

City of Albany

June 30, 2004

*Comprehensive
Annual
Financial
Report*



CITY OF ALBANY, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Prepared by:
Department of Finance and Administrative Services

CITY OF ALBANY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
GFOA Certificate of Achievement	xvi
Principal Officers	xvii
Organization Chart.....	xviii
Regional Map.....	xix

FINANCIAL SECTION

Independent Auditors' Report.....	A1
Management's Discussion and Analysis	A3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Assets	B1
Statement of Activities and Changes in Net Assets	B2

Fund Financial Statements:

Balance Sheet - Governmental Funds	B3
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	B4
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities and Changes in Net Assets.....	B5
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	B6

Proprietary Funds:

Statement of Net Assets.....	B7
Statement of Revenues, Expenses and Changes in Net Assets.....	B8
Statement of Cash Flows	B9

Fiduciary Funds:

Statement of Fiduciary Net Assets	B10
Statement of Changes in Fiduciary Net Assets	B11

Notes to Basic Financial Statements	C1
--------------------------------------------------	-----------

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION

Pension Plans – Schedule of Funding Progress (Unaudited)	D1
----------------------------------------------------------------	----

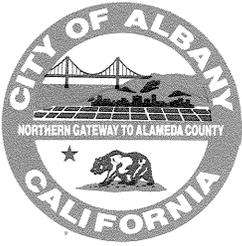
COMBINING FINANCIAL STATEMENTS AND OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds:	D2
Combining Balance Sheet	D3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	D4
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets	D5
Other Special Revenue Funds:	D6
Combining Balance Sheet	D7
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	D12
Budgetary Comparison Schedule.....	D17
Other Capital Projects Funds:	D28
Combining Balance Sheet	D29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	D31
Budgetary Comparison Schedule.....	D33
Major Capital Projects Funds:	
Budgetary Comparison Schedule	D38
Other Debt Service Funds:	D40
Combining Balance Sheet	D41
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	D42
Budgetary Comparison Schedule.....	D43
Agency Funds:	D45
Combining Statement of Fiduciary Assets and Liabilities	D46
Combining Statement of Changes in Fiduciary Assets and Liabilities	D47

TABLE OF CONTENTS

STATISTICAL SECTION

General Governmental Revenues by Source – Last Ten Fiscal Years	D48
General Governmental Expenditures by Function – Last Ten Fiscal Years	D49
Property Tax Levies and Collections – Last Ten Fiscal Years.....	D50
Assessed Value of Taxable Property – Last Ten Fiscal Years	D51
Percentage Change in Assessed Value of Taxable Property – Last Ten Fiscal Years.....	D52
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years	D53
Demographic Statistics - Cumulative Percentage Change in Population – Last Ten Fiscal Years.....	D54
Property Values and Construction – Last Ten Fiscal Years.....	D55
Sewer Revenue Bond Coverage – Last Nine Fiscal Years.....	D56
Computation of Direct and Overlapping Debt.....	D57
Computation of Legal Debt Margin.....	D58
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	D59
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Government Expenditures.....	D60
Principal Taxpayers	D61
Largest Employers	D62
Miscellaneous Statistics.....	D63



City of Albany

1000 SAN PABLO AVENUE • ALBANY, CALIFORNIA 94706-2295

November 8, 2004

Honorable Mayor and
Members of the City Council
City of Albany, California

CITY ADMINISTRATOR
PH. (510) 528-5710
FAX (510) 528-5797

CITY ATTORNEY
PH. (510) 524-9205
FAX (510) 526-9190

CITY CLERK
PH. (510) 528-5720
FAX (510) 528-5797

CITY COUNCIL
PH. (510) 528-5720
FAX (510) 528-5797

**COMMUNITY DEVELOPMENT &
ENVIRONMENTAL RESOURCES**
• Building
• Engineering
• Environmental Resources
• Maintenance
• Planning
PH. (510) 528-5760
FAX (510) 524-9359

**FINANCE & ADMINISTRATIVE
SERVICES**
CITY TREASURER
PH. (510) 528-5730
FAX (510) 528-2743

**FIRE & EMERGENCY MEDICAL
SERVICES**
PH. (510) 528-5771
FAX (510) 528-5774

PERSONNEL
PH. (510) 528-5714
FAX (510) 528-5797

POLICE
PH. (510) 525-7300
FAX (510) 525-1360

**RECREATION & COMMUNITY
SERVICES**
1249 Marin Avenue
PH. (510) 524-9283
FAX (510) 528-8914
• Friendship Club/
Childcare Program
PH. (510) 524-0135
• Senior Center
PH. (510) 524-9122
FAX (510) 524-8940
• Teen Center
PH. (510) 525-0576

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Albany for the fiscal year ended June 30, 2004. This report consists of management's representations concerning the finances of the City of Albany. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Albany has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse, and to compile reliable information for the preparation of the City of Albany's financial statements, in conformity with generally accepted accounting principles (GAAP).

The cost of internal controls should not outweigh their benefits; therefore, the City of Albany's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This report is composed of the following sections:

- ❖ **Introductory Section** This section includes this letter of transmittal, a directory of principal officials, an organization chart, a location map, and the GFOA Certificate of Achievement for Excellence in Financial Reporting.
- ❖ **Financial Section** This section includes the City's independent auditors' report, management's discussion and analysis, basic financial statements, and required supplementary information.
- ❖ **Statistical Section** This section provides historical perspective and trend information including population, demographics, assessed valuations, revenues, expenditures and debt. This information is presented in both tabular form and graphically, where appropriate.

Odenberg, Ullakko, Muranishi & Co. LLP, a firm of licensed certified public accountants, has audited the accompanying City of Albany's financial statements. The goal of their independent audit was to provide reasonable assurance that the financial statements of the City of Albany, for the fiscal year ended June 30, 2004, are free of material misstatement. Their independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditors concluded, based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Albany's financial statements for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The City of Albany is dedicated to maintaining its small town ambience, responding to the needs of the community, and providing a safe, healthy environment now and in the future.



PRINTED ON RECYCLED PAPER

The engagement for this independent audit of the financial statements of the City of Albany was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The City's expenditures of federal funds for the year ended June 30, 2004 were below the level for which a separate "Single Audit" is required by federal guidelines.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Albany's MD&A can be found immediately following the report of the independent auditors.

AWARDS

The City of Albany's CAFR for the year ended June 30, 2003, was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This was the eleventh consecutive year that the City has received this prestigious award that is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded this certificate, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and acceptable legal requirements.

The GFOA certificate is valid for a period of one year only. We believe that our current CAFR continues to meet the certificate award requirements, and we shall submit it to the GFOA for review and consideration for award.

PROFILE OF THE CITY

The City lies in the northwestern corner of Alameda County, bordered by the cities of El Cerrito and Richmond on the north and the City of Berkeley on the east and south sides. The most distinguishing geographical feature in the city is Albany Hill, which anchors the northwest corner of the city. The City was incorporated in 1908 as the City of Ocean View, but the name was changed to Albany in 1909. In 1927 the City adopted its first charter, giving the City full control over its own affairs as long as there is no conflict with state or federal laws.

The City is governed by a five member City Council who annually elects a council member to serve as Mayor. Council members serve four year staggered terms. Other elected officials are the City Treasurer and the City Attorney. A City Administrator is appointed by the Council to carryout the policies and ordinances of the Council and supervise the daily activities of City employees.

The City provides a full range of services including police and fire protection, paramedic service, maintenance of streets and sewers, recreational activities and cultural events. A public library is operated by the County of Alameda, in facilities provided by the City.

Estimated population of the City is 16,700 with half of the population under 37 years of age. About 76% of Albany residents live in family households and the average family size is 2.92 persons. The approximate ethnic composition of the population is:

- White – 61%
- Asian/Pacific Islander – 25%
- Multi-racial – 6%
- African-American – 4%
- Other – 4%

ACCOUNTING SYSTEM AND BUDGETARY CONTROLS

The City of Albany maintains its financial records and prepares financial statements in accordance with generally accepted accounting principles applicable to governmental entities. The general ledger accounts of the City are organized on the basis of funds with each fund considered an individual accounting entity. The funds are categorized into three major fund types: Governmental, Proprietary and Fiduciary.

A biannual operating budget and a capital improvement program budget are adopted by the City Council prior to the beginning of the fiscal year, with budget reviews and revisions occurring within the fiscal year when necessary. The City Council may amend the budget through resolution or minute action throughout the fiscal year. In addition, the City Administrator and the Finance & Administrative Services Director may approve intrafund and interfund line-item transfers throughout the year, provided that the interfund transfer does not exceed the total initial appropriation. Operating appropriations not expended within the fiscal year are not carried over to the following fiscal year. Capital improvement program funds not expended within the fiscal year are carried forward each fiscal year until the project is completed or terminated.

Internal accounting controls that have been previously developed and implemented, as well as any new controls adopted during the year, are reviewed annually, to ensure that they provide for reasonable safeguarding of assets and reliability of financial records. To the extent feasible, the City maintains separation of duties so that no individual has access to both the City's assets and the City's accounting records. Additional accounting and administrative controls in place include dual custody check writer keys, serial numbered purchase orders, protected check stock, fund transfer restrictions, monthly bank account reconciliation, review of payroll registers, and restricted access to computer programs and files.

REPORTING ENTITY

As of June 30, 2004, four separate legal entities exist, which are controlled by or dependent upon the City of Albany. These entities are:

- ❖ ***The City of Albany Police and Fire Relief and Pension Plan*** is a separate legal trust established to provide pension benefits for eligible City employees. The Trust's governing board is comprised of the Mayor or designee, City Treasurer, City Clerk, Fire and Police representatives and appointed alternates. All accounting and administrative functions are performed by the City and the financial activities of the Trust are included in the accompanying financial statements as the Police and Fire Pension Trust Fund.

- ❖ ***The City of Albany Public Facilities Financing Authority*** was established to provide financing assistance to the City for acquiring real property and improvements for the benefit of the community. The Authority's board is comprised of the City Council, all accounting and administrative functions are performed by City staff, and the Authority is financially dependent upon the City. The financial activities of the Authority are included in the accompanying financial statements in the Public Facilities Financing Authority Debt Service Fund.
- ❖ ***The Albany Community Reinvestment Agency*** was formed to promote economic development and redevelopment within the City. The initial project area was formed in 1997 along the Cleveland Avenue/Eastshore Highway. The Agency is a component unit of the City and its financial activities have been included within the financial statements of the City.
- ❖ ***Albany Municipal Services Joint Powers Authority*** was established by the City of Albany and the Albany Community Reinvestment Agency to employ management employees of the City that are not members of an organized bargaining unit. Members of the Albany City Council serve on the governing board of the JPA, and all expenses of the JPA are reimbursed by the City of Albany.

GENERAL GOVERNMENT FUNCTIONS

The City Council and staff management have established as a citywide objective, quick and efficient response to the needs of the citizens of Albany. Local government functions are performed by the nine departments listed below:

- City Administrator
- City Clerk
- City Treasurer
- City Attorney
- Finance & Administrative Services
- Police
- Fire & Emergency Medical Services (EMS)
- Recreation & Community Services
- Community Development

The functions of each department and major accomplishments, within the last year, are described below:

City Administrator

The City Administrator advises and makes recommendations to the City Council concerning conditions or situations that require Council direction or policy determination. It is the responsibility of the City Administrator to implement the policies of the Council. In conjunction with the Finance and Administrative Services Director, the City Administrator prepares the recommended operating and capital improvement program budgets for Council consideration and adoption.

The City Administrator serves as the Municipal Employee Relations Officer, the City's Risk Manager, and as the Executive Director of the Albany Public Facilities Financing Authority and the Albany Community Reinvestment Agency. Personnel administration, city economic development activities, franchise agreement administration, and public information programs

are all under the direct supervision of the City Administrator who is assisted by three staff members.

During this last year, the City Administrator completed several 14-month objectives established by Council in November 2003. Staff accomplishments include the drafting of comprehensive revisions to the zoning ordinance, drafting of a Parks, Recreation, and Open Space Master Plan, Construction of the Memorial Park Phase I Improvement Project, allocation of funds for Measure F capital improvement projects, expansion of information on the City web site, and substantial changes in solid waste and recycling collection services.

City Clerk

The City Clerk is the custodian of the official records of the City. The City Clerk prepares the agenda packet for City Council meetings, records official minutes of Council proceedings, and prepares and distributes the official documents for actions taken by the City Council. In addition, the City Clerk maintains the legislative history, certifies copies of official documents, receives and opens bid documents, publishes legal notices, administers oaths, receives claims and lawsuits against the City, and serves as the City's Elections Officer. The City Clerk is also certified as a passport agent, thus enabling residents to apply for passports at Albany City Hall. In addition, the City Clerk serves as the Deputy City Treasurer and is a member of the Police and Fire Relief and Pension Fund Board of Trustees. The City Clerk performs the above duties as a department of one person.

City Treasurer

The City Treasurer is an elected, part-time position responsible for the receipt and safe keeping of the City's financial assets. The Treasurer works closely with the Finance and Administrative Services Department, but the treasurer position is independent from that department, and as such, provides enhanced internal control through segregation of duties, such as signing checks that are prepared by the Finance and Administrative Services Department. The Treasurer is responsible for investing the City's cash reserves and any other available funds, such as bond proceeds prior to their expenditure. The Treasurer is responsible for administration and compliance enforcement of the City's business license program.

The City Treasurer also serves as a Trustee of the Police and Fire Relief and Pension Fund, oversees the investment of the Fund's assets, and is responsible for the administration of the Fund. The City Treasurer performs the above duties as a department of one person.

City Attorney

The City Attorney is an elected official whose duty is to advise the City Council and staff on all matters of general and municipal law. The City Attorney provides legal counsel on municipal legal matters, including application of the California Environmental Quality Act, planning and development legislation, conduct of public meetings, employee-employer relations, contracts, real property transactions and other matters.

Finance & Administrative Services

The Finance & Administrative Services Department has three primary areas of responsibility: (1) general accounting and financial reporting, (2) budget preparation and financial planning, and (3) communications systems development and maintenance.

General accounting and financial reporting includes accounts payable, accounts receivable, payroll, business license administration and issuance of various permits and other cashier functions. The department prepares monthly revenue and expenditure reports for internal management purposes, quarterly general fund revenue and expenditure statements for the City Council, and the City's annual comprehensive annual financial report (CAFR). The department prepares numerous reports required by the state, including the Cities Financial Transactions Report.

Budget preparation and financial planning responsibilities include preparation of the annual operating budget, the five year capital improvement program (CIP), analyses of labor contract proposals, budget oversight and control, debt issuance, and the financial component of grant administration.

The department administers the telephonic communications facilities of the City, including cellular phones and voice mail.

Major activities of the department in the past year were the preparation of a two year operating budget, participating in the issuance of a General Obligation bond for capital improvements, and installation of a new digital telephone system in City Hall, the Police Department and the Fire Department.

The staff of the Finance and Administrative Services Department consists of the Director, an Accountant and three Accounting Technicians.

Police

The Albany Police Department is responsible for the preservation of public peace, enforcement of laws, and protection of life and property. These responsibilities are accomplished through police patrol, traffic control and enforcement, criminal investigation and the ongoing dispatch and records management support functions.

The Albany Police Department provides a high level of service to the community by responding quickly to all calls for service. The department operates its own police and fire dispatch center, insuring that emergency calls (911) are answered by dispatchers who are supervised by Albany Police Department Sergeants and an Administrative Lieutenant.

The Albany Police Department focuses on crime prevention through an active community policing effort. In addition, the department has continued its successful drug and alcohol diversion program for first time youthful offenders. The Police Department sponsors the City's Police Athletic League (PAL). The Albany PAL program provides a myriad of structured year-round athletic activities as well as supervised field excursions for teenagers. Additionally, the department operates a School Resource Officer in conjunction with the Albany Unified School District.

The Police Department is staffed by the Department Chief, two Lieutenants, five Sergeants, sixteen patrol officers, two Detectives, one School Resource Officer, five Dispatchers, and various support personnel for the equivalent of thirty five full time employees.

Fire and Emergency Medical Services

The Albany Fire and Emergency Services Department provides the community with a wide range of services, including fire suppression and rescue services, paramedic emergency medical response and ambulance transport, fire prevention services, and community education and disaster preparedness. The Fire Department is also responsible for the City's Emergency Operations Center (EOC). The EOC facility will serve as the central command and communications center in the event of a major disaster.

The Fire Department conducts fire and life safety inspections to all businesses and commercial properties. Additionally, the Fire Prevention office reviews plans and inspects all residential properties that require smoke detectors and fire extinguishing systems. The Department also has responsibilities in the areas of hazardous materials management and emergency response, and storm water inspections. These responsibilities require extensive interaction with merchants, vendors and the public, with a focus on customer service.

The Department is noted for its many successful community service programs and activities such as the sale of low cost bicycle helmets, CPR courses, smoke alarm installation for residents, annual open house and pancake breakfast, and collection of Christmas toys for underprivileged children.

The Department is staffed by a Chief, Battalion Chief/Fire Marshal, and 18 line personnel of which 14 are paramedics.

Recreation and Community Services Department

The Recreation and Community Services Department provides services in the following areas:

- o Civic arts
- o Facility administration
- o Child care and summer camps
- o Recreation classes, sports classes and special events
- o Teen activities
- o Senior services
- o Paratransit services
- o Volunteer Services
- o Coordination of the local access cable TV channel

The Department manages four city-owned facilities:

- o Albany Community Center
- o Senior Center
- o Memorial Park Child Care Center
- o Teen Center

Management and rental of the City's tennis courts, athletic fields and picnic areas are also the responsibility of this department.

Administrative responsibilities include staff support to the Park and Recreation Commission, the Arts Committee, Citizen's Ad Hoc Cable TV Committee, Ad Hoc Dog Committee, and the Youth Task Force. Staff is also actively involved with the Friends of Albany Seniors, the Albany Police Activities League Board of Directors and the Prevention Council. The Department maintains a collaborative relationship with community groups and organizations such as the YMCA, Albany Unified School District, University Village, service groups, the Albany Chamber of Commerce and other similar entities.

Youth and Childcare Services

The Department is responsible for implementation of the Youth Master Plan. This plan was developed to create a comprehensive, integrated system to support and strengthen youth, families, and neighborhoods by providing a wide range of readily accessible activities for youth of all ages, and by creating opportunities for personal growth. The Youth Master Plan has six specific goals:

- Community building
- Mental and physical health services
- Social and recreational activities
- Educational opportunities
- Family support services
- Community communications.

The Recreation and Community Services Department offers a range of programs for youth. There are pre-school classes and activities, school-age programs and a vibrant teen program. The Albany Teen Center offers recreational and social activities geared toward middle-school age youth. Activities include sports, computers, counseling, enrichment classes, a music video production studio, community service projects, special events and trips, and homework assistance.

The department's childcare program provides school year licensed childcare and summer camps at the Child Care Center in Memorial Park for children in first through fifth grade. Other summer programs include a wide variety of weekly specialty activities and special excursions to meet the changing needs of community youth.

Classes, Facility Rentals and Special Events

The Recreation and Community Services Department provides over 200 special interest classes each quarter that are publicized in the Recreation and Community Services Activity Guide. The community may also rent facilities for meetings, parties and special events.

Senior Services

The City of Albany is committed to providing quality senior services and a variety of activities for its senior citizens. Some services like Paratransit are also provided to those who are disabled who are under the age of 60. Activities and services include:

- Information, assistance and referrals for issues such as home assistance, in-home support, legal, health insurance and tax assistance and family counseling.
- Modestly priced dinners offered at the Albany Senior Center and the delivery of meals for homebound elderly residents.

- Classes, including World Literature, Art, Watercolor and Drawing, Country Western Line Dancing, Quilting, and Memoir Writing.
- Senior trips, special support and discussion groups, health screenings, bridge, chess, and physical fitness activities.
- Free medical equipment loans, free video checkouts along with other income support materials such as groceries twice per month.
- Door-to-door Paratransit services through the use of taxis and a shopping van.

Volunteer Services

The Recreation and Community Services Department is responsible for creating and maintaining the City Volunteer Program. This program, designed to both encourage volunteer participation and to create a cohesive system for tracking and managing volunteers. Current activities of the program include creating and producing volunteer application materials, establishing a database for volunteer participation and advertising and expanding the program.

The department is staffed by a Director, 7.75 full time staff members and 15 to 30 part time and volunteer staff members, depending on the number of programs and activities in progress at any one time.

Community Development

The Community Development Department provides a broad array of services to the citizens of Albany. The department's primary responsibility is to maintain and improve the physical environment of the City. As such, the department coordinates the current development of the City with the future needs and expectations of the community.

The department is composed of three divisions, Planning and Building, Public Works, and Environmental Resources. The Planning and Building Division is responsible for reviewing and processing all plans for private development in the City, to ensure compliance with applicable zoning and building codes. Approximately 200 zoning applications are processed each year, 850 building permits issued and 30-40 building inspections are conducted each week.

The Public Works Division is responsible for the design, construction, and maintenance of all City-owned public facilities, including streets, sewers, storm drains, parks, public building and grounds. Typical Public Works activities include reviewing the design of planned park improvements, managing the renovation of City buildings, maintaining street signs and markings, engineering plan checking of proposed new private construction, cleaning and repairing sewer lines, street sweeping, collecting trash from public receptacles, mowing parks, maintaining play fields and irrigation, and many others.

Activities of the Environmental Resources Division include management of the City's tree planting program, Waterfront area, Clean Water Program, Waste Management Program, administration of various environmental grants such as oil recycling, building material recycling, and procurement of recycled products.

The City Engineer is a contract employee of the City who reports to the Director of Community Development. The City Engineer provides technical oversight for City construction projects and computes the various special assessments collected by the County Tax Collector.

Department staff provides technical and administrative support for the Planning and Zoning Commission, Traffic and Safety Commission, Waterfront Committee, and the Reinvestment Agency. Staff members also represent the City and provide technical support on a number of interagency and multi-agency ventures, including the Alameda County Department of Housing and Community Development, the Alameda County Congestion Management Agency, the Alameda County Clean Water Program, and the Alameda County Waste Management Authority.

Major activities and accomplishments this past year include assistance to 3 retail stores that will open in the Redevelopment Area in 2004, completion of Phase I of the Memorial Park Improvement Plan, completion of a community based visioning process regarding the future of the Golden Gate Fields site, and initiating a joint project with the City of Berkeley and the University of California for restoration of Codornices Creek.

The department's staff consists of a Director, Planning Manager, Public Works Manager, and 17 planners, engineers, inspectors, maintenance workers and administrative staff.

ECONOMIC CONDITIONS AND OUTLOOK

Economic conditions in the City for the fiscal year ended June 30, 2004 generally improved over the prior fiscal year. Business License Fee revenue increased 2.6%, Sales Tax revenue increased 1.3%, and Race Track Tax revenue decreased 1.7%. The City had reduced revenues from the State of 20% for Motor Vehicle License Fees and 19.4% for Gasoline Taxes. The increasing trend of local revenues is expected to continue into the new fiscal year, and the State has committed to fully reinstate lost Motor Vehicle License Tax backfill revenue through replacement with sales taxes as part of the "Triple Flip." Reductions in gasoline taxes are not anticipated to be recovered in the coming fiscal year, nor are mandated cost reimbursement that have not been paid for the last two fiscal years.

Sales tax collections for the fiscal year as reported by MBIA, MuniServices Company, increased 4.3% statewide, 4.0% in Alameda County, and 5.2% the City of Albany. Based upon first quarter fiscal year 2004-05 results, it is likely that the City's sales tax revenue from existing sources will continue to increase during the fiscal year ending June 30, 2005. In addition, the opening of a Target Store in October 2004, and the opening of two other retail stores later in the year are expected to generate significant sales tax revenue.

Property tax revenues for fiscal year 2003-04 increased 4.7% over the prior year. Based on the assessed property values as of July 1, 2004, the fiscal year 2004-05 revenue will increase 8.6%. Collections continue at close to 100% of assessments, and with supplemental assessments figured in, collections exceed initial assessments. Because Albany is a "built-out city," there is little room for new residential property to be placed on the tax rolls, but there is potential growth by way of multi-family units and combination residential/commercial units.

Revenues from property transfer taxes increased 89% in fiscal 2003-04 over the prior year. Approximately 29% of the increase is attributable to an increase in the transfer tax rate from 8.50/\$1,000 to \$11.5/\$1,000 effective January 1, 2003. The two other factors of the increase

were a 35% increase in the number of taxable transfers and an 18% increase in the average value of property transferred. Projection of the number of transfers for future years is difficult, as the real estate market is subject to cycles and factors such as interest rates and availability of mortgage loans. As for the value of property transferred, it cannot be assumed that values will continue to rise, and they could conceivably fall; however, early indications are the values will remain at current rates or increase.

The outlook for construction and property development in the City of Albany may be described as modest. As previously mentioned, a Target Store, PetsMart and a bridal shop will open in the Redevelopment Area in fiscal 2004-05. The University of California is continuing its development of plans for residential and commercial development in University Village. Upon completion, the commercial units will generate sales and property tax revenues, as well as service fees such as sewer fees and special assessments for emergency medical services, clean water programs, and the City's Landscape & Lighting Districts.

Operating expenses for the city will increase in several areas in the next two years. Salaries will increase 3% to 6% or more each year, as a result of rate increases, step progression, reclassification of employees, and filling of vacant positions. Health care costs continue to increase at double-digit rates. Retirement benefits costs are also continuing to increase at double-digit rates, as the California Public Employees Retirement System (PERS) sets new rates reflective of the unfavorable investment returns and losses PERS has incurred in past years.

Combined workers compensation cost of claims and premiums should decline as the reform measures enacted by the State Legislature become effective, and as a result of the full funding of the self-insurance reserve in fiscal year 2003-04. General liability insurance and property damage insurance premiums are expected to remain near current rates unless unforeseen events create higher than normal losses.

Utility costs have increased significantly in the past year, but the potential for additional increases exist because of possible interruption of crude oil production resulting from the Iraq war and other Middle East political unrest.

A summary assessment is that the City of Albany can expect modest increases in some revenue sources and modest increases in operating expenses. The challenge to the City Officials will be to find additional revenue sources and to hold operating expenses to a level that does not exceed revenues.

MAJOR INITIATIVES

Economic Development/Redevelopment

Maintenance and enhancement of Albany's economic base is necessary in order for the City government to continue to provide the high level of service the residents of Albany expect. Neighboring cities of El Cerrito, Emeryville, and San Pablo have been aggressive in seeking commercial development, and Albany must continue to pursue economic development or risk financial decline as business shifts to other cities. The City is continuing its economic development strategy designed to enhance existing businesses and to attract and cultivate new businesses. These strategies address three specific areas: Solano Avenue, San Pablo Avenue, and the Cleveland Avenue/Eastshore Highway area.

Solano Avenue, the “*Main Street*” of “*small town Albany*” continues to be a strong regional attraction, visited by thousands of shoppers, diners and strollers each year. The City has continued its support of Solano Avenue merchants with cash and in-kind contributions to the annual “Solano Stroll.”

The City Council continues to support retail development of San Pablo Avenue as outlined in the Streetscape Master Plan. The plan is designed to retain and attract retail business, improve aesthetics, and make the corridor more pedestrian friendly.

The Cleveland Avenue/Eastshore Highway corridor is included in the City’s Redevelopment Area. In order to increase the attractiveness of this area for retail development, a freeway connector between the Eastshore Highway and Interstate 80/580 was completed in August 2002. This strategy has proven successful, as three retail outlets, Target, PetsMart and Discount Bridal Mart, are scheduled to open by the end of calendar year 2004.

Open Space, Recreational Playfields and Creek Restoration

In November 1996, the citizens of Albany approved Measure R to provide an annual parcel assessment for the acquisition, development and maintenance of Open Space, Recreational Playfields, and Creek Restoration. The proceeds are divided fifty percent (50%) for open space on Albany Hill and twenty five percent (25%) each for playfields and creek restoration.

In February 1999, the City issued a \$6.2 million limited obligation bond and pledged the revenues of this annual assessment to pay the bondholders. Utilizing the revenue from Measure R and the bond proceeds, prior to June 30, 1999 the City purchased five acres of open space on Albany Hill. The City is working with the City of Berkeley and the University of California on a project to restore Codornices Creek, and has successfully competed for grant monies to assist in this restoration effort. Creek restoration work along Cerrito Creek near Albany Hill is also being pursued. The latter project is a follow-up to the joint Albany-Berkeley sewer project in the Cerrito Creek area. Creating new recreational playing fields remains a priority of the City. The City is working with the University on the replacement of the existing playing fields in University Village when the University undertakes its redevelopment project, and is working with other agencies to locate playing fields in the area of the future Eastshore State Park on the waterfront.

Negotiations are underway with CalTrans to acquire property on Pierce Street for use as a park. CalTrans has completed grading of the site in preparation for the property transfer.

Capital Projects

The following is a brief description of the City’s most significant capital projects or programs.

Sewer Operations

Albany is continuing its multi-phase sewer rehabilitation program that will result in the replacement or rehabilitation of most of the City’s sanitary sewer system. The purpose of the program is to comply with the Clean Water Act and federal and state mandates to reduce groundwater inflow and infiltration as well as to address and correct substandard sewer lines.

The first phase of the program will be relocation of the sewer line on San Pablo Avenue. The entire line from the Berkeley border to the El Cerrito border will be replaced and relocated. This project is scheduled to be completed by the end of calendar 2005. To finance the San

Pablo project and other program construction, the existing Sewer Revenue Bonds were refinanced in September 2004.

Traffic Management Plan

In May 2000, the City Council approved the Traffic Management Plan. This plan recommends a variety of improvements and programs designed to enhance pedestrian and bicycle safety, as well as traffic safety. Implementation will be a multi-year process and has begun with a number of grant submittals and development of design and implementation plans for traffic calming measures. Current funding is from the Alameda County's Measure B transportation funds and the City's Measure F funds.

Landfill Closure

The City has prepared a draft closure plan proposing environmental enhancement of the two lagoon areas on the Albany Landfill (Bulb). These environmental enhancements are necessary to secure a closure permit for the landfill. Once the area is closed as a landfill, the land will transfer to the State of California. The City is seeking grant funding to implement the proposed plan.

Memorial Park Improvements

Phase I of the Memorial Park Improvement Plan was completed during fiscal year 2003-04. Major features of the plan were relocation of the playground, installation of new playground equipment, and drainage and landscape improvements.

Fire Station/Police Station/City Hall

The City Council has approved renovation of the fire station and the police/city hall buildings to bring them to compliance with current earthquake standards. The renovation will also provide additional space for both the Police and Fire Departments by adding second floors. The Emergency Operations Center will be relocated from the Community Center to the second floor of the City Hall/Police Station building.

PENSION

The City participates in the California Public Employees Retirement System (PERS) and maintains a City pension plan for police officers and firefighters employed by the City before July 1, 1971.

All qualified permanent and probationary employees are eligible to participate in PERS. Benefits vest after five years of service and are payable monthly for life upon retirement. PERS requires City employees to contribute between 7% and 9% of their annual salary, which is paid by the City. Benefit provisions and all other requirements are established by state statute and city ordinance. PERS and its Board of Administration determine contributions necessary to fund PERS as indicated by annual actuarial projections.

DEBT ADMINISTRATION

The City currently has general obligation bonded indebtedness of \$8 million and other long-term obligations that are comprised of the 1997 Refunding Certificates of Participation and the 1993 Sewer Revenue Bond.

In December 1997, the City refunded through Certificates of Participation (COP) the 1989 and 1992 Lease Revenue Bonds. The 1989 Lease Revenue bonds financed the purchase of the Library/Community Center site, as well as, improvements to a new maintenance center. The 1992 Lease Revenue bonds financed the construction of the Library/Community Center complex.

The 1993 Sewer Revenue Bonds financed the initial phases of a comprehensive sewer replacement program. These bonds were replaced with a new 20 year bond issue of \$8.675 million in September 2004. Semi-annual interest payments are secured by and payable from the Sewer Enterprise Fund's operating revenues.

Long-term debt is discussed in greater detail in the Notes to Financial Statements.

RISK MANAGEMENT

The City of Albany is a member of the Bay Cities Joint Powers Insurance Authority (BCJPIA). This seventeen-member entity provides general liability insurance, property insurance, earthquake and automobile insurance and legal assistance. The City also carries employment practices insurance through BCJPIA.

Albany is self-insured for workers' compensation costs up to \$150,000 per occurrence, and the City maintains a dedicated reserve fund for workers' compensation claims. The Local Agency Workers' Excess Compensation (LAWXC) Joint Powers Authority covers claims in excess of \$150,000. The City is also self-insurance for general liability claims up to \$25,000.

CASH MANAGEMENT

The City Treasurer manages the City of Albany's investment portfolio. Cash that is not required for current operations is pooled and invested in accordance with City Council policy, which adheres to the "prudent man rule" (California Civil Code §2261, et seq.). This policy affords the City considerable discretion in pursuing investment opportunities provided that the investment is prudent and safe with respect to the protection of principal and is allowable under the current laws of the State of California (Government Code §53600, et seq.). However, the City maintains a conservative investment philosophy that emphasizes liquidity and the protection of principal. Hence, the City has not invested any funds in high-risk securities, including derivatives. In fiscal year 2003-04, the City's available cash (not including debt service accounts) was invested in the Local Agency Investment Fund (LAIF), a governmental agency pooled money fund managed by the California State Treasurer.

ACKNOWLEDGEMENTS

The preparation of the Comprehensive Annual Financial Report was accomplished through the dedicated efforts of Department of Finance and Administrative Services staff members Susan Hsieh, Billie Zedd, Julie McDonald, Stephanie Wellemeyer; and Chris Millias, Partner and Scott Miller, Manager of Odenberg, Ullakko, Muranishi & Co. LLP, Certified Public Accountants. We also wish to express our appreciation to the Albany City Council for their support in our pursuit of excellence in financial reporting.

Respectfully submitted,



Beth A. Pollard
City Administrator



Charles A. Adams
Finance and Administrative
Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Albany,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelke

President

Jeffrey R. Emer

Executive Director

CITY OF ALBANY
PRINCIPAL OFFICERS
JUNE 30, 2004

CITY COUNCIL

Mayor	Jon Ely
Vice Mayor	Robert Good
Councilmember	Allan Maris
Councilmember	Peggy Thomsen
Councilmember	Jewel Okawachi

ELECTED OFFICIALS

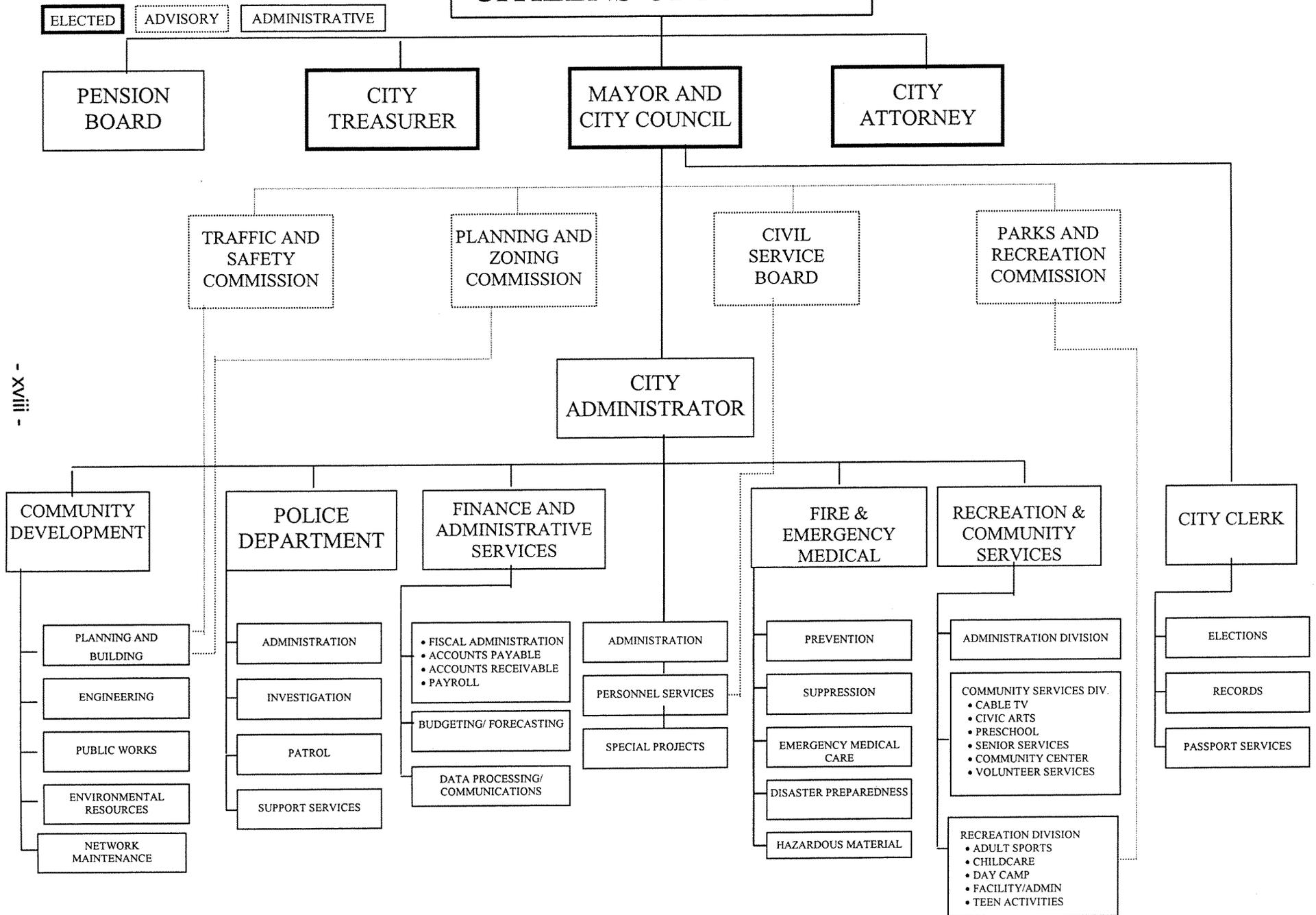
Treasurer	Kim Denton
City Attorney	Robert Zweben

APPOINTED DEPARTMENT HEADS

City Administrator	Beth Pollard
Finance and Administrative Services Director	Charles Adams
City Clerk	Jacqueline Bucholz
Community Development Director	Ann Chaney
Recreation & Community Services Director	Melinda Chinn
Fire Chief	Marc McGinn
Chief of Police	Greg Bone

ORGANIZATION CHART - CITY OF ALBANY

CITIZENS OF ALBANY



ALBANY CALIFORNIA 94706



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Albany, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Albany, California, (the "City") as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial positions of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Albany at June 30, 2004, and the respective changes in financial position and cash flows where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 8, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the schedule of funding progress are not a required part of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was made for the purpose of forming an opinion on the basic financial statements, taken as a whole. The combining and individual fund statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical tables section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Odenberg Ollakko, Murawski & Co LLP

San Francisco, California
October 8, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is management's discussion and analysis of the City of Albany's financial activities and performance for the fiscal year ended June 30, 2004. Please read this in conjunction with the transmittal letter which can be found in the introductory section at the front of this report and with the City's financial statements, which follow this discussion and analysis.

FINANCIAL HIGHLIGHTS

Government-wide Financial Statements

- The Government-wide Statement of Net Assets is the first statement of the Basic Financial Statements and is summarized on page A8 of this Management's Discussion and Analysis. The statement shows the City's assets to be \$58,128,000, liabilities of \$20,669,000 and net assets of \$37,459,000.
- Net assets, as measured in the government-wide financial statements, increased \$3,614,000. This increase is primarily attributable to Investment in capital assets including Memorial Park Improvements, Community Center and Child Care Center repairs, the Buchanan Street – Eastshore Highway connection and various street resurfacing projects. These capital expenditures were funded by a variety of sources, including General Obligation Debt, State Transportation Grants, contractor recoveries for construction failures and local property assessment funding.
- The City's long-term debt decreased by \$979,000 as a result of debt payments of \$643,000, and reclassification of Workers' Compensation liability of \$336,000 from long-term debt to short-term liability.
- The Government-wide statement of activities and changes in net assets is summarized on page A9. This statement shows an increase in net assets of \$3,614,000 for the fiscal year ended June 30, 2004, as compared to an increase of \$222,000 for the fiscal year ended June 30, 2003. Expenses for the year decreased \$1,235,000 and revenues increased \$2,157,000 over the prior year. The major increases in revenue occurred in property taxes, property transfer taxes and other revenue. Other revenue increased \$1,308,000 largely as a function of the funding of Memorial Park improvements, Community Center repairs and completion of the Buchanan – Eastshore Highway interconnection.

Governmental Funds Financial Statements

- A more targeted view of the financial status of the City is provided in the Governmental Funds Financial Statements. These statements appear on pages B3 – B4 of this report, and are discussed in detail in the Fund Financial Statements section of this Management's Discussion and Analysis.
- The core operations of the City are accounted for in the General Fund, and the General Fund, fund balance is a key measure of the financial health of the City. As of June 30, 2004, the General Fund, fund balance was \$3,862,000, a net increase of \$121,000 over the balance at June 30, 2003. As of June 30, 2004, the unreserved fund balance for the General Fund was \$558,000, of which \$417,000 was designated for equipment replacement and cash flow reserves.
- At June 30, 2003 the City had incurred repair costs on the Community Center of approximately \$1 million, and was engaged in litigation to recover these costs for the

MANAGEMENT'S DISCUSSION AND ANALYSIS

construction contractor. During the fiscal year ended June 30, 2004, the litigation was settled and the City received settlement funds of \$898,000.

- At June 30, 2003 the City had an unfunded liability for workers' compensation claims of \$336,000. During the fiscal year ended June 30, 2004, the City transferred \$744,000 to the Workers' Compensation Reserve, so as to fully fund the estimated claims liability as of June 30, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) governmental funds financial statements, and 3) notes to the financial statements. This report also contains: required supplementary information, combining financial statements, and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a long-term view of the City's finances.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between assets and liabilities reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Albany is strengthening or weakening.

The Statement of Activities and Changes in Net Assets presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash receipts or disbursements. Thus, revenues and expenses are reported in this statement for some items that will only result in cash receipts or disbursements in future fiscal periods, such as property taxes assessed for the year ended June 30, but received between July 1 and August 31, or vacation leave earned in the current year but not utilized until a subsequent year.

In the government-wide financial statements, the activities of the City are classified as governmental or business-type. Total activities are presented for both the current and prior years.

Governmental activities are activities that are principally supported by taxes and intergovernmental revenues. For the City of Albany, governmental activities include police services, fire and emergency medical services, community development and environmental resources, recreation and community services, general government administration, and the activities of four component units.

Component units are organizations whose governing body is: (1) either the governing body of the primary reporting government or (2) a body who reports to the governing body of the primary reporting government, or (3) organizations for which the nature and significance of their relationship with the primary reporting government is such that exclusion would cause the reporting government's financial statements to be misleading or incomplete.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Albany is the primary reporting government in this report, and incorporated into these financial statements are the financial statements of the City of Albany Police and Fire Relief and Pension Plan (Trust), the City of Albany Public Facilities Financing Authority, the Albany Community Reinvestment Agency, and the Albany Municipal Services Joint Powers Authority.

Business-type activities are activities that are primarily funded through user charges. The only business-type activity to be reported by the City of Albany is sewer services.

Governmental Funds Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Albany, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds used by the City are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, which focus on the long-term, governmental funds financial statements focus on short-term inflows and outflows of spendable resources and the balances of these resources that are available for spending. This information is useful in evaluating a government's short-term financing requirements.

To assist the user of these financial statements in understanding the differences and the relationship between the government-wide financial statements and the governmental funds financial statements, reconciliations between the two sets of statements have been included in this report.

The reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets highlights the inclusion of fixed assets and long-term liabilities in the government-wide financial statements.

The reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities and Changes in Net Assets highlights the exclusion of capital expenditures, depreciation of capital assets, amortization of intangible assets, and cash flows related to long-term debt from the governmental funds statements.

The City of Albany maintains numerous individual governmental funds, which for financial reporting, are grouped according to their type (general fund, special revenue, capital projects, and debt service). Funds whose expenditures exceed 10% of the total expenditures for all governmental funds, or that meet other specific criteria for determining their importance to the financial statement user, are designated Major Funds, and are reported separately in the governmental funds statements. All other funds are grouped together for reporting purposes. Major funds for the City of Albany are:

- General Fund
- 1996-1 Assessment District Bond Fund
- General Obligation Bond 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

Individual fund data for each non-major governmental fund is provided in combining statements included in the *Combining Financial Statements and Other Supplementary Information* section of this report.

Proprietary funds

Proprietary funds have as their focus the determination of operating income or cost recovery. There are two types of proprietary funds: enterprise funds and internal service funds.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.
- Internal service funds are used to accumulate and allocate costs internally among the City's various funds and departments.

The City accounts for the construction and maintenance of City sewers in the Sewer Enterprise Fund. Revenues are obtained through special district assessments collected with property taxes. The assessment rate for fiscal year 2003-04 was \$241.20 per year, per residential unit. Total assessment revenue for the year was \$1,730,000; this was a decrease of \$56,000 from the prior year due to the inclusion of back years' billing in fiscal year 2002-03. Revenues less expenditures and transfers, including interest on bonds of \$141,000, resulted in an increase of net assets for the year by \$365,000. Sewer bonds of \$4,885,000 were issued in October 1993, and as of June 30, 2004 the outstanding bonds total \$2,990,000. Bond principal payments during the year were \$225,000.

The City uses an internal service fund to account for anticipated replacement costs of public works and park equipment. Because this reserve predominantly benefits governmental activities, it has been included within the governmental activities in the government-wide financial statements.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the reporting government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City utilizes two types of fiduciary funds:

- Trust funds are used to record the assets and liabilities held for the benefit of others, under a trust agreement that specifies the degree of management performed by the trustee organization. The City accounts for the activities of the City of Albany Police and Fire Relief and Pension Plan in the Police and Fire Pension Trust Fund. There are no current employee members of this plan, but the City will continue to hold its assets in trust and administer the plan as long as there are members receiving benefits.
- Agency funds are used to record assets of separate organizations for which the City serves as a custodian for the organization. All assets in agency funds are offset by a liability to the organization on whose behalf they are held. The City currently maintains four agency funds that are reported in a separate statement of fiduciary net assets.

Notes to the Financial Statements

MANAGEMENT'S DISCUSSION AND ANALYSIS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

This report presents supplementary information concerning the City of Albany's progress in its obligation to provide pension benefits to its employees.

Combining Financial Statements and Other Supplementary Information

This section contains combining financial statements and budgetary comparison statements for the summary fund groups reported in the basic financial statements.

Statistical Section

Graphic presentations of financial information and non-financial information, and statistical tables are included in this section, as an aid to understanding and evaluating the overall operation and status of the City.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net assets are a measure of a government's financial position and, over time, a trend of increasing or decreasing net assets is an indicator of the financial health of the organization. The City of Albany's net assets exceeded liabilities by \$37,459,000 at June 30, 2004. A schedule of net assets is presented in the following table.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets
June 30, 2004 and 2003
 (thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2004	2003	2004	2003	2004	2003	
Current and other assets	\$ 24,168	\$ 21,421	\$ 2,654	\$ 2,261	\$ 26,822	\$ 23,682	13%
Capital assets	21,199	19,895	10,107	10,355	31,306	30,250	3%
Total assets	45,367	41,316	12,761	12,616	58,128	53,932	8%
Current liabilities	5,397	3,856	323	303	5,720	4,159	38%
Noncurrent liabilities	12,199	12,938	2,750	2,990	14,949	15,928	-6%
Total liabilities	17,596	16,794	3,073	3,293	20,669	20,087	3%
Net assets:							
Invested in capital assets, net of related debt	17,257	16,470	7,117	7,140	24,374	23,610	3%
Restricted	6,700	6,027	-	-	6,700	6,027	11%
Unrestricted	3,814	2,025	2,571	2,183	6,385	4,208	52%
Total net assets	\$ 27,771	\$ 24,522	\$ 9,688	\$ 9,323	\$ 37,459	\$ 33,845	11%

Net assets invested in capital assets (e.g., land, buildings, equipment and infrastructure) of \$24,374,000 represent the cost of these assets less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt must be provided from other sources other than the related assets, because the capital assets themselves cannot be used to repay these debts.

Restricted net assets of \$6,700,000 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$6,385,000 may be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Analysis of Changes in Net Assets

The City's net assets increased by \$3,614,000 during the current fiscal year. This growth in the City's net assets is principally from the governmental activities. Information about changes in net assets is presented in the summary table below:

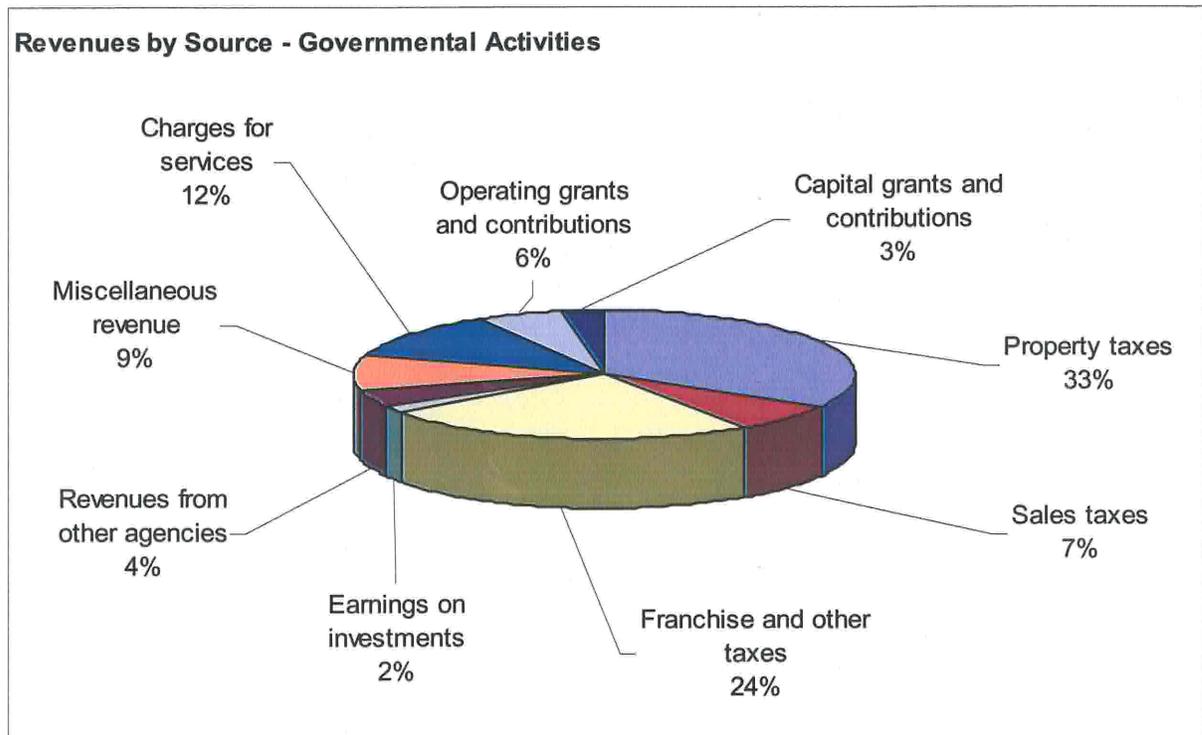
**Activities and Changes in Net Assets
For the Fiscal Years Ended June 30, 2004 and 2003
(thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government		Total Percentage Change
	2004	2003	2004	2003	2004	2003	
Revenues:							
Program revenues:							
Charges for services	\$ 2,193	\$ 1,906	\$ 1,730	\$ 1,786	\$ 3,923	\$ 3,692	6%
Operating grants and contributions	1,032	1,298	-	-	1,032	1,298	-20%
Capital grants and contributions	495	1,147	-	-	495	1,147	-57%
General revenues:							
Property taxes	6,146	5,280	-	-	6,146	5,280	16%
Sales taxes	1,357	1,340	-	-	1,357	1,340	1%
Franchise and other taxes	4,506	3,656	-	-	4,506	3,656	23%
Earnings on investment	354	322	15	46	369	368	0%
Revenues from other agencies	803	1,001	-	-	803	1,001	-20%
Other revenue	1,600	290	-	2	1,600	292	448%
Total revenues	18,486	16,240	1,745	1,834	20,231	18,074	12%
Program expenses:							
General government	3,554	4,323	-	-	3,554	4,323	-18%
Police	3,647	3,879	-	-	3,647	3,879	-6%
Fire and emergency medical services	3,000	2,806	-	-	3,000	2,806	7%
Community development and environmental resources	3,570	3,288	-	-	3,570	3,288	9%
Recreation and community services	1,902	2,645	-	-	1,902	2,645	-28%
Interest on long-term debt	345	255	-	-	345	255	35%
Sewer	-	-	599	656	599	656	-9%
Total program expenses	16,018	17,196	599	656	16,617	17,852	-7%
Increase/(decrease) in net assets before transfers	2,468	(956)	1,146	1,178	3,614	222	1528%
Transfers	781	759	(781)	(759)	-	-	0%
Change in net assets	3,249	(197)	365	419	3,614	222	1528%
Net assets - beginning of year	24,522	24,719	9,323	8,904	33,845	33,623	1%
Net assets - end of year	\$27,771	\$24,522	\$9,688	\$9,323	\$37,459	\$33,845	11%

MANAGEMENT'S DISCUSSION AND ANALYSIS

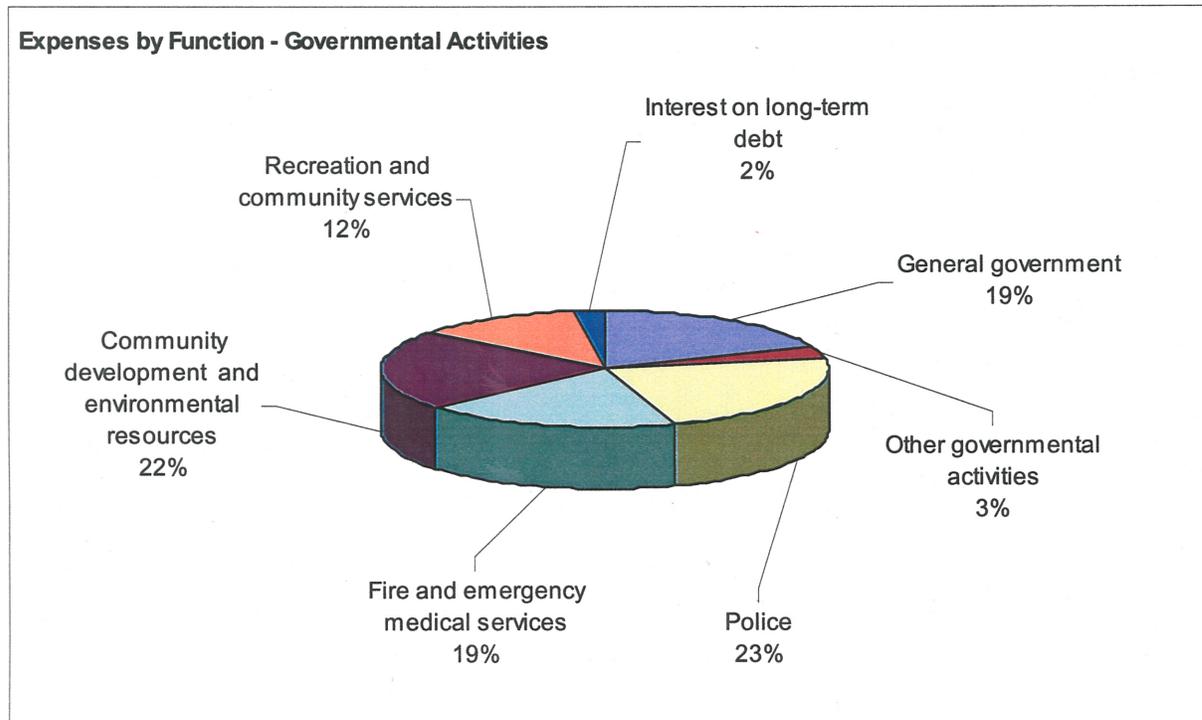
Governmental Activities

The increase in governmental activities net assets of \$3,249,000 was primarily due to increased revenues from property taxes and property transfer taxes. In November 2002, City of Albany residents authorized the issuance of \$14 million of general obligation bonds. In September 2003, bonds in the amount of \$8 million were issued. In fiscal year 2003-04, property taxes collected for debt service of this general obligation bond, were approximately \$170,000. This is the first year these property taxes were collected. The property transfer tax rate increased from \$8.50 to \$11.50 in January 2003 yielding increase in property transfer tax revenue of approximately \$473,000. In addition to the increase in these tax revenues, the City received recovery payments for the repairs of the Community Center and Childcare Center in the amount of \$898,000. The repair costs were incurred in the prior fiscal year.



The chart of revenues by source above, illustrates that property taxes are the largest source of operating revenue for the City. It is also one of the most stable and consistent growth revenues. Property taxes at 33% of revenue include the .0993% pension override tax and special assessments, as well as the City's 0.2% share of the 1.0% countywide tax. Franchise and other taxes are the second largest source of operating revenue. The major components of this revenue category are: business license, property transfer taxes, utility user taxes and race track taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS



The chart of expenses graphically portrays the relative proportion of expenditures by function, as listed in the Activities and Changes in Net Assets Statement on page B2, with an expansion of the General government category to identify interest on long term debt and expenditures of other funds that are restricted by their funding sources.

Business-type Activities

The increase in business-type activities net assets of \$365,000 represents activity in the Sewer Enterprise Fund. The principal source of revenue of \$1,745,000 for this fund is charges for usage, are assessed users on the basis of equivalent residential units (ERU). The assessment for this fiscal year was \$241.20/ERU, an increase of 2% over the prior year rate. Bond interest expense and major maintenance expenses are recorded in this fund. Routine sewer operating and maintenance expenses are recorded in the General Fund, and net transfers of \$781,000 were made from the Sewer Fund to the General Fund to cover these expenditures.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure compliance with finance related legal requirements and restrictions. The fund basis financial statements presented in this report address the need of the City to demonstrate compliance with financial restrictions, and they allow the statements' users to separately analyze individual funds. The City maintains three types of funds: Governmental, Proprietary and Fiduciary.

Governmental Funds

Activity of the Governmental funds is summarized in the following table:

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Governmental Funds
Revenues, Expenditures and Other Changes in Fund Balances
For the Fiscal Year Ended June 30, 2004
(thousands)**

	<u>General Fund</u>	<u>Other Major Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues	\$ 11,569	\$ 373	\$ 6,544	\$ 18,486
Current expenditures	12,844	106	2,471	15,421
Capital outlay	33	781	921	1,735
Debt service	33	-	702	735
	<u>12,910</u>	<u>887</u>	<u>4,094</u>	<u>17,891</u>
Net transfers	1,462	(239)	(492)	731
Net change in fund balances	121	(753)	1,958	1,326
Fund balances, beginning of year	<u>3,741</u>	<u>12,550</u>	<u>1,295</u>	<u>17,586</u>
Fund balances, end of year	<u>\$ 3,862</u>	<u>\$ 11,797</u>	<u>\$ 3,253</u>	<u>\$ 18,912</u>

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18,912,000, an increase of \$1,326,000 from the prior year. Of the \$18,912,000 fund balance, \$1,601,000 is unreserved and available for future spending.

The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to fund self-insurance reserves and liquidate existing contracts (\$3,303,000), (2) to fund capital projects in future fiscal years (\$13,214,000), and (3) to pay debt service (\$793,000).

The increase of \$1,326,000 in the combined fund balances of governmental funds is the net result of increases in several revenue sources as described in the previous *Analysis of Changes in Net Assets*, offset by an increase in workers' compensation reserve of \$744,000.

A key measure of the effectiveness of financial management of governmental funds is the increase or decrease of the fund balance from operations. For this fiscal year, revenues were \$18,486,000, and current expenditures and debt service were \$17,891,000, yielding a net increase in fund balance from operations of \$595,000.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the total fund balance was \$3,862,000, of which \$559,000 was unreserved. Of this unreserved amount, \$417,000 was designated for capital outlay, leaving \$142,000

MANAGEMENT'S DISCUSSION AND ANALYSIS

unreserved and undesignated. The fund balance in the City's General Fund increased by \$121,000 during the fiscal year. This increase in fund balance is attributable to an excess of current fund revenues and other financing sources over current expenses and other financing uses.

Proprietary Funds

At June 30, 2004, net assets of the Sewer Fund (an enterprise fund) were \$9,688,000 and net assets of the Community Development Reserve Fund (an internal service fund) were \$269,000. These net assets increased \$365,000 and \$47,000, respectively, over their balances at June 30, 2003. The principal factor in the increase in the Sewer Fund was the increase in assessment rate from \$237.36 to \$241.20 per residential unit. The increase in the Community Development Reserve Fund reflects the need to accumulate sufficient funds for major maintenance activities planned for fiscal year 2004-05.

Fiduciary Funds

The major fiduciary fund maintained by the City is the Police and Fire Relief and Pension Fund. The net assets of this fund totaled \$14,991,000 at June 30, 2004, which is an increase of \$660,000 over the prior year. The City received revenue of \$1,290,000 from the .0993% override property tax, which is dedicated to employer retirement plan contributions. The City elected to contribute \$535,000 of this tax to the Police and Fire Relief and Pension Fund. This is the projected contribution requirement to fully fund the plan's actuarial liability as of June 30, 2004.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

**General Fund Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2004
(thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget</u>
Beginning fund balances, July 1, 2003	\$ 2,945	\$ 2,945	\$ 3,741	\$ 796
Resources:				
Revenues	9,983	10,298	11,569	1,271
Transfers in	2,383	2,267	2,303	36
Total Resources	<u>12,366</u>	<u>12,565</u>	<u>13,872</u>	<u>1,307</u>
Appropriations:				
Expenditures	12,129	12,401	12,910	(509)
Transfers out	294	219	841	(622)
Total Appropriations	<u>12,423</u>	<u>12,620</u>	<u>13,751</u>	<u>(1,131)</u>
Resources over (under) appropriations	<u>(57)</u>	<u>(55)</u>	<u>121</u>	<u>176</u>
Ending fund balances, June 30, 2004	<u>\$ 2,888</u>	<u>\$ 2,890</u>	<u>\$ 3,862</u>	<u>\$ 972</u>

Budget Modifications

The original Fiscal Year 2003-04 budget was adopted in June 2002 as the second year of a two year budget. The final revised budget for the fiscal year was adopted in June 2003. The net change in the revised budget was an increase in the excess of resources over charges to appropriations of \$2,000 and there were no major changes in resources or appropriations in the final budget.

Transfers

Transfers to the General Fund are generally made to match restricted revenue with related costs that have been recorded in the General Fund. An example of this type of transfer is the special assessment revenue for EMS (Emergency Medical Services) that is used to pay wages of firefighters/paramedics. The EMS Fund transfer was increased by \$85,500 following revisions of estimated revenues.

Operating Variances

The City experienced positive results for the year in a comparison of actual revenue and expenditures to the final budget. The budget projected a net decrease in fund balance of \$55,000, but the actual results were a net increase of \$121,000, a positive variance of \$176,000.

Total revenues exceeded budget by \$1,271,000, which was a net of seven revenue sources exceeding budget and three sources falling below budget. The largest revenue category

MANAGEMENT'S DISCUSSION AND ANALYSIS

exceeding budget was Franchise and Other Taxes, by \$734,000, of which the majority was Property Transfer Tax. The second largest category exceeding budget was Other Revenue by \$481,000. Other Revenue contains a number of non-recurring events including reimbursements from Target Stores and Magna Corporation (Golden Gate Fields Race Track) of City expenditures related to developments by these corporations, reimbursement for mutual assistance provided in fighting fires in Southern California, insurance recoveries, and reimbursement for costs incurred in negotiating a new contract for waste collection.

Departmental expenditures were within budget allowances except where the level of operations varied significantly from the levels anticipated in the budget. Police Department expenditures were under budget by \$259,000 as a result of staff vacancies which persisted throughout the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Detailed information regarding composition and activity in capital assets is provided in Note 5 to the financial statements. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004 amounted to \$31,305,000 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, furniture and fixtures, machinery and equipment, vehicles, streets, highways, drainage systems, and construction in progress.

Major events affecting capital assets during the current fiscal year included the following:

- Several street resurfacing projects were completed at a total cost of \$987,000.
- Memorial Park improvements begun in the prior year were completed at a cost of \$594,000.

**Capital Assets, Net of Accumulated Depreciation
June 30, 2004 and 2003
(thousands)**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land and construction in progress	\$ 7,918	\$ 7,697	\$ -	\$ -	\$ 7,918	\$ 7,697
Facilities, infrastructure, and equipment	13,280	12,198	10,107	10,355	23,387	22,553
Total	\$ 21,198	\$ 19,895	\$ 10,107	\$ 10,355	\$ 31,305	\$ 30,250

Additional information about the City's capital assets can be found in Note 5 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Long-term Debt

At June 30, 2004, the City had total long-term debts and obligations as summarized below.

**Outstanding Long-term Obligations
June 30, 2004 and 2003
(thousands)**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
1997 Refunding COPS	\$ 2,995	\$ 3,315	\$ -	\$ -	\$ 2,995	\$ 3,315
2003 general obligation bonds	8,000	8,000	-	-	8,000	8,000
Sewer revenue bonds	-	-	2,990	3,215	2,990	3,215
Capital leases	84	110	-	-	84	110
Workers' compensation	-	336	-	-	-	336
Other long-term obligations	1,598	1,524	-	-	1,598	1,524
Total	\$ 12,677	\$ 13,285	\$ 2,990	\$ 3,215	\$ 15,667	\$ 16,500

The City did not incur new long-term debt during this fiscal year; however, the City issued Sewer Revenue bonds in the amount of \$8,675,000 in September 2004. The bond proceeds will be used for defeasance of outstanding bonds of \$2,750,000, and for funding of major sewer rehabilitation and replacement projects over the next four years. Additional information about the City's long-term debt can be found in Notes 6 and 8 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the date of publication of this report, the economic factors related to City revenues appear relatively stable and positive. Property tax is the largest source of revenue and it will continue to grow at a modest rate as property is sold and reassessed. Even if the increase in property sale prices ceases, the run-up in value has been so great that virtually any property sold will assess at a higher value than currently assessed.

Property transfer taxes have become increasingly important to the City's budget, and while they are subject to decline if housing sales decline as a result of rising mortgage interest rates, or other factors, total revenue is likely to remain at or near budgeted levels.

There have been various proposals discussed to replace a portion of local government property tax revenue with sales tax revenue. While the proposals are promoted as revenue neutral, there would almost certainly be winners and losers in any such shift, and the City of Albany would quite likely be a loser in the long-run. However, no such shift appears imminent at this time.

Sales taxes are the second largest source of revenue to the City and they are subject to significant fluctuation in concert with the Bay Area economy. The City fared better than the County as a whole during the recent economic downturn, but appears to be lagging in the current modest recovery. However, new retail developments in the redevelopment area promise to both increase sales tax revenue to the City and broaden the base from which the City earns sales tax revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The State has implemented the "Triple Flip" revenue shift, resulting in elimination of the Vehicle License Fee (VLF) backfill, replacing it with property tax revenue, distributed through counties. This shift is purported to be revenue neutral, except for delays in timing of receipt of funds. This process bears close watch, as any loss of VLF revenue would have major repercussions on the City's finances.

The City expects to be able to maintain its moderate and responsible fiscal policies related to operating expenditures; however, rising costs of workers compensation insurance, rising costs of medical insurance, and rising costs of PERS retirement plan contributions are factors that are largely beyond the City's ability to control, and should they continue to rise at present rates, the City will find it difficult to absorb them while continuing to provide the current level of services.

The Albany Community Reinvestment Agency is poised to receive significantly increased property tax increment revenue; however, the State has required redevelopment agencies to return to the State \$250,000,000 in fiscal years 2005 and 2006. The amount of loss to the City of Albany has not been determined, but the impact will be felt in delayed repayment of City advances to the Reinvestment Agency and reduced capacity to promote new development in the redevelopment area.

REQUESTS FOR INFORMATION

This financial report is designed to provide a comprehensive and understandable portrayal of the City's finances, and to fulfill the City's financial accountability to Albany citizens, governmental entities, and other interested parties. Questions about this report, requests for printed or computer disk copies of this report, and requests for separate financial statements for the Albany Community Reinvestment Agency, the City of Albany Police and Fire Relief and Pension Fund may be addressed to:

Finance Department
City of Albany
1000 San Pablo Avenue
Albany, CA 94706

GOVERNMENT-WIDE

FINANCIAL

STATEMENTS

CITY OF ALBANY
STATEMENT OF NET ASSETS
JUNE 30, 2004

(With Comparative Totals for June 30, 2003)

	Governmental Activities	Business-Type Activities	Totals	
			2004	2003
ASSETS				
Current assets:				
Operating cash and investments	\$ 21,765,887	\$ 2,123,108	\$ 23,888,995	\$ 20,333,221
Debt service reserves held with trustee	473,784	388,442	862,226	855,180
Receivables:				
Property taxes	-	-	-	64,059
Other taxes	597,198	-	597,198	603,331
Accounts, less allowance of \$283,221	674,659	-	674,659	1,001,528
Interest	90,020	-	90,020	77,234
Current portion of note receivable	7,202	-	7,202	3,134
Total current assets	<u>23,608,750</u>	<u>2,511,550</u>	<u>26,120,300</u>	<u>22,937,687</u>
Noncurrent assets:				
Note receivable, net	376,391	-	376,391	387,335
Deferred charges, net	183,366	142,377	325,743	356,122
Capital assets:				
Nondepreciable assets	7,918,248	-	7,918,248	7,697,397
Depreciable assets, net	13,280,418	10,106,979	23,387,397	22,553,133
Total capital assets, net	<u>21,198,666</u>	<u>10,106,979</u>	<u>31,305,645</u>	<u>30,250,530</u>
Total noncurrent assets	<u>21,758,423</u>	<u>10,249,356</u>	<u>32,007,779</u>	<u>30,993,987</u>
Total assets	<u>45,367,173</u>	<u>12,760,906</u>	<u>58,128,079</u>	<u>53,931,674</u>
LIABILITIES				
Current liabilities:				
Accounts payable	646,507	34,064	680,571	660,689
Accrued salaries & benefits	275,713	-	275,713	220,568
Accrued liabilities	798,291	48,917	847,208	350,999
Claims liabilities	2,919,843	-	2,919,843	2,175,102
Deferred revenue	279,272	-	279,272	179,789
Current portion of long-term debt	477,923	240,000	717,923	571,395
	<u>5,397,549</u>	<u>322,981</u>	<u>5,720,530</u>	<u>4,158,542</u>
Noncurrent liabilities:				
Long-term debt, net	<u>12,198,543</u>	<u>2,750,000</u>	<u>14,948,543</u>	<u>15,928,021</u>
Total liabilities	<u>17,596,092</u>	<u>3,072,981</u>	<u>20,669,073</u>	<u>20,086,563</u>
NET ASSETS				
Invested in capital assets, net of related debt	17,257,455	7,116,979	24,374,434	23,610,608
Restricted for:				
Capital projects	6,085,653	-	6,085,653	5,531,517
Debt service	613,520	-	613,520	495,136
Unrestricted	3,814,453	2,570,946	6,385,399	4,207,850
Total net assets	<u>\$ 27,771,081</u>	<u>\$ 9,687,925</u>	<u>\$ 37,459,006</u>	<u>\$ 33,845,111</u>

CITY OF ALBANY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
						2004	2003	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 3,554,262	\$ 120,222	\$ -	\$ -	\$ (3,434,040)	\$ -	\$ (3,434,040)	\$ (4,233,843)
Police	3,647,028	317,736	203,592	-	(3,125,700)	-	(3,125,700)	(3,085,352)
Fire and emergency medical services	2,999,573	473,413	14,929	-	(2,511,231)	-	(2,511,231)	(2,306,212)
Community development and environmental resources	3,570,329	671,357	764,723	494,691	(1,639,558)	-	(1,639,558)	(1,296,044)
Recreation and community services	1,901,735	610,685	48,684	-	(1,242,366)	-	(1,242,366)	(1,666,769)
Interest on long-term debt	345,487	-	-	-	(345,487)	-	(345,487)	(255,332)
Total governmental activities	16,018,414	2,193,413	1,031,928	494,691	(12,298,382)	-	(12,298,382)	(12,843,552)
Business-type activities:								
Sewer	598,948	1,729,775	-	-	-	1,130,827	1,130,827	1,129,600
Total business-type activities	598,948	1,729,775	-	-	-	1,130,827	1,130,827	1,129,600
Change in net assets:								
Net (expense) revenue	\$ 16,617,362	\$ 3,923,188	\$ 1,031,928	\$ 494,691	(12,298,382)	1,130,827	(11,167,555)	(11,713,952)
General revenues:								
Taxes:								
Property taxes					6,146,426	-	6,146,426	5,279,747
Sales taxes					1,356,985	-	1,356,985	1,339,720
Franchise and other taxes					4,506,463	-	4,506,463	3,656,177
Earnings on investments					353,941	15,028	368,969	368,037
Revenues from other agencies					802,813	-	802,813	1,000,893
Other revenue					1,599,794	-	1,599,794	292,136
Transfers					780,589	(780,589)	-	-
Total general revenues and transfers					15,547,011	(765,561)	14,781,450	11,936,710
Change in net assets					3,248,629	365,266	3,613,895	222,758
Net assets, beginning of year					24,522,452	9,322,659	33,845,111	33,622,353
Net assets, end of year					\$ 27,771,081	\$ 9,687,925	\$ 37,459,006	\$ 33,845,111

FUND
FINANCIAL
STATEMENTS

CITY OF ALBANY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004
(With Comparative Totals for June 30, 2003)

	Major Funds				Total Governmental Funds	
	1996-1				2004	2003
	General Fund	District Bond Fund	General Obligation Bond 2003	Other Governmental Funds		
ASSETS				*	**	
Operating cash and investments	\$ 5,541,171	\$ 4,630,995	\$ 7,129,170	\$ 4,209,430	\$ 21,510,766	\$ 18,440,674
Debt service reserves held with trustee	-	-	-	473,784	473,784	466,162
Receivables:						
Property taxes	-	-	-	-	-	64,059
Other taxes	509,337	-	-	87,861	597,198	603,331
Accounts, less allowance of \$283,221	68,620	76,849	-	529,190	674,659	975,667
Interest	73,378	16,642	-	-	90,020	77,234
Note	383,593	-	-	-	383,593	390,469
Due from other funds	327,046	-	-	-	327,046	2,052,296
Advances to other funds	863,866	-	-	-	863,866	851,836
Total assets	\$ 7,767,011	\$ 4,724,486	\$ 7,129,170	\$ 5,300,265	\$ 24,920,932	\$ 23,921,728
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 477,656	\$ 50,781	\$ 129	\$ 117,941	\$ 646,507	\$ 635,058
Accrued salaries & benefits	271,612	-	-	4,101	275,713	220,276
Accrued liabilities	24,892	5,565	310	588,478	619,245	221,241
Due to other funds	-	-	-	327,046	327,046	2,052,296
Claims liabilities	2,919,843	-	-	-	2,919,843	2,175,102
Deferred revenue	211,163	-	-	145,772	356,935	179,789
Advances from other funds	-	-	-	863,866	863,866	851,836
Total liabilities	3,905,166	56,346	439	2,047,204	6,009,155	6,335,598
Fund balances						
Reserved for long-term note receivable	383,593	-	-	-	383,593	390,469
Reserved for insurance reserves	2,919,843	-	-	-	2,919,843	2,175,102
Reserved for capital projects	-	4,668,140	7,128,731	1,417,513	13,214,384	13,442,517
Reserved for debt service	-	-	-	792,566	792,566	572,842
Unreserved:						
Designated - General Fund-equipment replacement	416,768	-	-	-	416,768	357,950
Designated - General Fund-future cash flow requirements	-	-	-	-	-	164,353
Designated - Special Revenue Funds	-	-	-	1,745,347	1,745,347	1,826,290
Undesignated - General Fund	141,641	-	-	-	141,641	652,855
Unreserved (deficit) - Capital Project Funds	-	-	-	(270,093)	(270,093)	(1,569,470)
Unreserved (deficit) - Debt Service Funds	-	-	-	(432,272)	(432,272)	(426,778)
Total fund balances	3,861,845	4,668,140	7,128,731	3,253,061	18,911,777	17,586,130
Total liabilities and fund balances	\$ 7,767,011	\$ 4,724,486	\$ 7,129,170	\$ 5,300,265	\$ 24,920,932	\$ 23,921,728
Total fund balances					\$ 18,911,777	\$ 17,586,130
Amounts reported for governmental activities in the statement of net assets are different because:						
Deferred charges for debt issuance expensed in government funds statement.					183,366	197,925
Net capital assets not reported in government funds statements.					21,185,272	19,878,914
Net assets and liabilities not requiring current resources; therefore not included in government funds statement.					(101,383)	(77,706)
Long-term liabilities not due within one year; therefore not included in government funds statement.					(12,676,466)	(13,284,416)
Net assets of internal service funds not included in government funds statement.					268,515	221,605
Net assets of governmental activities					\$ 27,771,081	\$ 24,522,452

* See page D3 for schedule of funds.

** See page D5 for details of the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets.

CITY OF ALBANY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Major Funds				Total Governmental Funds	
	1996-1				2004	2003
	General Fund	Assessment District Bond Fund	General Obligation Bond 2003	Other Governmental Funds		
*	**	**	***			
REVENUES						
Property taxes	\$ 2,520,211	\$ -	\$ -	\$ 3,626,215	\$ 6,146,426	\$ 5,279,747
Sales taxes	1,356,985	-	-	-	1,356,985	1,339,720
Franchise and other taxes	4,506,463	-	-	-	4,506,463	3,656,177
Licenses and permits	329,035	-	-	18,011	347,046	175,403
Fines and forfeitures	281,592	-	-	-	281,592	333,702
Earnings on investments	98,561	71,691	127,886	55,803	353,941	322,236
Revenues from other agencies	820,715	152,961	-	1,355,756	2,329,432	3,446,053
Current services charges	1,036,568	-	-	528,207	1,564,775	1,397,153
Other revenue	619,656	20,000	-	960,138	1,599,794	275,747
Total revenues	11,569,786	244,652	127,886	6,544,130	18,486,454	16,225,938
EXPENDITURES						
Current:						
General government	3,291,193	-	-	615,737	3,906,930	3,915,322
Police	3,437,281	-	-	209,450	3,646,731	3,825,952
Fire and emergency medical services	2,931,252	-	-	9,624	2,940,876	2,742,208
Community development and environmental resources	2,116,008	-	53,956	1,105,217	3,275,181	2,800,042
Recreation and community services	1,068,741	52,051	-	529,935	1,650,727	1,470,303
Capital outlay	33,195	225,003	556,199	921,324	1,735,721	2,591,462
Debt service:						
Principal	-	-	-	351,083	351,083	329,952
Interest	32,751	-	-	351,396	384,147	246,333
Total expenditures	12,910,421	277,054	610,155	4,093,766	17,891,396	17,921,574
REVENUES OVER (UNDER) EXPENDITURES	(1,340,635)	(32,402)	(482,269)	2,450,364	595,058	(1,695,636)
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	-	-	-	-	8,002,787
Operating transfers in	2,302,814	61,129	-	2,304,872	4,668,815	3,300,298
Operating transfers out	(841,063)	-	(300,000)	(2,797,163)	(3,938,226)	(2,710,925)
Total other financing sources (uses)	1,461,751	61,129	(300,000)	(492,291)	730,589	8,592,160
Net change in fund balances	121,116	28,727	(782,269)	1,958,073	1,325,647	6,896,524
Fund balances, beginning of year	3,740,729	4,639,413	7,911,000	1,294,988	17,586,130	10,763,817
Prior period adjustment	-	-	-	-	-	(74,211)
Fund balances, end of year	\$ 3,861,845	\$ 4,668,140	\$ 7,128,731	\$ 3,253,061	\$ 18,911,777	\$ 17,586,130

* See page B6 for budget comparisons.

** See page D38 for budget comparisons.

*** See page D4 for schedule of funds.

CITY OF ALBANY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
Net Changes in Fund Balances - Total Governmental Funds	\$ 1,325,647	\$ 6,896,524
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	1,833,851	1,393,541
Depreciation expense	(508,978)	(440,735)
Losses on the disposal of capital assets are reported in the Statement of Activities and Changes in Net Assets, but do not require the use of current financial resources. Therefore, it is not reported as an expenditure in governmental funds.		
	(18,515)	-
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.		
Issuance of long-term debt	-	(8,000,000)
Principal repayments on long-term debt	346,395	329,952
Reclassification of long-term workers' compensation to short-term liability	335,741	-
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Amortization of bond issuance costs	(14,560)	(11,839)
Change in compensated absences	(74,185)	(20,342)
Change in accrued interest payable	(101,340)	(77,706)
Workers' compensation	-	(335,741)
Some interest expenses due to other funds reported in the governmental funds are not reported in the Statement of Activities.		
	77,663	-
Internal service funds are used by management to charge the costs of certain activities, such as equipment replacement, to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental funds.		
	<u>46,910</u>	<u>70,178</u>
Total Changes in Net Assets of Governmental Activities	<u>\$ 3,248,629</u>	<u>\$ (196,168)</u>

CITY OF ALBANY

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive/ (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,409,188	\$ 2,475,194	\$ 2,520,211	\$ 45,017
Sales taxes	1,459,510	1,367,600	1,356,985	(10,615)
Franchise and other taxes	3,450,666	3,772,891	4,506,463	733,572
Licenses and permits	158,000	168,404	329,035	160,631
Fines and forfeitures	327,600	280,800	281,592	792
Earnings on investments	120,000	110,000	98,561	(11,439)
Revenues from other agencies	1,071,953	1,051,050	820,715	(230,335)
Current services charges	890,215	933,248	1,036,568	103,320
Other revenue	95,615	138,892	619,656	480,764
Total revenues	9,982,747	10,298,079	11,569,786	1,271,707
EXPENDITURES				
Current:				
General government	2,494,360	2,623,365	3,291,193	(667,828)
Police	3,750,705	3,696,442	3,437,281	259,161
Fire and emergency medical services	2,786,783	2,921,945	2,931,252	(9,307)
Community development and environmental resources	1,912,588	1,979,245	2,116,008	(136,763)
Recreation and community services	1,144,787	1,140,391	1,068,741	71,650
Capital outlay	-	-	33,195	(33,195)
Debt service:				
Interest	40,000	40,000	32,751	7,249
Total expenditures	12,129,223	12,401,388	12,910,421	(509,033)
REVENUES OVER (UNDER) EXPENDITURES	(2,146,476)	(2,103,309)	(1,340,635)	762,674
OTHER FINANCING SOURCES (USES)				
Transfers in	2,382,662	2,266,845	2,302,814	35,969
Transfers out	(293,675)	(218,675)	(841,063)	(622,388)
Total other financing sources (uses)	2,088,987	2,048,170	1,461,751	(586,419)
(Deficiency) excess of revenues and other financing sources (under) over expenditures and other financing uses	<u>\$ (57,489)</u>	<u>\$ (55,139)</u>	121,116	<u>\$ 176,255</u>
Fund balances, beginning of year			<u>3,740,729</u>	
Fund balances, end of year			<u>\$ 3,861,845</u>	

CITY OF ALBANY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2004

(With Comparative Totals for June 30, 2003)

	2004		2003	
	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities- Internal Service Funds	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities- Internal Service Funds
ASSETS				
Current assets:				
Operating cash and investments	\$ 2,123,108	\$ 255,121	\$ 1,687,426	\$ 205,121
Debt service reserves held with trustee	388,442	-	389,018	-
Receivables	-	-	25,861	-
Total current assets	<u>2,511,550</u>	<u>255,121</u>	<u>2,102,305</u>	<u>205,121</u>
Noncurrent assets:				
Deferred charges, net	142,377	-	158,197	-
Capital assets, net	<u>10,106,979</u>	<u>13,394</u>	<u>10,355,132</u>	<u>16,484</u>
Total noncurrent assets	<u>10,249,356</u>	<u>13,394</u>	<u>10,513,329</u>	<u>16,484</u>
Total assets	<u>12,760,906</u>	<u>268,515</u>	<u>12,615,634</u>	<u>221,605</u>
LIABILITIES				
Current liabilities:				
Accounts payable	34,064	-	25,631	-
Accrued salaries & benefits	-	-	292	-
Accrued liabilities	48,917	-	52,052	-
Current portion of long-term debt	<u>240,000</u>	<u>-</u>	<u>225,000</u>	<u>-</u>
Total current liabilities	<u>322,981</u>	<u>-</u>	<u>302,975</u>	<u>-</u>
Noncurrent liabilities:				
Long-term debt	<u>2,750,000</u>	<u>-</u>	<u>2,990,000</u>	<u>-</u>
Total liabilities	<u>3,072,981</u>	<u>-</u>	<u>3,292,975</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	7,116,979	13,394	7,140,132	16,484
Unrestricted	<u>2,570,946</u>	<u>255,121</u>	<u>2,182,527</u>	<u>205,121</u>
Total net assets	<u>\$ 9,687,925</u>	<u>\$ 268,515</u>	<u>\$ 9,322,659</u>	<u>\$ 221,605</u>

CITY OF ALBANY
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	2004		2003	
	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities- Internal Service Funds	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities- Internal Service Funds
OPERATING REVENUES				
Services charges	\$ 1,729,775	\$ -	\$ 1,786,322	\$ -
Total operating revenue	<u>1,729,775</u>	<u>-</u>	<u>1,786,322</u>	<u>-</u>
OPERATING EXPENSES				
Materials, supplies and other	193,588	-	241,882	-
Amortization - bond issuance costs	15,819	-	15,819	-
Depreciation	248,154	3,090	248,153	110,249
Total operating expenses	<u>457,561</u>	<u>3,090</u>	<u>505,854</u>	<u>110,249</u>
Operating income (loss)	<u>1,272,214</u>	<u>(3,090)</u>	<u>1,280,468</u>	<u>(110,249)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	15,028	-	45,801	-
Miscellaneous	-	-	2,125	-
Interest expense	<u>(141,387)</u>	<u>-</u>	<u>(150,868)</u>	<u>-</u>
Net nonoperating revenues (expenses)	<u>(126,359)</u>	<u>-</u>	<u>(102,942)</u>	<u>-</u>
Income (loss) before transfers	1,145,855	(3,090)	1,177,526	(110,249)
Transfers in	13,418	50,000	10,000	280,284
Transfers out	<u>(794,007)</u>	<u>-</u>	<u>(768,600)</u>	<u>(99,857)</u>
Net transfers	<u>(780,589)</u>	<u>50,000</u>	<u>(758,600)</u>	<u>180,427</u>
Changes in net assets	365,266	46,910	418,926	70,178
Net assets, beginning of year	<u>9,322,659</u>	<u>221,605</u>	<u>8,903,733</u>	<u>151,427</u>
Net assets, end of year	<u>\$ 9,687,925</u>	<u>\$ 268,515</u>	<u>\$ 9,322,659</u>	<u>\$ 221,605</u>

CITY OF ALBANY
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	2004		2003	
	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities- Internal Service Funds	Business-Type Activities- Enterprise Fund Sewer Fund	Governmental Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,755,636	\$ -	\$ 1,778,627	\$ -
Cash paid to suppliers	(182,912)	-	(906,996)	-
Cash paid to employees	(5,670)	-	(13,299)	-
Net cash provided by operating activities	<u>1,567,054</u>	<u>-</u>	<u>858,332</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	13,418	50,000	10,000	280,284
Transfers out to other funds	(794,007)	-	(768,600)	(99,857)
Claims and workers' compensation liabilities transferred to general fund	-	-	-	(1,741,412)
Net cash provided by (used by) noncapital financing activities	<u>(780,589)</u>	<u>50,000</u>	<u>(758,600)</u>	<u>(1,560,985)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments - bonds	(225,000)	-	(215,000)	-
Interest paid	(141,387)	-	(150,868)	-
Other	-	-	2,371	-
Net cash used by capital and related financing activities	<u>(366,387)</u>	<u>-</u>	<u>(363,497)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	15,028	-	45,801	-
Decrease in restricted investments	576	-	1,410	-
Net cash provided by investing activities	<u>15,604</u>	<u>-</u>	<u>47,211</u>	<u>-</u>
Net change in cash and cash equivalents	435,682	50,000	(216,554)	(1,560,985)
Cash and cash equivalents at beginning of year	<u>1,687,426</u>	<u>205,121</u>	<u>1,903,980</u>	<u>1,766,106</u>
Cash and cash equivalents at end of year	<u>\$ 2,123,108</u>	<u>\$ 255,121</u>	<u>\$ 1,687,426</u>	<u>\$ 205,121</u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,272,214	\$ (3,090)	\$ 1,280,468	\$ (110,249)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization expense	263,973	3,090	263,972	110,249
Miscellaneous non-operating revenue (expense)	10,012	-	952	-
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable	25,861	-	(7,695)	-
Decrease (increase) in accounts payable and accrued liabilities	(5,006)	-	(679,365)	-
Net cash provided by operating activities	<u>\$ 1,567,054</u>	<u>\$ -</u>	<u>\$ 858,332</u>	<u>\$ -</u>

CITY OF ALBANY
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2004

(With Comparative Totals for June 30, 2003)

	2004		2003	
	<u>Pension Trust Fund (Police and Fire Pension)</u>	<u>Agency Funds</u>	<u>Pension Trust Fund (Police and Fire Pension)</u>	<u>Agency Funds</u>
ASSETS		*		
Operating cash and investments	\$ -	\$ 613,304	\$ -	\$ 1,025,156
Debt service reserves held with trustee	-	497,461	-	502,726
Receivables:				
Contributions and other	534,513	-	481,755	27,500
Interest	99,165	-	103,768	-
Investments, at fair value	14,373,927	-	13,745,716	-
Total assets	<u>15,007,605</u>	<u>1,110,765</u>	<u>14,331,239</u>	<u>1,555,382</u>
LIABILITIES				
Accounts payable	16,689	20,099	-	461,367
Due to bondholders	-	915,638	-	908,209
Refundable deposits	-	175,028	-	185,806
Total liabilities	<u>16,689</u>	<u>1,110,765</u>	<u>-</u>	<u>1,555,382</u>
NET ASSETS				
Assets held in trust for pension benefits	14,990,916	-	14,331,239	-
Total net assets	<u>\$ 14,990,916</u>	<u>\$ -</u>	<u>\$ 14,331,239</u>	<u>\$ -</u>

* See page D46 for schedule of funds.

CITY OF ALBANY
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>2004</u>	<u>2003</u>
	Pension Trust Fund (Police and Fire Pension)	Pension Trust Fund (Police and Fire Pension)
ADDITIONS		
Contributions:		
Employer	\$ -	\$ 2,885
Plan members	-	2,885
Total contributions	<u>-</u>	<u>5,770</u>
Investment income:		
Net appreciation in fair value of investments	957,768	379,527
Interest	485,039	501,226
Dividends	<u>104,146</u>	<u>92,794</u>
Total investment income	1,546,953	973,547
Less investment expense	<u>133,491</u>	<u>115,648</u>
Net investment income	<u>1,413,462</u>	<u>857,899</u>
Other:		
Property tax override	<u>534,513</u>	<u>1,251,176</u>
Total additions to net assets	<u>1,947,975</u>	<u>2,114,845</u>
DEDUCTIONS		
Benefits paid	1,261,307	1,215,833
Administrative expenses	19,491	31,494
Other expenses	<u>7,500</u>	<u>-</u>
Total deductions from net assets	<u>1,288,298</u>	<u>1,247,327</u>
Changes in net assets	659,677	867,518
Net assets, beginning of year	<u>14,331,239</u>	<u>13,463,721</u>
Net assets, end of year	<u>\$ 14,990,916</u>	<u>\$ 14,331,239</u>

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 – Background

The City of Albany is a largely residential community located on San Francisco Bay in Alameda County, California. The City was incorporated in 1908. The population as of June 30, 2004, as estimated by the California Department of Finance was 16,700.

The City operates under the Council-Administrator form of government, with a full-time City Administrator. The governing body is a five member council, with one council member serving as mayor. Other elected officials are the City Treasurer and the City Attorney.

In addition to finance and administrative functions, the City Administrator oversees approximately 116 fulltime-equivalent employees in the functions of:

- *Police services* - the Police Department is composed of a Chief, 27 sworn officers and 10 unsworn personnel. A force of 12 reserve officers augments the fulltime police force. In addition to enforcement of laws and protection of life and property, the department is involved in numerous community service programs.
- *Fire and Emergency Medical Services* - the Fire and Emergency Medical Services Department is composed of a Chief, a Battalion Chief, and 18 fire fighters and paramedic personnel. The Fire Department is responsible for operation of the City's Emergency Operations Center. Department personnel perform numerous services to benefit the community, such as sale of bicycle helmets and conducting CPR courses.
- *Recreation and Community Services* - the City provides many recreational services to its citizens, with emphasis on services to youth and seniors. City owned facilities operated by this department are:
 - Community Center,
 - Senior Center,
 - Memorial Park Child Care Center, and
 - Albany Teen Center.
- *Community Development* - the functions of maintaining the infrastructure of the City and administering licensing, permit and zoning are assigned to this department. The functions performed by this department are administered in three divisions:
 - Planning and Building,
 - Public Works, and
 - Environmental Resources.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies

The following is a summary of the accounting policies of the City, which conform with accounting principles generally accepted in the United States of America as applicable to governments.

A. Reporting Entity

The financial statements of the City include the financial activities of the City as well as separate legal entities, called component units, which are controlled by or dependent on the City. While these are separate legal entities, the City Council may serve, in separate session, as their governing body and their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed “blending”) with those of the City, in the accompanying financial statements.

- *The City of Albany Police and Fire Relief and Pension Plan (Trust)* is a separate legal trust whose purpose is to provide pension benefits for certain City employees. The Trust’s governing board is composed of the Mayor, City Treasurer, City Clerk, and two members of the Trust. All accounting and administrative functions are performed by the City. The activities of the Trust have been included in the Police and Fire Relief and Pension Trust Fund. Separate financial statements for the Pension Trust may be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.
- *The City of Albany Public Facilities Financing Authority* is a financing authority whose purpose is to provide financing assistance to the City for acquiring real property and improvements for the benefit of the City and surrounding areas. The Authority’s board is composed of the City Council, all accounting and administrative functions are performed by the City, and the Authority is dependent upon the City for its cash flows. The activities of the Authority have been included in the Public Facilities Financing Authority Debt Service Fund.
- *The City of Albany Reinvestment Agency (Agency)* was activated in the 1998-99 fiscal year pursuant to the State of California Health and Safety Code Section 33000, entitled “Community Redevelopment Law.” Its purpose is to prepare and carry out plans for improvements, rehabilitation, and redevelopment of blighted areas with the territorial limits of the City of Albany. The Agency meets the definition of a “component unit”, and is presented on a “blended” basis, as if part of the primary government. Although it is a legally separate entity, the governing board of the Agency is comprised of the same membership as the City Council. The City may impose its will on the Agency, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City and the Agency.
- *Albany Municipal Services Joint Powers Authority* was established by the City of Albany and the Albany Reinvestment Agency to employ management employees of the City that are not members of an organized bargaining unit. Members of the City Council serve on the governing board, and the City reimburses the JPA for all expenses. As a result, the Authority’s financial activities are related to those of the City and are included in the City’s financial statements.

Separate financial statements for the Agency can be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government - wide Financial Statements

The City Government-wide Financial Statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Internal Service Fund activity is eliminated to avoid “doubling up” revenues and expenses. Fiduciary activities of the City are not included in these statements.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for the business-type activities of the City and for each governmental program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the City.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. The Internal Service Funds are presented in a single column on the face of the proprietary fund statements.

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the Government-Wide financial statements.

Revenues susceptible to accrual are property taxes, franchise taxes, interest revenue, and charges for services. Sales taxes collected and held by the State at year-end on behalf of the City also are recognized as revenue. Licenses and permits are not susceptible to accrual because, generally, they are not measurable until received in cash.

Expenditures are generally recognized when incurred under the modified accrual basis of accounting. Principal and interest on general long-term debt is recognized when due. Financial resources are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Such amounts thus are not current liabilities of the debt service fund, as their settlement will not require expenditure of existing fund assets.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

All governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The major governmental funds of the City are:

- *General Fund* – This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- *1996-1 Assessment District Bond Fund* – This fund is used to pay for the acquisition, development and maintenance of open space on Albany Hill; the acquisition, development and maintenance of recreational playfields; and the activities relating to creek restoration as part of the Open Space, Recreational Playfields and Creek Restoration Assessment District No.1996-1.
- *General Obligation Bond 2003* - This fund is used to account for the General Obligation Bond, Series 2003, issued to finance the repair and improvement of recreational facilities; structural improvements to the fire department, police department and city hall buildings; residential street improvements; bike path improvements, construction and safety lighting; create new parks and improve existing parks; and resurface city streets.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

The City of Albany reports the Sewer Enterprise Fund as a major proprietary fund type. The Sewer Enterprise Fund accounts for sewage treatment and transmission provided to City residents. The cost of these services, including depreciation, is recovered primarily through user charges.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

The City's only internal service fund at June 30, 2004 is the Community Development Equipment Reserve Fund. This fund is being used to accumulate resources to be used for replacement of public works and park equipment.

Proprietary funds are accounted for using the *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets and a Statement of Changes in Net Assets. The City's Fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting as are the governmental funds explained above.

Additionally, the City reports on the Police and Fire Pension Trust Fund, which accounts for the activities of the City of Albany Police and Fire Relief and Pension Plan.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting.

C. Budgetary Policies

Procedures followed in establishing the budgetary data reflected in the financial statements are presented below:

1. By June 1, of even-numbered years, the City Administrator submits to the City Council an operating budget and capital improvement budget for the two fiscal years commencing the following July 1. The operating budget includes proposed expenditures and the sources of financing.
2. Public hearings and work sessions are conducted to obtain comments from interested individuals and organizations.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

3. The budget is formalized and legally enacted through City Council resolution.
4. All intrafund transfers above \$5,000 require the approval of the City Administrator (or designee). All intrafund transfers below \$5,000 require the approval of the Finance and Administrative Services Director (or designee). Interfund transfer approval must be obtained from both the City Administrator and Finance and Administrative Services Director. Such approval shall only be given provided the interfund transfer does not change the total initial appropriation for all funds requiring budgets. Changes in appropriations at the fund level must be approved by the City Council.
5. Formal budgetary integration, in the form of the annual budgets, is employed as a management control device during the year for the General Fund, Special Revenue Funds and all Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is achieved through general obligation bond indenture provisions and other debt agreements.
6. Budgets for General, Special Revenue, and Capital Projects Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations lapsed at June 30, 2004, the end of the fiscal year of the current annual budget.

As needed, budgeted amounts are subjected to amendments presented to City Council for approval. Budgeted amounts appearing in these statements are as amended by the City Council through June 30, 2004.

D. Revenue Recognition for the Sewer Enterprise Fund

Sewer service charges are billed and collected by the County Auditor-Controller's Office. Semi-annual payments are due November 1 and February 1 of the fiscal year in which the service is provided. Any charges billed but not received, as of the end of the fiscal year, are accrued.

E. Compensated Absences

City employees have a vested interest in accrued vacation time and twenty-five percent of accrued sick leave time. This accrued leave time will eventually be used by employees or paid-off by the City. The City has obligations for unpaid vacation and sick leave in the amount of \$843,839, which is recorded as a non-current liability.

F. Property Tax

Alameda County officials assess property, issue assessments and collect the tax proceeds. The County distributes taxes, plus any related interest and penalties, to the City.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and become delinquent on August 31.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

G. Cash and Cash Equivalents and Cash Flows

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Proprietary fund types operating cash and investments have been used to prepare the statements of cash flows. Debt service reserves with trustees have original maturity terms of more than three months, and are not included as cash equivalent in the statement of cash flows.

H. Capital Assets

Governmental activity capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (infrastructure) general fixed assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Capital assets are recorded at cost and depreciated over their estimated useful lives. Depreciation is charged to governmental activities, by function.

Business-type activity capital assets are recorded at cost and depreciated over their estimated useful lives. The purpose of depreciation is to spread the costs of business-type capital assets equitably among all customers over the life of these assets, so that each customer’s bill includes a pro rata share of the cost of these assets. The amount charged to depreciation expense each year represents that year’s pro rata share of the cost of business-type activities capital assets.

The capitalization threshold for capital assets is \$5,000 with a useful life of at least two years. Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Assets as a reduction in the book value of capital assets.

Depreciation of capital assets in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets.

Furniture and Equipment	5-10 years
Sewer transmission lines	50 years
Vehicles	5 years
Buildings	20-50 years
Infrastructure	20-70 years

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 2 – Summary of Significant Accounting Policies (Continued)

I. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination of employment, retirement, death, or in an emergency as defined by the Plan.

J. New Accounting Pronouncements

In March 2003, the GASB issued Statement No. 40, *Deposit and Investment Risk Disclosures*. The Statement amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* to address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, GASB Statement No. 40 requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The provisions of GASB Statement No. 40 are effective for financial statements for periods beginning after June 15, 2004; however, the City has elected to implement the provisions of the Statement for the fiscal year ended June 30, 2004 (see Note 3).

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

L. Reclassification of Financial Statement Presentation

Certain prior period amounts have been reclassified in order to conform to the fiscal 2004 financial statement presentation.

M. Prior Period Adjustment

The governmental fund balance of the Albany Community Reinvestment Agency debt service fund at June 30, 2002 has been restated to record advances from the City of Albany (including accrued interest of \$56,403) that was previously not recorded. The effect of this adjustment was to increase advances payable to the City and reduce fund balance by \$442,606 in the Albany Community Reinvestment Agency debt service fund, and the effect on the City's general fund was to increase advances to the Reinvestment Agency by \$442,606, increase deferred revenue by \$56,403, and increase fund balance by \$386,203.

The governmental fund balance of the Capital Projects fund at June 30, 2002 has been restated to record prior years' tax increment pass-throughs totaling \$17,808 related to fiscal 2000 through 2002 that were previously not recorded. The effect of this adjustment was to increase accounts payable and reduce fund balance by \$17,808.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 2 – Summary of Significant Accounting Policies (Continued)

N. Comparative Data

Prior year total columns on the accompanying financial statements are not necessary for a fair presentation of the financial statements, but are presented only to facilitate financial analysis.

NOTE 3 – Cash and Investments

The City's dependence on property tax receipts and seasonal revenue sources requires it to maintain significant cash reserves to finance operations. The City pools cash from all sources and all funds, except Debt Service Reserves with Trustee, so that they may be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time. Disclosure for the Albany Police and Fire Relief and Pension Plan investments can be found in Note 11.

A. Summary of Cash and Investments

	Primary Government			Total
	Governmental Activities	Business-type Activites	Fiduciary Funds	
Cash and investments	\$ 21,765,887	\$ 2,123,108	\$ 14,987,231	\$ 38,876,226
Debt service reserves held with trustee	473,784	388,442	497,461	1,359,687
Total	\$ 22,239,671	\$ 2,511,550	\$ 15,484,692	\$ 40,235,913
Deposits and cash on hand				\$ 1,445,102
Investments				38,790,811
Total				\$ 40,235,913

B. Cash at June 30, 2004 is presented below, categorized separately to give an indication of the level of risk assessment with each deposit. Of the City's \$874,006 bank balance, \$774,006 was exposed to custodial credit risk, which is the risk that in the event of a bank failure, the City's deposits may not be returned to it.

	Bank Balance - Category *			Bank Balance Total	Carrying Amount
	1	2	3		
Cash on hand and in banks	\$ 100,000		\$ 774,006	\$ 874,006	\$ 804,743

* These categories are as follows:

- Category 1: Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 3 – Cash and Investments (Continued)

C. Investments at June 30, 2004 held on behalf of the City of Albany are presented below, categorized separately to give an indication of the level of risk associated with each investment. The following excludes investments of the Albany Police and Fire Relief and Pension Plan, for which information can be found in Note 11.

	Category *			Reported Amount	Fair Value
	1	2	3		
Uncategorized:					
First American					
Treasury Obligations (1)	\$ -	\$ -	\$ -	\$ 862,226	\$ 862,226
Goldman Financial					
Treasury Obligations (1)	-	-	-	497,461	497,461
Investment in LAIF (1) (2)	-	-	-	23,697,556	23,659,265
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,057,243</u>	<u>\$ 25,018,952</u>

*These categories are as follows:

- Category 1: Insured or registered, or securities held by the City or its agent in the City's name.
- Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name.
- Category 3: Uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the City's name.

- (1) Not subject to categorization
- (2) Investment in state treasurer's pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. The fund is administered by the California State Treasurer. The City deposits excess cash in LAIF for investment purposes. LAIF investments are not required to be categorized. The fair value for these deposits was provided by the pool sponsor. The management of the State of California Pooled Money Investment Account (generally referred to as LAIF) has indicated to the City that as of June 30, 2004, the carrying amount of the pool was \$57,600,699,158 and the estimated market value of the pool was \$57,507,626,624. Included in LAIF's investment portfolio are asset-backed securities totaling \$923,459,000.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 – Cash and Investments (Continued)

D. Authorized Investments

The City's Investment Policy and the California Government Code, allow the City to invest in the following type of investments:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit
- Bankers Acceptance
- Commercial Paper
- Medium Term Notes
- Local Agency Investment Fund Deposits
- Passbook Savings Account Demand Deposits
- Repurchase Agreements

Debt Service Reserves with trustee are invested in accordance with indentures governing the related debt. The trustee may invest in U.S. Treasury notes and bonds, and in pooled investments that invest in those securities.

E. Fair Value of Investments

Accounting pronouncement GASB Statement 31 generally applies to investments in external investment pools, investments purchased with maturities greater than one year, mutual funds, and certain investment pools/agreements. Generally, governmental entities need to report the "fair value" changes for these investments at year-end and records these gains or losses on their income statement.

Methods and assumptions used to estimate fair value: The City maintains investment accounting records on amortized cost, and adjusts those records to "fair value" for external reporting purpose. The Funds investment custodians provide market values on each investment instrument on a monthly basis. The investments held by the Funds are widely traded in the financial markets, and trading values are readily available from numerous published sources. The Funds have elected to report their money market investments (those investments with maturities of less than one year) at amortized cost adjusted to fair value. Unrealized gains and losses are recorded and the carrying value of their investments are considered "fair value".

State of California State Treasurer's Local Agency Investment Fund (LAIF): The City holds an investment in LAIF that is subject to being adjusted to "fair value". The City is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The City relied upon information provided by the State Treasurer in estimating the City's fair value position of its holding in LAIF. The City had a contractual withdrawal value of \$23,697,556 whose pro-rata share of fair value was estimated by the state Treasurer to be \$23,659,265. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 3 – Cash and Investments (Continued)

E. Fair Value of Investments (Continued)

The State Treasurer's Local Agency Investment Fund ("LAIF") is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

F. Investment Risks

Accounting pronouncement GASB Statement 40 requires state and local governments to disclose investment risks relating to credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. As of June 30, 2004, the City had investments in the State of California State Treasurer's Local Agency Investment Fund (LAIF) and various financial institutions for Debt Service Reserves.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting no more than 25% of its investment portfolio in maturities greater than one year.

Credit Risk. The City's general policy is to apply the prudent-investor rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The City's investment policy allows its investments with LAIF up to the maximum amount permitted. As of June 30, 2004, 95% of the City's investments were held by LAIF, invested in various short-term and long-term investments selected by the agency, and 5% held by other financial institutions, invested in short-term investments.

NOTE 4 – Receivables

Note Receivable

During September 2001, per the employment agreement between the City and the City Administrator, the City loaned the City Administrator \$400,000 to be used toward the purchase of her principal residence. The loan includes interest at one-eighth of a percentage point above the interest that the City earned from LAIF (Local Agency Investment Fund Account) as of the date of the loan. The outstanding principal balance of the loan at June 30, 2004, was \$383,593, and is recorded in the General Fund as a note receivable.

Accounts Receivable

The Buchanan Street – Eastshore Highway Interchange construction project was completed in August 2002, at a total cost of approximately \$4,840,000, of which the City has received reimbursement of \$3,798,099, and has an outstanding claim receivable of \$666,910. An allowance in the amount of \$283,221 has been recorded in the Capital Projects Fund related to these claim receivables as a result of unresolved questions, by the funding sources, related to costs incurred in relocation of water and sewer lines.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 5 – Capital Assets

The following is a summary of capital assets as of June 30, 2004:

	Governmental Activities	Business- Type Activities	Total
Capital assets not being depreciated:			
Land and improvements	\$ 7,868,198	\$ -	\$ 7,868,198
Construction in progress	50,050	-	50,050
	<u>7,918,248</u>	<u>-</u>	<u>7,918,248</u>
Depreciable capital assets:			
Buildings	8,254,565	-	8,254,565
Furniture and fixtures	114,262	-	114,262
Machinery and equipment	578,390	-	578,390
Vehicles	1,843,698	-	1,843,698
Sewer lines	-	12,407,676	12,407,676
Infrastructure	7,073,133	-	7,073,133
Total	<u>17,864,048</u>	<u>12,407,676</u>	<u>30,271,724</u>
Less: accumulated depreciation	<u>4,583,630</u>	<u>2,300,697</u>	<u>6,884,327</u>
Depreciable capital assets, net	<u>13,280,418</u>	<u>10,106,979</u>	<u>23,387,397</u>
Total capital assets, net	<u>\$ 21,198,666</u>	<u>\$ 10,106,979</u>	<u>\$ 31,305,645</u>

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 5 – Capital Assets (Continued)

Transactions and balances of capital assets were as follows:

	Balances June 30, 2003	Additions	Transfers/ Retirements	Balances June 30, 2004
Governmental activities:				
Nondepreciable assets:				
Land and improvements	\$ 7,127,595	\$ 740,603	\$ -	\$ 7,868,198
Construction in progress	569,802	50,050	569,802	50,050
Total nondepreciable assets	<u>7,697,397</u>	<u>790,653</u>	<u>569,802</u>	<u>7,918,248</u>
Depreciable assets:				
Buildings	8,125,345	256,715	127,495	8,254,565
Furniture and fixtures	114,262	-	-	114,262
Machinery and equipment	538,264	61,345	21,219	578,390
Vehicles	1,310,346	141,194	38,886	1,412,654
Infrastructure	5,919,387	1,153,746	-	7,073,133
Total depreciable assets	<u>16,007,604</u>	<u>1,613,000</u>	<u>187,600</u>	<u>17,433,004</u>
Less accumulated depreciation for:				
Buildings	2,046,959	192,558	114,638	2,124,879
Furniture and fixtures	67,784	7,431	-	75,215
Machinery and equipment	395,483	38,150	21,219	412,414
Vehicles	1,013,633	125,292	33,228	1,105,697
Infrastructure	302,228	145,547	-	447,775
Total accumulated depreciation	<u>3,826,087</u>	<u>508,978</u>	<u>169,085</u>	<u>4,165,980</u>
Total depreciable assets, net	<u>12,181,517</u>	<u>1,104,022</u>	<u>18,515</u>	<u>13,267,024</u>
Internal service fund fixed assets:				
Depreciable assets:				
Vehicles	431,043	-	-	431,043
Total depreciable assets	<u>431,043</u>	<u>-</u>	<u>-</u>	<u>431,043</u>
Less: accumulated depreciation	414,559	3,090	-	417,649
Total depreciable assets, net	<u>16,484</u>	<u>(3,090)</u>	<u>-</u>	<u>13,394</u>
Total governmental activities	<u>\$ 19,895,398</u>	<u>\$ 1,891,585</u>	<u>\$ 588,317</u>	<u>\$ 21,198,666</u>

Depreciation was charged to function as follows:

Governmental activities:	
General government	\$ 24,139
Police	92,480
Fire and emergency medical services	36,587
Community development and environmental resources	163,609
Recreation and community services	195,253
Total governmental activities depreciation expense	<u>\$ 512,068</u>

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 5 – Capital Assets (Continued)

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004
Business-type activities:				
Sewer Enterprise Fund fixed assets:				
Depreciable Assets:				
Sewer lines	\$ 12,407,676	\$ -	\$ -	\$ 12,407,676
Equipment	6,025	-	6,025	-
Total depreciable assets	<u>12,413,701</u>	<u>-</u>	<u>6,025</u>	<u>12,407,676</u>
Less accumulated depreciation for:				
Sewer lines	2,052,543	248,154	-	2,300,697
Equipment	6,025	-	6,025	-
Total accumulated depreciation	<u>2,058,568</u>	<u>248,154</u>	<u>6,025</u>	<u>2,300,697</u>
Total depreciable assets, net	<u>\$ 10,355,133</u>	<u>\$ (248,154)</u>	<u>\$ -</u>	<u>\$ 10,106,979</u>

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 6 – Governmental Activities Debt

The City generally incurs debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt. The City's debt issues and transactions related to governmental activities are summarized below and discussed in detail subsequently.

<u>Debt-Governmental Activities</u>	<u>Balances June 30, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balances June 30, 2004</u>	<u>Due within one year</u>
Short-term debt:					
2003 Tax and Revenue					
Anticipation Bonds	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -	
Total short-term debt	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	
Long-term debt:					
1997 Refunding COPS					
4.25-4.8%, 9/1/12	\$ 3,315,000	\$ -	\$ 320,000	\$ 2,995,000	\$ 325,000
2003 general obligation					
bonds 3.00-4.00%, 8/1/33	8,000,000	-	-	8,000,000	125,000
Capital leases					
1997 Fire truck					
6.1%, 2/15/2007	96,185	-	22,101	74,084	23,350
2001 vehicle lease	13,737	-	4,294	9,443	4,573
	<u>11,424,922</u>	<u>-</u>	<u>346,395</u>	<u>11,078,527</u>	<u>477,923</u>
Arbitrage on the 1997					
Refunding COPS	4,100	-	-	4,100	-
Landfill postclosure costs	750,000	-	-	750,000	-
Workers' compensation	335,741	-	335,741	-	-
Compensated absences	769,654	136,200	62,015	843,839	-
Total long-term debt	<u>\$ 13,284,417</u>	<u>\$ 136,200</u>	<u>\$ 744,151</u>	<u>\$ 12,676,466</u>	<u>\$ 477,923</u>

Claims and judgments and compensated absences are generally liquidated by the general fund. The City anticipates securing governmental grant funding for liquidation of the landfill post closure costs.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 6 – Governmental Activities Debt (Continued)

A. 1997 Refunding COPS

On December 1, 1997 the City issued \$4,760,000 in Refunding Certificates of Participation (COPS) with interest rates ranging from 4.25 percent to 4.80 percent, to advance refund the \$1,465,000 1989 Refunding COPS with interest rates ranging from 6.6 percent to 7.85 percent, and the \$2,980,000 1992 Refunding COPS with interest rates ranging from 4.75 percent to 6.9 percent. The Net proceeds of \$ 4,579,934 (after payment of \$180,466 in underwriting fees, insurance, and other issuance costs) plus an additional \$500,516 of 1989 and 1992 reserve funds, were deposited into trust to defease the 1989 and 1992 bonds. The 1989 and 1992 lease revenue bonds that have been advanced refunded financed improvements to the maintenance center, and the acquisition of the Library/Community Center complex site and construction of the Center. The 1997 COPS are collateralized by the City's non-cancelable lease covering the Library/Community Center Complex, which terminates September 1, 2012.

B. 2003 General Obligation Bonds

In November 2002, voters passed a ballot measure authorizing the issuance of general obligation bonds in the amount of \$14,500,000, the proceeds to be used for various capital improvements over a period of several years. In June 2003, the City issued \$8,000,000 of the bonds. Interest payments are due February 1st and August 1st and principal payments are due August 1st of each year, with the final payment due August 1st, 2033.

C. Capital Leases

On February 15, 1997, the City leased a fire truck in the amount of \$206,070. The lease requires annual principal and interest payments each February 15th. The City is using General Fund resources to make lease payments. Future lease payments are detailed below.

The City entered into a lease agreement during the 2000-2001 fiscal year to acquire a vehicle. The lease requires annual lease payments of \$5,187. The City is using the General Fund resources to make these payments. Future lease payments are detailed below.

D. 2003 Tax and Revenue Anticipation Bonds

The City participated in the California Statewide Communities Development Authority 2003 Tax and Revenue Anticipation Bond Program. The City's share of the 2003 issuance was \$2,000,000. The bonds were dated July 1, 2003, with an interest rate of 0.88 percent. The bonds matured on June 30, 2004. The bonds were sold to provide cash flow for expenditures for capital construction, to be reimbursed by CalTrans, and for operating expenditures.

E. Compensated Absences

The compensated absences are considered non-current amounted to \$843,839 at June 30, 2004.

F. Arbitrage

The City has completed arbitrage calculations for the governmental activities long-term debt. The calculations show a liability of \$4,100 as of June 30, 2004.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 6 – Governmental Activities Debt (Continued)

G. Landfill Postclosure Costs

See Note 14 for a complete discussion of the postclosure costs.

H. Future Governmental Activities Debt Service

Remaining Debt Service Schedules for the COPS, general obligation bonds and lease purchases are as follows:

	Principal			Interest		
	1997 COPS	2003		1997 COPS	2003	
		GO Bonds	Total		GO Bonds	Total
2005	\$ 325,000	\$ 125,000	\$ 450,000	\$ 132,766	\$ 315,276	\$ 448,042
2006	345,000	160,000	505,000	117,853	309,576	427,429
2007	360,000	165,000	525,000	101,900	303,076	404,976
2008	375,000	165,000	540,000	85,085	296,476	381,561
2009	395,000	170,000	565,000	67,178	289,776	356,954
2010-2014	1,195,000	930,000	2,125,000	106,616	1,342,280	1,448,896
2015-2019	-	1,115,000	1,115,000	-	1,167,816	1,167,816
2020-2024	-	1,360,000	1,360,000	-	945,367	945,367
2025-2029	-	1,700,000	1,700,000	-	636,293	636,293
2030-2034	-	2,110,000	2,110,000	-	232,050	232,050
Totals	\$ 2,995,000	\$ 8,000,000	\$ 10,995,000	\$ 611,398	\$ 5,837,986	\$ 6,449,384

	Principal			Interest		
	1997 Lease	2001 Lease	Total	1997 Lease	2001 Lease	Total
2005	\$ 23,350	\$ 4,573	\$ 27,923	\$ 4,186	\$ 614	\$ 4,800
2006	24,670	4,870	29,540	2,866	317	3,183
2007	26,064	-	26,064	1,473	-	1,473
Totals	\$ 74,084	\$ 9,443	\$ 83,527	\$ 8,525	\$ 931	\$ 9,456

General Fund, Sewer Fund and Landscape and Lighting Special Revenue Fund revenues are used to service the COPS.

The City is required to maintain amounts of cash and investments with trustees or fiscal agents under the terms of the above debt issue. These funds are pledged as reserves to be used if the City fails to meet its obligations under debt issues. These reserves totaled \$473,784 and \$466,162, respectively at June 30, 2004 and 2003.

The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. All these funds have been invested as permitted under the Code.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 7 – Special Assessment District Debt

On February 10, 1999 the City issued Limited Obligation Improvement Bonds in the amount of \$6,230,000, pursuant to the provisions of the Improvement Bond Act of 1915 and the 1972 LLMD Act. The bonds were issued to finance certain improvements and acquisitions in the City's Open Space, Recreational Playfield, and Creek Restoration Assessment District No. 1996-1 (the District). Assessments sufficient to meet annual debt service on the bonds will be billed by the County of Alameda to owners of assessment parcels located within the District.

Neither the faith and credit nor the taxing power of the City, the State of California or any political subdivision thereof is pledged to the payment of the bonds. Therefore, the debt is not recorded in the City's Government-Wide Financial Statements.

The outstanding balance of the bonds as of June 30, 2004 is \$5,350,000.

NOTE 8 – Business-Type Activities Debt

On October 1, 1993, Sewer Revenue Bonds in the amount of \$4,885,000 were issued to provide financing for the initial improvements in a twenty-year rehabilitation plan to upgrade the City's sewer system. The bonds mature serially, each September 1, and semi-annual interest payments are due each September 1 and March 1.

The Bonds are special obligations of the City and are secured by and payable solely from operating revenue of the Sewer Enterprise Fund. Bonds maturing after September 1, 2013 are subject to mandatory redemption, at par plus accrued interest. These mandatory redemptions are to be made from sinking fund payments made by the City in the year of redemption. Bonds maturing on or after September 1, 2001 may be redeemed at par plus a 2 percent premium, which decreases until September 1, 2003, at which time they may be redeemed at par.

The City is required to maintain amounts of cash and investments with a trustee under the terms of the Sewer Revenue Bond issue. The California Government Code requires these funds to be invested in accordance with the underlying City ordinance, bond indentures, or State statute. All of these funds have been invested as permitted under the Code.

These funds are pledged as reserves to be used if the City fails to meet its obligations under the Sewer Revenue Bond issue. These reserves totaled \$388,442 and \$389,018, respectively at June 30, 2004 and 2003.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 8 – Business-Type Activities Debt (Continued)

The following is a summary of changes in long-term debt.

	Balances June 30, 2003	Additions	Retirements	Balances June 30, 2004	Due within one year
Sewer revenue bonds	\$ 3,215,000	\$ -	\$ 225,000	\$ 2,990,000	\$ 240,000
	<u>\$ 3,215,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>	<u>\$ 2,990,000</u>	<u>\$ 240,000</u>

Annual debt service repayment requirements to repay the Sewer Revenue Bonds at June 30, 2004 are:

Year ending June 30,	Principal	Interest	Total
2005	\$ 240,000	\$ 134,632	\$ 374,632
2006	250,000	123,847	373,847
2007	260,000	112,242	372,242
2008	275,000	99,800	374,800
2009	290,000	86,450	376,450
2010-2014	1,675,000	206,981	1,881,981
	<u>\$ 2,990,000</u>	<u>\$ 763,952</u>	<u>\$ 3,753,952</u>

NOTE 9 – Fund Equity

The following funds have deficits in fund balances at June 30, 2004:

<u>Other governmental funds</u>	
Capital Projects - Reinvestment	\$270,093
Debt Service - Reinvestment	\$432,272

Capital Projects – Reinvestment: The establishment of the Albany Reinvestment Authority was funded by advances to the Agency from the City of Albany General Fund. As revenues are available to repay the General Fund, the Reinvestment Agency deficit fund balance will be eliminated.

Debt Service – Reinvestment: The Reinvestment Agency incurred a debt to the City of Albany General Fund of \$400,000, so as to pay the local share match of the cost of the construction of the Buchanan-Eastshore Highway interchange construction. The loan will be repaid from property tax increment revenue. Repayment of the loan will result in elimination of the negative fund balance in the Debt Service Fund.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 10 – Interfund Transactions

Interfund Transfers

Fund	Transfer in	Transfer out
MAJOR GOVERNMENTAL FUNDS		
General	\$ 2,302,814	\$ 841,063
1996-1 Assessment District	61,129	-
General Obligation Bond 2003	-	300,000
Total major funds	2,363,943	1,141,063
NON-MAJOR GOVERNMENTAL FUNDS		
Special revenue funds:		
Gas Tax	-	325,000
Community Development Block Grant	-	51,094
Storm Drain	-	354,000
Lighting and Landscape Assessment District	-	583,686
Emergency Medical Services	-	936,969
Recreational Playfields	-	10,042
Pension Property Tax	-	305,000
	-	2,565,791
Debt service funds:		
Debt Service APFFA	451,795	-
	451,795	-
Capital projects funds:		
Fire Equipment	51,536	-
Police Equipment	88,000	-
Emergency Medical Service Equipment	122,162	-
Capital Facilities Developer Fee	-	125,228
Capital Projects	1,555,379	51,087
R & CS Reserve	36,000	55,057
	1,853,077	231,372
Total non-major governmental funds	2,304,872	2,797,163
Internal Service Funds:		
Community Development Equipment	50,000	-
Total internal service funds	50,000	-
PROPRIETARY FUND (Sewer Fund)	13,418	794,007
Total Interfund Transfers	\$ 4,732,233	\$ 4,732,233

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 10 – Interfund Transactions (Continued)

Interfund Balances

The following is a summary of interfund balances as of June 30, 2004:

Fund	Due from Other Funds	Due to Other Funds
MAJOR GOVERNMENTAL FUNDS		
General fund	\$ 327,046	\$ -
Total major funds	327,046	-
NON-MAJOR GOVERNMENTAL FUNDS		
Special revenue funds:		
Waterfront	-	13,608
Community Development Block Grant	-	30,432
Alameda County Measure B	-	42,734
Emergency Medical Services	-	53,816
	-	140,590
Capital projects funds:		
Capital projects	-	186,456
	-	186,456
Total non-major governmental funds	-	327,046
Total	\$ 327,046	\$ 327,046

Funds are primarily borrowed from the General Fund to cover current cash flow requirements. The amounts shown above are expected to be repaid in the following fiscal year.

Advances to and from other funds at June 30, 2004 were as follows:

Fund	Advances to Other Funds	Advances from Other Funds
MAJOR GOVERNMENTAL FUNDS		
General	\$ 863,866	\$ -
Total major governmental funds	863,866	-
NON-MAJOR GOVERNMENTAL FUNDS		
Capital - Reinvestment	-	406,120
Debt Service - Reinvestment	-	457,746
Total non-major governmental funds	-	863,866
	\$ 863,866	\$ 863,866

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 10 – Interfund Transactions (Continued)

The General Fund advanced certain monies on behalf of the Debt Service – Reinvestment Fund to finance certain costs and expenses, as set forth in the Cooperation Agreement between the City and the Albany Community Reinvestment Agency. Under the terms of the agreement, interest is accrued at rates based on the current Local Agency Investment Fund rate. Any unpaid accrued interest is added to the total obligation on an annual basis. At June 30, 2004, the balance of principal and interest was \$457,746. The total obligation is subordinate to any external debt of the Agency as well as the \$406,120 advance discussed below. The Agency expects to repay the obligation using future incremental tax revenues. There is no fixed due date for repayment.

The \$400,000 advance from the General Fund to the Capital Projects – Reinvestment Fund was made for the specific purpose of providing funds for the development of the Buchanan-Eastshore Highway Interchange project located in the Cleveland Avenue/Eastshore Highway Project Area. This advance is expected to be repaid from property tax increment revenues, in installments of principal plus interest at rates based on the current Local Agency Investment Fund rate. At June 30, 2004, the balance of principal and interest was \$406,120.

NOTE 11 – Albany Police and Fire Relief and Pension Plan

A. Plan Description

The Albany Police and Fire Relief and Pension Plan (Plan) is a sole employer defined benefit pension plan for the City of Albany’s police and fire employees hired before July 1, 1971. The Plan is closed to new participants. Participants in the plan are as follows:

Terminated vested participants:	16
Retired	10
Disabled	6
Survivor	<u>32</u>

Employees who retire, regardless of age, with 30 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two-thirds of the amount of the average yearly compensation attached to the rank he or she held during three years preceding retirement. A member may retire with an early allowance (computed in the same manner as above, but reduced by one-thirtieth for each year of service less than thirty) after attaining age 50 and with 25 years credited service. The Plan also provides death, disability, and survivor benefits. These benefit provisions and all other requirements are established by City Charter.

B. Cash and Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange, are valued at the last reported sales price. Investments that do not have an established market value are reported at estimated fair value. Net gains and losses, includes gains and losses from the sale of investments and unrealized net increases or decreases in market value.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 11 – Albany Police and Fire Relief and Pension Plan (Continued)

The Plan's Investment Policy and the California Government Code allow the Plan to invest in the following type of investments:

- Fixed Income Securities – Fixed income securities include U.S. Government Obligations, federally sponsored credit agency securities, corporate bonds, Canadian government bonds, Yankee bonds, non-governmental asset-backed securities, collateralized mortgage obligations rated investment grade, money market funds, STIF accounts, certificates of deposit, bankers acceptances, commercial paper, or any other short-term securities rated investment grade Guaranteed Investment Contracts rated A+ by A. M. Best Company.
- Equity Securities – Equity securities are comprised of common stocks, convertible and non-convertible preferred stocks, convertible debt securities, and American Depository Receipts (ADRs) of foreign securities.
- Each type of investment is subject to a target allocation and includes maximum and minimum general guidelines as a percentage of the overall portfolio as set forth in the investment policy. No more than 5 percent of any single equity portfolio may be invested in one equity security at cost. Except for securities issued by the U.S. Government and its agencies, no more than 5 percent of any single fixed income portfolio based on market value shall be invested in securities of any one issuing corporation at the time of purchase.
- Common and convertible preferred stocks should be of investment grade quality and listed on the New York Stock Exchange, American Stock Exchange, NASDAQ system, or national market exchange. Fixed income securities must have a rating of BBB or higher by Standard & Poor's or Baa or higher by Moody's.

In accordance with the Plan's investment policy, the Plan can invest no more than 10% of the total investments in cash and cash equivalents, 45% in equities, and 75% in fixed income securities. As of June 30, 2004, the rating on the Plan's fixed income securities met the rating requirements set by the Plan's policy as described above.

The Plan's assets (except for LAIF) are in the bank's name, but are held by its Trust Department in a separate account in the Plan's name, placing them in Category 2. The definition of Category 2 is defined in the Note 3C description. The fair value and cost of the Plan's assets was as follows at June 30, 2004:

Description	Fair Value	Cost
U.S. Government Securities	\$ 4,046,651	\$ 3,919,083
Corporate bonds and debentures	3,159,641	2,928,571
Common stock	6,152,981	4,498,708
Investment pools - LAIF	374,295	374,295
Money market funds	640,359	640,359
Total	<u>\$ 14,373,927</u>	<u>\$ 12,361,016</u>

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 11 – Albany Police and Fire Relief and Pension Plan (Continued)

C. Funding Status and Progress

The actuarial accrued liability presented below was determined as part of an actuarial valuation at June 30, 2003. The projected unit cost method and significant actuarial assumptions were used in determining the actuarial accrued liability and included: (a) a rate of return on the investment of present and future assets of 7.5 percent per year compounded annually, and (b) projected inflation rate of 4.5 percent per year. The Plan's unfunded actuarial accrued liability was projected to be fully funded by June 30, 2004.

In valuing Plan assets used in determining funding status, the actuary spreads realized and unrealized gains and losses over five years. That is only 20 percent of realized and unrealized gains and losses are recognized in any one-year. These modified asset values are called the Actuarial Book Value.

The unfunded actuarial accrued liability for participants at June 30, 2003 is as follows:

Actuarial accrued liability	
Retirees and beneficiaries currently receiving benefits	\$ 14,950,360
Current employees vested	-
Total actuarial accrued liability	<u>14,950,360</u>
Actuarial book value of assets available for benefits	<u>14,415,847</u>
Unfunded actuarial accrued liability	<u>\$ 534,513</u>

D. Contribution Requirements and Contribution Made

Contributions are based on the City Charter, which requires the City to contribute 9 percent of gross wages and active plan participants to contribute 9 percent of gross wages. Active plan participant's contributions are reduced to zero percent, and the City's required contribution is increased to 18 percent in accordance with the current union contract. There are no active plan participants and the plan is closed to new participants.

The required contributions described above were not sufficient to adequately fund the actuarial accrued liability of the Plan. As a result, since 1982 the City has levied a voter-approved property tax override based on assessed value of real property. All property tax override levies from 1982 through June 30, 2003 were contributed to the Plan. In this fiscal year, property tax override levies in the amount of \$534,513 were contributed to the Plan. The current actuarial study indicates that with these additional contributions, the unfunded actuarial accrual liability will be amortized by June 30, 2004.

The revenues from this tax have been accounted for as a revenue and an expenditure in the City's general fund. Thus, the employer contribution on the combined statement of changes in net assets for the Police and Fire Relief Pension Fund includes these property taxes passed directly through from the general fund.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 11 – Albany Police and Fire Relief and Pension Plan (Continued)

The following is the three-year trend information for the Plan:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/02	\$ 1,179,076	100%	\$ -
6/30/03	1,256,946	100%	-
6/30/04	534,513	100%	-

E. Contributions

Annual contributions received by the Plan were as follows:

Year	Employee	Employer	Override	Total
1994-1995	\$ 20,704	\$ 20,704	\$ 783,008	\$ 824,416
1995-1996	23,738	23,738	815,722	863,198
1996-1997	19,110	19,110	853,184	891,404
1997-1998	17,396	17,396	859,910	894,702
1998-1999	18,451	18,451	943,373	980,275
1999-2000	14,798	14,798	1,046,235	1,075,831
2000-2001	11,175	11,175	1,006,065	1,028,415
2001-2002	7,199	7,199	1,164,678	1,179,076
2002-2003	2,885	2,885	1,251,176	1,256,946
2003-2004	-	-	534,513	534,513

F. The City implemented Governmental Accounting Standards Board Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" during the 1996-97 fiscal year.

G. Separate stand-alone financial statements for the Police and Fire Relief and Pension Plan can be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.

NOTE 12 – PERS Pension Plan

A. Plan Description

The City of Albany contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, California 95814.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 12 – PERS Pension Plan (Continued)

B. Funding Policy

Participants are required to contribute 7 percent (9 percent for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; for the fiscal year 2004, the rate was 5.874 percent for non-safety employees, 14.367 percent for police employees, and 9.136 percent for fire employees, of annual covered payroll. The contribution requirements of plan members and the City are established by and may be amended by PERS.

C. Annual Pension

For fiscal 2004, the City's annual pension cost of \$980,850 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service age, and type of employment, and (c) 3.75 percent per year payroll growth. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). Unfunded actuarial accrued liabilities and excess assets are being amortized, using the level percentage of payroll method, over a closed period that depends on the plan's date of entry into PERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. As of the June 30, 2002 valuation date, the average remaining amortization period was 12 years for the fire employees' plan, 9 years for the police employees' plan, 22 years for the miscellaneous City employees' plan, and 32 years for the miscellaneous JPA employees' plan.

D. Three Year Trend Information – Combined Contributions Made

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2002	\$ 576,340	100%	\$ -
6/30/2003	785,211	100%	-
6/30/2004	980,850	100%	-

E. Social Security

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing systems as of January 1, 1992 be covered by either Social Security or an alternative plan.

The City's Local 790 union members and part-time employees are covered under Social Security, which requires these employees and the City to each contribute 6.2 percent of the employee's pay. Total contributions to Social Security during the year ended June 30, 2004 amounted to \$160,126 of which the City paid one-half.

CITY OF ALBANY

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004

NOTE 12 – PERS Pension Plan (Continued)

The City's seasonal and temporary employees are covered under an ICMA alternative plan, which requires these employees to contribute 7.5 percent of the employees pay. Total contributions to the plan during the year, ended June 30, 2004 amounted to \$21,422. There are no matching contribution requirements for the City.

NOTE 13 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters. The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these risk pools exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the board. Obligations and liabilities of these risk pools are the City's responsibility.

A. Risk Pools

Bay Cities Joint Powers (BCJPIA) Insurance Authority covers general liability claims in an amount up to \$14,000,000. The City has a deductible or uninsured liability of up to \$25,000 per claim. Once the City's deductible is met BCJPIA becomes responsible for payments of all claims up to the limit. The City contributed \$306,576 for coverage during the fiscal year ended June 30, 2004.

Condensed audited financial information of BCJPIA at and for the fiscal year ended June 30, 2004 is as follows:

Total assets	\$13,736,774
Total liabilities	8,985,817
Retained earnings	<u>\$4,750,957</u>
Total revenues	\$8,183,847
Total expenditures	7,421,639
Net income	<u>\$762,208</u>

The City is a participant in the BCJPIA workers compensation risk pool, which in turn participates in the Local Agency Workers Compensation Excess Insurance Joint Powers Authority's (LAWCX) risk pool, and LAWCX in turn purchases coverage above the \$1 million coverage provided by its pool. The City has a self-insured retention of \$150,000 for claims, and the BCJPIA pool covers claims from \$150,000 to \$500,000. Claims from \$500,000 to \$50 million are covered by LAWCX.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 13 – Risk Management (Continued)

The City's contributions with each risk pool equal the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating. During the fiscal year ended June 30, 2004, the City incurred costs of \$118,458 for coverage premiums and administration of the risk pools.

During the past four fiscal (claims) years, none of the above programs have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Financial statements for BCJPIA and LAWCX may be obtained from Bickmore & Associates, 1020 19th Street, Suite 200, Sacramento, CA 95814.

B. Liability for Uninsured Claims

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported, based on claims experience. Claims activity for the years ended June 30, 2004 and June 30, 2003 were as follows:

	2004			Fiscal
	Workers' Compensation	General Liability	Total	2003 Total
Claims liabilities, beginning of year	\$ 2,239,000	\$ 271,843	\$ 2,510,843	\$ 1,741,412
Provision for claims losses	917,637	14,894	932,531	808,763
Claim payments	(508,637)	(14,894)	(523,531)	(39,332)
Claims liabilities, end of year	<u>\$ 2,648,000</u>	<u>\$ 271,843</u>	<u>\$ 2,919,843</u>	<u>\$ 2,510,843</u>
Claims liabilities - current	\$ 2,648,000	\$ 271,843	\$ 2,919,843	
Claims liabilities - non-current	-	-	-	
Total claims liabilities	<u>\$ 2,648,000</u>	<u>\$ 271,843</u>	<u>\$ 2,919,843</u>	

General liability estimated claims remain unchanged due to favorable claims experiences abrogating the need to adjust the recorded liability as of June 30, 2004.

NOTE 14 – Landfill Postclosure Costs

The City of Albany operated a Class III landfill (construction debris only), in a 36 acre site know as the Albany Bulb, until 1974. In 1999 the California Regional Water Control Board issued a closure order for this 36 acre site. Engineering estimates for closure and post-closure cost of environmental enhancements required to comply with the closure order range from \$280,000 to \$750,000 based upon 1999 estimates. Estimated costs may change due to inflation or modification of regulatory requirements at the time closure is performed. The City has accrued a liability of \$750,000 related to the estimated closure costs. The City anticipates securing governmental grant funding for the landfill closure.

CITY OF ALBANY

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 15 – Related Party Transaction

During September 2001, per the employment agreement between the City and the City Administrator, the City loaned the City Administrator \$400,000 to be used toward the purchase of her principal residence. The outstanding principal balance of the loan at June 30, 2004, was \$383,593 (see Note 4).

NOTE 16 – Commitments and Contingent Liabilities

The City has committed to install a traffic signal in the redevelopment area at an estimated net cost to the City of \$250,000 to \$350,000. As of June 30, 2004, a permit had not yet been obtained for the signal.

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants when required, in accordance with the provisions of the Federal Single Audit Act and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney, there is no pending litigation, which is likely to have a material adverse effect on the financial position of the City.

NOTE 17 – Subsequent Events

The City plans issued Sewer Revenue bonds in the amount of \$8,675,000 in September 2004. The bond proceeds will be used for defeasance of outstanding bonds of \$2,750,000 as of the issue date, and for funding of major sewer rehabilitation and replacement over the next four years.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF ALBANY
PENSION PLANS
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)**

PERS:

	Valuation Date	(b) Entry Age Actuarial Accrued Liability	(a) Actuarial Asset Value	(c) Unfunded Liability/ (Excess Assets)	(a)/(b) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL as a Percentage of Payroll
Safety Police	6/30/2000	\$ 10,334,262	\$ 12,302,293	\$ (1,968,031)	119%	\$ 1,848,332	-106%
	6/30/2001	11,110,477	12,739,986	(1,629,509)	115%	1,892,295	-86%
	6/30/2002	11,970,815	12,009,712	(38,897)	100%	2,023,113	-2%
	6/30/2003	14,623,097	12,321,659	2,301,438	84%	1,875,899	123%
	6/30/2004			*** not available ***			
Safety Fire	6/30/2000	7,057,675	8,054,905	(997,230)	114%	1,349,515	-74%
	6/30/2001	7,675,139	8,331,086	(655,947)	109%	1,429,221	-46%
	6/30/2002	8,478,731	7,946,007	532,724	94%	1,556,527	34%
	6/30/2003	9,416,676	8,308,494	1,108,182	88%	1,808,784	61%
	6/30/2004			*** not available ***			
Miscellaneous	6/30/2000	7,615,130	9,908,159	(2,293,029)	130%	2,078,430	-110%
	6/30/2001	8,243,994	10,248,523	(2,004,529)	124%	2,170,659	-92%
	6/30/2002	8,768,221	9,594,496	(826,275)	109%	2,272,634	-36%
	6/30/2003	9,956,011	9,635,825	320,186	97%	2,291,374	14%
	6/30/2004			*** not available ***			

Albany Police and Fire Relief Pension Plan:

	Valuation Date *	(b) Entry Age Actuarial Accrued Liability	(a) Actuarial Asset Value	(c) Unfunded Liability/ (Excess Assets)	(a)/(b) Funded Ratio	(d) Annual Covered Payroll	(c)/(d) UAAL as a Percentage of Payroll
	1991	\$ 12,763,000	\$ 5,144,000	\$ 7,619,000	40%	\$ 468,800	1625%
	1992	14,785,000	5,477,000	9,308,000	37%	440,540	2113%
	1993	14,785,000	5,869,000	8,916,000	40%	476,607	1871%
	1994	14,785,000	6,272,000	8,513,000	42%	269,989	3153%
	1995	14,528,411	7,076,325	7,452,086	49%	230,459	3234%
	1998	14,861,531	9,613,552	5,247,979	65%	197,328	2660%
	2000	16,020,009	11,452,836	4,567,173	71%	162,826	2805%
	2002	15,573,854	13,453,340	2,120,514	86%	79,385	2671%
	2003	14,950,360	14,415,847	534,513	96%	32,055	1667%

* Because this plan is closed to new participants and the actuarial liability is projected to be fully funded in 2004, the Pension Board adopted a policy in 1996 to perform actuarial valuations periodically, as needed. No actuarial valuations were performed for the years not listed.

CITY OF ALBANY

Nonmajor Governmental Funds

Other Special Revenue Funds - accounts for revenues derived from specific revenue sources. These funds are required by statute or ordinance to finance particular functions or activities of government.

Other Capital Projects Funds - accounts for financial resources to be used for the acquisition or construction of major capital facilities and equipment other than those financed by proprietary funds.

Other Debt Service Funds - accounts for financial resources to be used for payment for City's long-term debt.

CITY OF ALBANY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2004

(With Comparative Totals for June 30, 2003)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Totals	
				2004	2003
ASSETS	*	**	***		
Operating cash and investments	\$ 2,381,447	\$ 1,483,117	\$ 344,866	\$ 4,209,430	\$ 3,005,162
Debt service reserves held with trustee	-	-	473,784	473,784	466,162
Receivables:					
Property taxes	-	-	-	-	20,960
Other taxes	87,861	-	-	87,861	90,105
Accounts	125,324	403,866	-	529,190	396,429
Total assets	<u>\$ 2,594,632</u>	<u>\$ 1,886,983</u>	<u>\$ 818,650</u>	<u>\$ 5,300,265</u>	<u>\$ 3,978,818</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 59,571	\$ 58,370	\$ -	\$ 117,941	\$ 131,115
Accrued salaries & benefits	3,897	204	-	4,101	8,490
Accrued liabilities	552,310	35,558	610	588,478	52,800
Due to other funds	140,590	186,456	-	327,046	271,222
Deferred revenue	92,917	52,855	-	145,772	111,406
Advance from other funds	-	406,120	457,746	863,866	851,836
Total liabilities	<u>849,285</u>	<u>739,563</u>	<u>458,356</u>	<u>2,047,204</u>	<u>1,426,869</u>
Fund balances:					
Reserved	-	1,417,513	792,566	2,210,079	1,464,946
Designated	1,745,347	-	-	1,745,347	1,826,290
Unreserved (deficit)	-	(270,093)	(432,272)	(702,365)	(739,287)
Total fund balances	<u>1,745,347</u>	<u>1,147,420</u>	<u>360,294</u>	<u>3,253,061</u>	<u>2,551,949</u>
Total liabilities and fund balances	<u>\$ 2,594,632</u>	<u>\$ 1,886,983</u>	<u>\$ 818,650</u>	<u>\$ 5,300,265</u>	<u>\$ 3,978,818</u>

* See pages D7 - D11 for schedule of funds.

** See pages D29 - D30 for schedule of funds.

*** See page D41 for schedule of funds.

CITY OF ALBANY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Totals	
				2004	2003
REVENUES	*	**	***		
Property taxes	\$3,083,870	\$ 54,994	\$ 487,351	\$ 3,626,215	\$ 2,874,670
Licenses and permits	18,011	-	-	18,011	-
Earnings on investments	31,402	9,840	14,561	55,803	77,955
Revenues from other agencies	1,100,755	255,001	-	1,355,756	1,730,234
Current services charges	368,008	160,199	-	528,207	447,550
Other revenue	10,200	949,938	-	960,138	-
Total revenues	<u>4,612,246</u>	<u>1,429,972</u>	<u>501,912</u>	<u>6,544,130</u>	<u>5,130,409</u>
EXPENDITURES					
Current:					
General government	540,512	-	75,225	615,737	1,279,462
Police	209,450	-	-	209,450	441,452
Fire and emergency medical services	9,624	-	-	9,624	2,276
Community development and environmental resources	911,534	193,683	-	1,105,217	837,937
Recreation and community services	456,278	73,657	-	529,935	455,610
Capital outlay	-	921,324	-	921,324	613,671
Debt service:					
Principal	-	31,083	320,000	351,083	329,952
Interest	-	7,144	344,252	351,396	177,626
Total expenditures	<u>2,127,398</u>	<u>1,226,891</u>	<u>739,477</u>	<u>4,093,766</u>	<u>4,137,986</u>
REVENUES OVER (UNDER) EXPENDITURES	2,484,848	203,081	(237,565)	2,450,364	992,423
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	91,787
Operating transfers in	-	1,853,077	451,795	2,304,872	620,084
Operating transfers out	(2,565,791)	(231,372)	-	(2,797,163)	(2,284,714)
Total other financing sources (uses)	<u>(2,565,791)</u>	<u>1,621,705</u>	<u>451,795</u>	<u>(492,291)</u>	<u>(1,572,843)</u>
Net change in fund balances	(80,943)	1,824,786	214,230	1,958,073	(580,420)
Fund balances, beginning of year	1,826,290	(677,366)	146,064	1,294,988	3,592,783
Prior period adjustment	-	-	-	-	(460,414)
Fund balances, end of year	<u>\$ 1,745,347</u>	<u>\$ 1,147,420</u>	<u>\$ 360,294</u>	<u>\$ 3,253,061</u>	<u>\$ 2,551,949</u>

* See pages D12 - D16 for schedule of funds.

** See pages D31 - D32 for schedule of funds.

*** See page D42 for schedules of funds.

CITY OF ALBANY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

JUNE 30, 2004

(With Comparative Totals for June 30, 2003)

	<u>2004</u>	<u>2003</u>
Total Fund Balances - Total Governmental Funds	\$ 18,911,777	\$ 17,586,130
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Deferred charges represent costs associated with the issuance of long-term debt which are deferred and amortized over the period which the debt is outstanding. The costs are reported as expenditures of the current period in the governmental funds:</p>		
1997 Refunding COPS	97,578	109,172
2003 General Obligation Bonds	85,788	88,753
<p>Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.</p>		
Nondepreciable	7,918,248	7,697,397
Depreciable	17,433,004	16,007,604
Less accumulated depreciation	(4,165,980)	(3,826,087)
<p>Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the Governmental Funds Balance Sheet.</p>		
	(179,046)	(77,706)
<p>Some assets will not be available to pay for current period expenditures because the focus of governmental fund is not short-term financing. Those assets are offset by deferred revenue in the funds.</p>		
	77,663	-
<p>Long-term liabilities are not due and payable in the current period and, therefore, were not reported in the Governmental Funds Balance Sheet. The long-term liabilities were adjusted as follows:</p>		
Workers' compensation	-	(335,741)
Accrued compensated absences	(843,839)	(769,653)
1997 Refunding COPS	(2,995,000)	(3,315,000)
2003 General Obligation Bonds	(8,000,000)	(8,000,000)
Capital leases	(83,527)	(109,922)
Arbitrage liability	(4,100)	(4,100)
Landfill postclosure cost liability	(750,000)	(750,000)
<p>Internal service funds are used by management to charge costs of certain activities such as equipment replacement, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.</p>		
	<u>268,515</u>	<u>221,605</u>
Net Assets of Governmental Activities	<u>\$ 27,771,081</u>	<u>\$ 24,522,452</u>

CITY OF ALBANY

Other Special Revenue Funds

Special Revenue Funds are used to account for revenues derived from specific revenue sources. These funds are required by statute or ordinance to finance particular functions or activities of government. The City's Other Special Revenue Funds and revenue sources are:

Waterfront Fund - accounts for the activities relating to the Regional Water Quality Central Board Closure Order and site security-population issues.

Gas Tax Fund - accounts for revenue received and expended under the State of California, Street and Highways Code Sections 2106, 2107, and 2107.5. These revenues must be expended for street maintenance or construction.

Community Development Block Grant Fund - accounts for revenues received and expended under the Federal Community Development Act of 1974. The funds are distributed through the Alameda County Housing and Community Development Department to assist low income and disabled people in Albany.

Street Fund - accounts for capital street improvements. Monies are transferred from other funds to pay for expenditures.

Library Operations Fund - accounts for voter approved parcel tax in support of library operations.

Storm Drain Fund - accounts for revenue and expenditures for programs and activities used to prevent non-point source pollution.

Alameda County Measure B Fund - accounts for the City's share of a one-half cent sales tax which is restricted for transportation purposes.

Waste Management Fund - accounts for monies received from the Alameda County Waste Management Authority. Expenditures are made from this fund on a variety of waste reduction programs to comply with State Legislation AB 939, and for oversight of the City's garbage franchise.

M.T.C. Tax Scrip Fund - accounts for reimbursement and purchase of van vouchers and taxi scrip.

Lighting and Landscape Assessment District Fund - accounts for assessments levied on district property and are used for landscape and lighting projects, services and maintenance, and debt service on the 1997 Refunding COPS.

Asset Forfeiture Fund - accounts for assets forfeited by someone convicted of drug sales or manufacturing charges. These funds are restricted to law enforcement and/or training related expenses.

Emergency Medical Services Fund - accounts for revenue received from emergency medical services including ambulance fees and Emergency Medical District assessments. These funds are expended for emergency medical services provided by the City.

Open Space Fund - accounts for the purchase of open space on Albany Hill, through the City of Albany Open Space, Recreational Playfield and Creek Restoration Assessment District No. 1996-1.

Recreational Playfields Fund - accounts for the acquisition, development and maintenance of recreational playfields throughout the City of Albany Open Space, Recreational Playfield and Creek Restoration Assessment District No. 1996-1.

Creek Restoration Fund - accounts for restoration of creeks through the City of Albany Open Space, Recreational Playfield and Creek Restoration Assessment District No. 1996-1.

Park Bond Fund - accounts for monies received for the City's per capita and block grant awards from the Safe Neighborhood Parks, Clean Water, Clean Air and Coastal Protection Acts of 2000 and 2002. These funds are used for rehabilitation and restoration of parks and recreation facilities.

Reinvestment Low-Moderate Housing - accounts for the set-aside requirements for the tax increment received from the redevelopment area.

Law Enforcement Grants - accounts for revenues received under Legislation (AB3229) to fund various front line law enforcement activities.

Chief Operator Grant Fund - accounts for Office of Traffic Safety reimbursement for the contracted time and materials for the Chief Operator program that promotes safe driving to teens.

Pension Property Tax Fund - accounts for the property tax override passed by the voters to fund City retirement plans contributions.

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004
(With Comparative Totals for June 30, 2003)

	Waterfront	Gas Tax	Community Development Block Grant	Streets	Library Operations
ASSETS					
Operating cash and investments	\$ -	\$ 54,752	\$ -	\$ 79,493	\$ 7,959
Receivables:					
Property taxes	-	-	-	-	-
Other taxes	-	32,112	-	-	-
Accounts	17,351	-	32,895	-	-
Total assets	<u>\$ 17,351</u>	<u>\$ 86,864</u>	<u>\$ 32,895</u>	<u>\$ 79,493</u>	<u>\$ 7,959</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 167	\$ -	\$ 2,463	\$ 2,024	\$ -
Accrued salaries & benefits	-	-	-	-	-
Accrued liabilities	-	-	-	582	-
Due to other funds	13,608	-	30,432	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>13,775</u>	<u>-</u>	<u>32,895</u>	<u>2,606</u>	<u>-</u>
Fund balances:					
Unreserved-designated	3,576	86,864	-	76,887	7,959
Total fund balances	<u>3,576</u>	<u>86,864</u>	<u>-</u>	<u>76,887</u>	<u>7,959</u>
 Total liabilities and fund balances	<u>\$ 17,351</u>	<u>\$ 86,864</u>	<u>\$ 32,895</u>	<u>\$ 79,493</u>	<u>\$ 7,959</u>

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)

June 30, 2004

(With Comparative Totals for June 30, 2003)

	Storm Drain	Alameda County Measure B	Waste Management	M.T.C. Taxi Scrip	Lighting and Landscape Assessment District
ASSETS					
Operating cash and investments	\$ 124,508	\$ -	\$ 59,938	\$ 8,132	\$ 554,588
Receivables:					
Property taxes	-	-	-	-	-
Other taxes	-	53,331	-	2,418	-
Accounts	-	-	21,252	-	-
Total assets	<u>\$ 124,508</u>	<u>\$ 53,331</u>	<u>\$ 81,190</u>	<u>\$ 10,550</u>	<u>\$ 554,588</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,994	\$ -	\$ 25,770	\$ 614	\$ 14,065
Accrued salaries & benefits	2,304	-	828	300	-
Accrued liabilities	13,703	-	-	-	595
Due to other funds	-	42,734	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>24,001</u>	<u>42,734</u>	<u>26,598</u>	<u>914</u>	<u>14,660</u>
Fund balances:					
Unreserved-designated	<u>100,507</u>	<u>10,597</u>	<u>54,592</u>	<u>9,636</u>	<u>539,928</u>
Total fund balances	<u>100,507</u>	<u>10,597</u>	<u>54,592</u>	<u>9,636</u>	<u>539,928</u>
 Total liabilities and fund balances	 <u>\$ 124,508</u>	 <u>\$ 53,331</u>	 <u>\$ 81,190</u>	 <u>\$ 10,550</u>	 <u>\$ 554,588</u>

Continued
on next page

**CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)**

June 30, 2004

(With Comparative Totals for June 30, 2003)

	Asset Forfeiture	Emergency Medical Services	Open Space	Recreational Playfields	Creek Restoration
ASSETS					
Operating cash and investments	\$ -	\$ -	\$ 101,465	\$ 12,533	\$ 106,193
Receivables:					
Property taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Accounts	-	53,816	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 53,816</u>	<u>\$ 101,465</u>	<u>\$ 12,533</u>	<u>\$ 106,193</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 638	\$ -	\$ -
Accrued salaries & benefits	-	-	-	-	-
Accrued liabilities	-	-	2,917	-	-
Due to other funds	-	53,816	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	<u>-</u>	<u>53,816</u>	<u>3,555</u>	<u>-</u>	<u>-</u>
Fund balances:					
Unreserved-designated	-	-	97,910	12,533	106,193
Total fund balances	<u>-</u>	<u>-</u>	<u>97,910</u>	<u>12,533</u>	<u>106,193</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 53,816</u>	<u>\$ 101,465</u>	<u>\$ 12,533</u>	<u>\$ 106,193</u>

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)

June 30, 2004

(With Comparative Totals for June 30, 2003)

	Park Bond	Reinvestment Low-Mod Housing	Law Enforcement Grants	Chief Operator Grant	Pension Property Tax
ASSETS					
Operating cash and investments	\$ 107,246	\$ 70,437	\$ 113,368	\$ -	\$ 980,835
Receivables:					
Property taxes	-	-	-	-	-
Other taxes	-	-	-	-	-
Accounts	-	10	-	-	-
Total assets	<u>\$ 107,246</u>	<u>\$ 70,447</u>	<u>\$ 113,368</u>	<u>\$ -</u>	<u>\$ 980,835</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 5,836	\$ -	\$ -
Accrued salaries & benefits	-	-	465	-	-
Accrued liabilities	-	-	-	-	534,513
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	92,917	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>99,218</u>	<u>-</u>	<u>534,513</u>
Fund balances:					
Unreserved-designated	107,246	70,447	14,150	-	446,322
Total fund balances	<u>107,246</u>	<u>70,447</u>	<u>14,150</u>	<u>-</u>	<u>446,322</u>
 Total liabilities and fund balances	<u>\$ 107,246</u>	<u>\$ 70,447</u>	<u>\$ 113,368</u>	<u>\$ -</u>	<u>\$ 980,835</u>

Continued
on next page

**CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET (CONTINUED)**

June 30, 2004

(With Comparative Totals for June 30, 2003)

	<u>Totals</u>	
	<u>2004</u>	<u>2003</u>
ASSETS		
Operating cash and investments	\$ 2,381,447	\$ 1,854,572
Receivables:		
Property taxes	-	20,960
Other taxes	87,861	89,984
Accounts	125,324	357,120
Total assets	<u>\$ 2,594,632</u>	<u>\$ 2,322,636</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 59,571	\$ 99,102
Accrued salaries & benefits	3,897	6,852
Accrued liabilities	552,310	7,764
Due to other funds	140,590	271,222
Deferred revenue	92,917	111,406
Total liabilities	<u>849,285</u>	<u>496,346</u>
Fund balances:		
Unreserved-designated	<u>1,745,347</u>	<u>1,826,290</u>
Total fund balances	<u>1,745,347</u>	<u>1,826,290</u>
 Total liabilities and fund balances	 <u>\$ 2,594,632</u>	 <u>\$ 2,322,636</u>

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Waterfront *	Gas Tax *	Community Development Block Grant **	Streets **	Library Operations ***
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 410,333
License and permits	-	-	-	-	-
Earnings on investments	-	2,440	-	1,574	-
Revenues from other agencies	35,635	319,563	51,094	-	-
Current service charges	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>35,635</u>	<u>322,003</u>	<u>51,094</u>	<u>1,574</u>	<u>410,333</u>
EXPENDITURES					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-
Community development and environmental resources	32,059	-	-	2,185	-
Recreation and community services	-	-	-	-	418,799
Total expenditures	<u>32,059</u>	<u>-</u>	<u>-</u>	<u>2,185</u>	<u>418,799</u>
Excess of revenues over (under) expenditures	<u>3,576</u>	<u>322,003</u>	<u>51,094</u>	<u>(611)</u>	<u>(8,466)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(325,000)	(51,094)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(325,000)</u>	<u>(51,094)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	3,576	(2,997)	-	(611)	(8,466)
Fund balances, beginning of year	-	89,861	-	77,498	16,425
Fund balances, end of year	<u>\$ 3,576</u>	<u>\$ 86,864</u>	<u>\$ -</u>	<u>\$ 76,887</u>	<u>\$ 7,959</u>

* See page D17 for budget comparisons.

** See page D18 for budget comparisons.

*** See page D19 for budget comparisons.

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Storm Drain *	Alameda County Measure B **	Waste Management **	M.T.C. Taxi Scrip ***	Lighting and Landscape Assessment District ***
REVENUES					
Property taxes	\$ 283,119	\$ -	\$ -	\$ -	\$ 509,077
License and permits	18,011	-	-	-	-
Earnings on investments	7,286	2,505	79	595	8,832
Revenues from other agencies	-	335,551	124,539	30,781	-
Current service charges	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>308,416</u>	<u>338,056</u>	<u>124,618</u>	<u>31,376</u>	<u>517,909</u>
EXPENDITURES					
General government	-	-	-	-	-
Police	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-
Community development and environmental resources	297,701	384,821	91,559	-	103,047
Recreation and community services	-	-	-	23,763	-
Total expenditures	<u>297,701</u>	<u>384,821</u>	<u>91,559</u>	<u>23,763</u>	<u>103,047</u>
Excess of revenues over (under) expenditures	<u>10,715</u>	<u>(46,765)</u>	<u>33,059</u>	<u>7,613</u>	<u>414,862</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	(354,000)	-	-	-	(583,686)
Total other financing sources (uses)	<u>(354,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(583,686)</u>
Net change in fund balances	(343,285)	(46,765)	33,059	7,613	(168,824)
Fund balances, beginning of year	443,792	57,362	21,533	2,023	708,752
Fund balances, end of year	<u>\$ 100,507</u>	<u>\$ 10,597</u>	<u>\$ 54,592</u>	<u>\$ 9,636</u>	<u>\$ 539,928</u>

* See page D19 for budget comparisons.

** See page D20 for budget comparisons.

*** See page D21 for budget comparisons.

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Asset Forfeiture *	Emergency Medical Services *	Open Space **	Recreational Playfields **	Creek Restoration ***
REVENUES					
Property taxes	\$ -	\$ 573,441	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-
Earnings on investments	-	-	1,588	290	1,494
Revenues from other agencies	-	-	-	-	-
Current service charges	-	368,008	-	-	-
Other revenue	-	-	5,100	2,550	2,550
Total revenues	<u>-</u>	<u>941,449</u>	<u>6,688</u>	<u>2,840</u>	<u>4,044</u>
EXPENDITURES					
General government	1,615	-	-	-	-
Police	-	-	-	-	-
Fire and emergency medical services	-	9,624	-	-	-
Community development and environmental resources	-	-	-	-	-
Recreation and community services	-	-	3,999	866	668
Total expenditures	<u>1,615</u>	<u>9,624</u>	<u>3,999</u>	<u>866</u>	<u>668</u>
Excess of revenues over (under) expenditures	<u>(1,615)</u>	<u>931,825</u>	<u>2,689</u>	<u>1,974</u>	<u>3,376</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(936,969)	-	(10,042)	-
Total other financing sources (uses)	<u>-</u>	<u>(936,969)</u>	<u>-</u>	<u>(10,042)</u>	<u>-</u>
Net change in fund balances	(1,615)	(5,144)	2,689	(8,068)	3,376
Fund balances, beginning of year	1,615	5,144	95,221	20,601	102,817
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,910</u>	<u>\$ 12,533</u>	<u>\$ 106,193</u>

* See page D22 for budget comparisons.

** See page D23 for budget comparisons.

*** See page D24 for budget comparisons.

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Park Bond *	Reinvestment Low-Mod Housing **	Law Enforcement Grants **	Chief Operator Grant ***	Pension Property Tax ***
REVENUES					
Property taxes	\$ -	\$ 17,681	\$ -	\$ -	\$ 1,290,219
License and permits	-	-	-	-	-
Earnings on investments	1,829	944	1,946	-	-
Revenues from other agencies	-	-	147,223	56,369	-
Current service charges	-	-	-	-	-
Other revenue	-	-	-	-	-
Total revenues	<u>1,829</u>	<u>18,625</u>	<u>149,169</u>	<u>56,369</u>	<u>1,290,219</u>
EXPENDITURES					
General government	-	-	-	-	538,897
Police	-	-	153,081	56,369	-
Fire and emergency medical services	-	-	-	-	-
Community development and environmental resources	-	162	-	-	-
Recreation and community services	8,183	-	-	-	-
Total expenditures	<u>8,183</u>	<u>162</u>	<u>153,081</u>	<u>56,369</u>	<u>538,897</u>
Excess of revenues over (under) expenditures	<u>(6,354)</u>	<u>18,463</u>	<u>(3,912)</u>	<u>-</u>	<u>751,322</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	(305,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(305,000)</u>
Net change in fund balances	(6,354)	18,463	(3,912)	-	446,322
Fund balances, beginning of year	113,600	51,984	18,062	-	-
Fund balances, end of year	<u>\$ 107,246</u>	<u>\$ 70,447</u>	<u>\$ 14,150</u>	<u>\$ -</u>	<u>\$ 446,322</u>

* See page D24 for budget comparisons.

** See page D25 for budget comparisons.

*** See page D26 for budget comparisons.

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	<u>Totals</u>	
	<u>2004</u>	<u>2003</u>
REVENUES		
Property taxes	\$ 3,083,870	\$ 2,826,640
License and permits	18,011	-
Earnings on investments	31,402	48,535
Revenues from other agencies	1,100,755	1,665,892
Current service charges	368,008	407,434
Other revenue	10,200	-
Total revenues	<u>4,612,246</u>	<u>4,948,501</u>
EXPENDITURES		
General government	540,512	1,251,176
Police	209,450	441,452
Fire and emergency medical services	9,624	2,276
Community development and environmental resources	911,534	738,098
Recreation and community services	456,278	455,610
Total expenditures	<u>2,127,398</u>	<u>2,888,612</u>
Excess of revenues over (under) expenditures	<u>2,484,848</u>	<u>2,059,889</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	90,843
Transfers out	<u>(2,565,791)</u>	<u>(2,284,714)</u>
Total other financing sources (uses)	<u>(2,565,791)</u>	<u>(2,193,871)</u>
Net change in fund balances	(80,943)	(133,982)
Fund balances, beginning of year	1,826,290	1,960,272
Fund balances, end of year	<u>\$ 1,745,347</u>	<u>\$ 1,826,290</u>

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Waterfront			Gas Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-
Earnings on investments	-	-	-	-	2,440	2,440
Revenues from other agencies	40,100	35,635	(4,465)	372,637	319,563	(53,074)
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>40,100</u>	<u>35,635</u>	<u>(4,465)</u>	<u>372,637</u>	<u>322,003</u>	<u>(50,634)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	40,100	32,059	8,041	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>40,100</u>	<u>32,059</u>	<u>8,041</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>3,576</u>	<u>3,576</u>	<u>372,637</u>	<u>322,003</u>	<u>(50,634)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(375,000)	(325,000)	50,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(375,000)</u>	<u>(325,000)</u>	<u>50,000</u>
Net change in fund balances	<u>\$ -</u>	<u>3,576</u>	<u>\$ 3,576</u>	<u>\$ (2,363)</u>	<u>(2,997)</u>	<u>\$ (634)</u>
Fund balances, beginning of year		<u>-</u>			<u>89,861</u>	
Fund balances, end of year		<u>\$ 3,576</u>			<u>\$ 86,864</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Community Development Block Grant			Streets		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-
Earnings on investments	-	-	-	-	1,574	1,574
Revenues from other agencies	93,000	51,094	(41,906)	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>93,000</u>	<u>51,094</u>	<u>(41,906)</u>	<u>-</u>	<u>1,574</u>	<u>1,574</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	30,000	-	30,000	50,000	2,185	47,815
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>50,000</u>	<u>2,185</u>	<u>47,815</u>
Excess of revenues over (under) expenditures	<u>63,000</u>	<u>51,094</u>	<u>(11,906)</u>	<u>(50,000)</u>	<u>(611)</u>	<u>49,389</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	50,000	-	(50,000)
Transfers out	-	(51,094)	(51,094)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(51,094)</u>	<u>(51,094)</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	<u>\$ 63,000</u>	<u>-</u>	<u>\$ (63,000)</u>	<u>\$ -</u>	<u>(611)</u>	<u>\$ (611)</u>
Fund balances, beginning of year		<u>-</u>			<u>77,498</u>	
Fund balances, end of year		<u>\$ -</u>			<u>\$ 76,887</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Library Operations			Storm Drain		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ 421,800	\$ 410,333	\$ (11,467)	\$ 294,500	\$ 283,119	\$ (11,381)
License and permits	-	-	-	3,200	18,011	14,811
Earnings on investments	-	-	-	-	7,286	7,286
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>421,800</u>	<u>410,333</u>	<u>(11,467)</u>	<u>297,700</u>	<u>308,416</u>	<u>10,716</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	316,363	297,701	18,662
Recreation and community services	425,000	418,799	6,201	-	-	-
Total expenditures	<u>425,000</u>	<u>418,799</u>	<u>6,201</u>	<u>316,363</u>	<u>297,701</u>	<u>18,662</u>
Excess of revenues over (under) expenditures	<u>(3,200)</u>	<u>(8,466)</u>	<u>(5,266)</u>	<u>(18,663)</u>	<u>10,715</u>	<u>29,378</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(354,000)	(354,000)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(354,000)</u>	<u>(354,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (3,200)</u>	<u>(8,466)</u>	<u>\$ (5,266)</u>	<u>\$ (372,663)</u>	<u>(343,285)</u>	<u>\$ 29,378</u>
Fund balances, beginning of year		<u>16,425</u>			<u>443,792</u>	
Fund balances, end of year		<u>\$ 7,959</u>			<u>\$ 100,507</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Alameda County Measure B			Waste Management		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-
Earnings on investments	-	2,505	2,505	-	79	79
Revenues from other agencies	310,564	335,551	24,987	106,200	124,539	18,339
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>310,564</u>	<u>338,056</u>	<u>27,492</u>	<u>106,200</u>	<u>124,618</u>	<u>18,418</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	320,000	384,821	(64,821)	136,029	91,559	44,470
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>320,000</u>	<u>384,821</u>	<u>(64,821)</u>	<u>136,029</u>	<u>91,559</u>	<u>44,470</u>
Excess of revenues over (under) expenditures	<u>(9,436)</u>	<u>(46,765)</u>	<u>(37,329)</u>	<u>(29,829)</u>	<u>33,059</u>	<u>62,888</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (9,436)</u>	<u>(46,765)</u>	<u>\$ (37,329)</u>	<u>\$ (29,829)</u>	<u>33,059</u>	<u>\$ 62,888</u>
Fund balances, beginning of year		<u>57,362</u>			<u>21,533</u>	
Fund balances, end of year		<u>\$ 10,597</u>			<u>\$ 54,592</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	M.T.C. Taxi Scrip			Lighting and Landscape Assessment District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 514,000	\$ 509,077	\$ (4,923)
License and permits	-	-	-	-	-	-
Earnings on investments	-	595	595	-	8,832	8,832
Revenues from other agencies	28,861	30,781	1,920	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	900	-	(900)	-	-	-
Total revenues	<u>29,761</u>	<u>31,376</u>	<u>1,615</u>	<u>514,000</u>	<u>517,909</u>	<u>3,909</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	87,618	103,047	(15,429)
Recreation and community services	28,766	23,763	5,003	-	-	-
Total expenditures	<u>28,766</u>	<u>23,763</u>	<u>5,003</u>	<u>87,618</u>	<u>103,047</u>	<u>(15,429)</u>
Excess of revenues over (under) expenditures	<u>995</u>	<u>7,613</u>	<u>6,618</u>	<u>426,382</u>	<u>414,862</u>	<u>(11,520)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(383,686)	(583,686)	(200,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(383,686)</u>	<u>(583,686)</u>	<u>(200,000)</u>
Net change in fund balances	<u>\$ 995</u>	<u>7,613</u>	<u>\$ 6,618</u>	<u>\$ 42,696</u>	<u>(168,824)</u>	<u>\$ (211,520)</u>
Fund balances, beginning of year		<u>2,023</u>			<u>708,752</u>	
Fund balances, end of year		<u>\$ 9,636</u>			<u>\$ 539,928</u>	

Continued
on next page

**CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Asset Forfeiture			Emergency Medical Services		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 340,000	\$ 573,441	\$ 233,441
License and permits	-	-	-	-	-	-
Earnings on investments	-	-	-	-	-	-
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	528,880	368,008	(160,872)
Other revenue	-	-	-	-	-	-
Total revenues	-	-	-	868,880	941,449	72,569
EXPENDITURES						
General government	-	1,615	(1,615)	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	9,624	(9,624)
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	-	1,615	(1,615)	-	9,624	(9,624)
Excess of revenues over (under) expenditures	-	(1,615)	(1,615)	868,880	931,825	62,945
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(886,000)	(936,969)	(50,969)
Total other financing sources (uses)	-	-	-	(886,000)	(936,969)	(50,969)
Net change in fund balances	\$ -	(1,615)	\$ (1,615)	\$ (17,120)	(5,144)	\$ 11,976
Fund balances, beginning of year		1,615			5,144	
Fund balances, end of year	\$ -	-		\$ -	-	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Open Space			Recreational Playfields		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-
Earnings on investments	7,500	1,588	(5,912)	3,750	290	(3,460)
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	5,100	5,100	-	2,550	2,550	-
Total revenues	<u>12,600</u>	<u>6,688</u>	<u>(5,912)</u>	<u>6,300</u>	<u>2,840</u>	<u>(3,460)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	3,999	(3,999)	-	866	(866)
Total expenditures	<u>-</u>	<u>3,999</u>	<u>(3,999)</u>	<u>-</u>	<u>866</u>	<u>(866)</u>
Excess of revenues over (under) expenditures	<u>12,600</u>	<u>2,689</u>	<u>(9,911)</u>	<u>6,300</u>	<u>1,974</u>	<u>(4,326)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	(10,042)	(10,042)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,042)</u>	<u>(10,042)</u>
Net change in fund balances	<u>\$ 12,600</u>	<u>2,689</u>	<u>\$ (9,911)</u>	<u>\$ 6,300</u>	<u>(8,068)</u>	<u>\$ (14,368)</u>
Fund balances, beginning of year		<u>95,221</u>			<u>20,601</u>	
Fund balances, end of year		<u>\$ 97,910</u>			<u>\$ 12,533</u>	

Continued
on next page

**CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Creek Restoration			Park Bond		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-
Earnings on investments	3,750	1,494	(2,256)	-	1,829	1,829
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	2,550	2,550	-	-	-	-
Total revenues	<u>6,300</u>	<u>4,044</u>	<u>(2,256)</u>	<u>-</u>	<u>1,829</u>	<u>1,829</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	668	(668)	-	8,183	(8,183)
Total expenditures	<u>-</u>	<u>668</u>	<u>(668)</u>	<u>-</u>	<u>8,183</u>	<u>(8,183)</u>
Excess of revenues over (under) expenditures	<u>6,300</u>	<u>3,376</u>	<u>(2,924)</u>	<u>-</u>	<u>(6,354)</u>	<u>(6,354)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 6,300</u>	<u>3,376</u>	<u>\$ (2,924)</u>	<u>\$ -</u>	<u>(6,354)</u>	<u>\$ (6,354)</u>
Fund balances, beginning of year		<u>102,817</u>			<u>113,600</u>	
Fund balances, end of year		<u>\$ 106,193</u>			<u>\$ 107,246</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Reinvestment Low-Mod Housing			Law Enforcement Grants		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ 16,000	\$ 17,681	\$ 1,681	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-
Earnings on investments	200	944	744	-	1,946	1,946
Revenues from other agencies	-	-	-	164,700	147,223	(17,477)
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>16,200</u>	<u>18,625</u>	<u>2,425</u>	<u>164,700</u>	<u>149,169</u>	<u>(15,531)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Police	-	-	-	164,700	153,081	11,619
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	162	(162)	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>162</u>	<u>(162)</u>	<u>164,700</u>	<u>153,081</u>	<u>11,619</u>
Excess of revenues over (under) expenditures	<u>16,200</u>	<u>18,463</u>	<u>2,263</u>	<u>-</u>	<u>(3,912)</u>	<u>(3,912)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 16,200</u>	<u>18,463</u>	<u>\$ 2,263</u>	<u>\$ -</u>	<u>(3,912)</u>	<u>\$ (3,912)</u>
Fund balances, beginning of year		<u>51,984</u>			<u>18,062</u>	
Fund balances, end of year		<u>\$ 70,447</u>			<u>\$ 14,150</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Chief Operator Grant			Pension Property Tax		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ 1,100,000	\$ 1,290,219	\$ 190,219
License and permits	-	-	-	-	-	-
Earnings on investments	-	-	-	-	-	-
Revenues from other agencies	65,212	56,369	(8,843)	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-
Total revenues	<u>65,212</u>	<u>56,369</u>	<u>(8,843)</u>	<u>1,100,000</u>	<u>1,290,219</u>	<u>190,219</u>
EXPENDITURES						
General government	-	-	-	1,100,000	538,897	561,103
Police	65,212	56,369	8,843	-	-	-
Fire and emergency medical services	-	-	-	-	-	-
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	-	-	-
Total expenditures	<u>65,212</u>	<u>56,369</u>	<u>8,843</u>	<u>1,100,000</u>	<u>538,897</u>	<u>561,103</u>
Excess of revenues over (under) expenditures	-	-	-	-	751,322	751,322
OTHER FINANCING SOURCES (USES)						
Transfers in	23,274	-	(23,274)	-	-	-
Transfers out	-	-	-	-	(305,000)	(305,000)
Total other financing sources (uses)	<u>23,274</u>	<u>-</u>	<u>(23,274)</u>	<u>-</u>	<u>(305,000)</u>	<u>(305,000)</u>
Net change in fund balances	<u>\$ 23,274</u>	<u>-</u>	<u>\$ (23,274)</u>	<u>\$ -</u>	<u>446,322</u>	<u>\$ 446,322</u>
Fund balances, beginning of year		-			-	
Fund balances, end of year		<u>\$ -</u>			<u>\$ 446,322</u>	

Continued
on next page

CITY OF ALBANY
OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Total		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Property taxes	\$ 2,686,300	\$ 3,083,870	\$ 397,570
License and permits	3,200	18,011	14,811
Earnings on investments	15,200	31,402	16,202
Revenues from other agencies	1,181,274	1,100,755	(80,519)
Current service charges	528,880	368,008	(160,872)
Other revenue	11,100	10,200	(900)
Total revenues	<u>4,425,954</u>	<u>4,612,246</u>	<u>186,292</u>
EXPENDITURES			
General government	1,100,000	540,512	559,488
Police	229,912	209,450	20,462
Fire and emergency medical services	-	9,624	(9,624)
Community development and environmental resources	980,110	911,534	68,576
Recreation and community services	453,766	456,278	(2,512)
Total expenditures	<u>2,763,788</u>	<u>2,127,398</u>	<u>636,390</u>
Excess of revenues over (under) expenditures	<u>1,662,166</u>	<u>2,484,848</u>	<u>822,682</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	73,274	-	(73,274)
Transfers out	(1,998,686)	(2,565,791)	(567,105)
Total other financing sources (uses)	<u>(1,925,412)</u>	<u>(2,565,791)</u>	<u>(640,379)</u>
Net change in fund balances	<u>\$ (263,246)</u>	<u>(80,943)</u>	<u>\$ 182,303</u>
Fund balances, beginning of year		<u>1,826,290</u>	
Fund balances, end of year		<u>\$ 1,745,347</u>	

CITY OF ALBANY

Other Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment other than those financed by proprietary funds. The City's Other Capital Projects Funds are:

Fire Equipment Reserve Fund - is used to accumulate resources for replacement of fire engines and equipment.

Police Equipment Fund - is used to accumulate resources for replacement of police vehicles and equipment.

Emergency Medical Service Equipment Reserve Fund - is used to accumulate resources for replacement of emergency medical service equipment.

Capital Facilities Developer Fee - is used to account for a fee on new development to assist in paying for capital improvements in the community. The fee is based on the City's anticipated capital improvement requirements and the proportion of the cost of these improvements attributable to the new developments.

Capital Facilities Reserve Fund - is used to accumulate resources for future construction of the Community Development Maintenance Center.

Capital Projects Fund - is used to account for major capital projects not provided for in one of the other capital projects funds.

Reinvestment Fund - is used to account for activities of the Albany Community Reinvestment Agency.

R & CS Reserve Fund - is used to accumulate resources for the replacement of equipment and furniture, and for maintenance and repair of the Community Center building.

**CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

JUNE 30, 2004

(With Comparative Totals for June 30, 2003)

	Fire Equipment	Police Equipment	Emergency Medical Service Equipment	Capital Facilities Developer Fee	Capital Facilities
ASSETS					
Operating cash and investments	\$ 108,135	\$ 305,812	\$ 122,162	\$ 23,792	\$ 432,177
Receivables:					
Other taxes	-	-	-	-	-
Accounts	-	-	-	-	-
Total assets	<u>\$ 108,135</u>	<u>\$ 305,812</u>	<u>\$ 122,162</u>	<u>\$ 23,792</u>	<u>\$ 432,177</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 9,785	\$ -	\$ 18,117	\$ 151
Accrued salaries & benefits	-	-	-	-	-
Accrued liabilities	-	-	-	4,226	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Advance from other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>9,785</u>	<u>-</u>	<u>22,343</u>	<u>151</u>
Fund balances:					
Reserved for capital projects	108,135	296,027	122,162	1,449	432,026
Unreserved (deficit)	-	-	-	-	-
Total fund balances (deficit)	<u>108,135</u>	<u>296,027</u>	<u>122,162</u>	<u>1,449</u>	<u>432,026</u>
Total liabilities and fund balances	<u>\$ 108,135</u>	<u>\$ 305,812</u>	<u>\$ 122,162</u>	<u>\$ 23,792</u>	<u>\$ 432,177</u>

Continued
on next page

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET (CONTINUED)
JUNE 30, 2004
(With Comparative Totals for June 30, 2003)

	Capital Projects Fund	Reinvestment	R & CS Reserve	Totals	
				2004	2003
ASSETS					
Operating cash and investments	\$ 200,000	\$ 202,787	\$ 88,252	\$ 1,483,117	\$ 974,820
Receivables:					
Other taxes	-	-	-	-	121
Accounts	403,827	39	-	403,866	39,309
Total assets	<u>\$ 603,827</u>	<u>\$ 202,826</u>	<u>\$ 88,252</u>	<u>\$ 1,886,983</u>	<u>\$ 1,014,250</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 26,448	\$ 3,847	\$ 22	\$ 58,370	\$ 32,013
Accrued salaries & benefits	-	204	-	204	1,638
Accrued liabilities	21,439	9,893	-	35,558	1,004
Due to other funds	186,456	-	-	186,456	-
Deferred revenue	-	52,855	-	52,855	-
Advance from other funds	-	406,120	-	406,120	400,000
Total liabilities	<u>234,343</u>	<u>472,919</u>	<u>22</u>	<u>739,563</u>	<u>434,655</u>
Fund balances:					
Reserved for capital projects	369,484	-	88,230	1,417,513	892,104
Unreserved (deficit)	-	(270,093)	-	(270,093)	(312,509)
Total fund balances (deficit)	<u>369,484</u>	<u>(270,093)</u>	<u>88,230</u>	<u>1,147,420</u>	<u>579,595</u>
Total liabilities and fund balances	<u>\$ 603,827</u>	<u>\$ 202,826</u>	<u>\$ 88,252</u>	<u>\$ 1,886,983</u>	<u>\$ 1,014,250</u>

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Fire Equipment *	Police Equipment *	Emergency Medical Service Equipment **	Capital Facilities Developer Fee **	Capital Facilities ***
REVENUES					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	320	7,115
Revenues from other agencies	-	-	-	-	-
Current service charges	-	-	-	125,228	-
Other revenue	-	4,460	-	-	-
Total revenues	<u>-</u>	<u>4,460</u>	<u>-</u>	<u>125,548</u>	<u>7,115</u>
EXPENDITURES					
Current:					
Community development and environmental resources	-	-	-	-	1,463
Recreation and community services	-	-	-	73,657	-
Capital outlay	-	9,785	-	-	10,450
Debt service:					
Principal	26,789	-	-	-	-
Interest	6,251	-	-	-	-
Total expenditures	<u>33,040</u>	<u>9,785</u>	<u>-</u>	<u>73,657</u>	<u>11,913</u>
Excess of revenues over (under) expenditures	<u>(33,040)</u>	<u>(5,325)</u>	<u>-</u>	<u>51,891</u>	<u>(4,798)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	51,536	88,000	122,162	-	-
Transfers out	-	-	-	(125,228)	-
Total other financing sources (uses)	<u>51,536</u>	<u>88,000</u>	<u>122,162</u>	<u>(125,228)</u>	<u>-</u>
Net change in fund balances	18,496	82,675	122,162	(73,337)	(4,798)
Fund balances, beginning of year	89,639	213,352	-	74,786	436,824
Prior period adjustment	-	-	-	-	-
Fund balances, end of year	<u>\$ 108,135</u>	<u>\$ 296,027</u>	<u>\$ 122,162</u>	<u>\$ 1,449</u>	<u>\$ 432,026</u>

* See page D33 for budget comparisons.
** See page D34 for budget comparisons.
*** See page D35 for budget comparisons.

Continued
on next page

CITY OF ALBANY

OTHER CAPITAL PROJECTS FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES (CONTINUED)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Capital Projects Fund *	Reinvestment **	R & CS Reserve **	Totals	
				2004	2003
REVENUES					
Property taxes	\$ -	\$ 54,994	\$ -	\$ 54,994	\$ 48,030
Earnings on investments	-	2,405	-	9,840	17,819
Revenues from other agencies	255,001	-	-	255,001	64,342
Current service charges	-	-	34,971	160,199	40,116
Other revenue	898,367	47,111	-	949,938	-
Total revenues	<u>1,153,368</u>	<u>104,510</u>	<u>34,971</u>	<u>1,429,972</u>	<u>170,307</u>
EXPENDITURES					
Current:					
Community development and environmental resources	143,974	48,246	-	193,683	99,839
Recreation and community services	-	-	-	73,657	-
Capital outlay	887,241	13,848	-	921,324	613,671
Debt service:					
Principal	-	-	4,294	31,083	24,952
Interest	-	-	893	7,144	8,240
Total expenditures	<u>1,031,215</u>	<u>62,094</u>	<u>5,187</u>	<u>1,226,891</u>	<u>746,702</u>
Excess of revenues over (under) expenditures	<u>122,153</u>	<u>42,416</u>	<u>29,784</u>	<u>203,081</u>	<u>(576,395)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	1,555,379	-	36,000	1,853,077	124,694
Transfers out	(51,087)	-	(55,057)	(231,372)	-
Total other financing sources (uses)	<u>1,504,292</u>	<u>-</u>	<u>(19,057)</u>	<u>1,621,705</u>	<u>124,694</u>
Net change in fund balances	1,626,445	42,416	10,727	1,824,786	(451,701)
Fund balances, beginning of year	(1,256,961)	(312,509)	77,503	(677,366)	1,049,104
Prior period adjustment	-	-	-	-	(17,808)
Fund balances, end of year	<u>\$ 369,484</u>	<u>\$ (270,093)</u>	<u>\$ 88,230</u>	<u>\$ 1,147,420</u>	<u>\$ 579,595</u>

* See page D35 for budget comparisons.

** See page D36 for budget comparisons.

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Fire Equipment			Police Equipment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	-	-
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	4,460	4,460
Total revenues	-	-	-	-	4,460	4,460
EXPENDITURES						
Current:						
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	-	-	-
Capital outlay	-	-	-	-	9,785	(9,785)
Debt Service:						
Principal	18,742	26,789	(8,047)	-	-	-
Interest	8,794	6,251	2,543	-	-	-
Total expenditures	27,536	33,040	(5,504)	-	9,785	(9,785)
Excess of revenues over (under) expenditures	(27,536)	(33,040)	(5,504)	-	(5,325)	(5,325)
OTHER FINANCING SOURCES (USES)						
Transfers in	51,536	51,536	-	48,000	88,000	40,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	51,536	51,536	-	48,000	88,000	40,000
Net change in fund balances	<u>\$ 24,000</u>	18,496	<u>\$ (5,504)</u>	<u>\$ 48,000</u>	82,675	<u>\$ 34,675</u>
Fund balances, beginning of year		<u>89,639</u>			<u>213,352</u>	
Fund balances, end of year		<u>\$ 108,135</u>			<u>\$ 296,027</u>	

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Emergency Medical Service Equipment			Capital Facilities Developer Fee		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	-	-	-	320	320
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	15,450	125,228	109,778
Other revenue	-	-	-	-	-	-
Total revenues	-	-	-	15,450	125,548	110,098
EXPENDITURES						
Current:						
Community development and environmental resources	-	-	-	-	-	-
Recreation and community services	-	-	-	70,000	73,657	(3,657)
Capital outlay	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	-	-	70,000	73,657	(3,657)
Excess of revenues over (under) expenditures	-	-	-	(54,550)	51,891	106,441
OTHER FINANCING SOURCES (USES)						
Transfers in	22,500	122,162	99,662	-	-	-
Transfers out	-	-	-	(15,450)	(125,228)	(109,778)
Total other financing sources (uses)	22,500	122,162	99,662	15,450	(125,228)	(109,778)
Net change in fund balances	<u>\$ 22,500</u>	<u>122,162</u>	<u>\$ 99,662</u>	<u>\$ (39,100)</u>	<u>(73,337)</u>	<u>\$ (3,337)</u>
Fund balances, beginning of year		-			74,786	
Fund balances, end of year		<u>\$ 122,162</u>			<u>\$ 1,449</u>	

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Capital Facilities			Capital Projects Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	-	7,115	7,115	-	-	-
Revenues from other agencies	-	-	-	-	255,001	255,001
Current service charges	-	-	-	-	-	-
Other revenue	-	-	-	-	898,367	898,367
Total revenues	-	7,115	7,115	-	1,153,368	1,153,368
EXPENDITURES						
Current:						
Community development and environmental resources	-	1,463	(1,463)	25,000	143,974	(118,974)
Recreation and community services	-	-	-	-	-	-
Capital outlay	-	10,450	(10,450)	-	887,241	(887,241)
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	-	11,913	(11,913)	25,000	1,031,215	(1,006,215)
Excess of revenues over (under) expenditures	-	(4,798)	(4,798)	(25,000)	122,153	147,153
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	15,450	1,555,379	1,539,929
Transfers out	-	-	-	-	(51,087)	(51,087)
Total other financing sources (uses)	-	-	-	15,450	1,504,292	1,488,842
Net change in fund balances	\$ -	(4,798)	\$ (4,798)	\$ (9,550)	1,626,445	\$ 1,635,995
Fund balances, beginning of year		436,824			(1,256,961)	
Fund balances, end of year		\$ 432,026			\$ 369,484	

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Reinvestment			R & CS Reserve		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ 64,000	\$ 54,994	\$ (9,006)	\$ -	\$ -	\$ -
Earnings on investments	800	2,405	1,605	-	-	-
Revenues from other agencies	-	-	-	-	-	-
Current service charges	-	-	-	30,000	34,971	4,971
Other revenue	-	47,111	47,111	-	-	-
Total revenues	<u>64,800</u>	<u>104,510</u>	<u>39,710</u>	<u>30,000</u>	<u>34,971</u>	<u>4,971</u>
EXPENDITURES						
Current:						
Community development and environmental resources	18,330	48,246	(29,916)	-	-	-
Recreation and community services	-	-	-	-	-	-
Capital outlay	-	13,848	(13,848)	-	-	-
Debt Service:						
Principal	-	-	-	19,737	4,294	15,443
Interest	-	-	-	893	893	-
Total expenditures	<u>18,330</u>	<u>62,094</u>	<u>(43,764)</u>	<u>20,630</u>	<u>5,187</u>	<u>15,443</u>
Excess of revenues over (under) expenditures	<u>46,470</u>	<u>42,416</u>	<u>(4,054)</u>	<u>9,370</u>	<u>29,784</u>	<u>20,414</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	36,000	36,000
Transfers out	-	-	-	-	(55,057)	(55,057)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,057)</u>	<u>(19,057)</u>
Net change in fund balances	<u>\$ 46,470</u>	<u>42,416</u>	<u>\$ (4,054)</u>	<u>\$ 9,370</u>	<u>10,727</u>	<u>\$ 1,357</u>
Fund balances, beginning of year		<u>(312,509)</u>			<u>77,503</u>	
Fund balances, end of year		<u>\$ (270,093)</u>			<u>\$ 88,230</u>	

CITY OF ALBANY
OTHER CAPITAL PROJECTS FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Total		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Property taxes	\$ 64,000	\$ 54,994	\$ (9,006)
Earnings on investments	800	9,840	9,040
Revenues from other agencies	-	255,001	255,001
Current service charges	45,450	160,199	114,749
Other revenue	-	949,938	949,938
Total revenues	<u>110,250</u>	<u>1,429,972</u>	<u>1,319,722</u>
EXPENDITURES			
Current:			
Community development and environmental resources	43,330	193,683	(150,353)
Recreation and community services	70,000	73,657	(3,657)
Capital outlay	-	921,324	(921,324)
Debt Service:			
Principal	38,479	31,083	7,396
Interest	9,687	7,144	2,543
Total expenditures	<u>161,496</u>	<u>1,226,891</u>	<u>(1,065,395)</u>
Excess of revenues over (under) expenditures	<u>(51,246)</u>	<u>203,081</u>	<u>254,327</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	137,486	1,853,077	1,715,591
Transfers out	<u>(15,450)</u>	<u>(231,372)</u>	<u>(215,922)</u>
Total other financing sources (uses)	<u>122,036</u>	<u>1,621,705</u>	<u>1,499,669</u>
Net change in fund balances	<u>\$ 70,790</u>	<u>1,824,786</u>	<u>\$ 1,753,996</u>
Fund balances, beginning of year		<u>(677,366)</u>	
Fund balances, end of year		<u>\$ 1,147,420</u>	

CITY OF ALBANY
CAPITAL PROJECTS FUNDS - MAJOR FUNDS
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	1996-1 Assessment District Bond Fund			General Obligation Bond 2003		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	141,000	71,691	(69,309)	-	-	-
Revenues from other agencies	-	152,961	152,961	-	-	-
Current service charges	-	-	-	-	127,886	127,886
Other revenue	-	20,000	20,000	-	-	-
Total revenues	<u>141,000</u>	<u>244,652</u>	<u>103,652</u>	<u>-</u>	<u>127,886</u>	<u>127,886</u>
EXPENDITURES						
Current:						
Community development and environmental resources	-	-	-	-	53,956	(53,956)
Recreation and community services	50,000	52,051	(2,051)	-	-	-
Capital outlay	-	225,003	(225,003)	-	556,199	(556,199)
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>50,000</u>	<u>277,054</u>	<u>(227,054)</u>	<u>-</u>	<u>610,155</u>	<u>(610,155)</u>
Excess of revenues over (under) expenditures	<u>91,000</u>	<u>(32,402)</u>	<u>(123,402)</u>	<u>-</u>	<u>(482,269)</u>	<u>(482,269)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	61,129	61,129	-	-	-
Transfers out	-	-	-	-	(300,000)	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>61,129</u>	<u>61,129</u>	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>
Net change in fund balances	<u>\$ 91,000</u>	<u>28,727</u>	<u>\$ (62,273)</u>	<u>\$ -</u>	<u>(782,269)</u>	<u>\$ (782,269)</u>
Fund balances, beginning of year		<u>4,639,413</u>			<u>7,911,000</u>	
Fund balances, end of year		<u>\$4,668,140</u>			<u>\$ 7,128,731</u>	

Continued
on next page

CITY OF ALBANY
CAPITAL PROJECTS FUNDS - MAJOR FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Total		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Earnings on investments	141,000	71,691	(69,309)
Revenues from other agencies	-	152,961	152,961
Current service charges	-	127,886	127,886
Other revenue	-	20,000	20,000
Total revenues	<u>141,000</u>	<u>372,538</u>	<u>231,538</u>
EXPENDITURES			
Current:			
Community development and environmental resources	-	53,956	(53,956)
Recreation and community services	50,000	52,051	(2,051)
Capital outlay	-	781,202	(781,202)
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>50,000</u>	<u>887,209</u>	<u>(837,209)</u>
Excess of revenues over (under) expenditures	<u>91,000</u>	<u>(514,671)</u>	<u>(605,671)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	61,129	61,129
Transfers out	-	(300,000)	(300,000)
Total other financing sources (uses)	<u>-</u>	<u>(238,871)</u>	<u>(238,871)</u>
Net change in fund balances	<u>\$ 91,000</u>	<u>(753,542)</u>	<u>\$ (844,542)</u>
Fund balances, beginning of year		<u>12,550,413</u>	
Fund balances, end of year		<u>\$ 11,796,871</u>	

CITY OF ALBANY

Other Debt Service Funds

Debt Service Funds are used to account for financial resources to be used for payment for City's long-term debt. The City's Other Debt Service Funds are:

Public Facilities Financing Authority Fund - accounts for accumulation of resources for the payments of general long-term debt principal and interest.

Reinvestment Debt Service - accounts for property tax increment and other revenues generated by activities in the redevelopment area and used to service debt incurred by the Reinvestment Agency.

G.O. Bond Debt Service - accounts for accumulation of resources for the payments of general obligation bond principal and interest.

**CITY OF ALBANY
OTHER DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2004**

(With Comparative Totals for June 30, 2003)

	Debt Service APFFA	Reinvestment Debt Service	G.O. Bond Debt Service	Totals	
				2004	2003
ASSETS					
Operating cash and investments	\$ 18,722	\$ 25,474	\$ 300,670	\$ 344,866	\$ 175,770
Debt service reserves held with trustee	473,784	-	-	473,784	466,162
Total assets	<u>\$ 492,506</u>	<u>\$ 25,474</u>	<u>\$ 300,670</u>	<u>\$ 818,650</u>	<u>\$ 641,932</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accrued liabilities	\$ 110	\$ -	\$ 500	\$ 610	\$ 44,032
Advances from other funds	-	457,746	-	457,746	451,836
Total liabilities	<u>110</u>	<u>457,746</u>	<u>500</u>	<u>458,356</u>	<u>495,868</u>
Fund balances:					
Reserved for debt service	492,396	-	300,170	792,566	572,842
Unreserved (deficit)	-	(432,272)	-	(432,272)	(426,778)
Total fund balances	<u>492,396</u>	<u>(432,272)</u>	<u>300,170</u>	<u>360,294</u>	<u>146,064</u>
Total liabilities and fund balances	<u>\$ 492,506</u>	<u>\$ 25,474</u>	<u>\$ 300,670</u>	<u>\$ 818,650</u>	<u>\$ 641,932</u>

CITY OF ALBANY
OTHER DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

(With Comparative Totals for the Fiscal Year Ended June 30, 2003)

	Debt Service APFFA *	Reinvestment Debt Service *	G.O. Bond Debt Service **	Totals	
				2004	2003
REVENUES					
Property taxes	\$ -	\$ -	\$ 487,351	\$ 487,351	\$ -
Earnings on investments	12,271	415	1,875	14,561	11,601
Total revenues	12,271	415	489,226	501,912	11,601
EXPENDITURES					
Current:					
General government	6,018	-	69,207	75,225	28,286
Debt service:					
Principal	320,000	-	-	320,000	305,000
Interest	146,795	5,909	191,548	344,252	169,386
Total expenditures	472,813	5,909	260,755	739,477	502,672
Excess of revenues over (under) expenditures	(460,542)	(5,494)	228,471	(237,565)	(491,071)
OTHER FINANCING SOURCES (USES)					
Debt proceeds	-	-	-	-	91,787
Transfers in	451,795	-	-	451,795	404,547
Total other financing sources (uses)	451,795	-	-	451,795	496,334
Net change in fund balances	(8,747)	(5,494)	228,471	214,230	5,263
Fund balances, beginning of year	501,143	(426,778)	71,699	146,064	583,407
Prior period adjustment	-	-	-	-	(442,606)
Fund balances, end of year	\$ 492,396	\$ (432,272)	\$ 300,170	\$ 360,294	\$ 146,064

* See page D43 for budget comparisons.

** See page D44 for budget comparisons.

CITY OF ALBANY
OTHER DEBT SERVICE FUNDS
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Debt Service APFFA			Reinvestment Debt Service		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Earnings on investments	20,000	12,271	(7,729)	-	415	415
Total revenues	20,000	12,271	(7,729)	-	415	415
EXPENDITURES						
Current:						
General government	5,000	6,018	(1,018)	-	-	-
Debt Service:						
Principal	320,000	320,000	-	-	-	-
Interest	146,795	146,795	-	5,000	5,909	(909)
Total expenditures	471,795	472,813	(1,018)	5,000	5,909	(909)
Excess of revenues over (under) expenditures	(451,795)	(460,542)	(8,747)	(5,000)	(5,494)	(494)
OTHER FINANCING SOURCES (USES)						
Transfers in	451,795	451,795	-	-	-	-
Total other financing sources (uses)	451,795	451,795	-	-	-	-
Net change in fund balances	\$ -	(8,747)	\$ (8,747)	\$ (5,000)	(5,494)	\$ (494)
Fund balances, beginning of year		501,143			(426,778)	
Fund balances, end of year		\$ 492,396			\$ (432,272)	

Continued
on next page

CITY OF ALBANY
OTHER DEBT SERVICE FUNDS
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	G.O. Bond Debt Service			Total		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Property taxes	\$ -	\$ 487,351	\$ 487,351	\$ -	\$ 487,351	\$ 487,351
Earnings on investments	-	1,875	1,875	20,000	14,561	(5,439)
Total revenues	-	489,226	489,226	20,000	501,912	481,912
EXPENDITURES						
Current:						
General government	67,021	69,207	(2,186)	72,021	75,225	(3,204)
Debt Service:						
Principal	-	-	-	320,000	320,000	-
Interest	211,850	191,548	20,302	363,645	344,252	19,393
Total expenditures	278,871	260,755	18,116	755,666	739,477	16,189
Excess of revenues over (under) expenditures	(278,871)	228,471	507,342	(735,666)	(237,565)	498,101
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	451,795	451,795	-
Total other financing sources (uses)	-	-	-	451,795	451,795	-
Net change in fund balances	\$ (278,871)	228,471	\$ 507,342	\$ (283,871)	214,230	\$ 498,101
Fund balances, beginning of year		71,699			146,064	
Fund balances, end of year		\$ 300,170			\$ 360,294	

CITY OF ALBANY

Agency Funds

Agency Funds are used to account for assets held by the City in a fiduciary capacity or as an agent for individuals, governmental entities and others. Such funds are operated to carry out the specific actions of trust agreements, ordinances, bylaws, and other governing regulations. The City's Agency Funds are:

Pension Override Fund - accounts for Pension Override tax revenues collected for payment of the City's contributions to employee retirement plans.

Bond and Trust Fund - is used to track security or performance bond deposits on projects that encroach upon the City facilities right of ways.

School Facility Fee Fund - accounts for development impact fees levied by and due to the Albany Unified School District.

1996-1 Assessment District Bond Fund - is used to pay for acquisition, development and maintenance of open space on Albany Hill; the acquisition, development and maintenance of recreational playfields; and the activities relating to creek restoration as part of the Open Space, Recreational Playfields and Creek Restoration Assessment District No. 1996-1.

CITY OF ALBANY
AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2004
(With Comparative Totals for June 30, 2003)

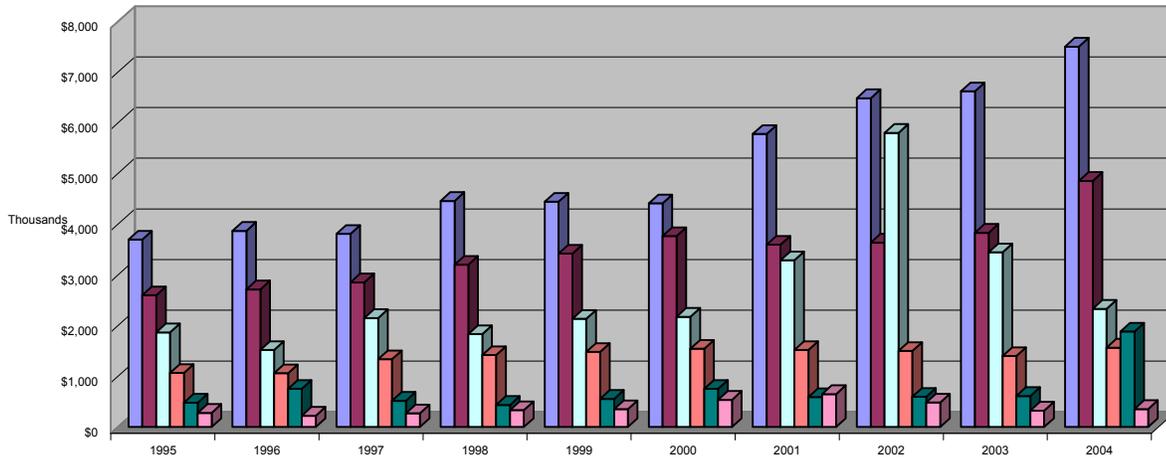
	Pension Override	Bond & Trust	School Facility Fee	1996-1 Assessment District Bond Funds	Totals	
					2004	2003
ASSETS						
Operating cash and investments	\$ -	\$ 183,355	\$ 11,772	\$ 418,177	\$ 613,304	\$ 1,025,156
Debt service reserves held with trustee	-	-	-	497,461	497,461	502,726
Receivables	-	-	-	-	-	27,500
Total assets	\$ -	\$ 183,355	\$ 11,772	\$ 915,638	\$ 1,110,765	\$ 1,555,382
LIABILITIES						
Accounts payable	\$ -	\$ 8,327	\$ 11,772	\$ -	\$ 20,099	\$ 461,367
Due to bondholders	-	-	-	915,638	915,638	908,209
Refundable deposits	-	175,028	-	-	175,028	185,806
Total liabilities	\$ -	\$ 183,355	\$ 11,772	\$ 915,638	\$ 1,110,765	\$ 1,555,382

CITY OF ALBANY
AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Pension Override				
Assets:				
Operating cash and investments	\$ 433,048	\$ -	\$ 433,048	\$ -
Accounts receivable	20,616	-	20,616	-
Total assets	<u>\$ 453,664</u>	<u>\$ -</u>	<u>\$ 453,664</u>	<u>\$ -</u>
Liabilities:				
Accounts payable	\$ 453,664	\$ -	\$ 453,664	\$ -
Total liabilities	<u>\$ 453,664</u>	<u>\$ -</u>	<u>\$ 453,664</u>	<u>\$ -</u>
Bond and Trust				
Assets:				
Operating cash and investments	\$ 192,318	\$ -	\$ 8,963	\$ 183,355
Liabilities:				
Accounts payable	\$ 6,512	\$ 1,815	\$ -	\$ 8,327
Refundable deposits	185,806	-	10,778	175,028
Total liabilities	<u>\$ 192,318</u>	<u>\$ 1,815</u>	<u>\$ 10,778</u>	<u>\$ 183,355</u>
School Facility Fees				
Assets:				
Operating cash and investments	\$ 1,191	\$ 10,581	\$ -	\$ 11,772
Liabilities:				
Accounts payable	\$ 1,191	\$ 10,581	\$ -	\$ 11,772
1996-1 Assessment District Bond Funds				
Assets:				
Operating cash and investments	\$ 398,599	\$ 496,935	\$ 477,357	\$ 418,177
Debt service reserves held with trustee	502,726	-	5,265	497,461
Accounts receivable	6,884	-	6,884	-
Total assets	<u>\$ 908,209</u>	<u>\$ 496,935</u>	<u>\$ 489,506</u>	<u>\$ 915,638</u>
Liabilities:				
Due to bondholders	\$ 908,209	\$ 7,429	\$ -	\$ 915,638
Total Agency Funds				
Assets:				
Operating cash and investments	\$ 1,025,156	\$ 507,516	\$ 919,368	\$ 613,304
Debt service reserves held with trustee	502,726	-	5,265	497,461
Accounts receivable	27,500	-	27,500	-
Total assets	<u>\$ 1,555,382</u>	<u>\$ 507,516</u>	<u>\$ 952,133</u>	<u>\$ 1,110,765</u>
Liabilities:				
Accounts payable	\$ 461,367	\$ 12,396	\$ 453,664	\$ 20,099
Due to bondholders	908,209	7,429	-	915,638
Refundable deposits	185,806	-	10,778	175,028
Total liabilities	<u>\$ 1,555,382</u>	<u>\$ 19,825</u>	<u>\$ 464,442</u>	<u>\$ 1,110,765</u>

**STATISTICAL
SECTION**

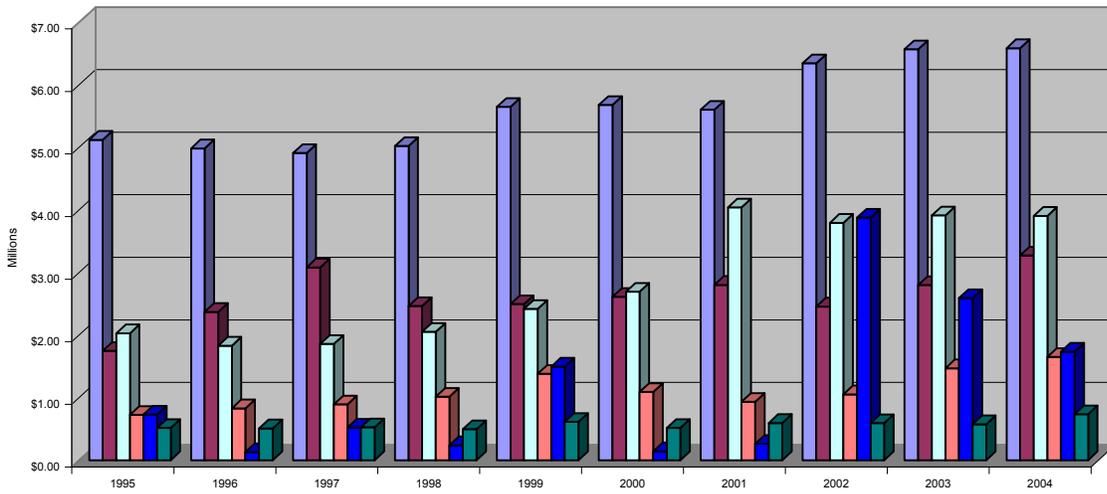
CITY OF ALBANY
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS



Fiscal Year	Property and Sales Taxes	Licenses, Fees, and Other Taxes	Revenue from Other Agencies	Current Service Charges	Fines, Forfeits, and Misc Revenue	Earnings on Investments	Total
1995	\$ 3,695,416	\$ 2,596,971	\$ 1,866,647	\$ 1,064,746	\$ 479,315	\$ 276,932	\$ 9,980,027
1996	3,868,641	2,714,217	1,518,340	1,060,721	750,338	220,156	10,132,413
1997	3,807,308	2,851,096	2,147,524	1,335,549	517,012	266,969	10,925,458
1998	4,458,578	3,198,856	1,831,525	1,416,671	434,442	331,456	11,671,528
1999	4,443,266	3,418,657	2,131,782	1,479,948	553,025	351,115	12,377,793
2000	4,412,814	3,766,132	2,172,580	1,542,089	750,466	535,557	13,179,638
2001	5,781,219	3,596,853	3,286,659	1,519,300	587,108	648,551	15,419,690
2002	6,486,472	3,636,468	5,801,430	1,497,888	594,893	481,187	18,498,338
2003	6,619,467	3,831,580	3,446,053	1,397,153	609,449	322,236	16,225,938
2004	7,503,411	4,853,509	2,329,432	1,564,775	1,881,386	353,941	18,486,454

Source: City of Albany financial reports, budget reports and accounting records.

CITY OF ALBANY
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS



Fiscal Year	Police, Fire and Emergency Medical Services	Community Development	General Government	Recreation and Community Services	Capital Outlay	Debt Service	Total
1995	\$ 5,121,457	\$ 1,746,690	\$2,030,927	\$ 726,828	\$ 729,784	\$ 517,750	\$ 10,873,436
1996	4,985,850	2,371,400	1,832,910	829,504	129,394	509,704	10,658,762
1997	4,910,945	3,082,950	1,860,905	892,925	521,025	527,160	11,795,910
1998	5,022,973	2,463,771	2,054,353	1,016,598	241,164	496,608	11,295,467
1999	5,647,615	2,495,657	2,418,360	1,382,833	1,497,323	613,449	14,055,237
2000	5,679,593	2,611,152	2,692,687	1,090,717	144,150	518,442	12,736,741
2001	5,601,600	2,804,457	4,040,796	933,235	262,683	596,926	14,239,697
2002	6,344,966	2,456,477	3,793,923	1,054,981	3,877,700	593,021	18,121,068
2003	6,568,160	2,800,042	3,915,322	1,470,303	2,591,462	576,285	17,921,574
2004	6,587,607	3,275,181	3,906,930	1,650,727	1,735,721	735,230	17,891,396

Source: City of Albany financial reports, budget reports and accounting records.

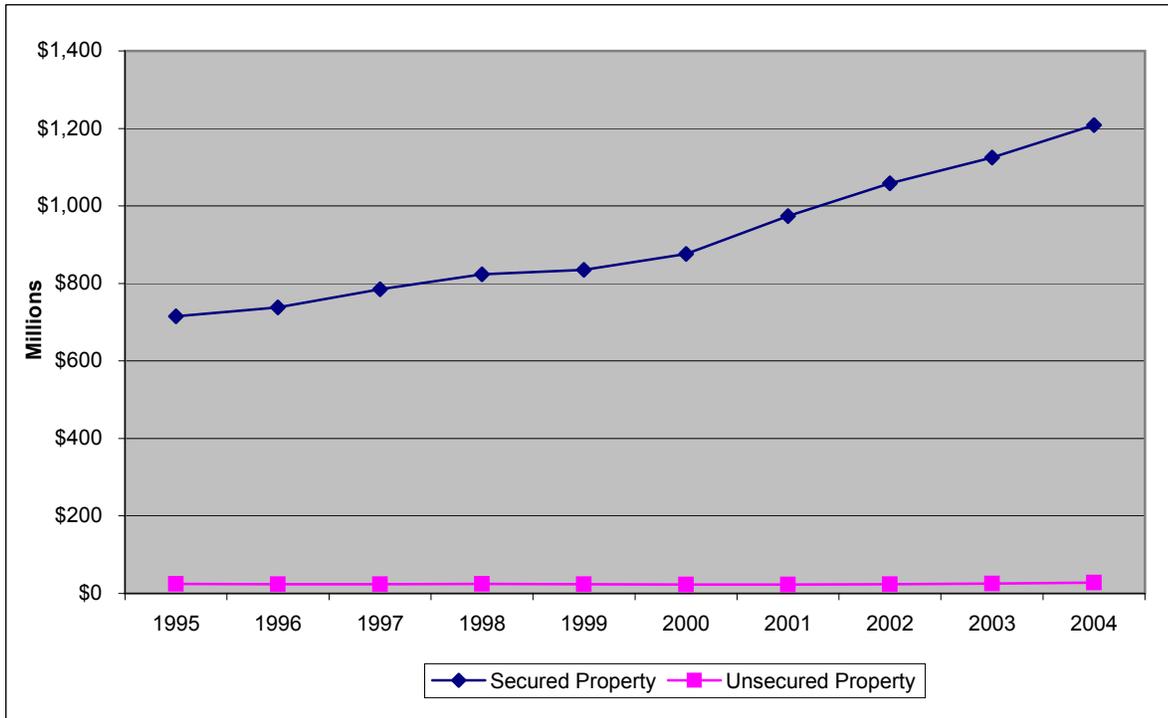
CITY OF ALBANY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS



<u>Fiscal Year</u>	<u>Property Tax Levied</u>	<u>Property Tax Collected</u>	<u>Percent Collected</u>
1995	\$1,591,745	\$1,480,246	93.00%
1996	1,582,044	1,539,165	97.29%
1997	1,559,255	1,518,008	97.35%
1998	1,645,641	1,606,487	97.62%
1999	1,741,121	1,699,031	97.58%
2000	1,819,144	1,783,414	98.04%
2001	2,015,504	1,974,254	97.95%
2002	2,160,733	2,106,408	97.49%
2003	2,305,947	2,245,253	97.37%
2004	2,386,690	2,333,181	97.76%

Source: Alameda County Auditor-Controller Office

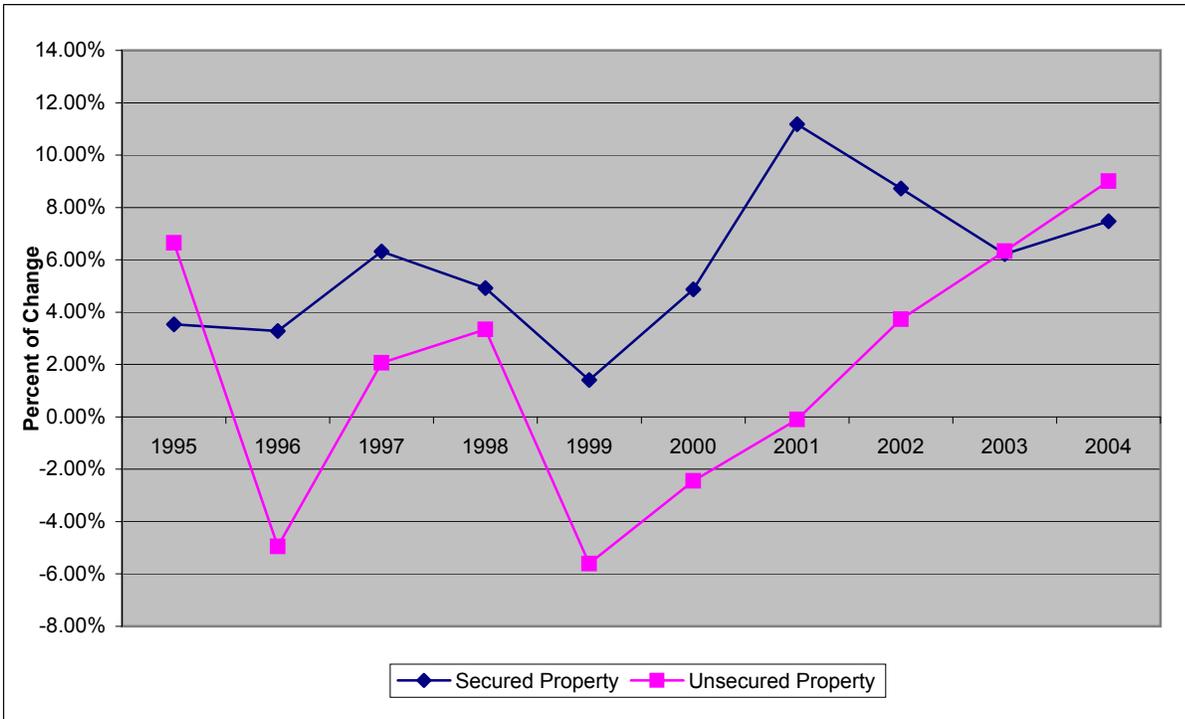
CITY OF ALBANY
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS



Fiscal Year	Secured Property	Percent Change Secured Property	Unsecured Property	Percent Change Unsecured Property	Total Assessed
1995	\$ 714,796,864	3.54%	\$ 24,825,989	6.64%	\$ 739,622,853
1996	738,224,153	3.28%	23,597,828	-4.95%	\$ 761,821,981
1997	784,842,580	6.31%	24,084,240	2.06%	808,926,820
1998	823,475,667	4.92%	24,889,516	3.34%	848,365,183
1999	835,085,828	1.41%	23,492,862	-5.61%	858,578,690
2000	875,791,849	4.87%	22,919,766	-2.44%	898,711,615
2001	973,731,605	11.18%	22,895,997	-0.10%	996,627,602
2002	1,058,671,736	8.72%	23,750,147	3.73%	1,082,421,883
2003	1,124,537,380	6.22%	25,253,021	6.33%	1,149,790,401
2004	1,208,571,884	7.47%	27,526,876	9.00%	1,236,098,760

Source: Alameda County Auditor-Controller Office

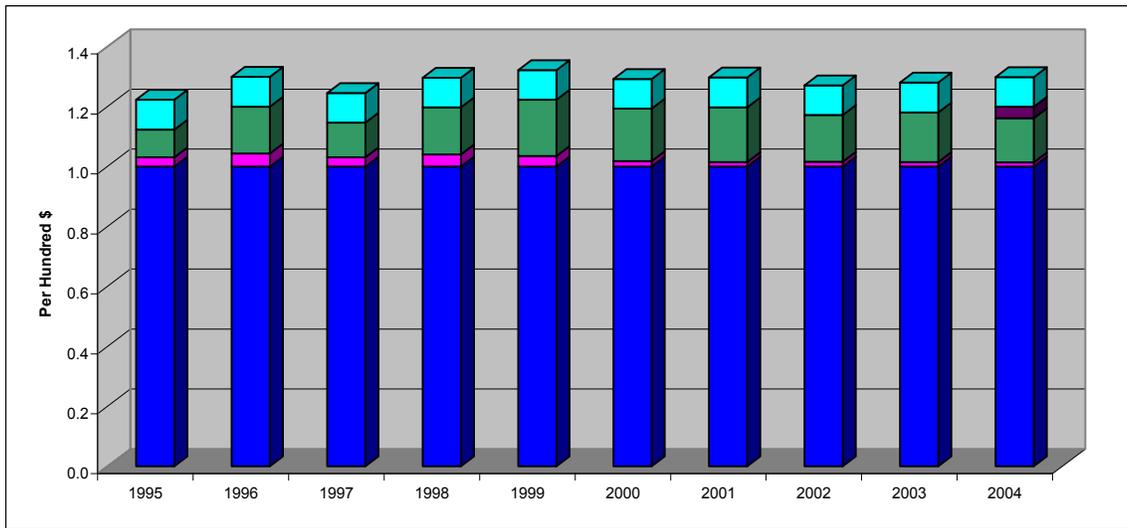
CITY OF ALBANY
 PERCENTAGE CHANGE IN ASSESSED
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS



Fiscal Year	Secured Property	Percent Change Secured Property	Unsecured Property	Percent Change Unsecured Property	Total Assessed
1995	\$ 714,796,864	3.54%	\$ 24,825,989	6.64%	\$ 739,622,853
1996	738,224,153	3.28%	23,597,828	-4.95%	\$ 761,821,981
1997	784,842,580	6.31%	24,084,240	2.06%	808,926,820
1998	823,475,667	4.92%	24,889,516	3.34%	848,365,183
1999	835,085,828	1.41%	23,492,862	-5.61%	858,578,690
2000	875,791,849	4.87%	22,919,766	-2.44%	898,711,615
2001	973,731,605	11.18%	22,895,997	-0.10%	996,627,602
2002	1,058,671,736	8.72%	23,750,147	3.73%	1,082,421,883
2003	1,124,537,380	6.22%	25,253,021	6.33%	1,149,790,401
2004	1,208,571,884	7.47%	27,526,876	9.00%	1,236,098,760

Source: Alameda County Auditor-Controller Office

CITY OF ALBANY
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

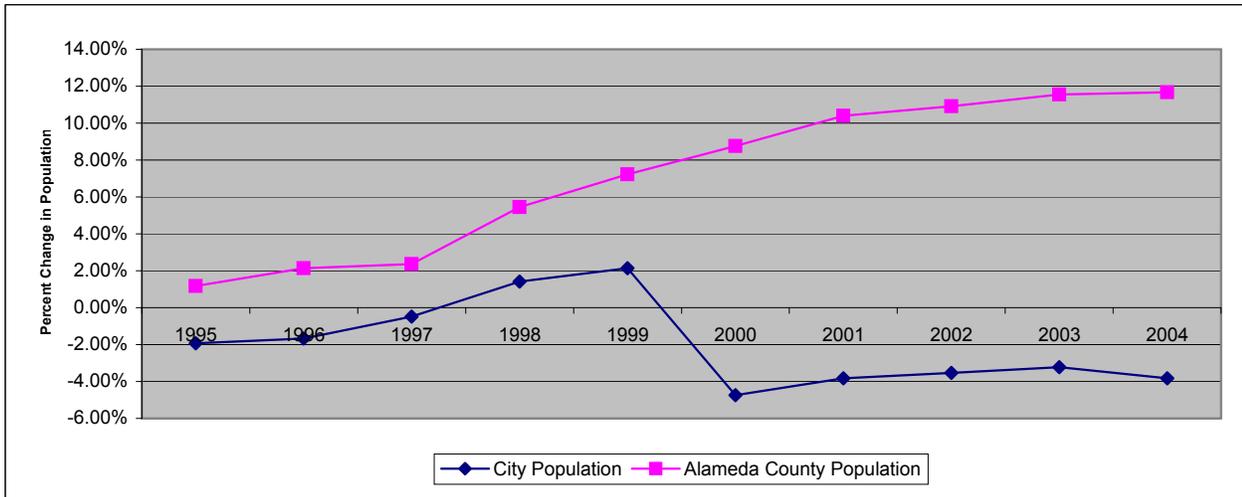


Fiscal Year	City of Albany Pension Fund	General Obligation Debt	School Districts	Special Districts	Basic County Wide Levy
1995	0.0993		0.0927	0.0301	1.0000
1996	0.0993		0.1565	0.0432	1.0000
1997	0.0993		0.1156	0.0305	1.0000
1998	0.0993		0.1573	0.0397	1.0000
1999	0.0993		0.1874	0.0350	1.0000
2000	0.0993		0.1752	0.0175	1.0000
2001	0.0993		0.1823	0.0150	1.0000
2002	0.0993		0.1557	0.0156	1.0000
2003	0.0993		0.1657	0.0149	1.0000
2004	0.0993	0.0382	0.1471	0.0136	1.0000

Note: The general obligation debt tax was effective beginning fiscal year 2004.

Source: Alameda County Tax Rates - Auditor/Controller of Alameda County

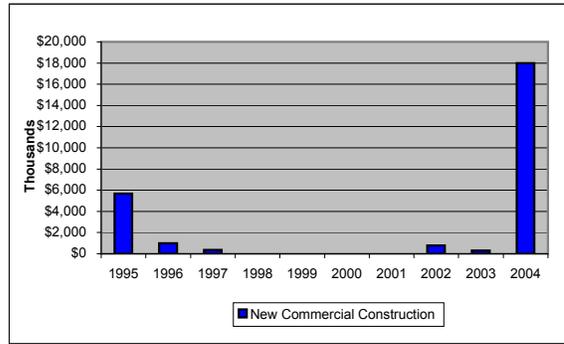
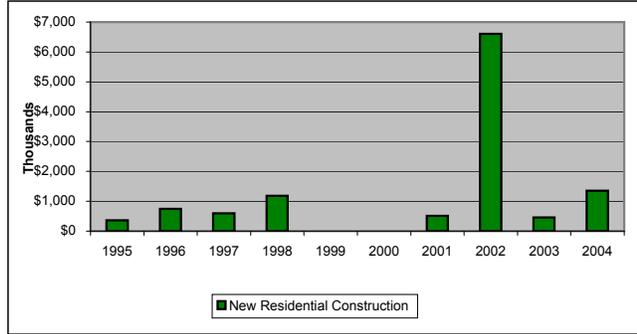
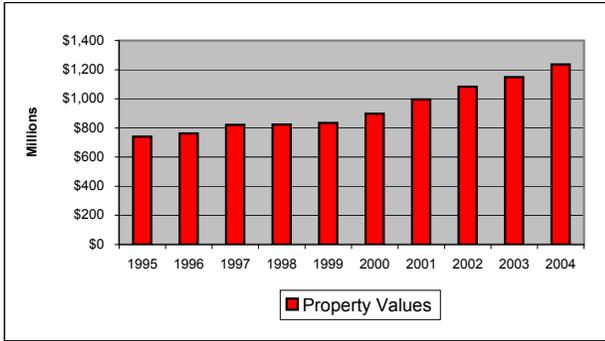
CITY OF ALBANY
 DEMOGRAPHIC STATISTICS
 CUMULATIVE PERCENTAGE CHANGE IN POPULATION
 LAST TEN FISCAL YEARS



Fiscal Year	City Population	Percent Change City Population		Alameda County Population	Percent Change County Population		City Population % of County
		Annual	Cumulative		Annual	Cumulative	
1995	17,068	-1.93%	-1.93%	1,349,768	1.17%	1.17%	1.26%
1996	17,113	0.26%	-1.67%	1,362,893	0.97%	2.14%	1.26%
1997	17,315	1.18%	-0.49%	1,365,938	0.22%	2.36%	1.27%
1998	17,645	1.91%	1.42%	1,408,073	3.08%	5.44%	1.25%
1999	17,770	0.71%	2.13%	1,433,309	1.79%	7.23%	1.24%
2000	16,550	-6.87%	-4.74%	1,455,300	1.53%	8.76%	1.14%
2001	16,700	0.91%	-3.83%	1,479,100	1.64%	10.40%	1.13%
2002	16,750	0.30%	-3.53%	1,486,600	0.51%	10.91%	1.13%
2003	16,800	0.30%	-3.23%	1,496,200	0.65%	11.56%	1.12%
2004	16,700	-0.60%	-3.83%	1,498,000	0.12%	11.68%	1.11%

Source: California Department of Finance

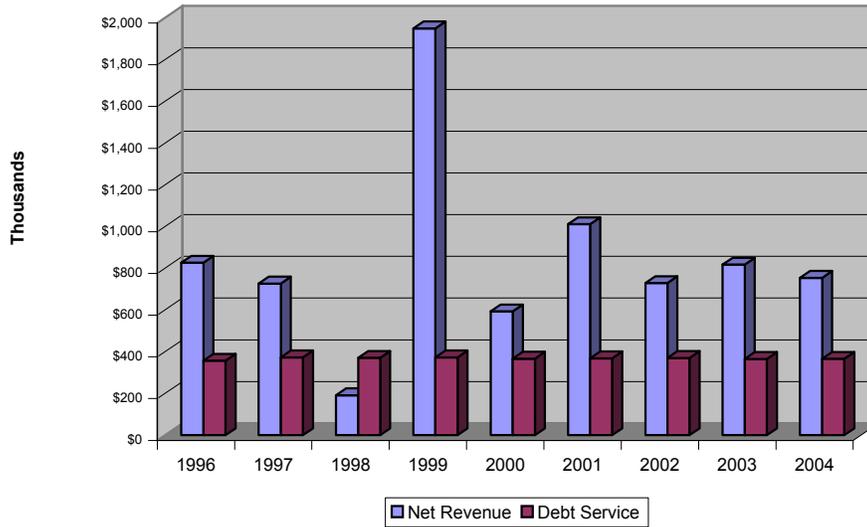
CITY OF ALBANY
PROPERTY VALUES AND CONSTRUCTION
LAST TEN FISCAL YEARS



Fiscal Year	Property Values	New Commercial Construction		New Residential Construction	
		Number of Permits	Value	Number of Permits	Value
1995	\$ 739,622,853	45	\$ 5,661,898	5	\$ 357,800
1996	761,821,981	10	981,600	4	748,000
1997	821,076,227	1	375,000	3	593,898
1998	823,475,667	0	0	4	1,183,345
1999	835,085,828	0	0	0	0
2000	898,711,615	0	0	0	0
2001	996,627,602	0	0	1	515,294
2002	1,082,421,883	2	771,330	5	6,610,156
2003	1,149,790,401	1	298,985	3	457,666
2004	1,236,098,760	2	17,993,640	4	1,353,193

Source: City of Albany Community Development Department

CITY OF ALBANY
SEWER REVENUE BOND COVERAGE
LAST NINE FISCAL YEARS



Fiscal Year	Revenues	Expenses (Excluding Depreciation)	Net Revenue Available for Debt Service	Debt Service		Total	Coverage
				Principal	Interest		
1996	\$ 1,667,508	\$ 840,949	\$ 826,559	\$ 165,000	\$ 191,866	\$ 356,866	2.32
1997	1,544,507	817,183	727,324	170,000	202,905	372,905	1.95
1998	1,867,296	1,675,802	191,494	175,000	195,574	370,574	0.52
1999	3,470,827	1,520,813	1,950,014	185,000	187,924	372,924	5.23
2000	1,667,276	1,073,544	593,732	190,000	177,263	367,263	1.62
2001	1,864,489	852,810	1,011,679	200,000	168,834	368,834	2.74
2002	1,975,339	1,246,336	729,003	210,000	159,980	369,980	1.97
2003	1,844,248	1,026,301	817,947	215,000	150,868	365,868	2.24
2004	1,758,221	1,003,414	754,807	225,000	141,387	366,387	2.06

Sewer Revenue Bonds were issued in 1994-95.

Revenues include operating revenues, operating transfers in and other non-operating revenues. Expenses include operating expenses and operating transfers out.

Source: Official Statements for Sewer Revenue Bond Funds
City of Albany financial reports

CITY OF ALBANY
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 JUNE 30, 2004

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/30/04</u>
Peralta Community College District	3.105%	\$ 4,623,190
Albany Unified School District	100.000%	28,050,000
City of Albany	100.000%	8,000,000
East Bay Municipal Utility District	1.131%	44,561
East Bay Municipal Utility District, Special District No. 1	2.845%	1,147,104
East Bay Regional Park District	0.591%	905,294
City of Albany Assessment District No. 1996-1	100.000%	<u>5,350,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		48,120,149
Less: East Bay Municipal Utility District (100% self-supporting)		<u>44,561</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		48,075,588
<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:</u>		
Alameda County General Fund Obligations	0.992%	5,208,486 (1)
Alameda County Pension Obligations	0.992%	3,538,446
Alameda County Board of Education Certificates of Participation	0.992%	27,330
Alameda-Contra Costa Transit District Certificates of Participation	1.185%	255,427
City of Albany Certificates of Participation	100.000%	<u>2,995,000</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		12,024,689
GROSS COMBINED TOTAL DEBT		<u>\$60,144,838</u> (2)
NET COMBINED TOTAL DEBT		<u>\$60,100,277</u>

(1) Includes share of City of Oakland-Alameda County Coliseum obligations.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003-04 Assessed Valuation:

Direct Debt (\$8,000,000)	0.64%
Total Gross Direct and Overlapping Tax and Assessment Debt ...	3.82%
Total Net Direct and Overlapping Tax and Assessment Debt	3.82%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$10,995,000)	0.88%
Gross Combined Total Debt	4.80%
Net Combined Total Debt	4.80%

Source: California Municipal Statistics, Inc.

CITY OF ALBANY
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TWO FISCAL YEARS

Fiscal Year	City Population	Net Assessed Value	Gross Bonded Debt	Less Debt Service Fund (1)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
2003	16,800	\$ 1,149,790,401	\$ 8,000,000	\$ -	\$ 8,000,000	0.70%	\$ 476.19
2004	16,700	\$ 1,236,098,760	\$ 8,000,000	\$ 300,170	\$ 7,699,830	0.62%	\$ 461.07

(1) Amount available for repayment of general obligation bonds.

Source: City of Albany financial reports
Alameda County Auditor-Controller Office
California Department of Finance

CITY OF ALBANY
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION
 BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES
 LAST TWO FISCAL YEARS

Fiscal Year	Total General Obligation Bonded Debt Service Expenditures	Total General Government Expenditures	Ratio of Debt Service to General Government Expenditures
2003	\$ -	\$ 17,921,574	*
2004	\$ 191,548	\$ 17,891,396	1.07%

* General obligation bonds were issued in June 2003, no debt service expenditures were made in this fiscal year.

Source: City of Albany financial reports

CITY OF ALBANY
 PRINCIPAL TAXPAYERS
 JUNE 30, 2004

<u>Assessed Name</u>	<u>Assessed Value</u>	<u>Percent of Total Assessed Value</u>
Ladbroke Land Holdings Inc	\$ 31,985,095	2.59%
Biggs, Edward & Charlotte	6,917,417	0.56%
Eichner, Erik & Rose	6,515,780	0.53%
TMG Albany Associates LP	6,185,815	0.50%
Safeway Inc	4,107,328	0.33%
Mahmoudian M & Murray T C Trs Exemption Trust	3,718,363	0.30%
Meier Charles L & Friedman Sharon G Trs Etal	3,680,276	0.30%
Albany Bowl Properties	3,451,777	0.28%
Biggs, Edward & Charlotte	2,644,496	0.21%
Hillside Partners	<u>1,561,187</u>	<u>0.13%</u>
Top Ten Total	<u>\$ 70,767,534</u>	<u>5.73%</u>
City Total	<u>\$ 1,236,098,760</u>	

Source: County of Alameda

CITY OF ALBANY
LARGEST EMPLOYERS
JUNE 30, 2004

Company	Product /Service	Employees
Albany Unified School District	Education	525
United States Department of Agriculture and Research	Agricultural Research	475
Golden Gate Fields	Race Track	211
City of Albany	Government	116
United States Department of Forest Services	Forest Research	75
Albany Ford Subaru	Automotive Dealer	65
Andronico's Markets Inc.	Food Chain Office	36
Albany Bowl Properties	Bowling	35
Apertif LLC	Restaurant	33
NVT Technologies Inc.	Maintenance Services	32

Source: City of Albany business license applications and survey of employers.

CITY OF ALBANY
 MISCELLANEOUS STATISTICS
 JUNE 30, 2004

DATE OR INCORPORATION	1908	PARKS & RECREATION:	
FORM OF GOVERNMENT	Council-Administrator	PARKS	8
EMPLOYEES	116	ACRES IN PARKS	22.5
		**TAXABLE SALES	\$126,213,251
FIRE PROTECTION:		NUMBER OF REGISTERED VOTERS	9,656
NUMBER OF STATIONS	1	COMMUNITY FACILITIES:	
NUMBER OF FIREFIGHTERS	20	CITY HALL	
		LIBRARY	
POLICE PROTECTION:		COMMUNITY CENTER	
NUMBER OF STATIONS	1	SENIOR CENTER	
NUMBER OF POLICE OFFICERS	28	TEEN CENTER	
NUMBER OF SUPPORT PERSONNEL	10	CHILD CARE CENTER	
		EDUCATION:	
		ELEMENTARY SCHOOLS	3
		MIDDLE SCHOOLS	1
		HIGH SCHOOLS	1
		CONTINUATION SCHOOL	1
		ADULT SCHOOL	1
LENGTH OF SEWER LINES	184,800 Lineal feet		

Source: Various City records