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DATE: February 27, 2013  
TO: Honorable Mayor and City Councilmembers  
FROM: Financial Services Department  
SUBJECT: **ACCEPTANCE OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR FISCAL YEAR ENDING JUNE 30, 2012**

**SYNOPSIS**

Staff recommends that the City Council accept the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2012.

**BACKGROUND**

The first section of the CAFR includes a letter of transmittal, dated February 27, 2013, from the City's Director of Financial Services. The Management's Discussion and Analysis (MD&A) on pages 9-22 provides a summary of the City's financial performances.

The City's independent auditor, Lance, Soll & Lunghard, LLP, has reviewed and provided an unqualified opinion on the fairness of the City's financial statements.

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 2011-2012, the City's Total Net Assets increased overall by 2.18% compared to the previous year. The City continues to experience positive growth in net worth. The following table is a brief summary of the changes in Total Net Assets for the previous five years.

<b>City of Oceanside</b>					
<b>Summary of Net Assets (in millions)</b>					
	2008	2009	2010	2011	2012
<b>Invested in Capital Assets</b>	\$419.4	\$442.0	\$635.2	\$630.7	\$629.0
<b>Restricted</b>	\$132.5	\$97.4	\$110.0	\$141.1	\$150.0
<b>Unrestricted</b>	\$104.2	\$116.8	\$94.8	\$82.6	\$94.0
<b>Total Net Assets</b>	\$656.1	\$656.2	\$840.0	\$854.4	\$873.0
<b>\$ increase from prior year</b>	\$41.0	\$0.1	\$183.8	\$14.1	\$18.6
<b>% increase from prior year</b>	6.67%	0.02%	28.02%	1.71%	2.18%

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 decreased less than one percent from 2011 due to the net effect of fewer assets capitalized and depreciation. These funds are not accessible since they are "tied up" in capital assets.
- 2) Restricted Net Assets are funds 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). The increase in Restricted Net Assets by \$9 million is predominately due to the dissolution of the former Redevelopment Agency, offset by increases in water and sewer capital projects.
- 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. After several years of decline, Unrestricted Net Assets is showing a positive increase. In 2012, Unrestricted Net Assets increased \$11.4 million from 2011. Increases in water, sewer and harbor funds provide opportunities for future capital projects and expansion. Growth in the Governmental funds will allow funding for new programs, projects and services, along with funding long-term liabilities not related to capital assets or restricted resources.

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

A major impact to the fiscal year ended 2012 financial statements was the dissolution of the Redevelopment Agency. Effective February 1, 2012, Assembly Bill AB 1x26 as modified by the California Supreme Court, dissolved redevelopment agencies in California. All assets and liabilities were required to be transferred to the corresponding Successor Agency identified in each community. The City became the Successor Agency and holds these assets and liabilities in a Private Purpose Trust Fund.

**FISCAL IMPACT**

For information purposes only, no fiscal impact.

**COMMISSION/COMMITTEE REPORT**

Does not apply.

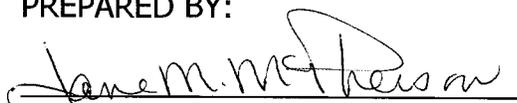
**CITY ATTORNEY'S ANALYSIS**

Does not apply.

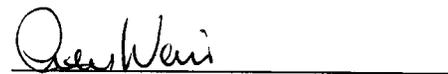
**RECOMMENDATION**

Staff recommends that the City Council accept the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2012.

PREPARED BY:

  
Jane M. McPherson  
Accounting Manager

SUBMITTED BY:

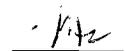
  
Peter A. Weiss  
City Manager

REVIEWED BY:

Teri Ferro, Director of Financial Services



Michelle Skaggs-Lawrence, Deputy City Manager



Attachment: City of Oceanside, Comprehensive Annual Financial Report for fiscal year ending June 30, 2012

# MEMORANDUM

**DATE:** February 27, 2013  
**TO:** Honorable Mayor and Councilmembers  
**FROM:** Judy Krueger, City Manager's Office  
**SUBJECT:** **AVAILABILITY OF CAFR DOCUMENTS FOR REVIEW**

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Due to its size, the Comprehensive Annual Financial Report (CAFR) is not included in the agenda packet. A copy 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:

<http://www.ci.oceanside.ca.us/civica/filebank/blobdload.asp?BlobID=30178>