

**CITY OF ALBANY  
CITY COUNCIL AGENDA  
STAFF REPORT**

Agenda date: 04/02/2012  
Reviewed by: BP

**SUBJECT:** June 30, 2011 Financial Statements and Reports of the Independent Auditors, Inter-fund Transfers

**REPORT BY:** Charles Adams, Finance and Administrative Services Director  
Beth Pollard, City Manager

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**STAFF RECOMMENDATION**

Financial Reports

1) That Council receive a presentation by the City's independent auditors of the results of their examination of the City's financial reports for fiscal year end June 30, 2011.

Transfers

2) That Council approve the updated schedule of inter-fund transfers (Exhibit A).

**BACKGROUND**

The City Council engaged the Certified Public Accounting firm of Caporicci & Larson, Inc., Subsidiary of Marcum, LLP, to serve as independent auditors of the City's financial reports. The scope of work performed by the auditors encompassed examinations of the City's Comprehensive Annual Financial Report (CAFR), the annual financial reports of the Albany Reinvestment Agency, the Albany Police and Fire Relief or Pension Fund, ACTIA Measure B Funds, Transportation Development Act Report, and the City of Albany Appropriation Limit. The auditors also report to the City Council their findings and recommendations regarding the City's internal control structure and compliance with terms of grant agreements.

The Council has previously approved a schedule of interfund transfers as part of the fiscal year 2010-11 budget. As part of the normal process of closing the books and preparing financial statements for the fiscal year, the Finance and Administrative Services Director has adjusted the amount of certain transfers to reflect actual revenues received.

## **DISCUSSION/ANALYSIS**

### **I. Comprehensive Annual Financial Report (CAFR)**

The independent auditors' reports, which appear on page A1 of the City of Albany Comprehensive Annual Financial Report is an unqualified report, meaning that the auditors report that the financial statements present fairly, in all material respects, the financial position of the City at June 30, 2010. This is the highest level of auditor assurance the City can achieve in an audit.

The Comprehensive Annual Financial Report (CAFR) presents financial information on the status of the City's financial affairs, first on a city-wide basis (*Government-wide Financial Statements*) in which all City activities are reported as either governmental activities and business-type activities. A second set of statements (*Governmental Funds Financial Statements*) report separately the activities of 60 funds:

#### Major Funds

- General Fund
- Street & Storm Fund
- Reinvestment

#### Proprietary Funds

- Sewer Enterprise Fund
- Internal Service Funds (3)

#### Fiduciary Funds

- Pension Trust Fund
- Agency Funds (4)

#### Special Revenue Funds (25)

#### Other Capital Projects Funds (17)

#### Debt Service Funds (6)

The lead document in the CAFR is a Transmittal Letter, which includes information regarding the City's demographics, accounting and budgetary controls, four reporting entities within the City, descriptions of the 9 departments within the City, discussion of the economic outlook for the coming year, and summaries of major initiatives currently active within the City.

Management's Discussion and Analysis (MD&A) of the City's financial activities for the year is the first document in the Financial Section of the CAFR. Following the financial statements is the statistical section of the report, which includes tables that contain ten years of data so as to illustrate financial trends, and the section also includes demographic and other data that is useful in analyzing the financial condition and performance of the City.

The comprehensive format of the annual financial report is designed to provide detail information for all activities of city government in one document, but it is not designed to be read cover to cover. We suggest that users initially concentrate on the summary

schedules in the MD&A before moving to the full statements, budget comparison statements and combining statements that are presented in the financial section of the report.

The net result of General Fund Operations for the year was expenditures in excess of revenues of \$121,023. This compares to budgeted net of revenue in excess of expenditures of \$12,061. A full comparison of actual and budgeted revenues and expenditures is provided on page D2 of the CAFR. While the variance from budget were relatively small, two items that were major factors in the net operating deficit were below budget revenues in Franchise and Other Taxes, largely in the Property Transfer Tax, and the unbudgeted assessment late in the year of \$125,000 to cover unanticipated City obligations for the county Associated Community Action Program (ACAP).

### **Auditors' Report to City Council**

Each year, the independent auditors report to the City Council any material findings regarding internal accounting controls, management's compliance with generally accepted accounting principles, management's judgment in applying accounting estimates, disagreements between the auditors and management, and difficulties performing the audit. The auditors reported no finding in the current or previous examinations.

### **Albany Reinvestment Agency**

The auditors issued an unqualified opinion on the financial statements of the Albany Reinvestment Agency, and reported no findings of material weaknesses.

Net assets of the Reinvestment Agency increased \$1,684,972 to a deficit balance of \$791,023. There were two major transactions in the Reinvestment Agency during the year. The Agency transferred \$1,050,000 to the City to be used for development within the redevelopment project area, as outlined in the Reinvestment Agency's Five-Year Implementation Plan. The Agency contributed \$850,000 toward the \$1,900,000 purchase of property on Pierce Street.

The Low & Moderate Housing Fund, the Capital Projects Fund, and the Debt Service Fund have fund balances of \$676,880, \$-1,082,458, and \$-385,445 respectively.

### **Police and Fire Relief or Pension Fund**

The auditors issued an unqualified opinion on the financial statements of the Police and Fire Relief or Pension Fund, and reported no findings of material weaknesses.

There are 25 vested participants in the pension plan. The plan has an unfunded actuarial liability of \$1,886,363 at June 30, 2009, the date of the most recent actuarial valuation. The City made a contribution to the Fund of \$300,000 in fiscal year 2010-11.

## **ACTIA Measure B Funds**

The auditors issued an unqualified opinion on the financial statements of the Alameda County Transportation Improvement Authority Measure B Funds, and reported no findings of material weaknesses or non-compliance with the agreement between the City and ACTIA.

Revenues for fiscal year 2010-12 were \$491,161 and expenditures were \$505,808, as compared to revenues of \$464,130 and expenditures of \$435,615 for fiscal year 2009-10. The beginning fund balance was \$34,203 and the ending fund balance was \$19,556.

## **City of Albany Appropriation Limit**

The auditors performed agreed upon procedures, as specified in their report, on the City's calculation of the annual appropriation limit (Gann Limit) for the fiscal year ending June 30, 2012. They noted no exceptions in the calculation.

The fiscal year 2010-12 appropriation limit is \$15,929,689. City expenditures in fiscal year 2010-12 will not exceed the appropriation limit.

## **II. Inter-fund Transfers**

A detailed analysis of inter-fund transfers is provided in Exhibit A – Fund Transfers. The modifications and additions from the previously approved schedule were:

- Adjustments of transfers from Gas Taxes and EMS Funds to correspond to the actual revenues received for the year.
- Corrections to Law Enforcement Grants, Fire Equipment Reserve and Park Bonds for the allocation of expenditures in prior periods.
- Budgeted transfers to self insurance funds were not made in accordance with a change in accounting procedures adopted in fiscal year 2009-10.
- Transfers between capital project funds were made to properly allocated cost to the designated funding source, upon final accounting of the Civic Center Renovation Project.
- Transfers totaling \$1,050,000 were made from the Albany Community Reinvestment Agency to provide funding for the purchase of the Pierce Street Property.

## **Transportation Development Act**

The auditors issued an unqualified opinion on the financial statements of the Transportation Development Act Article III Fund, and reported no findings of material weaknesses.

Revenues and expenditures for the year were \$34,354.

## **SUSTAINABILITY IMPACT**

None

## **FINANCIAL IMPACT**

There is no financial impact to the City from Council's acceptance of the reports of the independent auditors, and approving the revised interfund transfers.

### **Attachments:**

- **Exhibit A** Funds Transfers
- Comprehensive Annual Financial Report
- Albany Reinvestment Agency Report
- Albany Police and Fire Relief or Pension Fund
- ACTIA Measure B Funds
- City of Albany Appropriation Limit 2011
- Transportation Development Act