts payable	\$ 2,169,372	\$ 6,842,844	\$ 9,012,216
Interest payable	2,777,601	663,285	3,440,886
Accrued liabilities	2,628,647	481,254	3,109,901
Deposits held for others	1,500	801,491	802,991
Unearned revenue	-	986,789	986,789
Compensated absences payable - due within one year	1,564,646	382,465	1,947,111
Claims and judgments payable - due within one year	1,630,603	-	1,630,603
Long-term debt - due within one year	5,196,431	3,724,070	8,920,501
Total unrestricted liabilities	15,968,800	13,882,198	29,850,998
Restricted liabilities:			
Accounts payable	3,395,705	-	3,395,705
Accrued liabilities	196,410	-	196,410
Due to other governments	936,029	-	936,029
Deposits held for others	23,198,443	-	23,198,443
Unearned revenue	2,963,718	-	2,963,718
Total restricted liabilities	30,690,305	-	30,690,305
Total current liabilities	46,659,105	13,882,198	60,541,303
Noncurrent liabilities (due in more than a year):			
Compensated absences payable	7,271,959	1,618,362	8,890,321
Claims and judgments payable	9,081,319	-	9,081,319
Long-term debt	158,325,044	102,725,301	261,050,345
Total noncurrent liabilities	174,678,322	104,343,663	279,021,985
Total liabilities	221,337,427	118,225,861	339,563,288
NET ASSETS			
Invested in capital assets, net of related debt	162,782,050	175,923,102	338,705,152
Restricted for:			
Capital projects	51,988,076	1,876,361	53,864,437
Debt service	27,428,593	-	27,428,593
Special projects	30,309,265	-	30,309,265
Total restricted	109,725,934	1,876,361	111,602,295
Unrestricted	28,199,762	77,186,066	105,385,828
Total net assets	\$ 300,707,746	\$ 254,985,529	\$ 555,693,275

See accompanying Notes to Basic Financial Statements.

City of Oceanside
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 11,936,686	\$ 2,556,047	\$ 371,221	\$ 483,335	\$ 3,410,603
Public safety	61,977,977	5,121,602	3,298,258	-	8,419,860
Public works	25,475,444	6,830,916	10,608,168	4,790,760	22,229,844
Community development	23,295,927	7,539,632	18,927,904	-	26,467,536
Community/cultural services	12,806,800	851,456	373,573	-	1,225,029
Interest on long-term debt	8,634,066	-	-	-	-
Total governmental activities	144,126,900	22,899,653	33,579,124	5,274,095	61,752,872
Business-type activities:					
Water	37,074,165	36,716,820	-	-	36,716,820
Sewer	23,735,275	20,723,540	-	-	20,723,540
Waste disposal	19,105,879	19,816,761	-	-	19,816,761
Special aviation	483,012	394,072	-	-	394,072
Oceanside Small Craft Harbor District	5,501,277	4,996,577	-	-	4,996,577
Total business-type activities	85,899,608	82,647,770	-	-	82,647,770
Total primary government	\$ 230,026,508	\$ 105,547,423	\$ 33,579,124	\$ 5,274,095	\$ 144,400,642

General revenues and transfers:

Taxes:

Property taxes

Sales taxes

Other taxes

Total taxes

Intergovernmental unrestricted

Investments earnings

Developer contributions

Miscellaneous

Gain (loss) on sale of assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated (Note 13)

Net assets - end of year

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (8,526,083)	\$ -	\$ (8,526,083)
(53,558,117)	-	(53,558,117)
(3,245,600)	-	(3,245,600)
3,171,609	-	3,171,609
(11,581,771)	-	(11,581,771)
(8,634,066)	-	(8,634,066)
<u>(82,374,028)</u>	<u>-</u>	<u>(82,374,028)</u>
-	(357,345)	(357,345)
-	(3,011,735)	(3,011,735)
-	710,882	710,882
-	(88,940)	(88,940)
-	(504,700)	(504,700)
<u>-</u>	<u>(3,251,838)</u>	<u>(3,251,838)</u>
<u>(82,374,028)</u>	<u>(3,251,838)</u>	<u>(85,625,866)</u>
48,001,309	-	48,001,309
15,675,218	-	15,675,218
14,027,416	-	14,027,416
<u>77,703,943</u>	<u>-</u>	<u>77,703,943</u>
11,981,723	-	11,981,723
9,711,778	2,274,912	11,986,690
10,663,038	-	10,663,038
329,321	-	329,321
61,726	-	61,726
2,391,713	(2,391,713)	-
<u>112,843,242</u>	<u>(116,801)</u>	<u>112,726,441</u>
30,469,214	(3,368,639)	27,100,575
270,238,532	258,354,168	528,592,700
<u>\$ 300,707,746</u>	<u>\$ 254,985,529</u>	<u>\$ 555,693,275</u>

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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:

General Fund

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.

Housing Assistance Program Special Revenue Fund

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.

Redevelopment Agency Debt Service Fund

To account for the payment of interest and principal on debt of the Community Development Commission.

Pension Obligation Bonds Debt Service Fund

To account for the payment of interest and principal on debt of the Pension Obligation Bonds.

Redevelopment Agency Capital Projects Fund

To account for administrative costs and capital improvements funded by long-term debt issued by the Community Development Commission.

General Improvement Capital Projects Fund

To account for general purpose capital projects funded primarily from developer impact fees.

Other Governmental Funds

Other Governmental Funds is the aggregate of all the non-major governmental funds.

City of Oceanside
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds				
	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service	Pension Obligation Bonds Debt Service	Redevelopment Agency Capital Projects
ASSETS					
Cash and investments	\$ 34,394,775	\$ 27,009,264	\$ 546,266	\$ 3,000	\$ 10,999,523
Cash and investments with fiscal agent	-	-	19,757,353	44,820	-
Receivables (net of allowance for uncollectibles):					
Accounts	2,115,322	5,000	-	-	-
Notes	-	9,014,958	-	-	54,810
Interest	1,830,997	-	-	-	13,407
Assessments	-	-	-	-	-
Taxes	1,547,178	-	-	-	229,155
Other	567,090	67,569	-	-	-
Due from other funds	4,766,131	-	-	-	-
Due from other governments	-	3,414	-	-	-
Advances to other funds	8,277,693	-	-	-	4,284,768
Inventory	9,740	-	-	-	-
Prepaid items	25,484	214	-	-	303
Land held for resale	-	-	-	-	9,492,993
Total assets	\$ 53,534,410	\$ 36,100,419	\$ 20,303,619	\$ 47,820	\$ 25,074,959
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,116,844	\$ 254,087	\$ -	\$ -	\$ 570,313
Accrued liabilities	2,470,660	76,933	-	-	9,498
Deposits	1,500	23,144,000	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	936,029	-	-	-
Deferred revenue	4,585,560	-	-	-	-
Advances from other funds	-	-	12,990,314	-	-
Total liabilities	8,174,564	24,411,049	12,990,314	-	579,811
Fund Balances:					
Reserved for:					
Land held for resale	-	-	-	-	9,492,993
Inventory	9,740	-	-	-	-
Noncurrent assets	-	9,014,958	-	-	-
Debt service	-	-	7,313,305	47,820	-
Advances to other funds	3,692,133	-	-	-	4,284,768
Unreserved, undesignated:					
General fund	41,657,973	-	-	-	-
Special revenue funds	-	2,674,412	-	-	-
Capital project funds	-	-	-	-	10,717,387
Total fund balances	45,359,846	11,689,370	7,313,305	47,820	24,495,148
Total liabilities and fund balances	\$ 53,534,410	\$ 36,100,419	\$ 20,303,619	\$ 47,820	\$ 25,074,959

See accompanying Notes to Basic Financial Statements.



<u>Major Funds</u>		
<u>General Improvement Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 34,979,275	\$ 17,832,035	\$ 125,764,138
-	2,613,991	22,416,164
-	4,029,245	6,149,567
-	-	9,069,768
-	-	1,844,404
-	1,300,000	1,300,000
-	287,291	2,063,624
590,000	24,099	1,248,758
-	-	4,766,131
1,029,900	3,354,365	4,387,679
-	-	12,562,461
-	-	9,740
-	7,627	33,628
-	-	9,492,993
<u>\$ 36,599,175</u>	<u>\$ 29,448,653</u>	<u>\$ 201,109,055</u>
\$ 1,218,909	\$ 1,352,396	\$ 4,512,549
-	109,979	2,667,070
29,443	25,000	23,199,943
-	4,343,348	4,343,348
-	-	936,029
3,573,127	2,264,230	10,422,917
-	-	12,990,314
<u>4,821,479</u>	<u>8,094,953</u>	<u>59,072,170</u>
-	-	9,492,993
-	-	9,740
1,029,900	-	10,044,858
-	6,152,894	13,514,019
-	-	7,976,901
-	-	41,657,973
-	15,200,806	17,875,218
30,747,796	-	41,465,183
<u>31,777,696</u>	<u>21,353,700</u>	<u>142,036,885</u>
<u>\$ 36,599,175</u>	<u>\$ 29,448,653</u>	<u>\$ 201,109,055</u>

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City of Oceanside
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2006

Total Fund Balances - Total Governmental Funds **\$ 142,036,885**

Amounts reported for governmental activities in the Statement of Net Assets were reported differently because:

Capital assets used in governmental activities are not financial resources and therefore were not reported in governmental funds.

	Government- Wide Statement of Net Assets	Internal Service Funds	
Nondepreciable assets	\$ 78,048,002	(1,892,353)	76,155,649
Depreciable assets	378,468,195	(28,332,942)	350,135,253
Less accumulated depreciation	(176,133,203)	15,745,934	(160,387,269)
Total capital assets	\$ 280,382,994	\$ (14,479,361)	265,903,633

Pension contribution were expenditures in the fund financial statements but are deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.

Pension assets			42,072,326
Less accumulated amortization			(1,928,315)
Total net pension assets			40,144,011

Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet.

	Government- Wide Statement of Net Assets	Internal Service Funds	
	\$ (2,777,601)	\$ -	(2,777,601)

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.

4,585,561

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Assets.

Loss Prevention Fund			2,176,883
General Services Fund			20,080,492
Total internal service funds			22,257,375

Compensated absences and long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.

	Government- Wide Statement of Net Assets	Internal Service Funds	
Compensated absences	\$ (8,836,605)	\$ 638,821	\$ (8,197,784)
Claims and judgments payable	(10,711,922)	10,711,922	-
Long-term liabilities	(163,521,475)	277,141	(163,244,334)
Total long-term liabilities	\$ (183,070,002)	\$ 11,627,884	(171,442,118)

Net Assets of Governmental Activities **\$ 300,707,746**

See accompanying 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, 2006

	Major Funds				
	General	Housing Assistance Program Special Revenue	Redevelopment Agency Debt Service	Pension Obligation Bonds Debt Service	Redevelopment Agency Capital Projects
REVENUES:					
Taxes	\$ 67,748,805	\$ -	\$ -	\$ -	\$ 7,426,772
Special assessments	-	-	-	-	-
Licenses and permits	2,517,246	122,890	-	-	-
Intergovernmental	4,576,732	14,079,490	-	-	-
Charges for services	10,473,189	418,282	-	-	55,092
Fines and forfeitures	3,751,107	-	-	-	-
Lease revenue	-	-	-	-	-
Interest and rentals	4,154,563	168,415	483,110	19,334	317,969
Administrative and in lieu charges	11,981,723	-	-	-	-
Developer fees	-	4,023,193	-	-	191,990
Other	285,142	13,662	-	-	2,232
Total revenues	105,488,507	18,825,932	483,110	19,334	7,994,055
EXPENDITURES:					
General government	11,219,033	-	4,274	-	-
Public safety	58,159,503	-	-	-	-
Public works	8,937,051	-	-	-	-
Community development	4,953,012	14,642,924	-	-	1,149,873
Community/cultural services	9,862,145	-	-	-	-
Capital outlay	-	-	-	-	1,387,898
Debt service:					
Principal	-	-	2,620,000	-	-
Interest	-	-	4,451,179	1,712,059	-
Total expenditures	93,130,744	14,642,924	7,075,453	1,712,059	2,537,771
REVENUES OVER (UNDER) EXPENDITURES	12,357,763	4,183,008	(6,592,343)	(1,692,725)	5,456,284
OTHER FINANCING SOURCES (USES):					
Issuance of long-term debt	-	-	-	42,780,000	-
Bond premium	-	-	-	1,032,871	-
Payment of unfunded pension liabilities	-	-	-	(42,072,326)	-
Proceeds from sale of real property	228,100	-	-	-	-
Transfers in	30,000	2,828,505	6,216,530	-	-
Transfers out	(9,219,617)	-	-	-	(6,258,172)
Total other financing sources (uses)	(8,961,517)	2,828,505	6,216,530	1,740,545	(6,258,172)
NET CHANGE IN FUND BALANCES	3,396,246	7,011,513	(375,813)	47,820	(801,888)
FUND BALANCES:					
Beginning of year, as restated (Note 13)	41,963,600	4,677,857	7,689,118	-	25,297,036
End of year	\$ 45,359,846	\$ 11,689,370	\$ 7,313,305	\$ 47,820	\$ 24,495,148

See accompanying Notes to Basic Financial Statements.

General Improvement Capital Projects	Other Governmental Funds	Total
\$ -	\$ -	\$ 75,175,577
-	7,605,943	7,605,943
-	-	2,640,136
4,760,381	14,000,820	37,417,423
1,446,115	782,048	13,174,726
-	569,619	4,320,726
-	2,262,236	2,262,236
-	457,572	5,600,963
-	-	11,981,723
6,639,845	-	10,855,028
57,037	238,033	596,106
<u>12,903,378</u>	<u>25,916,271</u>	<u>171,630,587</u>
-	451,834	11,675,141
-	1,818,369	59,977,872
146,717	6,114,254	15,198,022
-	1,823,224	22,569,033
254,696	1,365,654	11,482,495
16,988,038	4,116,696	22,492,632
-	2,140,780	4,760,780
-	1,857,872	8,021,110
<u>17,389,451</u>	<u>19,688,683</u>	<u>156,177,085</u>
<u>(4,486,073)</u>	<u>6,227,588</u>	<u>15,453,502</u>
-	-	42,780,000
-	-	1,032,871
-	-	(42,072,326)
-	-	228,100
5,539,403	2,136,084	16,750,522
(2,321,261)	(3,787,974)	(21,587,024)
<u>3,218,142</u>	<u>(1,651,890)</u>	<u>(2,867,857)</u>
(1,267,931)	4,575,698	12,585,645
<u>33,045,627</u>	<u>16,778,002</u>	<u>129,451,240</u>
<u>\$ 31,777,696</u>	<u>\$ 21,353,700</u>	<u>\$ 142,036,885</u>

City of Oceanside

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets For the year ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 12,585,645</u>
Governmental activities in the Statement of Activities were reported differently because:	
Governmental funds report capital outlay as expenditures. In the Government-Wide Statement of Activities and Changes in Net Assets, however, the cost of those assets is allocated over their estimated useful lives as depreciation expenses.	18,629,496
Depreciation and amortization expenses are reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation and amortization expenses is not reported as expenditures in governmental funds.	
Depreciation of capital assets	(9,507,957)
Amortization of bond premium/ discounts	47,340
Amortization of net pension assets	(1,928,315)
Payment of Unfunded Pension Liabilities and Bond premium/discount are expenditures at the fund level but are deferred and subject to capitalization and amortization on the Government-Wide Statement of Net Assets.	
Payment of unfunded pension liabilities	42,072,326
Bond premium/ discount	(1,032,871)
Compensated absences were reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, long-term claims, judgments payable and compensated absences were not reported as expenditures in governmental funds.	(1,147,563)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Government-Wide Statement of Net Assets	(42,780,000)
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government -Wide Statement of Net Assets.	4,760,780
Loss on sale of capital assets in the statement of activities that do not provide current financial uses are not reported as revenues in the funds.	(336,282)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	605,706
Interest expense on long-term debt is reported in the Government-Wide Statement of Activities and Changes in Net Assets, but does not require the use of current financial resources. Therefore, interest expense was not reported as expenditures in governmental funds. The following amount represents the change in accrued interest from the prior year.	(587,230)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	<u>9,088,139</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 30,469,214</u></u>

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

The City reports the following major proprietary funds:

Water

To account for the operation of the City's water utility, a self-supporting activity which provides services on a user charge basis.

Sewer

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.

Waste Disposal

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.

Special Aviation

To account for the operation of the Oceanside (General Aviation) Airport.

Oceanside Small Craft Harbor District

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, 2006

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
ASSETS				
Current assets:				
Cash and investments	\$ 48,867,955	\$ 20,727,520	\$ 1,893,583	\$ -
Receivables:				
Accounts	3,805,271	1,849,725	1,204,826	19,766
Other	1,050	9,966	-	-
Due from other funds	13,310,000	9,725,000	-	-
Inventory, at cost	543,454	697,091	-	34,943
Prepaid items	10,503	-	-	-
Other assets	172,121	-	-	-
Total current assets	66,710,354	33,009,302	3,098,409	54,709
Noncurrent assets:				
Restricted cash and investments	552	1,875,809	-	-
Advances to other funds	676,975	-	-	-
Capital assets:				
Land	16,096,364	843,552	35,328	3,835,398
Buildings and structures	18,773,758	114,763,059	27,630	66,286
Improvements other than buildings	97,664,465	95,599,314	526	490,240
Machinery and equipment	3,209,703	7,476,145	282,148	46,249
Construction in progress	15,030,398	4,495,911	-	1,182,179
Total capital assets	150,774,688	223,177,981	345,632	5,620,352
Less accumulated depreciation	(53,072,879)	(54,165,109)	(178,863)	(473,404)
Capital assets, net	97,701,809	169,012,872	166,769	5,146,948
Total noncurrent assets	98,379,336	170,888,681	166,769	5,146,948
Total assets	\$ 165,089,690	\$ 203,897,983	\$ 3,265,178	\$ 5,201,657

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental	
Oceanside		Activities	
Small Craft		Internal	
Harbor District	Total	Service Funds	
\$ 8,201,141	\$ 79,690,199	\$ 20,177,370	
8,222	6,887,810	123,493	
-	11,016	-	
-	23,035,000	-	
-	1,275,488	302,842	
413,126	423,629	12,708	
-	172,121	-	
<u>8,622,489</u>	<u>111,495,263</u>	<u>20,616,413</u>	
-	1,876,361	-	
-	676,975	-	
26,103	20,836,745	-	
901,492	134,532,225	-	
22,687,728	216,442,273	-	
915,060	11,929,305	28,332,942	
1,738,591	22,447,079	1,892,353	
26,268,974	406,187,627	30,225,295	
(15,427,676)	(123,317,931)	(15,745,934)	
<u>10,841,298</u>	<u>282,869,696</u>	<u>14,479,361</u>	
<u>10,841,298</u>	<u>285,423,032</u>	<u>14,479,361</u>	
\$ 19,463,787	\$ 396,918,295	\$ 35,095,774	

(Continued)

City of Oceanside
Statement of Net Assets
Proprietary Funds, Continued
June 30, 2006

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 3,763,519	\$ 1,069,344	\$ 1,301,071	\$ 86,996
Accrued liabilities	169,731	175,986	32,664	7,158
Interest payable	311,994	165,504	-	19,725
Due to other funds	13,310,000	9,725,000	-	422,783
Deposits	553,767	-	-	12,180
Deferred revenue	73,207	-	773,925	-
Bonds payable within one year	590,000	-	-	-
Loans payable within one year	-	1,044,251	-	39,667
Certificates of participation	1,325,000	495,000	-	-
Total current liabilities	20,097,218	12,675,085	2,107,660	588,509
Noncurrent liabilities:				
Revenue bonds payable	8,525,000	-	-	-
Loans payable	-	68,449,265	-	740,444
Certificates of participation	11,985,000	9,230,000	-	-
Advances from other funds	-	-	-	249,122
Claims and judgments payable	-	-	-	-
Compensated absences	685,236	803,202	130,734	31,257
Total noncurrent liabilities	21,195,236	78,482,467	130,734	1,020,823
Total liabilities	41,292,454	91,157,552	2,238,394	1,609,332
NET ASSETS				
Invested in capital assets, net of related debt	74,964,815	89,628,852	166,769	4,347,112
Restricted for capital projects	552	1,875,809	-	-
Unrestricted	48,831,869	21,235,770	860,015	(754,787)
Total net assets	\$ 123,797,236	\$ 112,740,431	\$ 1,026,784	\$ 3,592,325

See accompanying Notes to Basic Financial Statements.

<u>Major Funds</u>			<u>Governmental</u>
<u>Oceanside</u>			<u>Activities</u>
<u>Small Craft</u>			<u>Internal</u>
<u>Harbor District</u>	<u>Total</u>		<u>Service Funds</u>
\$ 621,914	\$ 6,842,844	\$ 1,052,528	
95,715	481,254	157,987	
166,062	663,285	-	
-	23,457,783	-	
235,544	801,491	-	
139,657	986,789	-	
-	590,000	-	
230,152	1,314,070	-	
-	1,820,000	-	
<u>1,489,044</u>	<u>36,957,516</u>	<u>1,210,515</u>	
-	8,525,000	-	
3,795,592	72,985,301	277,141	
-	21,215,000	-	
-	249,122	-	
-	-	10,711,922	
350,398	2,000,827	638,821	
<u>4,145,990</u>	<u>104,975,250</u>	<u>11,627,884</u>	
<u>5,635,034</u>	<u>141,932,766</u>	<u>12,838,399</u>	
6,815,554	175,923,102	14,202,220	
-	1,876,361	-	
7,013,199	77,186,066	8,055,155	
<u>\$ 13,828,753</u>	<u>\$ 254,985,529</u>	<u>\$ 22,257,375</u>	

(Concluded)

City of Oceanside
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2006

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
OPERATING REVENUES:				
Charges for services	\$ 34,175,391	\$ 18,465,119	\$ 19,815,794	\$ 382,929
License and permits	281,331	-	-	-
Developer fees	2,251,416	2,258,043	-	-
Slip rental and other related fees	-	-	-	-
Other	8,682	378	967	11,143
Total operating revenues	36,716,820	20,723,540	19,816,761	394,072
OPERATING EXPENSES:				
Personal services	4,560,458	4,995,414	1,222,462	122,178
Maintenance and operations	10,650,018	13,776,555	17,848,002	272,871
Cost of purchased water	17,394,814	-	-	-
Insurance premium	-	-	-	-
Depreciation	3,522,386	3,706,315	35,415	26,974
Total operating expenses	36,127,676	22,478,284	19,105,879	422,023
OPERATING INCOME (LOSS)	589,144	(1,754,744)	710,882	(27,951)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	1,350,499	694,338	-	-
Interest expense and fiscal charges	(946,489)	(1,256,991)	-	(60,989)
Sales of surplus equipments	-	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-
Total nonoperating revenues (expenses)	404,010	(562,653)	-	(60,989)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	993,154	(2,317,397)	710,882	(88,940)
CONTRIBUTIONS AND TRANSFERS:				
Transfers in	1,801,862	1,255,750	-	-
Transfers out	(3,438,768)	(1,255,750)	(444,726)	-
Total contributions and transfers	(1,636,906)	-	(444,726)	-
Change in net assets	(643,752)	(2,317,397)	266,156	(88,940)
NET ASSETS:				
Beginning of the year, as restated (Note 14)	124,440,988	115,057,828	760,628	3,681,265
End of the year	<u>\$ 123,797,236</u>	<u>\$ 112,740,431</u>	<u>\$ 1,026,784</u>	<u>\$ 3,592,325</u>

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental
Oceanside		Activities
Small Craft		Internal
Harbor District	Total	Service Funds
\$ -	\$ 72,839,233	\$ 40,890,930
-	281,331	-
-	4,509,459	-
4,985,624	4,985,624	-
10,953	32,123	348,648
<u>4,996,577</u>	<u>82,647,770</u>	<u>41,239,578</u>
2,396,596	13,297,108	4,342,539
2,196,953	44,744,399	14,668,186
-	17,394,814	-
-	-	18,110,240
725,745	8,016,835	2,309,253
<u>5,319,294</u>	<u>83,453,156</u>	<u>39,430,218</u>
<u>(322,717)</u>	<u>(805,386)</u>	<u>1,809,360</u>
230,075	2,274,912	-
(181,983)	(2,446,452)	(25,726)
-	-	110,715
-	-	(34,425)
<u>48,092</u>	<u>(171,540)</u>	<u>50,564</u>
<u>(274,625)</u>	<u>(976,926)</u>	<u>1,859,924</u>
1,687	3,059,299	7,355,756
(311,768)	(5,451,012)	(127,541)
<u>(310,081)</u>	<u>(2,391,713)</u>	<u>7,228,215</u>
(584,706)	(3,368,639)	9,088,139
<u>14,413,459</u>	<u>258,354,168</u>	<u>13,169,236</u>
<u>\$ 13,828,753</u>	<u>\$ 254,985,529</u>	<u>\$ 22,257,375</u>

City of Oceanside
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2006

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers/other funds	\$ 35,245,270	\$ 18,609,819	\$ 19,616,839	\$ 390,473
Cash payments to suppliers for goods and services	(29,481,325)	(16,634,458)	(17,802,895)	4,945
Cash payments to employees for services	(4,560,458)	(4,995,414)	(1,222,462)	(122,178)
Insurance premiums and settlements	-	-	-	-
Other operating revenues	2,541,429	2,258,421	967	11,143
Net cash provided (used) by operating activities	3,744,916	(761,632)	592,449	284,383
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	1,801,862	1,255,750	-	-
Transfers out	(3,438,768)	(1,255,750)	(444,726)	-
Net cash provided (used) by noncapital financing activities	(1,636,906)	-	(444,726)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(977,110)	(3,228,299)	(1)	(130,246)
Proceed from sales of surplus equipments	-	-	-	-
Repayments of long-term borrowing	(1,860,000)	(1,490,995)	-	(69,889)
Interest paid on revenue bonds and contracts	(963,091)	(1,267,651)	-	(84,248)
Changes in restricted assets	11,546	1,694,217	-	-
Net cash provided (used) by capital and related financing activities	(3,788,655)	(4,292,728)	(1)	(284,383)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	1,350,499	694,338	-	-
Net cash provided (used) by investing activities	1,350,499	694,338	-	-
Net increase (decrease) in cash and cash equivalents	(330,146)	(4,360,022)	147,722	-
CASH AND CASH EQUIVALENTS:				
Beginning of year	49,198,101	25,087,542	1,745,861	-
End of year	<u>\$ 48,867,955</u>	<u>\$ 20,727,520</u>	<u>\$ 1,893,583</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

Major Funds		Governmental
Oceanside		Activities
Small Craft		Internal
Harbor District	Total	Service Funds
\$ 4,570,473	\$ 78,432,874	\$ 41,590,988
(1,941,627)	(65,855,360)	-
(2,339,093)	(13,239,605)	(3,808,443)
-	-	(33,080,257)
10,953	4,822,913	348,648
300,706	4,160,822	5,050,936
1,687	3,059,299	7,355,756
(311,768)	(5,451,012)	(127,541)
(310,081)	(2,391,713)	7,228,215
(1,195,715)	(5,531,371)	(3,563,235)
-	-	76,290
(220,241)	(3,641,125)	(5,405,155)
(191,068)	(2,506,058)	(92,175)
-	1,705,763	-
(1,607,024)	(9,972,791)	(8,984,275)
230,075	2,274,912	-
230,075	2,274,912	-
(1,386,324)	(5,928,770)	3,294,876
9,587,465	85,618,969	16,882,494
\$ 8,201,141	\$ 79,690,199	\$ 20,177,370

(Continued)

City of Oceanside
Statement of Cash Flows
Proprietary Funds, Continued
For the year ended June 30, 2006

	Major Funds			
	Water	Sewer	Waste Disposal	Special Aviation
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 589,144	\$ (1,754,744)	\$ 710,882	\$ (27,951)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Prior period adjustments	-	(2,014,184)	-	-
Depreciation	3,522,386	3,706,315	35,415	26,974
Changes in assets and liabilities:				
Accounts receivable	(270,990)	(291,175)	(198,955)	7,486
Other receivable	1,116	16,514	-	-
Due from other funds	1,285,000	475,000	-	-
Advances to other funds	18,731	-	-	-
Other assets	14,343	-	-	-
Inventories	21,679	(55,639)	-	58
Prepaid items	(10,503)	-	-	-
Accounts payable	(160,643)	(310,497)	(29,043)	(53,822)
Accrued liabilities	5,000	(6,443)	4,548	2,185
Due to other funds	(1,285,000)	(475,000)	-	321,184
Deferred revenue	(22,058)	-	44,035	-
Deposits	(17,020)	-	-	3,230
Claims and judgments	(81,344)	(101,579)	-	-
Compensated absences	135,075	49,800	25,567	5,039
Total adjustments	3,155,772	993,112	(118,433)	312,334
Net cash provided (used) by operating activities	\$ 3,744,916	\$ (761,632)	\$ 592,449	\$ 284,383

See accompanying Notes to Basic Financial Statements.

<u>Major Funds</u>		<u>Governmental</u>
Oceanside		Activities
Small Craft		Internal
Harbor District	<u>Total</u>	<u>Service Funds</u>
\$ (322,717)	\$ (805,386)	\$ 1,809,360
57,503	(1,956,681)	(9,646,815)
725,745	8,016,835	2,309,253
(2,025)	(755,659)	784,283
-	17,630	-
-	1,760,000	-
-	18,731	-
(413,126)	(398,783)	-
-	(33,902)	(84,225)
-	(10,503)	531,886
390,451	(163,554)	(731,242)
5,752	11,042	19,346
-	(1,438,816)	-
7,977	29,954	-
(51,711)	(65,501)	-
(161,965)	(344,888)	9,924,780
64,822	280,303	134,310
623,423	4,966,208	3,241,576
<u>\$ 300,706</u>	<u>\$ 4,160,822</u>	<u>\$ 5,050,936</u>

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FIDUCIARY FUND FINANCIAL STATEMENTS

Special Assessment District

To account for special assessment collections and their disbursement to bondholders.

Deposits

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
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	<u>Total</u>
ASSETS	
Cash and investments	\$ 9,825,422
Restricted cash and investments	15,649,776
Accounts receivable	6,825
Interest receivable	15,981
Prepaid items	<u>423</u>
Total assets	<u><u>\$ 25,498,427</u></u>
LIABILITIES	
Accounts payable	\$ 509,619
Accrued liabilities	22,573
Deposits	6,497,693
Due to other governments	15,164
Due to bondholders	<u>18,453,378</u>
Total liabilities	<u><u>\$ 25,498,427</u></u>

City of Oceanside
Notes to Basic Financial Statements
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Oceanside, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (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 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, Harbor, Waste Disposal and a General Aviation Airport.

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 (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.

Oceanside Small Craft Harbor District - The Oceanside Small Craft Harbor District (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 and are a proprietary fund of the City.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Financial Reporting Entity, Continued

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

Oceanside Public Financing Authority - The Oceanside Public Finance 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 Authority are reported as government 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 government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. 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.

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

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards 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.

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 non-major 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 (revenue 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) are 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 recorded in the accounting period in which the related fund liability is incurred.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

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.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change 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. However, internal service balances and activities, such as loss prevention and general services provided to the City, have been combined with the governmental activities in the government-wide financial statements.

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 of the fund. All other expenses are reported as nonoperating expenses.

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.

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.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. Encumbrances outstanding at year-end are reported as a reservation of fund balance. They do not constitute expenditures or estimated liabilities.

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.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to change in interest rates.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, certain disclosure requirements, if applicable for deposit and investment risk are specified for the following areas:

- Interest Rate Risk
- Credit Risk
 - ◆ Overall
 - ◆ Custodial Credit Risk
 - ◆ Concentrations of Credit Risk
- Foreign Currency Risk

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.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Land Held for Resale

Land 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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with GASB Statement No. 34, the City has included all infrastructures into the 2005-06 basic financial statements.

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.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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.

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 using the effective interest method. 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 but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Net Assets

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that 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."

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Net Assets, Continued

Fund Financial Statements

Fund Equity - Reservations of fund balances of governmental funds and retained earnings of proprietary 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.

M. 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 are recorded of proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees.

N. Implementation of New GASB Pronouncement

In fiscal year 2006, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*
- GASB Statement No. 44 *Economic Condition Reporting: The Statistical Section* - an amendment of NCGA Statement 1 (issued 5/04)
- GASB Statement No. 46 *Net Assets Restricted by Enabling Legislation*
- GASB Statement No. 47 *Accounting for Termination Benefits*

GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Implementation of New GASB Pronouncement, Continued

GASB Statement No. 44 amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The Statement improves the understandability and usefulness of statistical section information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by Statement 34.

GASB Statement No. 46 addresses selected issues and amends GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The Statement enhances the usefulness and comparability of net asset information and clarifies the meaning of legal enforceability. The Statement also specified accounting and financial reporting requirements for restricted net assets.

GASB Statement No. 47 provides accounting guidance for state and local governmental employers regarding benefits (such as early-retirement incentives and severance benefits) provided to employees that are terminated. The Statement requires recognition of the cost of involuntary termination benefits in the period in which a government becomes obligated to provide benefits to terminated employees.

2. 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, 2006:

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments:					
Unrestricted	\$ 54,572,145	\$ 79,690,199	\$ 134,262,344	\$ 9,825,422	\$ 144,087,766
Restricted	91,369,363	-	91,369,363	-	91,369,363
	<u>\$ 145,941,508</u>	<u>\$ 79,690,199</u>	<u>\$ 225,631,707</u>	<u>\$ 9,825,422</u>	<u>\$ 235,457,129</u>
Cash and Investments with fiscal agent	\$ 22,416,164	\$ 1,876,361	\$ 24,292,525	\$ 15,649,776	\$ 39,942,301
Total cash and investments	<u>\$ 168,357,672</u>	<u>\$ 81,566,560</u>	<u>\$ 249,924,232</u>	<u>\$ 25,475,198</u>	<u>\$ 275,399,430</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

Cash, cash equivalents, and investments consisted as follows at June 30, 2006:

Cash and cash equivalents:	
Petty Cash and Change Funds	\$ 18,375
Demand Deposit	767,516
Cash held with fiscal agent	93,252
Total cash and cash equivalents	<u>879,143</u>
Investments:	
Local Agency Investment Fund	13,940,664
U.S. Treasuries	6,933,870
U.S. Agencies	213,796,704
Investments held with fiscal agent:	
Money Market Mutual Fund	23,956,265
Investment Contract	15,892,784
Total investments held with fiscal agent	<u>274,520,287</u>
Total cash and investments	<u><u>\$ 275,399,430</u></u>

A. Deposits

The carrying amounts of the City's cash deposits were \$767,516 at June 30, 2006. Bank balances before reconciling items were \$1,345,467 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits. The City may waive collateral requirements for cash deposits which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

B. Investments

The following table 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 addresses interest rate risk, credit risk and concentration of credit risk by virtue of the limitations imposed by the California Government Code (or the City's investment policy, where more restrictive). The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of the bond indentures rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	None	None
U.S. Agencies	5 years	None	25%
Bankers' 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

Investment of debt proceeds held by bond trustee 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 trustee. 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 of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	None	None	None
U.S. Agencies	None	None	None
Bankers' 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

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.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

C. Investments in Local Agency Investment Funds

The City's investments with Local Agency Investment Funds (LAIF), a State of California investment pool, at June 30, 2006, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

As of June 30, 2006, the City had \$13,940,664 invested in LAIF, which had invested 2.567% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2006, by multiplying the account balance by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate amortized cost by total aggregate fair value resulting in a factor of 0.998185821.

D. Risk Disclosures

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 needs for operations.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Interest Rate Risk, Continued

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 months
U.S. Treasuries	\$ 6,933,870	\$ 1,975,240	\$ 4,958,630	\$ -	\$ -
U.S. Agencies	213,796,704	124,817,800	52,803,000	36,176,000	-
Local Agency Investment Fund (LAIF) Held by bond trustee	13,940,664	13,940,664	-	-	-
Money Market Mutual Funds	23,956,265	23,956,265	-	-	-
Investment Contracts	15,892,784	14,435,606	-	-	1,457,178
Total	\$ 274,520,287	\$ 179,125,575	\$ 57,761,630	\$ 36,176,000	\$ 1,457,178

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, 2006 is \$42,940,506 or 18.33% of the City's portfolio.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

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 as of year end for each investment type:

<u>Investment Type</u>	<u>Amount</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>AAA/Aaa</u>	<u>AA-/Aa2</u>	<u>Not Rated</u>
U.S. Treasuries	\$ 6,933,870	N/A	\$ 6,933,870	\$ -	\$ -	\$ -
U.S. Agencies	213,796,704	N/A	-	213,797,000	-	-
Local Agency Investment Fund (LAIF)	13,940,664	N/A	13,940,664	-	-	-
Held by bond trustee						
Money Market Mutual Funds	23,956,265	AAA/Aaa	-	23,956,265	-	-
Investment Contracts	15,892,784	A/A	-	14,435,606	1,457,178	-
	<u>\$ 274,520,287</u>		<u>\$ 20,874,534</u>	<u>\$ 252,188,871</u>	<u>\$ 1,457,178</u>	<u>\$ -</u>

Concentration of Credit Risk

The Investment Policy of the City limits the amount that can be invested in any one issuer of Federal Agency Securities. The limit has been set at 25% of the cost value of the portfolio in any single issuer of Federal Agency 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 issue (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total Entity investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Bank	U.S. Agency Securities	\$ 40,759,205
Federal Home Loan Bank	U.S. Agency Securities	60,692,181
Federal Home Loan Mortgage Corporation	U.S. Agency Securities	59,033,985
Federal National Mortgage Association	U.S. Agency Securities	53,313,020
Local Agency Investment Fund	State Pool	13,940,664

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, 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 pledge securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The California Government Code also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secure 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.

As of June 30, 2006, 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	\$ 6,933,870
U.S. Agency Securities	213,796,704

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

<u>Investment Type</u>	<u>Market Value</u>
Money Market Mutual Funds	\$ 23,956,265
Investment Contracts	15,892,784
Cash	288

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

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 (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 tax rate 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 AND ASSESSMENTS RECEIVABLES

A. Government-Wide Financial Statements

The following is a summary of notes receivable at June 30, 2006:

	Government-Wide Statement of Net Assets
	Governmental Activities
Notes	\$ 9,069,768
Total	\$ 9,069,768

B. Fund Financial Statements

Notes Receivable

At June 30, 2006, the City had the following notes receivable:

Housing Rehabilitation	\$ 9,014,958
Low and Moderate Income Housing	54,810
Total	\$ 9,069,768

The City made several housing rehabilitation and rental rehabilitation loans totaling \$9,014,958 to qualified applicants using Community Development Block Grants. 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 City has made loans from low and moderate income housing program funds in the amount of \$54,810 for a home buyer program.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

4. NOTES AND ASSESSMENTS RECEIVABLES, Continued

B. Fund Financial Statements, Continued

Assessments Receivable

As of June 30, 2006, the following assessments receivable were outstanding:

1994 Oceanside Local Agency Revenue Bonds	<u>\$ 1,300,000</u>
Total	<u><u>\$ 1,300,000</u></u>

In connection with the Authority's issuance of its \$4,120,000 and \$974,719 Oceanside Local Agency Revenue Bonds, the Commission has \$1,300,000 in assessments receivable and corresponding deferred revenue. These amounts are reduced as the principal on the bonds mature.

5. INTERFUND TRANSACTIONS

A. Government-Wide Financial Statements

Internal Balances

At June 30, 2006, the City had the following short-term interfund receivables and payables:

Internal Balances Out		Internal Balances In
		Business-Type Activities
	Governmental Activities	<u>\$ 5,070</u>

Transfers

At June 30, 2006, the City had the following operating transfers:

Transfers In		Transfers Out
		Business-Type Activities
	Governmental Activities	<u>\$ 2,391,713</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements

Due To, Due From

At June 30, 2006, the City had the following short-term interfund receivables and payables:

		Due From			
		General	Enterprise Funds		Total
			Water	Sewer	
Due To	Non-major Governmental Funds	\$ 4,343,348	\$ -	\$ -	\$ 4,343,348
	Enterprise Funds:				
	Water	-	13,310,000	-	13,310,000
	Sewer	-	-	9,725,000	9,725,000
	Special Aviation	422,783	-	-	422,783
	Total	\$ 4,766,131	\$ 13,310,000	\$ 9,725,000	\$ 27,801,131

Long-Term Advances

At June 30, 2006, the City had the following interfund long-term advances:

		Advances To			
		General	Redevelopment Agency	Enterprise Water	Total
			Capital Projects	Fund	
Advances From	Redevelopment Agency Debt Service	\$ 8,028,571	\$ 4,284,768	\$ 676,975	\$ 12,990,314
	Enterprise Fund:				
	Special Aviation	249,122	-	-	249,122
	Total	\$ 8,277,693	\$ 4,284,768	\$ 676,975	\$ 13,239,436

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, 2006 the outstanding balance of the loan was \$8,028,571.

The Low and Moderate Incoming Housing fund advanced funds to the Commission to fund redevelopment projects. The loan is payable from tax increment revenues. As of June 30, 2006 the outstanding balance of the loan was \$4,284,768.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

5. INTERFUND TRANSACTIONS, Continued

B. Fund Financial Statements, Continued

Long-Term Advances, Continued

The Water fund advanced funds to the Commission for operational purposes. As of June 30, 2006 the outstanding balance of the loan was \$676,975.

The General fund advanced funds to the Special Aviation fund for operational purposes. As of June 30, 2006 the outstanding balance of the loan was \$249,122.

Transfers

At June 30, 2006, the City had the following transfers:

		Transfers Out									
		Governmental Activities				Business-Type Activities					
		Redevelopment Agency Capital Projects	General Improvements	Non-major Governmental Funds	Internal Service Funds	Water	Sewer	Waste Water	Oceanside Harbor	Total	
Transfers In	Governmental Activities:										
	General	\$ -	\$ -	\$ -	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 30,000	
	Housing Assistance Program	772,205	-	2,056,300	-	-	-	-	-	2,828,505	
	Redevelopment Agency Debt Service	-	6,216,530	-	-	-	-	-	-	6,216,530	
	General Improvements	4,296,059	-	343,344	-	900,000	-	-	-	5,539,403	
	Non-major Governmental Funds	395,352	-	595,836	953,696	-	-	191,200	-	2,136,084	
	Internal Service Funds	3,756,001	41,642	1,725,425	402,947	127,541	736,906	253,526	311,768	7,355,756	
	Business-Type Activities:										
	Water	-	-	-	-	1,801,862	-	-	-	1,801,862	
	Sewer	-	-	-	-	-	1,255,750	-	-	1,255,750	
	Oceanside Harbor	-	-	1,687	-	-	-	-	-	1,687	
	Total	\$ 9,219,617	\$ 6,258,172	\$ 2,321,261	\$ 3,787,974	\$ 127,541	\$ 3,438,768	\$ 1,255,750	\$ 444,726	\$ 311,768	\$ 27,165,577

The above transfers resulted from the normal course of the City's operations.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2006, the City's capital assets consisted of the following:

	Government Activities	Business-Type Activities	Total
Non-Depreciable Assets:			
Land	\$ 49,899,487	\$ 20,836,745	\$ 70,736,232
Construction in process	28,148,515	22,447,079	50,595,594
Total non-depreciable assets	<u>78,048,002</u>	<u>43,283,824</u>	<u>121,331,826</u>
Depreciable Assets:			
Buildings	63,198,537	134,532,225	197,730,762
Improvements	8,652,043	216,442,273	225,094,316
Equipment	51,717,217	11,929,305	63,646,522
Infrastructure	254,900,398	-	254,900,398
Subtotal	<u>378,468,195</u>	<u>362,903,803</u>	<u>741,371,998</u>
Less accumulated depreciation			
Buildings	(18,689,294)	(24,749,424)	(43,438,718)
Improvements	(3,260,138)	(96,825,234)	(100,085,372)
Equipment	(32,184,022)	(1,743,273)	(33,927,295)
Infrastructure	(121,999,749)	-	(121,999,749)
Subtotal	<u>(176,133,203)</u>	<u>(123,317,931)</u>	<u>(299,451,134)</u>
Total depreciable assets, net	<u>202,334,992</u>	<u>239,585,872</u>	<u>441,920,864</u>
Total capital assets	<u>\$ 280,382,994</u>	<u>\$ 282,869,696</u>	<u>\$ 563,252,690</u>

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Non-depreciable assets:				
Land	\$ 49,330,799	\$ 568,688	\$ -	\$ 49,899,487
Construction in progress	15,714,901	12,732,521	(298,907)	28,148,515
Total non-depreciable assets	<u>65,045,700</u>	<u>13,301,209</u>	<u>(298,907)</u>	<u>78,048,002</u>
Depreciable assets:				
Building and structures	63,121,260	77,277	-	63,198,537
Improvements other than buildings	8,635,607	16,436	-	8,652,043
Machinery and equipment	50,662,416	2,349,538	(1,294,737)	51,717,217
Infrastructure	248,212,508	6,687,890	-	254,900,398
Subtotal	<u>370,631,791</u>	<u>9,131,141</u>	<u>(1,294,737)</u>	<u>378,468,195</u>
Less accumulated depreciation:				
Building and structures	(17,072,617)	(1,616,677)	-	(18,689,294)
Improvements other than buildings	(2,853,887)	(406,251)	-	(3,260,138)
Machinery and equipment	(30,007,176)	(3,194,589)	1,017,743	(32,184,022)
Infrastructure	(115,400,056)	(6,599,693)	-	(121,999,749)
Subtotal	<u>(165,333,736)</u>	<u>(11,817,210)</u>	<u>1,017,743</u>	<u>(176,133,203)</u>
Total depreciable assets, net	<u>205,298,055</u>	<u>(2,686,069)</u>	<u>(276,994)</u>	<u>202,334,992</u>
Total governmental activities	<u>\$ 270,343,755</u>	<u>\$ 10,615,140</u>	<u>\$ (575,901)</u>	<u>\$ 280,382,994</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. CAPITAL ASSETS, Continued

A. Government-Wide Financial Statements, Continued

Governmental activities depreciation expense for capital assets for the year ended June 30, 2006 are as follows:

General government	\$	119,275
Public safety		772,431
Public works		6,754,798
Community development		561,170
Community/culture services		1,300,283
Internal service funds		2,309,253
Total depreciation expense	\$	11,817,210

The following is a summary of capital assets for business-type activities:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Non-depreciable assets:				
Land	\$ 20,836,745	\$ -	\$ -	\$ 20,836,745
Construction in progress	107,971,518	5,674,005	(91,198,444)	22,447,079
Total non-depreciable assets	128,808,263	5,674,005	(91,198,444)	43,283,824
Depreciable assets:				
Building and structures	60,632,078	73,900,147	-	134,532,225
Improvements other than buildings	208,338,292	8,103,981	-	216,442,273
Machinery and equipment	2,928,287	9,051,682	(50,664)	11,929,305
Subtotal	271,898,657	91,055,810	(50,664)	362,903,803
Less accumulated depreciation:				
Building and structures	(23,510,428)	(1,238,996)	-	(24,749,424)
Improvements other than buildings	(90,261,428)	(6,563,806)	-	(96,825,234)
Machinery and equipment	(1,579,904)	(214,033)	50,664	(1,743,273)
Subtotal	(115,351,760)	(8,016,835)	50,664	(123,317,931)
Total depreciable assets, net	156,546,897	83,038,975	-	239,585,872
Total business-type activities	\$ 285,355,160	\$ 88,712,980	\$ (91,198,444)	\$ 282,869,696

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2006 are as follows:

Water	\$	3,522,386
Sewer		3,706,315
Waste Disposal		35,415
Special Aviation		26,974
Oceanside Small Craft Harbor District		725,745
Total depreciation expenses	\$	8,016,835

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

6. CAPITAL ASSETS, Continued

B. Fund Financial Statements

The fund financial statements do not present general government capital assets but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

7. LAND AND BUILDINGS HELD FOR RESALE

Land and buildings held for resale comprised the following at June 30, 2006:

Governmental Activities:	
Capital Projects Fund:	
Redevelopment Agency	<u>\$ 9,492,993</u>

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 an 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, 2006, was \$9,492,993.

8. LONG-TERM DEBT

A. Governmental Activities Long-Term Debt

Summary of changes in governmental activities long-term debt for the year ended June 30, 2006 was as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
Bonds payable	\$ 59,895,000	\$ -	\$ (1,475,000)	\$ 58,420,000	\$ 1,470,000	\$ 56,950,000
Certificates of Participation	59,450,000	-	(2,430,000)	57,020,000	2,675,000	54,345,000
Capital leases payable	7,746,879	346,426	(5,932,361)	2,160,944	246,431	1,914,513
Notes payable	1,070,000	-	(215,000)	855,000	215,000	640,000
Special assessment debt with government commitment	1,760,000	-	(460,000)	1,300,000	175,000	1,125,000
Pension Obligation Bonds	-	43,812,871	(47,340)	43,765,531	415,000	43,350,531
Subtotal	<u>129,921,879</u>	<u>44,159,297</u>	<u>(10,559,701)</u>	<u>163,521,475</u>	<u>5,196,431</u>	<u>158,325,044</u>
Claims payable	8,595,271	2,461,540	(344,889)	10,711,922	1,630,603	9,081,319
Compensated absences	7,554,732	1,923,531	(641,658)	8,836,605	1,564,646	7,271,959
Total	<u>\$ 146,071,882</u>	<u>\$ 48,544,368</u>	<u>\$ (11,546,248)</u>	<u>\$ 183,070,002</u>	<u>\$ 8,391,680</u>	<u>\$ 174,678,322</u>

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable

Bonds payable at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
2002 Tax Allocation Refunding Bonds	\$ 21,325,000	\$ -	\$ (610,000)	\$ 20,715,000	\$ 630,000	\$ 20,085,000
2003 Tax Allocation Refunding Bonds	7,335,000	-	(415,000)	6,920,000	425,000	6,495,000
2003 Subordinated Tax Allocation Bonds	17,725,000	-	(105,000)	17,620,000	110,000	17,510,000
2004 Tax Allocation Refunding Bonds	13,510,000	-	(345,000)	13,165,000	305,000	12,860,000
Total	\$ 59,895,000	\$ -	\$ (1,475,000)	\$ 58,420,000	\$ 1,470,000	\$ 56,950,000

1. 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 \$165,000 to \$1,240,000. Interest rates vary from 3.0% to a maximum of 5.5% and are payable semi-annually 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. At June 30, 2006, the outstanding balance of these bonds was \$20,715,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 630,000	\$ 1,088,938	\$ 1,718,938
2008	655,000	1,062,419	1,717,419
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
2012-2016	4,340,000	4,216,289	8,556,289
2017-2021	5,590,000	2,912,945	8,502,945
2022-2026	7,350,000	1,104,001	8,454,001
Total	\$ 20,715,000	\$ 13,384,274	\$ 34,099,274

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

2. 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 \$405,000 to \$670,000. Interest rates vary from 2.0% to a maximum of 4.0% and are payable semi-annually 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. At June 30, 2006, the outstanding balance of these bonds was \$6,920,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 425,000	\$ 244,613	\$ 669,613
2008	435,000	232,775	667,775
2009	450,000	219,500	669,500
2010	460,000	205,850	665,850
2011	485,000	189,250	674,250
2012-2016	2,735,000	644,676	3,379,676
2017-2019	1,930,000	118,000	2,048,000
Total	\$ 6,920,000	\$ 1,854,664	\$ 8,774,664

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

3. 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 \$75,000 to \$1,425,000. Interest rates vary from 2.0% to a maximum of 5.2% and are payable semi-annually 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. At June 30, 2006, the outstanding balance of these bonds was \$17,620,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 110,000	\$ 937,609	\$ 1,047,609
2008	570,000	922,761	1,492,761
2009	595,000	894,939	1,489,939
2010	620,000	865,505	1,485,505
2011	655,000	834,350	1,489,350
2012-2016	3,785,000	3,633,871	7,418,871
2017-2021	4,880,000	2,514,478	7,394,478
2022-2026	6,405,000	946,534	7,351,534
Total	\$ 17,620,000	\$ 11,550,047	\$ 29,170,047

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Bonds Payable, Continued

4. 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 \$345,000 to \$1,550,000. Interest rates vary from 2.5% to a maximum of 4.5% and are payable semi-annually 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. At June 30, 2006, the outstanding balance of these bonds was \$13,165,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 305,000	\$ 547,779	\$ 852,779
2008	315,000	538,479	853,479
2009	320,000	528,954	848,954
2010	340,000	517,354	857,354
2011	340,000	503,754	843,754
2012-2016	1,885,000	2,309,288	4,194,288
2017-2021	3,840,000	1,832,565	5,672,565
2022-2025	5,820,000	537,068	6,357,068
Total	\$ 13,165,000	\$ 7,315,241	\$ 20,480,241

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation

Certificates of participation payable at June 30, 2006, consisted of the following:

	Balance			Balance	Due within	Due in more
	July 1, 2005	Additions	Deletions	June 30, 2006	one year	than one year
2003 Certificates of Participation	\$ 23,260,000	\$ -	\$ (1,000,000)	\$ 22,260,000	\$ 1,035,000	\$ 21,225,000
1995 Refunding Certificates of Participation	6,410,000	-	(1,145,000)	5,265,000	1,210,000	4,055,000
1998 Certificates of Participation	9,610,000	-	(285,000)	9,325,000	305,000	9,020,000
2005 Refunding Certificates of Participation	20,170,000	-	-	20,170,000	125,000	20,045,000
Total	\$ 59,450,000	\$ -	\$ (2,430,000)	\$ 57,020,000	\$ 2,675,000	\$ 54,345,000

1. 2003 Certificates of Participation - Original Issue \$25,185,000

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

The certificates are due in annual installments of \$1,000,000 to \$1,770,000 through 2023. Interest rates range from 4.5% to 5.2% and are payable semi-annually on September 15 and March 15. At June 30, 2006, the outstanding balance of these certificates was \$22,260,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 1,035,000	\$ 1,135,253	\$ 2,170,253
2008	1,080,000	1,093,853	2,173,853
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
2012-2016	7,250,000	3,608,238	10,858,238
2017-2021	7,085,000	1,586,605	8,671,605
2022-2023	2,245,000	176,540	2,421,540
Total	\$ 22,260,000	\$ 10,547,298	\$ 32,807,298

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

2. 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 \$1,145,000 to \$1,430,000. Interest rates range from 4% to 6.07% and is 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, 2006, certificate was partially defeased by the 2006 Refunding Certificates of Participation and the outstanding balance of these certificates was \$5,265,000.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 1,210,000	\$ 260,565	\$ 1,470,565
2008	1,275,000	194,075	1,469,075
2009	1,350,000	119,150	1,469,150
2010	1,430,000	39,325	1,469,325
Total	\$ 5,265,000	\$ 613,115	\$ 5,878,115

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

3. 1998 Certificates of Participation - Original Issue \$10,750,000

The 1998 Certificates of Participation are issued by the Authority for the purpose of reimbursing the City for the 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 \$195,000 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, 2006, the outstanding balance of these certificates was \$9,325,000.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 305,000	\$ 461,215	\$ 766,215
2008	325,000	446,725	771,725
2009	350,000	431,025	781,025
2010	375,000	413,988	788,988
2011	400,000	395,775	795,775
2012-2016	2,465,000	1,645,200	4,110,200
2017-2021	3,410,000	914,258	4,324,258
2022-2023	1,695,000	89,570	1,784,570
Total	\$ 9,325,000	\$ 4,797,756	\$ 14,122,756

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Certificates of Participation, Continued

4. 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 \$125,000 to \$2,350,000. Interest rates range from 3% to 5% and are payable semiannually on February 1 and August 1. At June 30, 2006, the outstanding balance of these certificates was \$20,170,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 125,000	\$ 807,738	\$ 932,738
2008	130,000	803,588	933,588
2009	135,000	799,288	934,288
2010	135,000	795,238	930,238
2011	1,650,000	768,463	2,418,463
2012-2016	9,200,000	2,897,431	12,097,431
2017-2020	8,795,000	860,825	9,655,825
Total	\$ 20,170,000	\$ 7,732,571	\$ 27,902,571

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Capital Lease Obligations

Capital lease obligations payable at June 30, 2006, consisted of the following:

	Balance			Balance		
	July 1, 2005	Additions	Deletions	June 30, 2006	Due within one year	Due in more than one year
San Diego County Regional Communications System	\$ 2,090,226	\$ -	\$ (2,090,226)	\$ -	\$ -	\$ -
Motorola 800 MHz Radio	3,592,070	-	(3,592,070)	-	-	-
2004 Streetlighting Lease/ Purchase Agreement	2,064,583	-	(180,780)	1,883,803	177,146	1,706,657
2005 Vactor Truck Lease	-	346,426	(69,285)	277,141	69,285	207,856
Total	\$ 7,746,879	\$ 346,426	\$ (5,932,361)	\$ 2,160,944	\$ 246,431	\$ 1,914,513

1. San Diego County Regional Communications System

In January 2003, the City entered into a capital lease agreement for the San Diego County Regional Communications System. The lease is payable in annual installments of \$369,788 through February 2012 with an interest rate of 5.65%. At June 30, 2006, the outstanding balance of the lease was paid off entirely.

2. Motorola 800 MHz Radio

In May 2002, the City acquired a new Motorola 800 MHz Radio under a capital lease agreement payable in annual installments of \$637,987 through June 2012. The interest rate is 5.76%. At June 30, 2006, the outstanding balance of the lease was paid off entirely.

3. 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 177,146 to \$246,772, commencing on September 1, 2005. The lease bears an interest rate of 4.2% and is payable semiannually on March 1 and September 1, commencing on March 1, 2005. At June 30, 2006, the outstanding balance of this lease was \$1,883,803.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Capital Lease Obligations, Continued

3. 2004 Streetlight Lease/Purchase Agreement, Continued

The future minimum lease payments are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 177,146	\$ 75,400	\$ 252,546
2008	184,192	67,812	252,004
2009	190,728	59,938	250,666
2010	201,713	51,697	253,410
2011	206,985	43,115	250,100
2012-2015	923,039	79,612	1,002,651
Total	\$ 1,883,803	\$ 377,574	\$ 2,261,377

4. 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, 2006, the outstanding balance of this lease was \$277,141.

The future minimum lease payments are as follows:

For the Years Ending June 30,	Annual Payment
2007	\$ 76,054
2008	76,054
2009	76,054
2010	76,054
Subtotal	304,216
Less interest portion	(27,075)
Total	\$ 277,141

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Notes Payable

Notes payable at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
HUD 108 Loans	\$ 1,070,000	\$ -	\$ (215,000)	\$ 855,000	\$ 215,000	\$ 640,000
Total	\$ 1,070,000	\$ -	\$ (215,000)	\$ 855,000	\$ 215,000	\$ 640,000

1. 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. §5308 for Series HUD 2002-A Certificates. The loans are due in annual installment of \$215,000. Interest rates vary from 3.15% to 4.43% and are payable on February 1 and August 1. At June 30, 2006, the outstanding balance of the loans was \$855,000.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 215,000	\$ 30,126	\$ 245,126
2008	215,000	22,332	237,332
2009	215,000	13,775	228,775
2010	210,000	4,652	214,652
Total	\$ 855,000	\$ 70,885	\$ 925,885

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Special Assessment Debt with City Commitment

Special Assessment Debt with City Commitment at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within One Year	Due in More Than One Year
1994 Assessment District Refinancing						
Revenue Bonds	\$ 1,760,000	\$ -	\$ (460,000)	\$ 1,300,000	\$ 175,000	\$ 1,125,000
Total	\$ 1,760,000	\$ -	\$ (460,000)	\$ 1,300,000	\$ 175,000	\$ 1,125,000

1. 1994 Assessment District Refinancing Local Agency Revenue Bonds – Original Issue \$4,120,000

The bonds were issued pursuant to an Indenture of Trust for the Series, dated as of January 1, 1994, for the purpose of enabling the Authority to acquire certain limited obligation refunding bonds proceeds of which were used to refinance outstanding limited obligation improvement bonds for the City Improvement District No. 1-1989 (Morro Hills Updated). The bonds are series A bonds and are due in annual installments of \$310,000 to \$385,000. Interest rates range from 3.6% to 5.9% and are payable semiannually on March 2 and September 2. At June 30, 2006, the outstanding balance of these bonds was \$1,300,000.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 175,000	\$ 73,525	\$ 248,525
2008	350,000	54,385	404,385
2009	375,000	33,446	408,446
2010	400,000	11,261	411,261
Total	\$ 1,300,000	\$ 172,617	\$ 1,472,617

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

A. Governmental Activities Long-Term Debt, Continued

Pension Obligation Bonds

Pension Obligation Bonds at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within One Year	Due in More Than One Year
2005 Pension Obligation Bonds	\$ -	\$ 42,780,000	\$ -	\$ 42,780,000	\$ 415,000	\$ 42,365,000
Bond Premium	-	1,032,871	(47,340)	985,531	-	938,191
Total	\$ -	\$ 43,812,871	\$ (47,340)	\$ 43,765,531	\$ 415,000	\$ 43,303,191

1. 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 (PERS) for the benefit of the City's employees. The bonds are due in annual installments of \$415,000 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, 2006, the outstanding balance of the bonds was \$42,780,000.

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

Ending June 30,	Principal	Interest	Total
2007	\$ 415,000	\$ 2,172,251	\$ 2,587,251
2008	540,000	2,151,772	2,691,772
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
2012-2016	7,740,000	9,307,812	17,047,812
2017-2021	13,920,000	6,661,990	20,581,990
2022-2026	17,685,000	2,028,117	19,713,117
Total	\$ 42,780,000	\$ 28,585,795	\$ 71,365,795

Claims Payable

Claims payable have been accrued. Amounts determined to be debts of either the business-type and 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, 2006, was \$10,711,922.

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 \$8,836,605 at June 30, 2006.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

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

Summary of changes in long-term debt of business-type and proprietary funds for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
Bonds payable	\$ 9,690,000	\$ -	\$ (575,000)	\$ 9,115,000	\$ 575,000	\$ 8,540,000
Certificates of participation	24,795,000	-	(1,760,000)	23,035,000	1,760,000	21,275,000
Notes payable	75,605,496	-	(1,306,126)	74,299,370	1,317,848	72,981,522
Total	\$ 110,090,496	\$ -	\$ (3,641,126)	\$ 106,449,370	\$ 3,652,848	\$ 102,796,522

Bonds Payable

Bonds payable at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within one year	Due in more than one year
1998 Water Revenue						
Refunding Bonds	\$ 9,690,000	\$ -	\$ (575,000)	\$ 9,115,000	\$ (590,000)	\$ 9,705,000
Total	\$ 9,690,000	\$ -	\$ (575,000)	\$ 9,115,000	\$ (590,000)	\$ 9,705,000

1. 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 \$25,000 to \$965,000 through 2017. Interest rates range from 3.5% to 5.0% and are payable semiannually on April 1 and October 1. At June 30, 2006, the outstanding balance of these bonds was \$9,115,000. 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.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Bonds Payable, Continued

1. 1998 Water Revenue Refunding Bonds - Original Issue \$11,445,000, Continued

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 590,000	\$ 412,631	\$ 1,002,631
2008	620,000	387,214	1,007,214
2009	640,000	360,279	1,000,279
2010	670,000	331,779	1,001,779
2011	705,000	301,176	1,006,176
2012-2016	4,005,000	971,750	4,976,750
2017-2018	1,885,000	95,375	1,980,375
Total	\$ 9,115,000	\$ 2,860,204	\$ 11,975,204

Certificates of Participation

Certificates of Participation payable at June 30, 2006, consisted of the following:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Due within One Year	Due in More Than One Year
Revenue Certificates of Participation (1993 Water Refunding) Series 2003	\$ 14,595,000	\$ -	\$ (1,285,000)	\$ 13,310,000	\$ 1,325,000	\$ 11,985,000
Revenue Certificates of Participation (1993 Wastewater Refunding) Series 2003	10,200,000	-	(475,000)	9,725,000	495,000	9,230,000
Total	\$ 24,795,000	\$ -	\$ (1,760,000)	\$ 23,035,000	\$ 1,820,000	\$ 21,215,000

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Certificates of Participation, Continued

1. 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 (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%. At June 30, 2006, the outstanding balance of these certificates was \$13,310,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 1,325,000	\$ 467,363	\$ 1,792,363
2008	1,375,000	413,362	1,788,362
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
2012-2016	2,890,000	1,113,544	4,003,544
2017-2021	3,455,000	519,934	3,974,934
2022	775,000	15,984	790,984
Total	\$ 13,310,000	\$ 3,483,426	\$ 16,793,426

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Certificates of Participation, Continued

2. 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 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 \$415,000 to \$865,000 will be made through May 1, 2021; interest ranges from 2.25% to 5.00%. At June 30, 2006, the outstanding balance of these certificates was \$9,725,000. 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.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 495,000	\$ 415,750	\$ 910,750
2008	505,000	400,900	905,900
2009	520,000	385,750	905,750
2010	540,000	367,550	907,550
2011	565,000	345,950	910,950
2012-2016	3,165,000	1,373,350	4,538,350
2017-2021	3,935,000	609,500	4,544,500
Total	\$ 9,725,000	\$ 3,898,750	\$ 13,623,750

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Notes Payable

Notes payable at June 30, 2006, consisted of the following:

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006	Due within one year	Due in more than one year
State revolving loan	\$ 47,057,070	\$ -	\$ -	\$ 47,057,070	\$ -	\$ 47,057,070
State Water Resources Control Board	6,192,441	-	(490,995)	5,701,446	504,252	5,197,194
Department of Boating and Waterways	4,245,985	-	(220,242)	4,025,743	230,152	3,795,591
Department of Transportation	850,000	-	(69,889)	780,111	43,444	736,667
1998 Wateruse Purchase Contract	17,260,000	-	(525,000)	16,735,000	540,000	16,195,000
Total	\$ 75,605,496	\$ -	\$ (1,306,126)	\$ 74,299,370	\$ 1,317,848	\$ 72,981,522

1. State Water Resources Control Board Loan for the San Luis Rey Wastewater Treatment Plan 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 \$2,926,499 commencing in May 2006 through 2024. The loan is interest free. At June 30, 2006, the outstanding balance of these notes was \$47,057,070. Debt service schedule will be determined after completion of project.

2. 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 \$117,893 to \$658,191 commencing 1997 through 2015. The interest rate is 2.7% payable annually on November 1. At June 30, 2006, the outstanding balance of this note was \$5,701,446.

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

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 504,252	\$ 153,939	\$ 658,191
2008	517,866	140,324	658,190
2009	531,849	126,342	658,191
2010	546,209	111,982	658,191
2011	560,956	97,234	658,190
2012-2016	3,040,314	250,639	3,290,953
Total	\$ 5,701,446	\$ 880,460	\$ 6,581,906

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Notes Payable, Continued

3. Department of Boating and Waterways

The Department of Boating and Waterways has loaned the District as follows:

	Amount Outstanding at June 30, 2006
1984 Loan Payable	
Due in annual installments of \$64,490 through 2015 including interest of 4.5% per annum	\$ 510,291
1986 Loan Payable	
Due in annual installments of \$230,778 through 2017 including interest of 4.5% per annum	2,104,367
1994 Loans Payable	
Due in annual installments of \$116,043 through 2023 including interest of 4.5% per annum	1,411,085
Total loans payable	\$ 4,025,743

4. Department of Transportation - Original Issue \$850,000

On June 9, 2003, the City entered in to 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 \$34,000 to \$81,222 through 2020. At June 30, 2006, the outstanding balance of this note was \$780,111.

The annual principal payment requirements on this agreement are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 39,667	\$ 39,449	\$ 79,116
2008	43,444	37,444	80,888
2009	47,222	35,247	82,469
2010	51,000	32,859	83,859
2011	54,778	30,280	85,058
2012-2016	330,556	106,026	436,582
2017-2020	213,444	20,441	233,885
Total	\$ 780,111	\$ 301,746	\$ 1,081,857

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

B. Long-Term Debt of Business-Type and Proprietary Funds, Continued

Notes Payable, Continued

5. 2000 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 \$525,000 to \$1,005,000 through 2028. At June 30, 2006, the outstanding balance of this note was \$16,735,000.

The annual principal payment requirements on this purchase contract are as follows:

For the Years Ending June 30,	Principal
2007	\$ 540,000
2008	560,000
2009	580,000
2010	595,000
2011	615,000
2012-2016	3,370,000
2017-2021	3,940,000
2022-2026	4,590,000
2027-2028	1,945,000
Total	\$ 16,735,000

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, 2006, compensated absences in the proprietary funds types were as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-Type Activities:				
Water	\$ 550,161	\$ 135,075	\$ -	\$ 685,236
Sewer	753,402	49,800	-	803,202
Waste Disposal	105,167	25,567	-	130,734
Special Aviation	26,218	5,039	-	31,257
Oceanside Small Craft Harbor District	285,576	64,822	-	350,398
Total	\$ 1,720,524	\$ 280,303	\$ -	\$ 2,000,827

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, 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 redevelopment 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	Outstanding at June 30, 2006
1985 Multi-Family Housing Revenue Bonds	City of Oceanside	March 1, 1996	\$ 6,000,000	\$ 4,020,000
City of Oceanside Assessment District No 4-1988 (Mission Square)	City of Oceanside	May 1, 1994	320,830	165,000
1990 Residential Mortgage Revenue Bonds	City of Oceanside	July 1, 1990	21,000,000	15,570,000
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	1,325,000
2002 Multifamily Housing Revenue Bonds Vintage Pointe II Senior Apartments	City of Oceanside	December 1, 2002	11,300,000	11,153,065
Trendwest CFD 2001-2 Owners Participation Agreement	City of Oceanside	December 1, 2002	1,500,000	905,000
Ocean Ranch CFD 2000-1 Ocean Ranch Corporate Centre	City of Oceanside	December 30, 2002	12,265,000	12,250,000
Morro Hill CFD 2002	City of Oceanside	December 1, 2002	16,085,000	16,050,000
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	9,580,000
Morro Hills CFD 2004 Improvement Area #1	City of Oceanside	February 1, 2004	11,000,000	10,780,000

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

D. Defeasance of Debt

The City issued new debt to defease, or partially defease, existing debt. A summary of the transaction is as follows:

- In September 2003, the City issued \$7,740,000 in Tax Allocation Bonds to refund the 1993 Tax Allocation Refunding Bonds. The amount of the total outstanding principal refunded was \$7,725,000. A summary of the sources and uses of funds, cash flow and economic gain are as follows:

Sources and Uses of Funds:

Sources of Funds:

Principal amount of Certificates	\$ 7,740,000
Net premium	133,424
1993 DSRF release	932
City payment of 9/1/03 P & I	523,040
Total Sources of Funds	\$ 8,397,396

Uses of Funds:

Deposit to refunding escrow	\$ 8,099,039
Deposit to delivery costs fund	298,357
Total Uses of Funds	\$ 8,397,396

Cash Flows:

Debt Service 1993 TABs	Debt Service 2003 TABs	Reduction (Increase) of Debt Service	Present Value of Reduction (Increase) of Debt Service @ 3.62%
\$ 11,580,935	\$ 10,272,287	\$ 1,308,648	\$ 991,925

Economic Gain:

Present Value of Reduction (Increase) of Debt Service	\$ 991,925
Plus Refunding Funds on Hand	1,711
Less Prior Funds on Hand	(932)
Net Present Value of Economic Gain	\$ 992,704

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

D. Defeasance of Debt, Continued

- In September 2004, the City issued \$13,510,000 in Tax Allocation Bonds to refund the 1994 Tax Allocation Refunding Bonds. The amount of the total outstanding principal refunded was \$12,630,000. A summary of the sources and uses of funds, cash flow and economic gain are as follows:

Sources and Uses of Funds:

Sources of Funds:

Principal amount of 2004 Bonds	\$ 13,510,000
Net Original Issue Discount	(14,341)
Transfer from Reserve Account	1,823,230
Total Sources of Funds	\$ 15,318,889

Uses of Funds:

Deposit to refunding escrow	\$ 13,060,142
Deposit to Redevelopment Fund	\$ 1,823,230
Cost of Issuance	435,517
Total Uses of Funds	\$ 15,318,889

Cash Flows:

Debt Service 1994 TABs	Debt Service 2004 TABs	Reduction (Increase) of Debt Service	Present Value of Reduction (Increase) of Debt Service @ 4.43%
\$ 25,414,527	\$ 21,628,113	\$ 3,786,414	\$ 2,505,784

Economic Gain:

Present Value of Reduction (Increase) of Debt Service	\$ 2,505,784
Plus Refunding Funds on Hand	1,826,792
Less Prior Funds on Hand	(1,823,230)
Net Present Value of Economic Gain	\$ 2,509,346

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

D. Defeasance of Debt, Continued

- In May 2005, the City issued \$20,170,000 in Certificates of Participation to partially refund the 1995 Refunding Certificates of Participation. The amount of the total outstanding principal refunded was \$19,745,000. A summary of the sources and uses of funds, cash flow and economic gain are as follows:

Sources and Uses of Funds:

<u>Sources of Funds:</u>	
Par Amount of Certificates	\$ 20,170,000
Net Original Issue Premium	385,222
City Contribution	544,594
Total Sources of Funds	\$ 21,099,816

<u>Uses of Funds:</u>	
Deposit to refunding escrow	\$ 20,557,947
Cost of Issuance	541,869
Total Uses of Funds	\$ 21,099,816

Cash Flows:

Debt Service 1995 COP	Debt Service 2005 COP	Reduction (Increase) of Debt Service	Present Value of Reduction (Increase) of Debt Service @ 3.99%
\$ 30,469,625	\$ 28,487,289	\$ 1,982,336	\$ 1,452,037

Economic Gain:

Present Value of Reduction (Increase) of Debt Service	\$ 1,452,037
Plus Refunding Funds on Hand	1,751
Less Prior Funds on Hand	-
Net Present Value of Economic Gain	\$ 1,453,788

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

8. LONG-TERM DEBT, Continued

D. Defeasance of Debt, Continued

- In September 2004, the City entered into a \$2,064,583 Lease Purchase Agreement to refund the 1994 Certificates of Participation. A summary of the sources and uses of funds, cash flow and economic gain are as follows:

Sources and Uses of Funds:

Sources of Funds:

Principal amount of the Agreement	\$ 2,064,583
Reserve fund release	160,838
Project fund release	29,188
Lease payment fund release	81
Total Sources of Funds	\$ 2,254,690

Uses of Funds:

Cash deposit	\$ 1
SLG purchases	2,219,689
Cost of Issuance	35,000
Total Uses of Funds	\$ 2,254,690

Cash Flows:

Debt Service 1994 COPs	Debt Service 2004 Agreement	Reduction (Increase) of Debt Service	Present Value of Reduction (Increase) of Debt Service @ 4.20%
\$ 2,919,700	\$ 2,560,238	\$ 359,462	\$ 291,721

Economic Gain:

Present Value of Reduction (Increase) of Debt Service	\$ 291,721
Plus Refunding Funds on Hand	-
Less Prior Funds on Hand	(190,107)
Net Present Value of Economic Gain	\$ 101,614

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Deficit Fund Balances

At June 30, 2006, the following funds had deficit fund balances. The City has implemented plans to eliminate these deficits.

Fund Name	Deficit Fund Balance
Special Revenue Fund:	
Storm Damage	\$ (1,078,282)
Total	\$ (1,078,282)

B. Excess of Expenditures over Appropriations

At June 30, 2006, there were funds with immaterial excess of expenditures over appropriations. The City has implemented plans to eliminate these excess expenditures.

10. 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 \$10,711,922 reported at June 30, 2006, 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,
2004	\$ 9,101,115	\$ 2,617,867	\$ (3,133,504)	\$ 8,585,478
2005	8,585,478	2,535,670	(2,180,989)	8,940,159
2006	8,940,159	3,622,880	(1,851,117)	10,711,922

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

10. 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

The following represents summary audited financial information of SANDPIPA for the fiscal year ended June 30, 2005, which is the most current information available:

Total assets	<u>\$ 19,832,101</u>
Total liabilities	<u>\$ 11,040,892</u>
Fund equity	<u>\$ 8,791,209</u>
Total revenues	<u>\$ 5,011,549</u>
Total expenses	<u>\$ 5,608,586</u>
Net increase in fund equity	<u>\$ (597,037)</u>

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.

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

11. RETIREMENT PLANS

Pension Plan

Plan Description - The City contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS 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 PERS' annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

Funding Policy - Active plan members are required by State statute to contribute 7% for miscellaneous and 9% for safety employees of their annual covered salary. The City employer makes the contributions required of City employees on their behalf and for their account, which amounted to \$4,500,121 for the year ended June 30, 2006. The City employer is required to contribute for fiscal year 2005-2006 at an actuarially determined rate of 9.901% and 30.919% of annual covered payroll for miscellaneous and safety employees, respectively.

Annual Pension Cost - For fiscal year 2005-2006, the City's annual pension cost of \$7,691,694 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases range 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 PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS 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, 2003, was 30 years for both miscellaneous and safety employees.

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Actual Contribution	Percentage of APC Contributed	Net Pension Assets (Obligation)
6/30/04	\$ 4,065,349	\$ 4,065,349	100%	\$ -
6/30/05	8,640,714	8,640,714	100%	-
6/30/06	7,691,694	49,764,020	647%	42,072,326

City of Oceanside
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2006

12. 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.

13. PRIOR PERIOD ADJUSTMENTS

A. Government-Wide Financial Statements

The City recorded the following prior period adjustments to correct Arbitrage Rebate Liabilities, Actuarial Adjustments on Claims and Judgments payable that were not recorded in the prior year, and to certain miscellaneous accounting corrections. Accordingly, the net assets as of July 1, 2005, have been restated as follows:

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets as Restated
Governmental Activities:			
Net assets	\$ 271,905,407	\$ (1,666,875)	\$ 270,238,532
Business-Type Activities:			
Net assets	\$ 260,310,849	\$ (1,956,681)	\$ 258,354,168

B. Fund Financial Statements

	Net Assets as Previously Reported	Prior Period Adjustments	Net Assets, as restated
Governmental Fund Type:			
General Fund	\$ 41,579,259	\$ 384,341	\$ 41,963,600
Housing Assistance Program Special Revenue Fund	4,674,418	3,439	4,677,857
Redevelopment Agency Capital Project Fund	25,296,835	201	25,297,036
Non-Major Governmental Funds	16,994,172	(216,170)	16,778,002
Total governmental funds	\$ 16,994,172	\$ (216,170)	\$ 16,778,002
Proprietary Fund Type:			
Sewer Fund	117,072,012	(2,014,184)	115,057,828
Oceanside Small Craft Harbor District	14,355,956	57,503	14,413,459
Internal Service Funds	22,816,051	(9,646,815)	13,169,236
Total proprietary funds	\$ 22,816,051	\$ (9,646,815)	\$ 13,169,236

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REQUIRED SUPPLEMENTARY INFORMATION

City of Oceanside
Required Supplementary Information
For the year ended June 30, 2006

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 generally accepted accounting principles. 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
Required Supplementary Information, Continued
For the year ended June 30, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

General Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 41,963,600	\$ 41,963,600	\$ 41,963,600	\$ -
Resources (inflows):				
Taxes	63,570,575	63,570,575	67,748,805	4,178,230
Licenses and permits	2,115,001	2,115,001	2,517,246	402,245
Intergovernmental	1,633,690	1,633,690	4,576,732	2,943,042
Charges for services	10,021,323	10,021,323	10,473,189	451,866
Fines and penalties	3,328,336	3,328,336	3,751,107	422,771
Interest and rentals	3,905,239	3,905,239	4,154,563	249,324
Administrative and in lieu charges	12,252,924	12,252,924	11,981,723	(271,201)
Other	290,000	290,000	285,142	(4,858)
Proceeds from sale of real property	-	-	228,100	228,100
Transfers in	-	30,000	30,000	-
Amount available for appropriation	97,117,088	97,147,088	105,746,607	8,599,519
Charges to appropriations (outflows):				
City Council	910,030	910,030	853,339	56,691
City Clerk	942,443	942,443	821,611	120,832
City Treasurer	298,987	298,987	297,038	1,949
City Manager	1,424,359	1,061,007	966,131	94,876
City Attorney	1,592,535	1,592,535	1,369,539	222,996
Financial Services	4,382,083	4,358,891	4,132,753	226,138
Personnel	837,281	867,281	755,250	112,031
Economic Development	506,576	506,576	413,632	92,944
Planning	1,326,640	1,389,977	1,319,957	70,020
Building	2,249,912	2,249,912	2,460,967	(211,055)
Housing and Neighborhood Services	808,195	818,150	758,456	59,694
Police	39,133,857	38,783,941	39,552,738	(768,797)
Fire	18,619,023	18,638,686	18,606,765	31,921
Public Works	8,839,733	9,402,925	8,937,051	465,874
Library	5,119,313	5,119,313	4,969,099	150,214
Parks and Recreation	3,148,944	3,148,944	2,973,261	175,683
Beach Recreation	1,992,169	1,992,169	1,919,785	72,384
Nondepartmental	3,398,648	3,762,000	2,023,373	1,738,627
Transfers out	8,696,765	10,352,602	9,219,617	1,132,985
Total charges to appropriations	104,227,493	106,196,369	102,350,362	3,846,007
Excess of resources over (under) charges to appropriations	(7,110,405)	(9,049,281)	3,396,245	12,445,526
Fund balance, June 30	\$ 34,853,195	\$ 32,914,319	\$ 45,359,845	\$ 12,445,526

City of Oceanside
Required Supplementary Information, Continued
For the year ended June 30, 2006

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

Housing Assistance Program Special Revenue Fund

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 4,677,857	\$ 4,677,857	\$ 4,677,857	\$ -
Resources (inflows):				
Licenses and permits	120,509	120,509	122,890	2,381
Intergovernmental revenue	14,043,675	14,293,675	14,079,490	(214,185)
Charges for services	295,039	230,083	418,282	188,199
Interest and rentals	52,740	52,740	168,415	115,675
Developers fees	-	7,457,213	4,023,193	(3,434,020)
Other revenues	570,688	249,055	13,662	(235,393)
Transfers in	773,839	2,830,139	2,828,505	(1,634)
Amount available for appropriation	15,856,490	25,233,414	21,654,437	(3,578,977)
Charges to appropriations (outflows):				
Housing and Neighborhood Services	15,656,939	25,120,217	14,642,924	10,477,293
Total charges to appropriations	15,656,939	25,120,217	14,642,924	10,477,293
Excess of resources over (under) charges to appropriations	199,551	113,197	7,011,513	6,898,316
Fund balance, June 30	\$ 4,877,408	\$ 4,791,054	\$ 11,689,370	\$ 6,898,316

City of Oceanside
Required Supplementary Information, Continued
For the year ended June 30, 2006

PUBLIC EMPLOYEE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Miscellaneous Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Actuarial Excess Assets (Unfunded Liability) Percentage of Covered Payroll
6/30/2003	\$ 140,537,410	\$ 139,865,749	\$ 671,661	100.5%	\$ 29,980,229	2.2%
6/30/2004	147,880,466	152,287,691	(4,407,225)	97.1%	31,601,265	(13.9)%
6/30/2005	157,958,947	162,831,419	(4,872,472)	97.0%	32,821,215	(14.8)%

Safety Employees

Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Liability	Funded Ratio	Covered Payroll	Actuarial Unfunded Liability Percentage of Covered Payroll
6/30/2003	\$ 156,226,597	\$ 187,671,157	\$ (31,444,560)	83.2%	\$ 17,487,366	(179.8)%
6/30/2004	165,693,965	202,107,740	(36,413,775)	82.0%	18,955,563	(192.1)%
6/30/2005	180,235,494	222,688,992	(42,453,498)	80.9%	21,940,504	(193.5)%

Note: The City in 2006 issued Pension Obligation Bonds for \$42,780,000. The proceeds of these bonds were forwarded to PERS to reduce the City's unfunded liabilities.

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SUPPLEMENTARY INFORMATION

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NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Asset Seizure:

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.

Library:

To account for grant revenues and purchases of books. The fund is required by Section 18951 of the California Education Code.

Gas Tax:

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.

Community Development Block Grant:

To account for funds received from the Federal Government for use on federally approved projects.

Recreation:

To account for the operation of the City's special recreation programs.

Maintenance Districts:

To account for street lighting and landscape maintenance services. Financing is provided by service charges to benefiting properties.

Strategic Traffic Offender Program (STOP):

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).

Grants:

To account for funds received from federal, state, and county governments for use on approved projects.

DEBT SERVICE FUNDS:

Oceanside Public Financing Authority:

Accounts for payment of interest and principal on debt of the Public Financing Authority.

Oceanside Bridge Corporation:

Accounts for payment of interest and principal on the certificates of participation of the Oceanside Bridge

Oceanside Building Authority:

Accounts for payment of interest and principal on the certificates of participation and revenue bonds of the Oceanside Building Authority.

City of Oceanside
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2006

	Special Revenue					
	Asset Seizure	Library	Gas Tax	Community Development Block Grant	Recreation	Maintenance Districts
ASSETS						
Cash and investments	\$ 246,504	\$ 40,919	\$ 11,031,821	\$ -	\$ 664,044	\$ 1,276,137
Restricted cash and investments	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):						
Accounts	-	-	-	-	-	-
Notes	-	-	-	-	-	-
Assessments	-	-	-	-	-	-
Taxes	-	-	-	287,291	-	-
Other	-	-	-	-	-	18,940
Due from other governments	-	-	1,780,727	-	-	-
Prepaid items	-	6,170	-	-	1,457	-
Total assets	\$ 246,504	\$ 47,089	\$ 12,812,548	\$ 287,291	\$ 665,501	\$ 1,295,077
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 15,782	\$ 810,389	\$ 53,513	\$ 19,116	\$ 173,702
Accrued liabilities	-	-	56,275	3,490	25,483	-
Deposits	-	-	25,000	-	-	-
Due to other funds	-	-	-	230,288	-	-
Deferred revenue	-	-	201,695	-	114,816	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	-	15,782	1,093,359	287,291	159,415	173,702
Fund Balances:						
Reserved:						
Debt service	-	-	-	-	-	-
Unreserved designated for:						
Unrealized gains on investments	-	-	-	-	-	-
Unreserved, undesignated:						
Special revenue funds	246,504	31,307	11,719,189	-	506,086	1,121,375
Capital project funds	-	-	-	-	-	-
Total fund balances	246,504	31,307	11,719,189	-	506,086	1,121,375
Total liabilities and fund balances	\$ 246,504	\$ 47,089	\$ 12,812,548	\$ 287,291	\$ 665,501	\$ 1,295,077

Special Revenue			Debt Service			Total
Stop	Storm Damage	Grants	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Other Governmental Funds
\$ 1,036,375	\$ -	\$ -	\$ 1,921,788	\$ 1,583,712	\$ 30,735	\$ 17,832,035
-	-	-	2,196,413	417,578	-	2,613,991
-	-	4,029,245	-	-	-	4,029,245
-	-	-	-	-	-	-
-	-	-	-	1,300,000	-	1,300,000
-	-	-	-	-	-	287,291
-	-	-	-	5,159	-	24,099
-	-	1,573,638	-	-	-	3,354,365
-	-	-	-	-	-	7,627
<u>\$ 1,036,375</u>	<u>\$ -</u>	<u>\$ 5,602,883</u>	<u>\$ 4,118,201</u>	<u>\$ 3,306,449</u>	<u>\$ 30,735</u>	<u>\$ 29,448,653</u>
\$ 2,238	\$ -	\$ 275,165	\$ -	\$ 2,491	\$ -	\$ 1,352,396
15,203	-	9,528	-	-	-	109,979
-	-	-	-	-	-	25,000
-	1,078,282	3,034,778	-	-	-	4,343,348
-	-	647,719	-	1,300,000	-	2,264,230
-	-	-	-	-	-	-
<u>17,441</u>	<u>1,078,282</u>	<u>3,967,190</u>	<u>-</u>	<u>1,302,491</u>	<u>-</u>	<u>8,094,953</u>
-	-	-	4,118,201	2,003,958	30,735	6,152,894
-	-	-	-	-	-	-
1,018,934	(1,078,282)	1,635,693	-	-	-	15,200,806
-	-	-	-	-	-	-
<u>1,018,934</u>	<u>(1,078,282)</u>	<u>1,635,693</u>	<u>4,118,201</u>	<u>2,003,958</u>	<u>30,735</u>	<u>21,353,700</u>
<u>\$ 1,036,375</u>	<u>\$ -</u>	<u>\$ 5,602,883</u>	<u>\$ 4,118,201</u>	<u>\$ 3,306,449</u>	<u>\$ 30,735</u>	<u>\$ 29,448,653</u>

City of Oceanside
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2006

	Special Revenue					
	Asset			Community		Maintenance
	Seizure	Library	Gas Tax	Development Block Grant	Recreation	Districts
REVENUES:						
Special assessments	\$ -	\$ -	\$ 4,450,000	\$ -	\$ -	\$ 2,339,180
Intergovernmental	101,560	69,085	5,809,077	1,906,421	-	-
Charges for services	-	99,383	-	-	682,665	-
Fines and forfeitures	-	-	-	-	-	-
Lease revenue	-	-	-	-	-	-
Interest and rental	5,213	-	295,646	-	22,257	28,848
Developer fees	-	-	-	-	-	-
Other	-	38,351	-	-	6,273	19,216
Total revenues	106,773	206,819	10,554,723	1,906,421	711,195	2,387,244
EXPENDITURES:						
Current:						
General government	-	-	-	450,174	-	-
Public safety	13,615	-	-	-	-	-
Public works	-	-	3,313,199	-	-	2,496,090
Community development	-	-	-	722,387	-	-
Community/cultural services	-	418,472	-	60,075	811,219	-
Capital outlay	-	-	3,707,685	409,011	-	-
Debt service:						
Principal	-	-	-	215,000	-	-
Interest and fiscal charges	-	-	-	37,049	-	-
Total expenditures	13,615	418,472	7,020,884	1,893,696	811,219	2,496,090
REVENUES OVER (UNDER) EXPENDITURES	93,158	(211,653)	3,533,839	12,725	(100,024)	(108,846)
OTHER FINANCING SOURCES (USES):						
Issuance of refunding debt	-	-	-	-	-	-
Transfers in	-	192,600	491,200	-	-	390,000
Transfers out	-	-	(953,826)	(11,516)	(13,213)	(299,125)
Total other financing sources (uses)	-	192,600	(462,626)	(11,516)	(13,213)	90,875
NET CHANGES IN FUND BALANCES	93,158	(19,053)	3,071,213	1,209	(113,237)	(17,971)
FUND BALANCES:						
Beginning of year	153,346	50,360	8,647,976	(1,209)	619,323	1,139,346
End of year	\$ 246,504	\$ 31,307	\$ 11,719,189	\$ -	\$ 506,086	\$ 1,121,375

Special Revenue			Debt Service			Total
Stop	Storm Damage	Grants	Oceanside Public Financing Authority	Oceanside Building Authority	Oceanside Lighting District	Other Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 816,763	\$ -	\$ 7,605,943
-	742,433	5,372,244	-	-	-	14,000,820
-	-	-	-	-	-	782,048
569,619	-	-	-	-	-	569,619
-	-	-	2,094,181	168,055	-	2,262,236
25,664	-	(46,483)	80,754	45,673	-	457,572
-	-	-	-	-	-	-
-	-	174,193	-	-	-	238,033
595,283	742,433	5,499,954	2,174,935	1,030,491	-	25,916,271
-	-	-	-	1,660	-	451,834
470,391	-	1,334,363	-	-	-	1,818,369
-	96,868	208,097	-	-	-	6,114,254
-	-	1,100,837	-	-	-	1,823,224
-	-	75,888	-	-	-	1,365,654
-	-	-	-	-	-	4,116,696
-	-	-	1,000,000	745,000	180,780	2,140,780
-	-	-	1,165,252	569,855	85,716	1,857,872
470,391	96,868	2,719,185	2,165,252	1,316,515	266,496	19,688,683
124,892	645,565	2,780,769	9,683	(286,024)	(266,496)	6,227,588
-	-	-	-	-	-	-
-	-	202,752	-	595,836	263,696	2,136,084
-	-	(2,510,294)	-	-	-	(3,787,974)
-	-	(2,307,542)	-	595,836	263,696	(1,651,890)
124,892	645,565	473,227	9,683	309,812	(2,800)	4,575,698
894,042	(1,723,847)	1,162,466	4,108,518	1,694,146	33,535	16,778,002
\$ 1,018,934	\$ (1,078,282)	\$ 1,635,693	\$ 4,118,201	\$ 2,003,958	\$ 30,735	\$ 21,353,700

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Redevelopment Agency Capital Projects Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 25,297,036	\$ 25,297,036	\$ 25,297,036	\$ -
Resources (inflows):				
Taxes	6,651,472	6,651,472	7,426,772	775,300
Charges for services	-	-	55,092	55,092
Interest and rentals	145,000	145,000	317,969	172,969
Developer fees	177,600	3,278,414	191,990	(3,086,424)
Other revenues	-	-	2,232	2,232
Amount available for appropriation	6,974,072	10,074,886	7,994,055	(2,080,831)
Charges to appropriations (outflows):				
Redevelopment	2,075,115	22,175,115	2,537,771	19,637,344
Transfer out	4,553,915	4,553,915	6,258,172	(1,704,257)
Total charges to appropriations	6,629,030	26,729,030	8,795,943	17,933,087
Excess of resources over (under) charges to appropriations	345,042	(16,654,144)	(801,888)	(20,013,918)
Fund balance, June 30	\$ 25,642,078	\$ 8,642,892	\$ 24,495,148	\$ (20,013,918)

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Improvement Capital Projects Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 33,045,627	\$ 33,045,627	\$ 33,045,627	\$ -
Resources (inflows):				
Intergovernmental	12,922,000	12,922,000	4,760,381	(8,161,619)
Charges for services	-	-	1,446,115	1,446,115
Interest and rentals	692,889	692,889	-	(692,889)
Developer fees	3,002,896	3,002,896	6,639,845	3,636,949
Other	-	-	57,037	57,037
Proceeds from sale of real property	-	-	-	-
Transfer in	4,204,115	6,206,648	5,539,403	(667,245)
Amount available for appropriation	20,821,900	22,824,433	18,442,781	(4,381,652)
Charges to appropriations (outflows):				
Public works department	1,434,979	1,434,979	146,717	1,288,262
Capital improvement projects	10,099,302	33,832,554	17,242,734	16,589,820
Transfer out	595,830	2,780,989	2,321,261	459,728
Total charges to appropriations	12,130,111	38,048,522	19,710,712	18,337,810
Excess of resources over (under) charges to appropriations	8,691,789	(15,224,089)	(1,267,931)	13,956,158
Fund balance, June 30	\$ 41,737,416	\$ 17,821,538	\$ 31,777,696	\$ 13,956,158

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Asset Seizure Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 153,346	\$ 153,346	\$ 153,346	\$ -
Resources (inflows):				
Intergovernmental	60,000	60,000	101,560	41,560
Interest and rental	-	-	5,213	5,213
Amount available for appropriation	60,000	60,000	106,773	46,773
Charges to appropriations (outflows):				
Police department	-	-	13,615	(13,615)
Total charges to appropriations	-	-	13,615	(13,615)
Excess of resources over (under) charges to appropriations	60,000	60,000	93,158	33,158
Fund balance, June 30	\$ 213,346	\$ 213,346	\$ 246,504	\$ 33,158

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Library Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 50,360	\$ 50,360	\$ 50,360	\$ -
Resources (inflows):				
Intergovernmental	68,839	68,839	69,085	246
Charge for services	102,421	102,421	99,383	(3,038)
Other	38,400	38,400	38,351	(49)
Transfers in	192,600	192,600	192,600	-
Amount available for appropriation	402,260	402,260	399,419	(2,841)
Charges to appropriations (outflows):				
Library	447,061	447,061	418,472	28,589
Total charges to appropriations	447,061	447,061	418,472	28,589
Excess of resources over (under) charges to appropriations	(44,801)	(44,801)	(19,053)	25,748
Fund balance, June 30	\$ 5,559	\$ 5,559	\$ 31,307	\$ 25,748

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Gas Tax Special Revenue Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 8,647,976	\$ 8,647,976	\$ 8,647,976	\$ -
Resources (inflows):				
Special assessments	2,150,000	2,150,000	4,450,000	2,300,000
Intergovernmental	4,085,707	4,085,707	5,809,077	1,723,370
Interest and rentals	98,705	98,705	295,646	196,941
Developers fees	-	-	-	-
Other	-	-	-	-
Transfers in	300,000	600,000	491,200	(108,800)
Amount available for appropriation	6,634,412	6,934,412	11,045,923	4,111,511
Charges to appropriations (outflows):				
Public works departments	2,636,469	2,665,625	3,313,199	(647,574)
Capital improvement projects	3,360,618	11,432,779	3,707,685	7,725,094
Transfers out	623,795	953,795	953,826	(31)
Total charges to appropriations	6,620,882	15,052,199	7,974,710	7,077,489
Excess of resources over (under) charges to appropriations	13,530	(8,117,787)	3,071,213	11,189,000
Fund balance, June 30	\$ 8,661,506	\$ 530,189	\$ 11,719,189	\$ 11,189,000

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Community Development Block Grant Special Revenue Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ (1,209)	\$ (1,209)	\$ (1,209)	\$ -
Resources (inflows):				
Intergovernmental	2,082,600	3,104,944	1,906,421	(1,198,523)
Amount available for appropriation	2,082,600	3,104,944	1,906,421	(1,198,523)
Charges to appropriations (outflows):				
Housing and Neighborhood Services - CDBG Programs	2,082,600	3,020,021	1,641,647	1,378,374
Debt service:				
Principal	-	-	215,000	(215,000)
Interest	-	-	37,049	(37,049)
Transfers out	-	84,923	11,516	73,407
Total charges to appropriations	2,082,600	3,104,944	1,905,212	1,199,732
Excess of resources over (under) charges to appropriations	-	-	1,209	1,209
Fund balance, June 30	\$ (1,209)	\$ (1,209)	\$ -	\$ 1,209

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Recreation Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 619,323	\$ 619,323	\$ 619,323	\$ -
Resources (inflows):				
Charges for services	891,378	643,000	682,665	39,665
Interest and rentals	-	248,378	22,257	(226,121)
Other	800	800	6,273	5,473
Transfers in	-	-	-	-
Amount available for appropriation	892,178	892,178	711,195	(180,983)
Charges to appropriations (outflows):				
Parks and recreation	749,253	749,253	664,806	84,447
Beach recreation	162,056	162,056	146,413	15,643
Transfers out	-	12,809	13,213	(404)
Total charges to appropriations	911,309	924,118	824,432	99,686
Excess of resources over (under) charges to appropriations	(19,131)	(31,940)	(113,237)	(81,297)
Fund balance, June 30	\$ 600,192	\$ 587,383	\$ 506,086	\$ (81,297)

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Maintenance Districts Special Revenue Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 1,139,346	\$ 1,139,346	\$ 1,139,346	\$ -
Resources (inflows):				
Special assessments	2,315,822	2,315,822	2,339,180	23,358
Interest and rentals	21,029	21,029	28,848	7,819
Other	15,000	15,000	19,216	4,216
Transfers in	390,000	390,000	390,000	-
Amount available for appropriation	2,741,851	2,741,851	2,777,244	35,393
Charges to appropriations (outflows):				
Public works department	2,660,086	2,660,086	2,496,090	163,996
Transfers out	299,119	299,119	299,125	(6)
Total charges to appropriations	2,959,205	2,959,205	2,795,215	163,990
Excess of resources over (under) charges to appropriations	(217,354)	(217,354)	(17,971)	199,383
Fund balance, June 30	\$ 921,992	\$ 921,992	\$ 1,121,375	\$ 199,383

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Stop Special Revenue Fund

For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	<u>\$ 894,042</u>	<u>\$ 894,042</u>	<u>\$ 894,042</u>	<u>\$ -</u>
Resources (inflows):				
Fines and forfeitures	440,000	440,000	569,619	129,619
Interest and rentals	<u>15,000</u>	<u>15,000</u>	<u>25,664</u>	<u>10,664</u>
Amount available for appropriation	<u>455,000</u>	<u>455,000</u>	<u>595,283</u>	<u>140,283</u>
Charges to appropriations (outflows):				
Police department	<u>491,633</u>	<u>491,633</u>	<u>470,391</u>	<u>21,242</u>
Total charges to appropriations	<u>491,633</u>	<u>491,633</u>	<u>470,391</u>	<u>21,242</u>
Excess of resources over (under) charges to appropriations	<u>(36,633)</u>	<u>(36,633)</u>	<u>124,892</u>	<u>161,525</u>
Fund balance, June 30	<u><u>\$ 857,409</u></u>	<u><u>\$ 857,409</u></u>	<u><u>\$ 1,018,934</u></u>	<u><u>\$ 161,525</u></u>

City of Oceanside

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Grants Special Revenue Fund For the year ended June 30, 2006

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
Fund balance, July 1	\$ 1,162,466	\$ 1,162,466	\$ 1,162,466	\$ -
Resources (inflows):				
Intergovernmental	2,349,491	8,592,795	5,372,244	(3,220,551)
Interest and rental	20,891	34,940	(46,483)	(81,423)
Other	233,000	534,671	174,193	(360,478)
Transfers in	-	196,752	202,752	6,000
Amount available for appropriation	2,603,382	9,359,158	5,702,706	(3,656,452)
Charges to appropriations (outflows):				
Police department	716,875	1,138,888	551,586	587,302
Library	67,415	104,438	28,021	76,417
Fire department	376,602	1,125,756	782,778	342,978
Public works	139,807	829,031	208,097	620,934
Housing and Neighborhood Services	1,098,307	3,319,264	1,079,237	2,240,027
Planning	-	22,311	21,598	713
Recreation department	-	-	47,868	(47,868)
Capital improvement projects	-	238,500	-	238,500
Transfers out	217,067	2,592,007	2,510,294	81,713
Total charges to appropriations	2,616,073	9,370,195	5,229,479	4,140,716
Excess of resources over (under) charges to appropriations	(12,691)	(11,037)	473,227	484,264
Fund balance, June 30	\$ 1,149,775	\$ 1,151,429	\$ 1,635,693	\$ 484,264

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INTERNAL SERVICE FUNDS

Loss Prevention

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.

General Services

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
All Internal Service Funds
June 30, 2006

	Loss Prevention	General Services	Total
ASSETS			
Cash and investments	\$ 12,978,759	\$ 7,198,611	\$ 20,177,370
Accounts receivable	123,493	-	123,493
Inventory, at cost	-	302,842	302,842
Prepaid items	2,210	10,498	12,708
Capital assets:			
Construction in progress	-	1,892,353	1,892,353
Machinery and equipment	41,117	28,291,825	28,332,942
Less accumulated depreciation	(18,888)	(15,727,046)	(15,745,934)
Total capital assets	22,229	14,457,132	14,479,361
Total assets	13,126,691	21,969,083	35,095,774
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	112,014	940,514	1,052,528
Accrued liabilities	24,334	133,653	157,987
Total current liabilities (payable from current assets)	136,348	1,074,167	1,210,515
Long-term debt excluding current installments:			
Loans payable	-	277,141	277,141
Claims and judgments payable	10,711,922	-	10,711,922
Compensated absences	101,538	537,283	638,821
Total long-term debt	10,813,460	814,424	11,627,884
Total liabilities	10,949,808	1,888,591	12,838,399
NET ASSETS			
Invested in capital assets, net of related debt	22,229	14,179,991	14,202,220
Unrestricted	2,154,654	5,900,501	8,055,155
Total net assets	\$ 2,176,883	\$ 20,080,492	\$ 22,257,375

City of Oceanside
Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
For the year ended June 30, 2006

	Loss Prevention	General Services	Total
OPERATING REVENUES:			
Charges for services	\$ 24,288,734	\$ 16,602,196	\$ 40,890,930
Other	344,353	4,295	348,648
Total operating revenues	24,633,087	16,606,491	41,239,578
OPERATING EXPENSES:			
Personal services	703,848	3,638,691	4,342,539
Maintenance and operations	5,268,114	9,400,072	14,668,186
Insurance premiums	18,110,240	-	18,110,240
Depreciation	605	2,308,648	2,309,253
Total operating expenses	24,082,807	15,347,411	39,430,218
OPERATING INCOME (LOSS)	550,280	1,259,080	1,809,360
NONOPERATING REVENUES (EXPENSES):			
Interest expense and fiscal charges	-	(25,726)	(25,726)
Sale of surplus equipment	-	110,715	110,715
Gain (loss) on sale of capital assets	-	(34,425)	(34,425)
Total nonoperating revenues (expenses)	-	50,564	50,564
INCOME (LOSS) BEFORE OPERATING TRANSFERS	550,280	1,309,644	1,859,924
TRANSFERS:			
Transfers in	1,000,000	6,355,756	7,355,756
Transfers out	-	(127,541)	(127,541)
Total transfers	1,000,000	6,228,215	7,228,215
Net income (loss)	1,550,280	7,537,859	9,088,139
NET ASSETS:			
Beginning of the year, as restated (Note 14)	626,603	12,542,633	13,169,236
End of the year	<u>\$ 2,176,883</u>	<u>\$ 20,080,492</u>	<u>\$ 22,257,375</u>

City of Oceanside
Combining Statement of Cash Flows
All Internal Service Funds
For the year ended June 30, 2005

	Loss Prevention	General Services	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers/other funds	\$ 25,073,017	\$ 16,517,971	\$ 41,590,988
Cash payments to employees for services	(703,848)	(3,104,595)	(3,808,443)
Insurance premiums and settlements	(24,113,378)	(8,966,879)	(33,080,257)
Other operating revenues	344,353	4,295	348,648
Net cash provided (used) by operating activities	600,144	4,450,792	5,050,936
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	1,000,000	6,355,756	7,355,756
Transfers out	-	(127,541)	(127,541)
Total cash provided (used) by noncapital financing activities	1,000,000	6,228,215	7,228,215
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(19,815)	(3,543,420)	(3,563,235)
Proceed from sales on surplus property	-	76,290	76,290
Repayments of long-term borrowing	-	(5,405,155)	(5,405,155)
Interest expense and fiscal charges	-	(92,175)	(92,175)
Total cash provided (used) by capital and related financing activities	(19,815)	(8,964,460)	(8,984,275)
Net increase (decrease) in cash	1,580,329	1,714,547	3,294,876
CASH AND INVESTMENTS:			
Beginning of year	11,398,430	5,484,064	16,882,494
End of year	<u>\$ 12,978,759</u>	<u>\$ 7,198,611</u>	<u>\$ 20,177,370</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 550,280	\$ 1,259,080	\$ 1,809,360
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	605	2,308,648	2,309,253
Prior period adjustments	(9,646,815)	-	(9,646,815)
Changes in assets and liabilities:			
Accounts receivable	784,283	-	784,283
Prepaid items	(2,210)	534,096	531,886
Inventories	-	(84,225)	(84,225)
Accounts payable	(1,034,633)	303,391	(731,242)
Accrued liabilities	3,998	15,348	19,346
Claims and judgments	9,924,780	-	9,924,780
Compensated absences	19,856	114,454	134,310
Total cash provided (used) by operating activities	\$ 600,144	\$ 4,450,792	\$ 5,050,936

FIDUCIARY FUND FINANCIAL STATEMENTS

Special Assessment District

To account for special assessment collections and their disbursement to bondholders.

Deposits

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
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Special Assessment District	Deposits	Total
ASSETS			
Cash and investments	\$ 3,263,232	\$ 6,562,190	\$ 9,825,422
Restricted cash and investments	15,649,776	-	15,649,776
Accounts receivable	5,618	1,207	6,825
Interest receivable	15,981	-	15,981
Prepaid items	423	-	423
Total assets	\$ 18,935,030	\$ 6,563,397	\$ 25,498,427
LIABILITIES			
Accounts payable	\$ 460,385	\$ 49,234	\$ 509,619
Accrued liabilities	21,267	1,306	22,573
Deposits	-	6,497,693	6,497,693
Due to other governments	-	15,164	15,164
Due to bondholders	18,453,378	-	18,453,378
Total liabilities	\$ 18,935,030	\$ 6,563,397	\$ 25,498,427

City of Oceanside
Statement of Changes in Net Assets
Fiduciary Funds
For the year ended June 30, 2006

	Balance July 1, 2005	Net Changes in Net Assets	Balance June 30, 2006
<u>Special Assessment District</u>			
Assets:			
Cash and investments	\$ 1,799,277	\$ 1,463,955	\$ 3,263,232
Restricted cash and investments	23,400,682	(7,750,906)	15,649,776
Accounts receivable	8,090	(2,472)	5,618
Interest receivable	-	15,981	15,981
Prepaid items	-	423	423
Total assets	\$ 25,208,049	\$ (6,273,019)	\$ 18,935,030
Liabilities:			
Accounts payable	\$ 169,427	\$ 290,958	\$ 460,385
Accrued liabilities	7,337	13,930	21,267
Due to bondholders	25,031,285	(6,577,907)	18,453,378
Total liabilities	\$ 25,208,049	\$ (6,273,019)	\$ 18,935,030
<u>Deposits</u>			
Assets:			
Cash and investments	\$ 6,090,545	\$ 471,645	\$ 6,562,190
Accounts receivable	15,785	(14,578)	1,207
Deposits	-	-	-
Total assets	\$ 6,106,330	\$ 457,067	\$ 6,563,397
Liabilities:			
Accounts payable	\$ 143,702	\$ (94,468)	\$ 49,234
Accrued liabilities	8,866	(7,560)	1,306
Deposits	5,939,782	557,911	6,497,693
Due to other governments	13,980	1,184	15,164
Total liabilities	\$ 6,106,330	\$ 457,067	\$ 6,563,397
<u>Total - All Agency Funds</u>			
Assets:			
Cash and investments	\$ 7,889,822	\$ 1,935,600	\$ 9,825,422
Restricted cash and investments	23,400,682	(7,750,906)	15,649,776
Accounts receivable	23,875	(17,050)	6,825
Interest receivable	-	15,981	15,981
Prepaid items	-	423	423
Deposits	-	-	-
Total assets	\$ 31,314,379	\$ (5,815,952)	\$ 25,498,427
Liabilities:			
Accounts payable	\$ 313,129	\$ 196,490	\$ 509,619
Accrued liabilities	16,203	6,370	22,573
Deposits	5,939,782	557,911	6,497,693
Due to other governments	13,980	1,184	15,164
Due to bondholders	25,031,285	(6,577,907)	18,453,378
Total liabilities	\$ 31,314,379	\$ (5,815,952)	\$ 25,498,427

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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, 2006

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 49,899,487
Buildings, structures and improvements other than buildings	71,850,580
Machinery and equipment	23,384,275
Infrastructure	254,900,398
Construction in progress	<u>26,256,162</u>
Total governmental funds capital assets	426,290,902
Accumulated depreciation	<u>(160,387,269)</u>
Total governmental funds capital assets, net	<u>\$ 265,903,633</u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

State grants	\$ 820,415
Federal grants	5,738,208
General fund revenues	27,980,917
Special revenue funds revenues	9,000,337
Capital projects funds revenues	221,473,293
Special assessments	785,222
Enterprise funds revenues	<u>105,241</u>
Total governmental funds capital assets	<u>\$ 265,903,633</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.

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, 2006

	Capital Assets July 1, 2005	Additions	Deletions	Capital Assets June 30, 2006
Function and Activity:				
General government:	\$ 76,093,822	\$ 101,637	\$ (120,724)	\$ 76,074,735
Public safety	18,304,800	3,077,190	(772,431)	20,609,559
Public works	126,774,091	12,919,924	(6,754,796)	132,939,219
Community development	4,995,789	1,158,230	(559,721)	5,594,298
Community/cultural services	30,949,872	1,036,233	(1,300,283)	30,685,822
Total general fixed assets	<u>\$ 257,118,374</u>	<u>\$ 18,293,214</u>	<u>\$ (9,507,955)</u>	<u>\$ 265,903,633</u>

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