

ALBANY COMMUNITY REINVESTMENT AGENCY

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITORS' REPORTS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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ALBANY COMMUNITY REINVESTMENT AGENCY

BASIC FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Honorable Members of the Board of Directors
of the City of Albany Community Reinvestment Agency
Albany, California

We have audited the accompanying basic financial statements of the government activities and each major fund of the City of Albany Community Reinvestment Agency, California (Agency), a component unit of the City of Albany (City), as of and for the year ended June 30, 2011, as listed in the table of contents. These 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. The prior year summarized information has been derived from the Agency's 2010 financial statements and, in our report dated March 17, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 opinions.

As described in Note 1 to the basic financial statements, these basic financial statements present only the Agency's and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Agency as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

As explained further in Note 10 of the basic financial statements, the California State Legislature has enacted legislation that is intended to provide for the dissolution of redevelopment agencies in the State of California. The effects of this legislation are uncertain pending the result of certain lawsuits that have been initiated to challenge the constitutionality of this legislation.

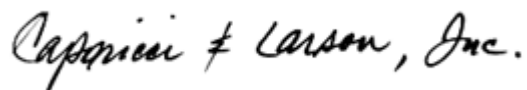
As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*, as of July 1, 2010.

To the Honorable Members of the Board of Directors
of the City of Albany Community Reinvestment Agency
Albany, California
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In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2012 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the special revenue fund on pages 3 through 7 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements as a whole. The accompanying budgetary comparison information for the capital project fund and the debt service fund on page 29 through 30 are presented for purposes of additional analysis and are not required part of the basic financial statements. The Excess Surplus Computation as of July 1, 2010 is not a required part of the basic financial statements, but is supplementary information required by the California State Controller's office. The budgetary comparison information for capital project fund and debt service fund and the Excess Surplus Computation as of July 1, 2010 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
February 28, 2012

ALBANY COMMUNITY REINVESTMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Presented here is management's discussion and analysis of the Albany Community Reinvestment Agency's financial activities and performance for the fiscal year ended June 30, 2011. Please read this discussion and analysis in conjunction with the Agency's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Property tax increment revenue for the Redevelopment District was \$353,293. This revenue represents the property tax attributable to the increased assessed value of property in the Redevelopment District, over the base year valuation established in 1998.
- The Agency reported an excess of expenditures over revenues for the year ended June 30, 2011 of \$828,824.
- Tax increment revenue pass-through to other local taxing entities for the fiscal year ended June 30, 2011 was \$88,256.
- As required by the State, a payment of \$30,130 was made to the Supplemental Education Revenue Augmentation Fund (SERAF).
- In fiscal year 2010-11 the Agency transferred \$1,050,000 to the City to enable the City to purchase property in the redevelopment district.

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.

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

ALBANY COMMUNITY REINVESTMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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. The following fund category is used by the Agency.

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.

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

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 \$65,125 at June 30, 2011 and assets exceeded liabilities by \$893,949 at June 30, 2010.

As of June 30, 2011, the Agency's total liabilities were \$1,645,776. Of this amount, \$1,536,203 represents advances and loans from the City of Albany, \$35,782 represents advances from developers, which will be expended in future periods, and \$73,791 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).

As of June 30, 2010, the Agency's total liabilities were \$828,357, of which \$686,203 were loan and advances from the City, \$35,782 were advances from developers and \$106,372 were accrued interest, salaries and other liabilities.

Analysis of Changes in Net Assets

The Agency's net assets decreased by \$828,824 during the fiscal year ended June 30, 2011. This decrease resulted from revenue of \$363,784 less expenses of \$176,681 and net transfer to the General Fund of \$1,015,927. Administrative expenditures were \$130,477, interest expenditures were \$3,362, and other expenditures were \$131,098. Other expenditures are composed of tax increment revenue pass-through of \$88,256, Supplemental Educational Revenue Augmentation Funds (SERAF) payment of \$30,130, East Bay Green Corridor dues of \$10,000, and operating expenses of \$2,712.

For the fiscal year ended June 30, 2010, net assets increased \$90,758. Revenues were \$454,961 and expenditures were \$364,203. Administrative expenditures were \$22,615, interest \$23,549, special projects \$50,402, pass-through of tax increment \$121,291, and the Supplemental Educational Revenue Augmentation Funds (SERAF) payment of \$146,346.

ALBANY COMMUNITY REINVESTMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

There were no changes between the original and final adopted budgets for the Agency in the fiscal years ended June 30, 2011 or 2010.

Highlights for the fiscal year ended June 30, 2011 include:

- The variance between actual and budgeted revenues for the Special Revenue Low & Moderate Housing Fund was a positive \$810 for property taxes and a negative \$2,891 for interest revenue.
- Revenue for the Capital Projects Fund was \$228,682 over budget due to a shift of \$100,000 from the Debt Service Fund, and the increase assessed value of property in the redevelopment district. Expenditures were \$327,193 over budget principally due to salaries and benefits, professional services, supplemental education revenue augmentation funds (SERAF) payment, and tax increment revenue pass-through. The Agency was reimbursed \$6,003 by Alameda County as a revision of prior year pass-through tax increment from the Agency to the County.
- In the Debt Service Fund, Budgeted debt repayments of \$101,000 were not made in order to preserve cash for purchase of property in the Redevelopment District. Budgeted property tax revenues of \$100,000 were not allocated to the debt service fund because of the decision to forego debt repayment.

Highlights for the fiscal year ended June 30, 2010 include:

- Revenues for the Special Revenue Low & Moderate Housing Fund were \$6,580 below budget, as a result of low interest rates reducing the earnings on cash investments.
- Revenue for the Capital Projects Fund was \$18,435 below budget principally due to low investment earnings. Expenditures were \$229,634 over budget due to the SERAF and pass-through payments that were not included in the budget.
- In the Debt Service Fund, investment earnings were \$6,161 below budget due to the low interest rates. Budgeted debt repayments of \$120,406 were not made in order to preserve cash for purchase of property in the Redevelopment District.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The incremental assessed value of property in the redevelopment area was \$53,833,021 for fiscal year 2010-11, and has increased to \$54,354,111 for fiscal year 2011-12.

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. There was no significant business expansion or contraction in fiscal year 2010-11.

ALBANY COMMUNITY REINVESTMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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BASIC FINANCIAL STATEMENTS

ALBANY COMMUNITY REINVESTMENT AGENCY

STATEMENT OF NET ASSETS

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

	Governmental Activities	
	2011	2010
ASSETS		
Current assets:		
Cash and investments	\$ 814,575	\$ 1,666,132
Accounts receivable	40,178	56,174
	<u>854,753</u>	<u>1,722,306</u>
Capital Assets	856,148	-
	<u>1,710,901</u>	<u>1,722,306</u>
Total assets		
LIABILITIES		
Current liabilities:		
Accounts payable	1,237	37,647
Accrued wages	2,638	1,237
Accrued liabilities	69,916	43,939
Accrued interest due to City of Albany	-	23,549
Deferred revenue	35,782	35,782
	<u>109,573</u>	<u>142,154</u>
Advances from City of Albany, due in more than one year	1,536,203	686,203
	<u>1,645,776</u>	<u>828,357</u>
Total liabilities		
NET ASSETS (DEFICIT)		
Restricted	676,880	893,949
Unrestricted	<u>(611,755)</u>	<u>-</u>
Total net assets	<u>\$ 65,125</u>	<u>\$ 893,949</u>

ALBANY COMMUNITY REINVESTMENT AGENCY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets (Deficit)	
		Governmental Activities	
		2011	2010
Primary government:			
Governmental Activities:			
General government	\$ 130,477	\$ (130,477)	\$ (22,615)
Other expenditures	131,098	(131,098)	(267,637)
Special projects	-	-	(50,402)
Interest on long-term debt	3,362	(3,362)	(23,549)
Total governmental activities	<u>\$ 264,937</u>	<u>(264,937)</u>	<u>(364,203)</u>
General revenues:			
Property taxes		441,549	441,977
Investment earnings		4,488	12,984
Other revenue		6,003	-
Net transfers		(1,015,927)	
Total general revenues		<u>(563,887)</u>	<u>454,961</u>
Change in net assets		(828,824)	90,758
Net assets-beginning of year		<u>893,949</u>	<u>803,191</u>
Net assets - end of year		<u>\$ 65,125</u>	<u>\$ 893,949</u>

ALBANY COMMUNITY REINVESTMENT AGENCY**BALANCE SHEET - GOVERNMENTAL FUNDS****JUNE 30, 2011**

(With Comparative Totals for June 30, 2010)

	Major Funds			Totals	
	Special Revenue Low & Moderate Housing Fund	Capital Projects Fund	Debt Service Fund	2011	2010
ASSETS					
Cash and investments	\$ 676,880	\$ 136,937	\$ 758	\$ 814,575	\$ 1,666,132
Accounts receivable	-	40,178	-	40,178	56,174
Total assets	\$ 676,880	\$ 177,115	\$ 758	\$ 854,753	\$ 1,722,306
LIABILITIES					
Accounts payable	\$ -	\$ 1,237	\$ -	\$ 1,237	\$ 37,647
Accrued wages	-	2,638	-	2,638	1,237
Accrued liabilities	-	69,916	-	69,916	43,939
Accrued interest due to City of Albany	-	-	-	-	23,549
Deferred revenue	-	35,782	-	35,782	35,782
Advances from City of Albany	-	1,150,000	386,203	1,536,203	686,203
Total liabilities	-	1,259,573	386,203	1,645,776	828,357
FUND BALANCES (DEFICITS)					
Restricted:					
Housing	676,880	-	-	676,880	586,461
Capital Projects	-	-	-	-	291,980
Debt Service	-	-	-	-	15,508
Unassigned	-	(1,082,458)	(385,445)	(1,467,903)	-
Total fund balances	676,880	(1,082,458)	(385,445)	(791,023)	893,949
Total liabilities and fund balances	\$ 676,880	\$ 177,115	\$ 758	\$ 854,753	\$ 1,722,306

ALBANY COMMUNITY REINVESTMENT AGENCY

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

JUNE 30, 2011

(With Comparative Reconciliation for June 30, 2010)

	<u>2011</u>	<u>2010</u>
Fund Balances (Deficit) - Total Governmental Funds	\$ (791,023)	\$ 893,949
Capital Assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.	856,148	-
Net Assets of Governmental Activities	<u>\$ 65,125</u>	<u>\$ 893,949</u>

ALBANY COMMUNITY REINVESTMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(With Comparative Totals for the Fiscal Year Ended June 30, 2010)

	Major Funds			Totals	
	Special Revenue Low & Moderate Housing Fund	Capital Projects	Debt Service	2011	2010
REVENUES					
Property taxes	\$ 88,310	\$ 353,239	\$ -	\$ 441,549	\$ 441,977
Investment earnings	2,109	1,440	939	4,488	12,984
Other revenue		6,003	-	6,003	-
Total revenues	90,419	360,682	939	452,040	454,961
EXPENDITURES					
Administrative costs	-	130,477	-	130,477	22,615
Interest costs	-	1,470	1,892	3,362	23,549
Other expenditures	-	131,098	-	131,098	267,637
Special projects	-	856,148	-	856,148	50,402
Total expenditures	-	1,119,193	1,892	1,121,085	364,203
Excess of revenues over expenditures	90,419	(758,511)	(953)	(669,045)	90,758
OTHER FINANCING SOURCES (USES)					
Transfers in from City	-	34,073	-	34,073	-
Transfers out to City	-	(650,000)	(400,000)	(1,050,000)	-
Total other financing sources (uses)	-	(615,927)	(400,000)	(1,015,927)	-
Net change in fund balances	90,419	(1,374,438)	(400,953)	(1,684,972)	90,758
FUND BALANCES (DEFICITS)					
Beginning of year	586,461	291,980	15,508	893,949	803,191
End of year	\$ 676,880	\$ (1,082,458)	\$ (385,445)	\$ (791,023)	\$ 893,949

ALBANY COMMUNITY REINVESTMENT AGENCY

**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, 2011

(With Comparative Reconciliation for the Fiscal Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Net Changes in Fund Balances - Total Governmental Funds	\$ (1,684,972)	\$ 90,758
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capitalized expenditures	856,148	-
Total Changes in Net Assets of Governmental Activities	<u>\$ (828,824)</u>	<u>\$ 90,758</u>

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

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 Board ("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, 2011

NOTE 1 – Summary of Significant Accounting Policies (Continued)

C. Government-wide Financial Statements (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 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. Advances to the Agency from the City's General Fund are included in these financial statements. In the City's financial statements they 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 governmental funds. 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 presents 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:

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.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies (Continued)

E. Governmental Fund Types (Continued)

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.

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

F. Cash and Investments

The Agency pools its cash with the City. The City pools cash resources from all funds in order to facilitate and maximize the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. Interest earned on investments is allocated to all funds on the basis of daily cash and investment balance.

G. 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. Infrastructure 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.

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.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and fixtures	5-10 years
Machinery and equipment	5-10 years
Vehicles	5 years
Sewer transmission lines	50 years
Infrastructure	20-70 years

H. Low and Moderate Income Housing

The California Health and Safety Code requires Agency project areas to deposit a minimum of 20% of incremental property tax revenues into a separate fund. This money is restricted for the purpose of increasing, improving, or preserving the community's supply of low and moderate-income housing. The Agency accounts for these revenues in the Low and Moderate Income Housing Fund.

I. 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.

J. 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. The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amount to the Agency. Property taxes are levied as of January 1, and a statutory lien is established. The property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively.

Incremental property taxes from a project, in excess of amounts passed-through to agencies levying taxes within the project area, accrue to the Agency until all liabilities of the Agency 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.

K. Deferred Revenue

Under the modified accrual basis of accounting revenue may be recognized only when it is earned. The Agency received funds to support traffic mitigation during fiscal year 2003-04; accordingly, the unexpended balance of these funds is reported as deferred revenue.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies (Continued)

L. Net Assets

In the Government-Wide Financial Statements, net assets are classified in the following categories:

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

Unrestricted - This amount is all net assets that do not meet the definition of “restricted net assets.”

M. Fund Balances

The Agency has adopted the provisions of GASB Statement No. 54 Fund Balance and Governmental Fund Type Definitions. GASB 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund statements conform to this new classification. The Fund Financial Statements consist of Nonspendable, Restricted, Committed, Assigned and Unassigned amounts as described below:

Nonspendable: Items that cannot be spent because they are not in spendable form, such as prepaid items, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan fund. As of June 30, 2011, the Agency did not have any nonspendable fund balances.

Restricted: Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed: Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making (normally the governing body) and that remain binding unless removed in the same manner. As of June 30, 2011, the Agency did not have any committed fund balances.

Assigned: Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. As of June 30, 2011, the Agency did not have any assigned fund balances.

Unassigned: This category is for any balances that have no restrictions placed upon them.

N. 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.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – Summary of Significant Accounting Policies (Continued)

O. Comparative Data

Prior year total columns on the accompanying financial statements are not necessary for a fair presentation of the financial statements and the independent auditors do not provide any report on these prior year amount. The prior year totals are presented to facilitate financial analysis by persons utilizing these statements.

NOTE 2 – Cash and Investments

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.

A. Cash and investment at June 30, 2011 consist of the following:

Cash and investments pooled with the City	<u>\$ 814,575</u>
---	-------------------

B. Authorized Investments

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

C. Risk Disclosures

Custodial Credit Risk. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a depositor will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a depositor will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits. The California Government Code requires that a financial institution secure deposits made by state or local governments units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 2 – Cash and Investments (Continued)

C. Risk Disclosures (Continued)

As of June 30, 2011, the Agency had cash and investments of \$814,575 pooled with City cash and investments of \$34,512,339. The City funds were held in the Local Agency Investment Fund (87%), The CalTrust Investment Fund (7%), and commercial banks (6%).

Credit Risk. This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. That is measured by the assignment of a rating by a nationally recognized credit rating organization. The Agency'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. As of June 30, 2011, there are no investments in any one issuer that represent 5% or more of total Agency investments.

Interest Rate Risk. This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Agency manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Agency monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio. In accordance with the City's investment policy, the Agency is not allowed to invest more than 25% of its investment portfolio in maturities greater than one year. Investments which exceed five years in maturity require City Council's approval. Further, each individual security is limited to one million dollars. At June 30, 2011 all of the Agency's investments had remaining maturities of twelve months or less.

D. Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. 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 \$30,750,533 whose pro-rata share of fair value was estimated by the state Treasurer to be \$30,799,196.

The Agency's investments with LAIF at June 30, 2011 included a portion of the pooled funds invested in structured notes and asset-backed securities. Structured notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options. Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMS) or credit card receivables. As of June 30 2011, the State Treasurer had invested 5.01% of the pool's funds in structured notes and asset-backed securities.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 – Accounts Receivable

The Agency is obligated to pass-through a portion of the tax increment revenue from the Redevelopment District, to other entities that levy taxes in the District. Between fiscal years ended June 30, 2003 and June 30, 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, 2011, the balance receivable from those entities totaled \$40,178.

NOTE 4 – Accrued Liabilities

The Agency’s accrued liabilities consist of accrued tax increment pass-through liabilities and other accrued expenditures. For the fiscal year ended June 30, 2011 the accrued pass-through liabilities were \$69,916, and other accrued expenditures were \$2,638.

NOTE 5 – 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, 2011. The current plans to utilize these remaining funds are to construct a traffic signal at the intersection of Buchanan and Pierce Streets.

NOTE 6 - Advances Payable to the City of Albany

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

	June 30, 2010	Additions	(Deletions)	June 30, 2011
Advances from City of Albany:				
Debt Service Fund	\$ 386,203	\$ -	\$ -	\$ 386,203
Capital Projects Fund	300,000	850,000	-	1,150,000
	\$ 686,203	\$ 850,000	\$ -	\$ 1,536,203

Advances from the City of Albany (\$300,000 and \$850,000): A \$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. This advance is being repaid from property tax increment revenues. The unpaid principal accrues interest 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 \$1,470 during the current fiscal year was paid to the City. A loan of \$850,000 was made for the purchase of property between Pierce Street and the Eastshore Freeway. This loan will be repaid from property tax increment revenues, in seventeen annual installments of \$57,133.35 beginning in 2012. The loan accrues interest at a rate of 3%.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 6 - Advances Payable to the City of Albany (Continued)

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 \$1,892 during the current fiscal year was paid to the City.

NOTE 7 – Interfund Transfers

Interfund transfers in fiscal year 2010-11 were:

	<u>Reinvestment Agency</u>		<u>City of Albany</u>	
	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Major Planning</u>	<u>Pierce St. Property</u>
Transfers for the purchase of property within the redevelopment project area, for future development.	(\$650,000)	(\$400,000)		\$1,050,000
Reimbursement of Reinvestment Agency of prior period expenditures related to Waterfront development.		\$34,073	(\$34,073)	

NOTE 8 – Capital Assets

Transactions and balances of capital assets were as follows:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2011</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ -	\$ 856,148	\$ -	\$ 856,148
Total nondepreciable assets	\$ -	\$ 856,148	\$ -	\$ 856,148

NOTE 9 – Other Expenditures

The Agency's pass-through tax increment revenue to other taxing entities in the redevelopment district for the fiscal year ended June 30, 2011 was \$88,256.

Assembly Bill X4-26 State legislation enacted in 2009 requires the shift of \$2.05 billion from California redevelopment agencies to the Supplemental Education Revenue Augmentation Fund (SERAF), with \$1.7 billion payable by May 10, 2010 and \$350 million payable by May 10, 2011. In compliance with this legislation, the Albany Reinvestment Agency made payment of \$30,130 to the Alameda County SERAF for the fiscal year ended June 30, 2011.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 10 – 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.

NOTE 11 – Excess Expenditures over Appropriations

At June 30, 2011, the following fund had excess expenditures over appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Capital Projects Fund:			
Administrative costs	\$ -	\$ 130,477	\$ (130,477)
Interest costs	-	1,470	(1,470)
Other expenditures	-	42,842	(42,842)
Special projects	792,000	856,148	(64,148)
Debt Service Fund:			
Interest costs	-	1,892	(1,892)

NOTE 12 – Recent Changes in Legislation Affecting California Redevelopment Agencies

On December 29, 2011, the Supreme Court of the State of California upheld the enforceability of legislation (Assembly Bill X1 26) that provides for the dissolutions of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program.

Assembly Bill X1 26 signed into law as part of the State's budget package on June 29, 2011, requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a successor agency that is governed by an oversight board representing the various taxing jurisdictions in the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the successor agencies.

ALBANY COMMUNITY REINVESTMENT AGENCY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011

**NOTE 12 – Recent Changes in Legislation Affecting California Redevelopment Agencies
(Continued)**

Assembly Bill X1 26 directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by Assembly Bill X1 26.

The full impacts of this most recent development and its impact on other funds of the City are not known at this time. The financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

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REQUIRED SUPPLEMENTARY INFORMATION

ALBANY COMMUNITY REINVESTMENT AGENCY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

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
BUDGET AND ACTUAL - SPECIAL REVENUE LOW AND MODERATE HOUSING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 87,500	\$ 87,500	\$ 88,310	\$ 810
Investment earnings	5,000	5,000	2,109	(2,891)
Total revenues	<u>92,500</u>	<u>92,500</u>	<u>90,419</u>	<u>(2,081)</u>
Net change in fund balance	<u>\$ 92,500</u>	<u>\$ 92,500</u>	90,419	<u>\$ (2,081)</u>
FUND BALANCES				
Beginning of year			<u>586,461</u>	
End of year			<u>\$ 676,880</u>	

SUPPLEMENTARY INFORMATION

ALBANY COMMUNITY REINVESTMENT AGENCY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECT FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 130,000	\$ 130,000	\$ 353,239	\$ 223,239
Investment earnings	2,000	2,000	1,440	(560)
Other revenue	-	-	6,003	6,003
Total revenues	<u>132,000</u>	<u>132,000</u>	<u>360,682</u>	<u>228,682</u>
EXPENDITURES				
Administrative costs	-	-	130,477	(130,477)
Interest costs	-	-	1,470	(1,470)
Other expenditures	-	-	131,098	(131,098)
Special Projects	792,000	792,000	856,148	(64,148)
Total expenditures	<u>792,000</u>	<u>792,000</u>	<u>1,119,193</u>	<u>(327,193)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(660,000)</u>	<u>(660,000)</u>	<u>(758,511)</u>	<u>98,511</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from City	-	-	34,073	(34,073)
Transfers out to City	-	-	(650,000)	650,000
Total other financing sources (uses)			<u>(615,927)</u>	<u>615,927</u>
Net change in fund balance	<u>\$ (660,000)</u>	<u>\$ (660,000)</u>	<u>(1,374,438)</u>	<u>\$ 714,438</u>
FUND BALANCES (DEFICITS)				
Beginning of year			<u>291,980</u>	
End of year			<u>\$ (1,082,458)</u>	

ALBANY COMMUNITY REINVESTMENT AGENCY

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND**

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 100,000	\$ 100,000	\$ -	\$ (100,000)
Investment earnings	1,000	1,000	939	(61)
Total revenues	<u>101,000</u>	<u>101,000</u>	<u>939</u>	<u>(100,061)</u>
EXPENDITURES				
Interest costs	-	-	1,892	(1,892)
Debt service:				
Principal	101,000	101,000	-	101,000
Total expenditures	<u>101,000</u>	<u>101,000</u>	<u>1,892</u>	<u>99,108</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(953)</u>	<u>(953)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in to City	-	-	-	-
Transfers out to City	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net change in fund balances	<u>\$ (400,000)</u>	<u>\$ (400,000)</u>	(400,953)	<u>\$ (953)</u>
FUND BALANCES (DEFICITS)				
Beginning of year			<u>15,508</u>	
End of year			<u>\$ (385,445)</u>	

ALBANY COMMUNITY REINVESTMENT AGENCY

Low and Moderate Income Housing Excess/Surplus Computations

For the year ended June 30, 2011

		<u>Low and Moderate Housing Fund</u>
Opening Fund Balance - July 1, 2010 per audit report		\$ 586,461
Less Unavailable Amounts:		
Land held for resale	\$ -	
Encumbrances (Section 33334.12 (g)(2))	-	
Unspent debt proceeds (Section 33334.12 (g)(3)(B))	-	
	<u>-</u>	
Available Low and Moderate Income Housing Funds		<u>586,461</u>
Limitation (greater of \$1,000,000 or four years set-aside)		
Set-Aside for last four years:		
Prior Year 1 - 2010	88,395	
Prior Year 2 - 2009	87,218	
Prior Year 3 - 2008	85,363	
Prior Year 4 - 2007	77,766	
	<u>338,742</u>	
Base limitation	<u>\$ 1,000,000</u>	
Greater amount		<u>1,000,000</u>
Computed Excess/Surplus		<u>None</u>

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**INDEPENDENT AUDITORS' 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**

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

We have audited the basic financial statements of the Community Reinvestment Agency (Agency) of the City of Albany (City), a component unit of the City, as of and for the year ended June 30, 2011, and have issued our report thereon dated February 28, 2012. We conducted our audit in accordance with generally accepted auditing standards in the United States of America 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the basic financial statements of the Agency 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. 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*.

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

This report is intended solely for the information and use of management, the Board of Directors, others within the Agency, 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.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc
A Subsidiary of Marcum LLP
Certified Public Accountant
San Francisco, California
February 28, 2012



Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

To the Honorable Members of the Board of Directors
of the City of Albany Community Reinvestment Agency
Albany, California

Compliance

We have audited the City of Albany Community Reinvestment Agency's (the "Agency"), a component unit of the City of Albany (City) compliance with the California Health and Safety Code as required by Section 33080.1 for the year ended June 30, 2011. Compliance with the requirements referred to above is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Compliance Audits of California Redevelopment Agencies, June 2011*, issued by the State Controller and as interpreted in the *Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies, August 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Agency has occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are applicable for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Agency's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

A deficiency in internal control over compliance 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 and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

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Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and the State Controller's Office, Division of Accounting and Reporting and is not intended to be and should not be used by anyone other than these specified parties.

Caporicci & Larson, Inc.

Caporicci & Larson, Inc.
A Subsidiary of Marcum LLP
Certified Public Accountants
San Francisco, California
February 28, 2012