ITEM NO. 17

STAFF REPORT

CITY OF OCEANSIDE

DATE: January 20, 2010

TO: Honorable Mayor and City Councilmembers

FROM: Financial Services Department

SUBJECT: **SUBMISSION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDING JUNE 30, 2009**

SYNOPSIS

Staff submits for the City Council's acceptance the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2009, prepared in accordance with generally accepted accounting principles (GAAP). The first section of the CAFR includes a letter of transmittal, dated December 17, 2009, from the City's Director of Financial Services. The Management's Discussion and Analysis (MD&A) on pages 3-14 provides a summary of the City's financial performances.

The City's independent auditors, Diehl, Evans & Company, LLP, has reviewed and provided an unqualified opinion on the fairness of the City's financial statements.

BACKGROUND

On December 19, 2006, the Auditing Standards Board (ASB) issued the Statement of Auditing Standards (SAS) No. 114. SAS No. 114 emphasizes the importance of two-way communication between the independent auditors and those responsible for overseeing the direction of the organization as a whole (Charged with Governance) as well as the people responsible for the financial reports, policies, objectives and decision-making (Management). This SAS provides guidelines to the auditors as to which matters should be communicated to those charged with governance and management. As part of the two-way communication with the governing body, the CAFR is submitted to City Council via the formalized agenda process.

ANALYSIS

Net Assets represent the most simple test of financial health for the City, indicating the excess (or deficit) of assets over liabilities. Net Assets are used as a measure of "net worth" rather than as a measure of expendable available financial resources. The City's Total Net Assets is a combination of all City funds including governmental funds that are used for tax-supported activities such as the General Fund, Housing Fund, Gas Tax Fund, etc. as well as proprietary funds for business-type activities such as the Water Fund, Wastewater Fund, Harbor District Fund, etc.

At the end of fiscal year 2008-2009, the City's Total Net Assets increased by a mere $109,403 (0.2%) compared to the previous year. The following table is a brief summary of the increases of Total Net Assets for the previous five years. The City historically has experienced positive growth in net worth, but faced stagnant growth in 2009 due to the impact of the economy.

City of Oceanside Summary of Net Assets (in millions)					
	2005	2006	2007	2008	2009
Invested in Capital Assets	$314.7	$338.7	$380.5	$419.4	$442.0
Restricted	$101.3	$111.6	$125.8	$132.5	$161.5
Unrestricted	$116.2	$105.4	$108.8	$104.2	$52.7
Total Net Assets	$532.2	$555.7	$615.1	$656.1	$656.2
$ increase from prior year	$24.7	$23.5	$59.4	$41.0	$0.1
% increase from prior year	4.86%	4.41%	10.69%	6.67%	0.02%

There are three components of Total Net Assets:

1) Invested in Capital Assets (net of related debt) are assets used in operations such as land, buildings, infrastructure, and equipment. This component has continued to increase favorably, however these funds are not accessible since they are "tied up" in capital assets.

2) Restricted Net Assets remains constant since 2008, and these funds are also not readily accessible because they are subject to significant restrictions imposed by outside parties (i.e. creditors, grantors, contributors, laws and regulations of other governments).

3) The Unrestricted Net Assets is the residual balance of Net Assets after the elimination of Invested in Capital Assets (net of related debt) and Restricted Net Assets. Unrestricted Net Assets have been in excess of $100 million since 2002 (when GASB 34 was implemented by the City), and 2009 reflects a drop in Unrestricted Net Assets by 49%. This decline draws caution on the availability of funding for new programs, projects and services, along with funding long-term liabilities not related to capital assets or restricted resources. These liabilities may include significant long-term obligations such as compensated absences earned by employees, unfunded CalPERS pension liabilities, or unfunded Other Post Employment Benefits (OPEB).

A full compilation is available in the statistical section of the CAFR under "Net Assets by Component".

Another financial highlight of note for 2009 is that the City's total revenues decreased $19.6 million from 2008, while total expenses increased $19.9 million.

FISCAL IMPACT

For information purposes only, no fiscal impact.

COMMISSION/COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

Staff recommends that the City Council accept the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2009.

PREPARED BY:

Teri Ferro
Director of Financial Services

SUBMITTED BY:

Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Deputy City Manager

Attachment: City of Oceanside, Comprehensive Annual Financial Report for fiscal year ending June 30, 2009

MEMORANDUM

DATE: January 20, 2010

TO: Honorable Mayor and Councilmembers

FROM: Patricia Allison, City Manager's Office

SUBJECT: **AVAILABILITY OF DOCUMENT FOR REVIEW**

Due to its size, the CAFR document related to this item has not been included in the packet. A copy of this document is available for review in both the City Manager's Office and the City Clerk's Office.

To view the document electronically, please go to: www.ci.oceanside.ca.us/datarelation.aspx?Content=163 and scroll down the page to the appropriate link.