

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

Agenda Date: 10/06/08

Reviewed by: BP

SUBJECT: Unaudited Financial Statements, June 30, 2007, Interfund Transfers, and Self-Insurance Reserves.

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

STAFF RECOMMENDATION

That Council accept the unaudited financial report for the fiscal year ended June 30, 2008 (Exhibits A&B), approve the updated schedule of inter-fund transfers (Exhibit C), and approve the carry-forward of the self-insurance reserve balances as reported at June 30, 2008.

BACKGROUND

The accompanying financial statements of the City of Albany General Fund are compiled from the financial records maintained by the City's Finance Department. They reflect all transactions completed during the year, and the accrual of revenues and expenditures as required by generally accepted accounting principles. The City's comprehensive financial statements are currently undergoing independent audit, and this audit may result in modification of the financial results reported in these unaudited financial statements.

The Council has previously approved a schedule of interfund transfers as part of the fiscal year 2007-08 budget update on June 4, 2007. Several of these transfers were based on estimated revenues and expenditures, and at this time are being adjusted to reflect the actual operations for the year. In addition, previously unbudgeted transfers of \$1,168,605 from the General Fund to other funds were made to implement the funding of accrued liabilities and to reserve funds for projects approved during the year but not completed as of June 30, 2008.

The City is self-insured for general liability claims up to \$50,000 per claim and for worker's compensation claims up to \$150,000. To provide for payment of these claims, reserve funds are maintained at levels determined by actuarial projections of future liabilities. At June 30, 2007 the insurance reserves exceeded the amount required to provide a confidence level of 90% that the reserves were sufficient to cover future claims. Although claims paid during the year exceeded the budgeted transfers to the reserves the reserves remain above the 90% confidence level at June 30, 2008.

DISCUSSION/ANALYSIS

Financial Statements and Inter-fund Transfers – Detailed discussions and analyses of revenues, expenditures and inter-fund transfers are provided in the attachment to this report titled Review of Revenues, Expenditures and Transfers, For the Year Ended June 30, 2008.

Worker's Compensation Insurance Reserve – The undiscounted projected losses at the 90% confidence level as of June 30, 2008 is \$1,882,000. The reserve balance at June 30, 2008 is \$2,018,067, which is 107% of the projected loss. The reserve at June 30, 2007 was 110% of the projected loss. Because these balances are subject to major shifts from year to year, no reduction of the June 30, 2008 reserve is proposed.

General Liability Insurance Reserve – The undiscounted projected losses at the 90% confidence level as of June 30, 2008 is \$141,637. The reserve balance at June 30, 2008 is \$1,887,338, which is 132% of the projected loss. The reserve at June 30, 2007 was 167% of the projected loss. Because these balances are subject to major shifts from year to year, no reduction of the June 30, 2008 reserve is proposed.

FINANCIAL IMPACT

The financial results for the year were favorable in that revenues of \$13.8 million exceeded the budget by \$790,000, while operating expenses of \$15 million were \$300,000 below the budget. These favorable results allowed for an increase in undesignated fund balance (reserves) of \$176,212 from \$3.183 million to \$3.359 million, which is 22% of operating expenses, and an increase of \$700,000 in capital project and equipment replacement reserves.

All budgeted transfers to and from the General Fund were made at or above the budgeted amounts. This means that the self-insurance reserves remain above the 90% confidence level, accrued liabilities for compensated absences remain fully funded, and funding of the Waterfront planning activity has been provided.

The final accounting for the fiscal year, in the form of the *Comprehensive Annual Financial Report*, will be presented as part of the City's independent audit report.

Attachments:

Exhibit A – Statement of Revenues, Expenditures and Changes in Fund Balances by Type

Exhibit B – Statement of Revenues, Expenditures and Changes in Fund Balances by Department

Exhibit C – Statement of Funds Transfers

Exhibit D – Review of Revenues, Expenditures and Transfers