

STAFF REPORT*CITY OF OCEANSIDE*

DATE: January 7, 2015

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, 2014**

SYNOPSIS

Staff recommends that the City Council accept the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2014.

BACKGROUND

The first section of the CAFR includes a letter of transmittal, dated December 10, 2014, from the City's Director of Financial Services. The Management's Discussion and Analysis (MD&A) on pages 5-16 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 position represents 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, Small Craft Harbor District Fund, etc. At the end of fiscal year 2013-2014, the City's Total Net Assets increased \$35 million or 3.2% overall as 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 Position for the previous five years.

City of Oceanside					
Summary of Net Position (in millions)					
	2010	2011	2012	2013	2014
Invested in Capital Assets	\$635.2	\$630.7	\$629.0	\$621.8	\$597.2
Restricted	\$110.0	\$141.1	\$150.0	\$140.4	\$179.3
Unrestricted	\$94.8	\$82.6	\$94.0	\$139.2	\$153.6
Total Net Position	\$840.0	\$854.4	\$873.0	\$901.4	\$930.1
\$ increase from prior year	\$183.8	\$14.1	\$18.6	\$28.5	\$28.7
% increase from prior year	28.0%	1.7%	2.2%	3.3%	3.2%

There are three components to Total Net Position:

- 1) Invested in Capital Assets (net of related debt) are assets used in operations such as land, buildings, infrastructure, and equipment. This component decreased 4.0 percent from 2013 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 Position funds are 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 Position by \$38.9 million is due to increases in capital projects, employee salaries, future pension costs and an increase to the "Healthy City" reserves.
- 3) The Unrestricted Net Position is the residual balance of Net Position after the elimination of Invested in Capital Assets (net of related debt) and Restricted Net Position. In 2014, Unrestricted Net Assets increased \$14.4 million from 2013. The \$14.4 million increase is primarily due to the increase of \$9.3 million increase in net position for all governmental funds.

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

FISCAL IMPACT

For information purposes only, no fiscal impact.

COMMISSION/COMMITTEE REPORT

Does not apply.

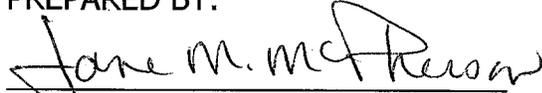
CITY ATTORNEY'S ANALYSIS

Does not apply.

RECOMMENDATION

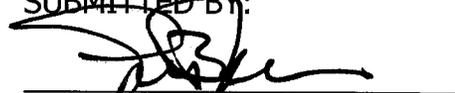
Staff recommends that the City Council accept the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2014.

PREPARED BY:



Jane M. McPherson
Interim Financial Services Director

SUBMITTED BY:



Steven R. Jepsen
City Manager

REVIEWED BY:

Michelle Skaggs-Lawrence, Assistant City Manager



Attachment: City of Oceanside, Comprehensive Annual Financial Report for fiscal year ending June 30, 2014

MEMORANDUM

DATE: January 7, 2015
TO: Honorable Mayor and Councilmembers
FROM: Judy Krueger, City Manager's Office
SUBJECT: **AVAILABILITY OF CAFR DOCUMENTS FOR REVIEW**

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/gov/finance/default.asp>