

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**WITH INDEPENDENT AUDITORS' REPORTS**

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**



**ALBANY COMMUNITY REINVESTMENT AGENCY**

**BASIC FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the Albany Community Reinvestment Agency  
Albany, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Albany Community Reinvestment Agency (Agency), a component unit of the City of Albany (City), as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Subsequent to the basic financial statements dated of June 30, 2009 and the year then ended, the State of California (State) has proposed taking some funds from all redevelopment agencies in the State. These funds are significant to the Agency and may affect its ongoing operations. See Note 8 in the Notes to Basic Financial Statements.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Agency as of June 30, 2009, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

As described in Note 1 to the basic financial statements, the Agency adopted Statement of Governmental Accounting Standards Board No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits (OPEB) other than Pensions*, No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards*.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

To the Board of Directors  
of the Albany Community Reinvestment Agency  
Albany, California  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis and other information as listed in the foregoing table of contents, is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This Required Supplementary Information is the responsibility of the management of the Agency. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.



Oakland, California  
December 28, 2009

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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This is management's discussion and analysis of the Albany Community Reinvestment Agency's financial activities and performance for the fiscal year ended June 30, 2009. Please read this in conjunction with the Agency's financial statements, which follow this discussion and analysis.

**FINANCIAL HIGHLIGHTS**

- Property tax increment revenue to the Agency was \$377,433. This revenue represents the Agency's share of the property tax from the increased assessed value of property in the redevelopment area, over the base year valuation established in 1998.
- The Agency reported an excess of revenues over expenditures for the year ended June 30, 2009 of \$193,177.
- Tax increment revenue pass-through to other local taxing entities for the fiscal year ended June 30, 2009 was \$66,450.
- Expenditures of \$38,820 were incurred for an economic development strategy and action study performed by Neil Mayer & Associates / Urban Transformations, Inc.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the Albany Community Reinvestment Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**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 Agency's finances, in a manner similar to a private-sector business. They provide information about the activities of the Agency as a whole and present a longer-term view of the Agency's finances.

The Statement of Net Assets presents information on all of the Agency's assets and liabilities, with the difference between the two 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 Agency is improving or deteriorating.

The Statement of Activities and Changes in Net Assets presents information showing how the Agency's net assets changed during the fiscal year. All changes in net assets are reported in the period that the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses may be reported in this statement for some items that produce cash flows in future fiscal periods, such as assessed but uncollected tax revenues, and interest expense incurred but not paid.

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Generally accepted reporting standards for government-wide financial statements require disclosure of the following activities:

*Governmental activities* – Functions that are principally supported by taxes and intergovernmental revenues. For the Agency, governmental activities include issuance and repayment of debt, purchase and improvement of property, and expenditures to promote development.

*Business-type activities* - Functions that are primarily funded through user charges. The Agency currently has no business-type activities.

*Component units* – These are other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be incomplete. The Albany Community Reinvestment Agency is the primary government in this report and there are no component units requiring disclosure.

### **Fund 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 Albany Community Reinvestment Agency, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds of governmental entities 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, governmental fund financial statements focus on (1) short-term inflows and outflows of spendable resources and (2) the remaining year-end balances available for spending. This information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist the reader with this comparison between governmental funds and governmental activities. However, there are no reconciling items in the Albany Community Reinvestment Agency's financial statements for the year ended June 30, 2008.

The Agency maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds:

- Special Revenue Low & Moderate Housing
- Capital Projects
- Debt Service

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Proprietary funds

Proprietary funds generally account for services for which customer fees are intended to finance the costs of operations. The Albany Community Reinvestment Agency has no proprietary funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Albany Community Reinvestment Agency has no fiduciary funds.

**Notes to the Financial Statements**

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

**Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain Supplementary Information, in addition to this discussion and analysis, concerning the Agency's progress in promoting development. Budgetary comparison schedules are presented to provide benchmarks for measuring financial performance.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Analysis of Net Assets**

Net assets and the increase or decrease in net assets serve as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$803,191 at June 30, 2009 compared to \$610,014 at June 30, 2008.

As of June 30, 2009, the Agency's total liabilities were \$791,888. Of this amount, \$686,203 represents advances and loans from the City of Albany, \$35,782 represents advances from developers, which will be expended in future periods, and \$69,903 represents accrued interest, salaries and benefits, and other liabilities. The advances and loans from the City accrue interest expense at the rate the City of Albany earns on its investments in the State of California Local Agency Investment Fund (LAIF).

The Special Revenue Low & Moderate Housing Fund has net assets of \$493,693 that have accumulated from the set-aside of 20% of the Agency's revenues, for the purpose of providing housing for low & moderate income families, and from interest earned on the fund's net assets that are invested in the California Local Agency Investment Fund (LAIF).

**Analysis of Changes in Net Assets**

The Agency's net assets increased by \$193,177 during the current fiscal year. This increase resulted from revenue of \$406,938 less expenditure of \$213,761. Administrative expenditures were \$30,107, interest expenditures were \$12,352, and expenditures for special projects were \$38,820. Special project activities were related to the Neil Mayer / Urban Transformations, Inc. economic development study.

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Budgetary Highlights**

There were no changes between the original and final adopted budgets for the Agency.

The variance between actual and budgeted revenues for the Special Revenue Low & Moderate Housing Fund was a positive \$1,907 for property taxes and a negative \$1,486 for interest revenue.

Revenue for the Capital Projects Fund was \$61,238 below budget and expenditures were \$43,073 over budget for a net budget variance of \$104,401.

In the Debt Service Fund, investment earnings were \$631 below budget and interest costs were \$1,454 below budget for a net budget variance of \$823.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The incremental assessed value of property in the redevelopment area was \$53,292,212 in fiscal year 2008-09, and has increased to \$53,965,847 for fiscal year 2009-10.

Between October 2004 and September 2005, four retail businesses opened in the redevelopment area: Target Department Store, Bridal Evening & Prom dress store, PetSmart Store and Toyota – Berkeley. The Bridal Evening & Prom dress store closed in 2007 and its location was occupied by a contractor's supply wholesaler in 2009. The Toyota auto service location began reporting used car sales from the Albany location in 2009.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, creditors and government regulators with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. Below is the contact address for questions about this report or requests for additional financial information.

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

**BASIC FINANCIAL STATEMENTS**



**ALBANY COMMUNITY REINVESTMENT AGENCY**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2009**

(With Comparative Totals for June 30, 2008)

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 1,486,345	\$ 1,408,889
Accounts receivable	108,734	-
Total current assets	<u>1,595,079</u>	<u>1,408,889</u>
Total assets	<u>1,595,079</u>	<u>1,408,889</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	12,012	791
Accrued wages	670	591
Accrued liabilities	44,869	45,521
Accrued interest due to City of Albany	12,352	29,987
Unearned revenue	<u>35,782</u>	<u>35,782</u>
	105,685	112,672
Advances from City of Albany, due in more than one year	<u>686,203</u>	<u>686,203</u>
Total liabilities	<u>791,888</u>	<u>798,875</u>
<b>NET ASSETS</b>		
Restricted	<u>803,191</u>	<u>610,014</u>
Total net assets	<u>\$ 803,191</u>	<u>\$ 610,014</u>

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Assets (Deficit)</b>	
			<b>Governmental Activities</b>	
		<b>Total Program Revenues</b>	<b>2009</b>	<b>2008</b>
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 30,107	\$ -	\$ (30,107)	\$ (28,122)
Other expenditures	132,482	-	(132,482)	-
Special projects	38,820	-	(38,820)	(1,065)
Interest on long-term debt	12,352	-	(12,352)	(29,987)
Total governmental activities	<u>\$ 213,761</u>	<u>\$ -</u>	<u>(213,761)</u>	<u>(59,174)</u>
<b>General revenues:</b>				
Property taxes			377,433	381,295
Investment earnings			29,505	51,559
Other revenue			-	1,065
Total general revenues			<u>406,938</u>	<u>433,919</u>
<b>Change in net assets</b>			193,177	374,745
Net assets-beginning of year			<u>610,014</u>	<u>235,269</u>
<b>Net assets - end of year</b>			<u>\$ 803,191</u>	<u>\$ 610,014</u>

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2009**

(With Comparative Totals for June 30, 2008)

	<b>Major Funds</b>			<b>Totals</b>	
	Special Revenue Low & Moderate Housing Fund	Capital Projects Fund	Debt Service Fund	<b>2009</b>	<b>2008</b>
<b>ASSETS</b>					
Cash and investments	\$ 493,693	\$ 572,413	\$ 420,239	<b>\$1,486,345</b>	<b>\$1,408,889</b>
Accounts receivable	-	108,734	-	<b>108,734</b>	<b>591</b>
<b>Total assets</b>	<b>\$ 493,693</b>	<b>\$ 681,147</b>	<b>\$ 420,239</b>	<b>\$1,595,079</b>	<b>\$1,408,889</b>
<b>LIABILITIES</b>					
Accounts payable	\$ -	\$ 12,012	\$ -	<b>\$ 12,012</b>	<b>\$ 791</b>
Accrued wages	-	670	-	<b>670</b>	<b>591</b>
Accrued liabilities	-	44,869	-	<b>44,869</b>	<b>45,521</b>
Accrued interest due to City of Albany	-	5,400	6,952	<b>12,352</b>	<b>29,987</b>
Unearned revenue	-	35,782	-	<b>35,782</b>	<b>35,782</b>
Advances from City of Albany	-	300,000	386,203	<b>686,203</b>	<b>686,203</b>
<b>Total liabilities</b>	<b>-</b>	<b>398,733</b>	<b>393,155</b>	<b>791,888</b>	<b>798,875</b>
<b>FUND BALANCES</b>					
Reserved for special revenue	493,693	-	-	<b>493,693</b>	<b>397,493</b>
Reserved for capital projects	-	282,414	-	<b>282,414</b>	<b>187,410</b>
Reserved for debt service	-	-	27,084	<b>27,084</b>	<b>25,111</b>
<b>Total fund balances</b>	<b>493,693</b>	<b>282,414</b>	<b>27,084</b>	<b>803,191</b>	<b>610,014</b>
<b>Total liabilities and fund balances</b>	<b>\$ 493,693</b>	<b>\$ 681,147</b>	<b>\$ 420,239</b>	<b>\$1,595,079</b>	<b>\$1,408,889</b>

**ALBANY COMMUNITY REINVESTMENT AGENCY**

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

**JUNE 30, 2009**

(With Comparative Reconciliation for June 30, 2008)

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	<u>2009</u>	<u>2008</u>
<b>Total Fund Balances (Deficit) - Total Governmental Funds</b>	<b>\$ 803,191</b>	<b>\$ 610,014</b>

There are no reporting differences between Total Fund Balances -  
Total Governmental Funds and Net Assets of Governmental Activities  
for the fiscal year ended June 30, 2009

<b>Net Assets (Deficit) of Governmental Activities</b>	<b><u>\$ 803,191</u></b>	<b><u>\$ 610,014</u></b>
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**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**  
(With Comparative Totals for the Fiscal Year Ended June 30, 2008)

	Major Funds			Totals	
	Special Revenue Low & Moderate Housing Fund	Capital Projects	Debt Service	2009	2008
<b>REVENUES</b>					
Property taxes	\$ 87,218	\$ 290,215	\$ -	\$ 377,433	\$ 381,295
Investment earnings	8,982	11,598	8,925	29,505	51,559
Other revenue	-	-	-	-	1,065
Total revenues	96,200	301,813	8,925	406,938	433,919
<b>EXPENDITURES</b>					
Administrative costs	-	30,107	-	30,107	28,122
Interest costs	-	5,400	6,952	12,352	29,987
Other expenditures	-	132,482	-	132,482	-
Special projects	-	38,820	-	38,820	1,065
Total expenditures	-	206,809	6,952	213,761	59,174
Excess of revenues over expenditures	96,200	95,004	1,973	193,177	374,745
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	96,200	95,004	1,973	193,177	374,745
<b>FUND BALANCES</b>					
Beginning of year	397,493	187,410	25,111	610,014	235,269
End of year	\$ 493,693	\$ 282,414	\$ 27,084	\$ 803,191	\$ 610,014

**ALBANY COMMUNITY REINVESTMENT AGENCY**

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

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

(With Comparative Reconciliation for the Fiscal Year Ended June 30, 2008)

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	<u>2009</u>	<u>2008</u>
<b>Net Changes in Fund Balances - Total Governmental Funds</b>	<b>\$ 193,177</b>	<b>\$ 374,745</b>
There are no reporting differences between Net Changes in Fund Balances - Total Governmental Funds and Total Changes in Net Assets of Governmental Activities for the fiscal year ended June 30, 2009		
<b>Total Changes in Net Assets of Governmental Activities</b>	<b><u>\$ 193,177</u></b>	<b><u>\$ 374,745</u></b>

## ALBANY COMMUNITY REINVESTMENT AGENCY

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2009

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#### **NOTE 1 - Summary of Significant Accounting Policies**

The basic financial statements of the Albany Community Reinvestment Agency (the "Agency") have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") as applied to governmental agencies. The Governmental Accounting Standards Boards ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles applicable to the Agency are described below.

##### **A. Reporting Entity**

The Agency is a separate governmental entity that was established in 1977 pursuant to the provisions of California statutes for the purpose of redeveloping certain areas of the City of Albany. The Agency is a component unit of the City of Albany, the primary government, and is a blended component of the City's financial statements. The primary purpose of the Agency is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. The Agency currently has one Project Area known as the Cleveland Avenue/Eastshore Highway Project Area, which was adopted by City Council Resolution on June 15, 1998.

Funds for redevelopment can be provided from various sources, including the issuance of tax allocation and lease revenue bonds, long-term notes, funds provided by the City of Albany incremental property taxes, and proceeds from the sale or lease of real property acquired with these funds.

##### **B. Description of Funds**

The accounts of the Agency 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. Government 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.

##### **C. Government-wide Financial Statements**

The Agency's 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 activities for the Agency accompanied by a total column. The Agency does not have business-type activities or related entities requiring inclusion in the financial statements as component units; therefore, only governmental activities are reported.

These basic financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Agency's assets and liabilities, including capital assets and long-term liabilities, if any, 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.

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

Certain types of transactions are reported as program revenues for the Agency in three categories: (1) charges for services, (2) operating grants and contributions and (3) capital grants and contributions.

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* ("GASB 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 Agency activities and the City of Albany, which are presented as internal balances and eliminated in the City's total primary government column.

**D. 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. Reporting standards require an accompanying schedule 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. However, the Agency has only major funds, and does not have any differences in reported net assets.

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 liabilities (except for long-term advances from the City) are included in the Balance Sheet, 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.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after fiscal year end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Agency, are incremental property taxes, intergovernmental revenues, other taxes and investment earnings. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Reporting standards require a reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements to explain the differences created by the integrated approach of GASB No. 34. However, the Agency does not have any reported differences.

**E. Governmental Fund Types**

The Governmental fund financial statements include the following fund types:

Special Revenue Fund – The Special Revenue Fund (Low and Moderate Income Housing) is used to account for the set-aside requirements for the increment within the Reinvestment Agency. The California Health and Safety Code requires Agency project areas to deposit 20% of allocated incremental property tax revenues into a Low and Moderate Income Housing Fund. This money is restricted for the purpose of increasing or improving the community's supply of low and moderate-income housing.

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the payment of principal and interest on long-term obligations.

F. Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Agency's policy is to apply restricted net assets first.

G. Budgets and Budgetary Accounting

Budget amounts are reported as originally adopted and as further amended by the Board of Directors. Budgets are adopted for the governmental funds on a basis consistent with accounting principles generally accepted in the United States of America.

H. Property Tax Revenues

Incremental property tax revenues represent property taxes in a project area arising from increased assessed valuations over base valuations established at the inception of a project. Incremental property taxes from a project accrue to the Agency until all liabilities of the project have been repaid (including cumulative funds provided by the City of Albany). After all such indebtedness has been repaid, all property taxes from a project area accrue to the various taxing authorities.

I. Net Assets

Government-Wide Net Assets consist of the following:

Restricted net assets – This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Governmental Fund Balance includes reservations of fund balances which are created to either satisfy legal covenants, including State laws, which require a portion of the fund balance to be segregated or identify the portion of the fund not available for future expenditures.

J. 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, liabilities, revenues and expenses. Actual results could differ from those estimates.

K. 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.

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 2 – Cash and Investments**

Cash and investment at June 30, 2009 consist of the following:

Cash and investments pooled with the City	<u>\$1,486,345</u>
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The Agency follows the practice of pooling its cash and investments with the cash and investments of the City of Albany for all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures.

In accordance with Section 53601 of the California Government Code, the Agency may invest in the following types of investments:

- U.S. Treasury obligations
- U.S. Agency securities
- Bankers' acceptances
- Commercial paper
- Corporate medium-term notes
- Money market mutual funds
- Repurchase agreements
- Local Agency Investment Fund (State Pool)
- Investment Trust of California (CalTrust)
- Negotiable certificates of deposit

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on the average month-end balances. Interest income from cash and investment with fiscal agent is credited directly to the related fund. The credit risk, carrying amount and market value of pooled cash and investments at June 30, 2009 are included in the Comprehensive Annual Financial Report of the City of Albany.

**NOTE 3 – Accounts Receivable**

The Agency has agreements with several other property tax supported entities under which it must pass-through a portion of property tax increments to them. Between fiscal year 2002/2003 to 2007/2008, the Agency overpaid several entities creating a receivable due to the Agency. The Agency will offset future pass-through payments against the receivable. At June 30, 2009, the balance receivable from those entities totaled \$108,734.

**NOTE 4 – Unearned Revenue**

To support traffic mitigation in the area of Buchanan Street and East Shore Highway, Target Corporation paid the Agency \$70,000 in fiscal year 2003-04 and PetSmart paid the City \$19,700 in fiscal year 2004-05. Expenditures of \$53,918 have been made from these funds yielding a balance of \$35,782 at June 30, 2009. These remaining funds have been earmarked for an AC Transit bus stop and turn-around in the redevelopment area.

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

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**NOTE 5 - Advances Payable to the City of Albany**

Advances payable to the City of Albany consist of the following:

	<u>June 30,</u> <u>2008</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>June 30,</u> <u>2009</u>
Advances from City of Albany:				
Debt Service Fund	\$ 386,203	\$ -	\$ -	\$ 386,203
Capital Projects Fund	300,000	-	-	300,000
	<u>\$ 686,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 686,203</u>

Advances from the City of Albany (\$386,203): As set forth in the Cooperation Agreement between the City and the Agency, the City advanced certain monies on behalf of the Agency to fund certain costs and expenses. 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. The total obligation is subordinate to any external debt of the Agency as well as the \$400,000 advance discussed below. The Agency expects to repay the obligation using future incremental tax revenues. There is no fixed due date. Interest of \$6,952 accruing during the current fiscal year was recorded as a current liability at June 30, 2009, and will be paid to the City in the subsequent fiscal year.

Advances from the City of Albany (\$400,000): The \$400,000 advance from the City of Albany 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. Any unpaid accrued interest is added to the total obligation on an annual basis. This obligation 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. During fiscal year 2007-08, the Agency paid the City \$100,000 and reduced the loan amount to \$300,000. Interest of \$5,400 accruing during the current fiscal year was recorded as a current liability at June 30, 2009, and will be paid to the City in the subsequent fiscal year.

**NOTE 6 – Other Expenditures**

Legislation passed by the State Legislature required the re-computation of tax increment pass-through amounts due to entities that assess property taxes within a redevelopment district. The revised computation for the Albany Community Reinvestment Agency covered fiscal years ending June 30, 2006 through June 30, 2008 and resulted in payments to various entities in the fiscal year ended June 30, 2009 of \$175,184. The revised computation resulted in some educational entities having been overpaid in prior years; thus creating a receivable for the Agency (See Note 3). The net prior period's expense for the Agency the fiscal year ended June 30, 2009 was \$66,450.

Legislation passed in 2008 required redevelopment agencies to \$350 million in property tax revenues to K-12 schools and community colleges during the fiscal year ended June 30, 2009. This ERAF (Education Revenue Augmentation Fund) shift for the Agency amounted to \$66,033.

**NOTE 7 – Commitments and Contingencies**

The Agency is at times involved as a defendant in various legal proceedings. There are no current cases, in the opinion of the Agency, for which the outcomes will have a material adverse effect on the financial position of the Agency.

**ALBANY COMMUNITY REINVESTMENT AGENCY**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2009**

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**NOTE 8 – Subsequent Event**

State legislation enacted in 2008 and 2009 established an ERAF and a SERAF (Supplemental Education Revenue Augmentation Fund) in order to shift tax increment revenue from local redevelopment agencies to K-12 and community college education districts in fiscal years 2008-09, 2009-10 and 2010-11. The 2008-09 ERAF share for the Albany Community Reinvestment Agency was \$18,815.52, and was paid December 11, 2009. The 2009-10 fiscal year payment is due May 10, 2010.

The California Redevelopment Association has challenged the constitutionality of the legislation, and a hearing has been set for February 5, 2010.

**SUPPLEMENTARY INFORMATION**



**ALBANY COMMUNITY REINVESTMENT AGENCY**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2009**

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**Budgets and Budgetary Accounting**

Procedures followed in establishing the budgetary data reflected in the financial statements are as follows:

By June 1, of even-numbered years, the City Administrator of the City of Albany submits to the Agency's Board of Directors a budget for the two fiscal years commencing the following July 1. The budget includes proposed expenditures and the sources of financing. Public hearings and work sessions are conducted to obtain comments from interested individuals and organizations, and then the budget is formalized and legally enacted through a resolution.

Changes in appropriations must be approved by the Board of Directors. Formal budgetary integration, in the form of the annual budgets, is employed as a management control device during the year for the Special Revenue Fund Low & Moderate Housing Fund, the Capital Projects Fund and the Debt Service Fund. Budgets for these funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

As needed, budgeted amounts are subjected to amendments presented to the Board of Directors for approval. Budgeted amounts are reported as originally adopted and as further amended by the Board of Directors.

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE - LOW & MODERATE INCOME HOU**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES (INFLOWS)</b>				
Property taxes	\$ 85,311	\$ 85,311	\$ 87,218	\$ 1,907
Investment earnings	10,468	10,468	8,982	(1,486)
Total available resources	<u>95,779</u>	<u>95,779</u>	<u>96,200</u>	<u>421</u>
<b>EXPENDITURES (OUTFLOWS)</b>				
Administrative costs	-	-	-	-
Interest costs	-	-	-	-
Special projects	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>\$ 95,779</u>	<u>\$ 95,779</u>	96,200	<u>\$ 421</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>397,493</u>	
End of year			<u>\$ 493,693</u>	

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**BUDGETARY COMPARISON SCHEDULE - CAPITAL PROJECTS FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Positive (Negative) Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES (INFLOWS)</b>				
Property taxes	\$ 341,243	\$ 341,243	\$ 290,215	\$ (51,028)
Investment earnings	19,898	19,898	11,598	(8,300)
Other revenue	2,000	2,000	-	(2,000)
Total available resources	<u>363,141</u>	<u>363,141</u>	<u>301,813</u>	<u>(61,328)</u>
<b>EXPENDITURES (OUTFLOWS)</b>				
Administrative costs	-	-	30,107	(30,107)
Interest costs	12,000	12,000	5,400	6,600
Other expenditures	-	-	132,482	(132,482)
Special Projects	151,736	151,736	38,820	112,916
Total expenditures	<u>163,736</u>	<u>163,736</u>	<u>206,809</u>	<u>(43,073)</u>
Excess of revenues over (under) expenditures	<u>\$ 199,405</u>	<u>\$ 199,405</u>	95,004	<u>\$ (104,401)</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>187,410</u>	
End of year			<u>\$ 282,414</u>	

**ALBANY COMMUNITY REINVESTMENT AGENCY**  
**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Budgeted Amounts		Actual Amounts	Positive (Negative) Variance with Final Budget
	Original	Final		
<b>REVENUES (INFLOWS)</b>				
Property taxes	\$ -	\$ -	\$ -	\$ -
Investment earnings	9,556	9,556	8,925	(631)
Total available resources	<u>9,556</u>	<u>9,556</u>	<u>8,925</u>	<u>(631)</u>
<b>EXPENDITURES (OUTFLOWS)</b>				
Administrative costs	-	-	-	-
Interest costs	8,406	8,406	6,952	1,454
Special projects	-	-	-	-
Debt service:				
Principal	-	-	-	-
Total expenditures	<u>8,406</u>	<u>8,406</u>	<u>6,952</u>	<u>1,454</u>
Excess of revenues over (under) expenditures	<u>\$ 1,150</u>	<u>\$ 1,150</u>	1,973	<u>\$ 823</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>25,111</u>	
End of year			<u>\$ 27,084</u>	



Caporicci & Larson  
Certified Public Accountants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Board of Directors  
of the Albany Community Reinvestment Agency  
Albany, California

We have audited the basic financial statements of the Community Reinvestment Agency of the City of Albany (Agency), a component unit of the City of Albany (City), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with generally accepted auditing standards in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiency or material weaknesses, as defined above.

Toll Free Ph: (877) 862-2200

Toll Free Fax: (866) 436-0927

**Oakland**  
180 Grand Ave., Suite 1365  
Oakland, California 94612

**Orange County**  
9 Corporate Park, Suite 100  
Irvine, California 92606

**Sacramento**  
777 Campus Commons Rd., Suite 200  
Sacramento, California 95825

**San Diego**  
4858 Mercury, Suite 106  
San Diego, California 92111

The Board of Directors  
of the Albany Community Reinvestment Agency  
Albany, California  
Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions included those provisions of laws identified in the Guidelines for Compliance Audits of California Redevelopment Agencies, issued by the State Controller and as interpreted in the Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the City Council, others within the entity, and The State Controller and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Capricci & Carlson*

Oakland, California  
December 28, 2009