

# City of Albany

Albany, California

## *Basic Financial Statements*

*For the year ended June 30, 2018*

Prepared by:  
Finance Department



**City of Albany**  
**Basic Financial Statements**

**Table of Contents**

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	<u>Page</u>
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Basic Financial Statements:</b>	
<b>Government – Wide Financial Statements:</b>	
Statement of Net Position .....	9
Statement of Activities.....	10
<b>Fund Financial Statements:</b>	
<b><i>Governmental Fund Financial Statements:</i></b>	
Balance Sheet .....	17
Reconciliation of the Governmental Funds Balance Sheet to the Government –Wide Statement of Net Position .....	18
Statement of Revenues, Expenditures and Changes in Fund Balances .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Government- Wide Statement of Activities - Governmental Funds.....	20
<b><i>Proprietary Fund Financial Statements:</i></b>	
Statement of Fund Net Position .....	22
Statement of Revenues, Expenses and Changes in Net Position .....	23
Statement of Cash Flows .....	24
<b><i>Fiduciary Fund Financial Statements:</i></b>	
Statement of Fiduciary Funds Assets and Liabilities.....	26
Statement of Changes in Fiduciary Net Position.....	27
<b>Notes to Basic Financial Statements .....</b>	<b>29</b>
<b>Required Supplemental Information .....</b>	<b>77</b>

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Albany, California (City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matters described in the basis for disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for Disclaimer of Opinion

- (1) The City did not perform timely reconciliations of cash, investments, and other balance sheet accounts, for which some could not be completed. We do not believe we can satisfy ourselves with the allocation, existence, or completeness of these account balances, as internal controls over these account balances were not performed.
- (2) The City posted many adjustments in an attempt to address issues encountered after implementing a new ERP system. These entries affect material revenue, expenditure, and balance sheet accounts. Due to limited documentation or ability to obtain explanations from the City with regard to these matters, we do not believe we can obtain sufficient audit evidence with regard to such adjustments.

- (3) We were not able to obtain sufficient audit evidence for the fiscal year 2017 account balances (beginning balances for fiscal year ended June 30, 2018).
- (4) We were unable to verify the appropriate allocation of cash and investments to individual funds.

**Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

**Other Matters**

*Required Supplementary Information*

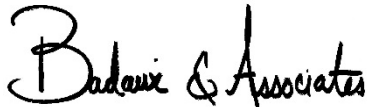
Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required 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 were unable to apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America because of the matters described in the basis for disclaimer of opinion paragraph. We do not express an opinion or provide any assurance on the information

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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.

To the Honorable Mayor and Members of the City Council  
of the City of Albany  
Albany, California  
Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019 on our consideration of the City'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* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Badawi & Associates". The signature is written in a cursive, flowing style.

Badawi and Associates  
Certified Public Accountants  
Oakland, California  
January 28, 2019

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# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**City of Albany**  
**Statement of Net Position**  
**June 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 28,487,769	\$ 9,251,633	\$ 37,739,402
Debt service reserves held with trustee	346,516	-	346,516
Receivables:			
Taxes	97,099	-	97,099
Accounts	2,961,354	43,842	3,005,196
Deposits and prepayments	60,834	-	60,834
Total current assets	<u>31,953,572</u>	<u>9,295,475</u>	<u>41,249,047</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	10,262,631	1,670,682	11,933,313
Depreciable, net	33,309,706	13,884,135	47,193,841
Total capital asset	<u>43,572,337</u>	<u>15,554,817</u>	<u>59,127,154</u>
Total noncurrent assets	<u>43,572,337</u>	<u>15,554,817</u>	<u>59,127,154</u>
<b>Total assets</b>	<u>75,525,909</u>	<u>24,850,292</u>	<u>100,376,201</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred loss on refunding	455,091	72,434	527,525
Deferred employer pension contributions	2,033,128	-	2,033,128
Deferred outflows of resources - pension	6,380,580	-	6,380,580
Deferred outflows of resources - OPEB	8,876	-	8,876
<b>Total deferred outflows of resources</b>	<u>8,877,675</u>	<u>72,434</u>	<u>8,950,109</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	6,049,834	156,977	6,206,811
Accrued salaries & benefits	1,844,128	44,970	1,889,098
Interest payable	330,760	-	330,760
Deposits payables	156,326	-	156,326
Unearned revenue	(17,866)	-	(17,866)
Compensated absences, due within one year	288,964	-	288,964
Claims liabilities, due within one year	478,576	-	478,576
Long term debt, due within one year	918,977	515,000	1,433,977
Total current liabilities	<u>10,049,699</u>	<u>716,947</u>	<u>10,766,646</u>
Noncurrent liabilities:			
Net OPEB liability	3,771,010	-	3,771,010
Net pension liability	34,136,268	-	34,136,268
Compensated absences, due in more than one year	1,008,899	-	1,008,899
Claims payable, due in more than one year	569,122	-	569,122
Long term debt, due in more than one year	15,649,187	3,090,000	18,739,187
Total noncurrent liabilities	<u>55,134,486</u>	<u>3,090,000</u>	<u>58,224,486</u>
<b>Total liabilities</b>	<u>65,184,185</u>	<u>3,806,947</u>	<u>68,991,132</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pension	3,173,345	-	3,173,345
<b>Total deferred inflows of resources</b>	<u>3,173,345</u>	<u>-</u>	<u>3,173,345</u>
<b>NET POSITION</b>			
Net investment in capital assets	27,004,173	12,022,251	39,026,424
Restricted for:			
Debt Service	2,907,681	-	2,907,681
Capital Projects	6,724,663	-	6,724,663
Public safety	577,651	-	577,651
Highway and streets	(101,104)	-	(101,104)
Special assessments	1,592,021	-	1,592,021
Safety retirement funding	326,229	-	326,229
Other	1,140,400	-	1,140,400
Total restricted	<u>13,167,541</u>	<u>-</u>	<u>13,167,541</u>
Unrestricted	(24,125,660)	9,093,528	(15,032,132)
<b>Total net position</b>	<u>\$ 16,046,054</u>	<u>\$ 21,115,779</u>	<u>\$ 37,161,833</u>

See accompanying Notes to Basic Financial Statements.

**City of Albany**  
**Statement of Activities**  
**For the year ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government:</b>					
<b>Governmental activities:</b>					
General government	\$ 14,896,221	\$ 81,868	\$ -	\$ 97,000	\$ 178,868
Police	6,856,634	191,993	166,672	-	358,665
Fire and emergency medical services	5,300,567	744,003	372,466	-	1,116,469
Community development and environmental resources	5,844,414	762,175	152,171	1,550,162	2,464,508
Recreation and community services	3,589,785	1,617,939	53,079	-	1,671,018
Interest on long-term debt	558,372	-	-	-	-
<b>Total governmental activities</b>	<b>37,045,993</b>	<b>3,397,978</b>	<b>744,388</b>	<b>1,647,162</b>	<b>5,789,528</b>
<b>Business-type activities:</b>					
Sewer	1,654,862	3,533,356	-	-	3,533,356
<b>Total business-type activities</b>	<b>1,654,862</b>	<b>3,533,356</b>	<b>-</b>	<b>-</b>	<b>3,533,356</b>
<b>Total primary government</b>	<b>\$ 38,700,855</b>	<b>\$ 6,931,334</b>	<b>\$ 744,388</b>	<b>\$ 1,647,162</b>	<b>\$ 9,322,884</b>

**General Revenues:**

Taxes:

Property taxes

Sales taxes

Franchise and other taxes

Total taxes

Investment earnings

Unrestricted revenues from other agencies

Other revenue

**Total general revenues**

**Change in net position**

**Net position - beginning of year**

**Net position - end of year**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (14,717,353)	\$ -	\$ (14,717,353)
(6,497,969)	-	(6,497,969)
(4,184,098)	-	(4,184,098)
(3,379,906)	-	(3,379,906)
(1,918,767)	-	(1,918,767)
(558,372)	-	(558,372)
<u>(31,256,465)</u>	<u>-</u>	<u>(31,256,465)</u>
-	1,878,494	1,878,494
-	1,878,494	1,878,494
<u>(31,256,465)</u>	<u>1,878,494</u>	<u>(29,377,971)</u>
12,415,783	-	12,415,783
3,511,510	-	3,511,510
<u>5,961,885</u>	<u>-</u>	<u>5,961,885</u>
21,889,178	-	21,889,178
277,356	-	277,356
38,957	-	38,957
<u>3,334,331</u>	<u>-</u>	<u>3,334,331</u>
<u>25,539,822</u>	<u>-</u>	<u>25,539,822</u>
(5,716,643)	1,878,494	(3,838,149)
<u>21,762,697</u>	<u>19,237,285</u>	<u>40,999,982</u>
<u>\$ 16,046,054</u>	<u>\$ 21,115,779</u>	<u>\$ 37,161,833</u>

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# FUND FINANCIAL STATEMENTS

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*Governmental Fund Financial Statements*

*Proprietary Fund Financial Statements*

*Fiduciary Fund Financial Statements*

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## GOVERNMENTAL FUND FINANCIAL STATEMENTS

*General Fund* accounts for the resources traditionally associated with governmental funds which are not required legally or by sound financial management to be accounted for in another fund.

*City Capital Project Fund* accounts for the expenditures of City capital projects.

*Street & Storm Fund* accounts for property tax revenues, debt proceeds, and expenditures for various street and storm drain projects.

*Non-Major Governmental Fund* is the aggregate of all the non-major governmental funds.

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**City of Albany**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	City Capital Project	Street & Storm Funds		
<b>ASSETS</b>					
Cash and investments	\$ 9,364,390	\$ -	\$ 4,377,432	\$ 11,045,685	\$ 24,787,507
Debt service reserves held with trustee	-	-	-	346,516	346,516
Receivables:					
Taxes	-	-	7,593	89,506	97,099
Accounts	2,940,974	-	-	20,380	2,961,354
Prepaid Items	60,834	-	-	-	60,834
Due from other funds	956,654	-	-	-	956,654
<b>Total assets</b>	<b>\$ 13,322,852</b>	<b>\$ -</b>	<b>\$ 4,385,025</b>	<b>\$ 11,502,087</b>	<b>\$ 29,209,964</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 2,803,023	\$ 1,617,767	\$ 371,485	\$ 1,257,562	\$ 6,049,837
Accrued salaries & benefits	1,545,930	-	21,463	276,735	1,844,128
Due to other funds	-	860,971	-	95,683	956,654
Deposit payable	155,312	-	-	1,014	156,326
Unearned revenue	(27,655)	-	-	9,789	(17,866)
<b>Total liabilities</b>	<b>4,476,610</b>	<b>2,478,738</b>	<b>392,948</b>	<b>1,640,783</b>	<b>8,989,079</b>
<b>Fund Balances: (Note 9)</b>					
Nonspendable	60,834	-	-	-	60,834
Restricted	-	-	3,992,077	11,056,992	15,049,069
Assigned	-	-	-	1,988,593	1,988,593
Unassigned	8,785,408	(2,478,738)	-	(3,184,281)	3,122,389
<b>Total fund balances</b>	<b>8,846,242</b>	<b>(2,478,738)</b>	<b>3,992,077</b>	<b>9,861,304</b>	<b>20,220,885</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,322,852</b>	<b>\$ -</b>	<b>\$ 4,385,025</b>	<b>\$ 11,502,087</b>	<b>\$ 29,209,964</b>

**City of Albany**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Government-Wide Statement of Net Position**  
**June 30, 2018**

**Total Fund Balances - Total Governmental Funds** \$ 20,220,885

Amounts reported for governmental activities in the Statement of Net Position were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Total
Non-depreciable	\$ 10,262,631
Depreciable, net	33,309,706
	43,572,337

In the Government-Wide Financial Statements, certain differences between actuarial amounts and actual results for pension and OPEB are deferred and amortized over a period of time, however these differences do not impact the Governmental Funds Balance Sheet:

Deferred outflows of resources - pension	6,380,580
Deferred outflows of resources - OPEB	8,876
Deferred inflows of resources - pension	(3,173,345)

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred. 2,033,128

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the Governmental Funds Balance Sheet. (330,760)

The difference between the carrying value of refunded debt and the reacquisition price is deferred and amortized over the shorter of the remaining life of the refunded debt or the refunding debt. 455,091

Internal service funds were used by management to charge the costs of certain activities such as insurance and compensated absences to individual funds. The assets and liabilities of the Internal service funds were included in governmental activities in the Government-Wide Statement of Net Position. 1,354,704

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Government-Wide Statement of Net Position	Internal Service Funds	Total
Compensated absences - due within one year	\$ (288,964)	\$ 288,964	\$ -
Claims payable - due within one year	(478,576)	478,576	-
Long term debt - due within one year	(918,977)	-	(918,977)
Net OPEB Obligation	(3,771,010)		(3,771,010)
Net pension liability	(34,136,268)	-	(34,136,268)
Compensated absences - due in more than one year	(1,008,899)	1,008,899	-
Claims payable - due in more than one year	(569,122)	569,122	-
Long term debt - due in more than one year	(15,649,187)	-	(15,649,187)
	\$ (56,821,003)	\$ 2,345,561	(54,475,442)

**Net Position of Governmental Activities** \$ 16,046,054

See accompanying Notes to Basic Financial Statements.

**City of Albany**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2018**

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	City Capital Project	Street & Storm Funds		
<b>REVENUES:</b>					
Property taxes	\$ 7,176,748	\$ -	\$ 1,089,145	\$ 4,876,115	\$ 13,142,008
Sales taxes	3,511,510	-	-	-	3,511,510
Franchise and other taxes	4,020,717	-	-	-	4,020,717
Licenses and permits	1,204,391	-	-	-	1,204,391
Fines and forfeitures	188,954	-	-	-	188,954
Earnings on investments	277,354	-	-	2	277,356
Revenues from other agencies	191,384	71,019	29,603	2,013,006	2,305,012
Current service charges	2,061,243	-	-	872,033	2,933,276
Other revenue	684,106	2,916,133	-	138,240	3,738,479
<b>Total revenues</b>	<b>19,316,407</b>	<b>2,987,152</b>	<b>1,118,748</b>	<b>7,899,396</b>	<b>31,321,703</b>
<b>EXPENDITURES:</b>					
Current:					
General government	4,412,073	632	30,977	20,696	4,464,378
Police	6,754,786	-	-	-	6,754,786
Fire and emergency medical services	2,756,394	-	-	2,471,845	5,228,239
Community development and environmental resources	2,490,140	-	231,524	1,454,663	4,176,327
Recreation and community services	2,519,910	-	-	854,373	3,374,283
Capital outlay	825,923	6,279,608	496,655	3,337,980	10,940,166
Debt service:					
Principal	43,423	-	-	1,098,372	1,141,795
Interest	4,134	-	-	550,478	554,612
<b>Total expenditures</b>	<b>19,806,783</b>	<b>6,280,240</b>	<b>759,156</b>	<b>9,788,407</b>	<b>36,634,586</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(490,376)</b>	<b>(3,293,088)</b>	<b>359,592</b>	<b>(1,889,011)</b>	<b>(5,312,883)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	1,262,885	-	-	472,698	1,735,583
Transfers out	-	-	(21,000)	(1,714,583)	(1,735,583)
<b>Total other financing sources (uses)</b>	<b>1,262,885</b>	<b>-</b>	<b>(21,000)</b>	<b>(1,241,885)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>772,509</b>	<b>(3,293,088)</b>	<b>338,592</b>	<b>(3,130,896)</b>	<b>(5,312,883)</b>
<b>FUND BALANCES:</b>					
Beginning of year	8,073,733	814,350	3,653,485	12,992,200	25,533,768
End of year	\$ 8,846,242	\$ (2,478,738)	\$ 3,992,077	\$ 9,861,304	\$ 20,220,885

See accompanying Notes to Basic Financial Statements.

# City of Albany

## Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities

For the year ended June 30, 2018

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<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (5,312,883)
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Amounts reported for governmental activities in the Statement of Activities were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period. 124,422

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. (2,076,356)

In the statement of activities, only the gain or (loss) on the sale of capital assets is reported, whereas in the governmental funds proceeds from sales increases financial resources. The difference between proceeds and the loss on disposal of capital assets. -

Employer contributions for pension were recorded as expenditures in the governmental funds. However, in the Government-Wide Financial Statements these contributions are deferred. 2,033,128

Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position. 1,141,795

Proceeds of new debt are recorded as other financing sources in the governmental funds, however are recorded as a liability on the Statement of Net Position. -

Other post-employment benefit expense reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balances. (278,431)

Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds. (1,386,428)

Interest expense on long-term debt is reported on the accrual basis on the Government-Wide Statements, but expenditures on long-term debt in the governmental funds statements are recorded when paid. The following amount represents the changes in accrued interest from the prior year. 7,785

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported in the Statement of Activities but not in the Statement of Revenues, Expenditures, and Changes in Fund Balances. 30,325

<b>Change in Net Position of Governmental Activities</b>	<u>\$ (5,716,643)</u>
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See accompanying Notes to Basic Financial Statements.



## PROPRIETARY FUND FINANCIAL STATEMENTS

*Sewer Fund* accounts for wastewater and sewage collection provided to the City residents and businesses.

**City of Albany**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	Business-Type Activities Enterprise Fund Sewer Fund	Governmental- Activities Internal Service Fund
<b>ASSETS</b>		
Current assets:		
Operating cash and investments	\$ 9,251,633	\$ 3,700,265
Accounts receivable	43,842	-
Total current assets	<u>9,295,475</u>	<u>3,700,265</u>
Noncurrent assets:		
Capital assets, non-depreciable	1,670,682	-
Capital assets, depreciable	13,884,135	-
Total capital assets	<u>15,554,817</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 24,850,292</u>	<u>\$ 3,700,265</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on refunding	<u>72,434</u>	<u>-</u>
<b>Total deferred outflows of resources</b>	<u>72,434</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 156,977	\$ -
Accrued salaries & benefits	44,970	-
Compensated absences	-	288,964
Claims liabilities	-	478,576
Current portion of long term debt	515,000	-
Total current liabilities	<u>716,947</u>	<u>767,540</u>
Noncurrent liabilities:		
Compensated absences	-	1,008,899
Claims liabilities	-	569,122
Long-term debt	3,090,000	-
Total noncurrent liabilities	<u>3,090,000</u>	<u>1,578,021</u>
<b>Total liabilities</b>	<u>3,806,947</u>	<u>2,345,561</u>
<b>NET POSITION</b>		
Net investment in capital assets	12,022,251	-
Unrestricted	<u>9,093,528</u>	<u>1,354,704</u>
<b>Total net position</b>	<u>\$ 21,115,779</u>	<u>\$ 1,354,704</u>

See accompanying Notes to Basic Financial Statements.

**City of Albany**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

	Business-Type Activities Enterprise Fund Sewer Fund	Governmental- Activities Internal Service Fund
<b>OPERATING REVENUES:</b>		
Services charges	\$ 3,533,356	\$ 30,325
<b>Total operating revenues</b>	<b>3,533,356</b>	<b>30,325</b>
<b>OPERATING EXPENSES:</b>		
Personnel services	416,273	-
Materials, supplies and other	679,930	-
Major repairs	13,488	-
Depreciation	457,499	-
<b>Total operating expenses</b>	<b>1,567,190</b>	<b>-</b>
<b>OPERATING INCOME</b>	<b>1,966,166</b>	<b>30,325</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Interest expense	(87,672)	-
<b>Total nonoperating revenues (expenses)</b>	<b>(87,672)</b>	<b>-</b>
<b>Change in net position</b>	<b>1,878,494</b>	<b>30,325</b>
<b>NET POSITION</b>		
Beginning of year	19,237,285	1,324,379
End of year	<b>\$ 21,115,779</b>	<b>\$ 1,354,704</b>

See accompanying Notes to Basic Financial Statements.

**City of Albany**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended June 30, 2018**

	Business-Type Activities Enterprise Fund Sewer Fund	Governmental- Activities Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from others		
Cash received from customers	\$ 3,525,774	\$ 30,325
Cash paid to employees	(416,273)	-
Cash paid to suppliers	(685,763)	-
<b>Net cash provided by operating activities</b>	<b>2,423,738</b>	<b>30,325</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Principal payments - bonds	(505,000)	-
Interest paid	(87,672)	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(592,672)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,831,066	30,325
<b>CASH AND CASH EQUIVALENTS - Beginning of year</b>	7,420,567	3,669,940
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<b>\$ 9,251,633</b>	<b>\$ 3,700,265</b>
<b>FINANCIAL STATEMENT PRESENTATION:</b>		
Cash and investments	\$ 9,251,633	\$ 3,700,265
<b>Total</b>	<b>\$ 9,251,633</b>	<b>\$ 3,700,265</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>		
<b>CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 1,966,166	\$ 30,325
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	457,499	-
Changes in assets and liabilities		
Increase (decrease) in accounts receivable	(7,582)	-
Increase (decrease) in accounts payable and accrued liabilities	7,655	-
<b>Total adjustments</b>	<b>457,572</b>	<b>-</b>
<b>Net cash provided by operating activities</b>	<b>\$ 2,423,738</b>	<b>\$ 30,325</b>

See accompanying Notes to Basic Financial Statements.

## FIDUCIARY FUND FINANCIAL STATEMENTS

### Private Purpose Trust Funds

*Police and Fire Pension Trust Fund* accounts for the City's Police and Fire Relief or Pension Trust Fund.

*Successor Agency Trust to the Redevelopment Agency Private-Purpose Trust Fund* accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future. As discussed in Note 14, all Californian redevelopment agencies were dissolved as of January 31, 2012 and replaced with Successor Agencies responsible for winding down the affairs of the redevelopment agencies including disposing of their assets. This fund continues payments on the Enforceable Obligation Schedule and disposes of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

### Agency Funds

*Agency Fund* accounts for the amounts held by the City acting as an agent for a third party.

**City of Albany**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	Pension Trust Fund (Police and Fire Pension)	Agency Funds
<b>ASSETS</b>		
Current assets		
Operating cash and investments	\$ 19,148	\$ 404,237
Debt service reserves held with trustee	-	479,824
Investments, at fair value		
Local Agency Investment Fund	264,263	-
Cash and Money Market Fund	111,644	-
Mutual funds	5,329,750	-
Total investments, at fair value	<u>5,705,657</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 5,724,805</u></u>	<u><u>\$ 884,061</u></u>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Current liabilities		
Accounts payable	341,238	6,386
Due to bondholders	-	667,842
Member deposits	-	40,494
Refundable deposits	-	169,339
Total noncurrent liabilities	<u>-</u>	<u>209,833</u>
<b>Total liabilities</b>	<u>341,238</u>	<u>\$ 884,061</u>
<b>NET POSITION</b>		
Net Position restricted for pensions	<u>5,383,567</u>	
<b>Total net position of Trust Funds</b>	<u><u>\$ 5,383,567</u></u>	

See accompanying Notes to Basic Financial Statements.

**City of Albany**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2018**

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	Pension Trust Fund (Police and Fire Pension)
<b>ADDITIONS:</b>	
Employer contributions	\$ 218,723
Total additions	<u>218,723</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	42,773
Interest	10
Dividends	<u>270,929</u>
Total investment income	<u>313,712</u>
Total additions to assets	<u>532,435</u>
<b>DEDUCTIONS:</b>	
Pension benefits paid	1,279,564
Administration	<u>101,709</u>
Total deductions from assets	<u>1,381,273</u>
<b>Changes in net position</b>	<b>(848,838)</b>
<b>NET POSITION:</b>	
Beginning of year	<u>6,232,405</u>
End of year	<u>\$ 5,383,567</u>

See accompanying Notes to Basic Financial Statements.

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**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 1 – Background**

The City of Albany is a largely residential community located on San Francisco Bay in Alameda County, California. The City was incorporated in 1908. The population as of January 2018 estimated by the State of California, Department of Finance to be 19,053.

The City operates under the Council-City Manager form of government, with a full-time City Manager. The governing body is a five-member council, with one council member serving as mayor. The members are elected at large to serve a four year term. The City Treasurer is also an elected official.

In addition to finance and administrative functions, the City Manager oversees 84 fulltime-equivalent employees in the functions of:

- *Police services* - the Police Department is composed of a Chief of Police, two Lieutenants, five Sergeants, an Administrative Supervisor, fourteen patrol officers, three Detectives, six Public Safety Dispatchers, and various support services personnel for the equivalent of thirty-seven full-time employees. In addition to enforcement of laws and protection of life and property, the department supports the Albany Police Activities League (APAL) and numerous other community service programs.
- *Fire and Emergency Medical Services* - the Fire and Emergency Medical Services Department is composed of a Chief, a Battalion Chief, and eighteen fire fighters and paramedic personnel. The Fire Department is responsible for operation of the City's Emergency Operations Center. Department personnel perform numerous services to benefit the community, such as Christmas toy drives, sale of low cost bicycle helmets and conducting CPR courses.
- *Recreation and Community Services* - the City provides many recreational activities for its citizens, with emphasis on services to youth and seniors. City owned recreational facilities operated by the department are:
  - Community Center
  - Senior Center and a Senior Center Annex
  - Child Care Centers
  - Albany Teen Center
- *Community Development and Environmental Resources* - the functions of City infrastructure maintenance and administration of licensing, permit and zoning activities are assigned to this department. The department is composed of the following two divisions:
  - Planning and Building
  - Environmental Resources
- *Finance and Administrative Services* – performs financial accounting, budgeting, insurance administration, investment management, capital projects accounting, and other finance and administrative tasks, as required.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies**

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

A. Reporting Entity

The financial statements of the City include the financial activities of the City as well as separate legal entities, called component units, which are controlled by or dependent on the City. While these are separate legal entities, the City Council may serve, in separate session, as their governing body and their financial activities are integral to those of the City. Their financial activities have been aggregated and merged or “blended” with those of the City, in the accompanying financial statements. The one exception is the *City of Albany Police and Fire or Pension Fund*, which does issue separate financial statements.

- *The City of Albany Police and Fire Relief or Pension Fund (Trust)* is a separate legal trust whose purpose is to provide pension benefits for certain eligible City employees. The Trust’s governing board is composed of a City Council person, City Treasurer, City Clerk, and two members of the Trust. All accounting and administrative functions are performed by the City, at the direction of the Trust Board of Commissioners. The activities of the Trust have been included in the Police and Fire Relief Pension Trust Fund. Separate financial statements for the Trust may be obtained from the City of Albany administrative offices located at 1000 San Pablo Avenue, Albany, CA 94706.
- *The City of Albany Public Facilities Financing Authority* is a financing authority whose purpose is to provide financing assistance to the City for acquiring real property and improvements for the benefit of the City and surrounding areas. The Authority’s board is composed of the City Council, and all accounting and administrative functions are performed by City staff. The Authority is dependent upon the City for its cash flows, and the activities of the Authority have been recorded in the Public Facilities Financing Authority Debt Service Fund of the City. Separate financial statements are not issued for the Authority.

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

***Government-wide Financial Statements***

The City Government-wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City, accompanied by a total column. Internal Service Funds activities are excluded to avoid “doubling up” revenues and expenses. Fiduciary activities of the City are not included in the government-wide statements.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

**B. Basis of Accounting/Measurement Focus**

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

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

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board Statement No. 34 in regards to inter-fund activities, payables and receivables. The City does not have internal payments that are treated as program revenue. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, transactions between governmental and business-type activities have not been eliminated.

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

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

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

B. Basis of Accounting/Measurement Focus (Continued)

***Governmental Fund Financial Statements***

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

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

Expenditures are generally recognized when a liability is incurred, under the modified accrual basis of accounting. Principal and interest on general long-term debt are recognized when due. Financial resources are appropriated in other funds for transfer to a debt service fund in the period in which maturing debt principal and interest must be paid. Thus, amounts are not current liabilities of the debt service fund, as their settlement will not require expenditure of existing fund 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 current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as subject to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The major governmental funds of the City are:

- *General Fund* – This is the general operating fund of the City. It is used to account for all financial resources except those accounted for in another fund.
- *City Capital Project Fund* – This fund is used to account for City capital project expenditures.
- *Street & Storm Capital Project Fund* – This fund is used to record property tax revenues, debt proceeds and expenditures for various street and storm drain projects.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

B. Basis of Accounting/Measurement Focus (Continued)

***Proprietary Fund Financial Statements***

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

The City of Albany reports the Sewer Enterprise Fund as a major proprietary fund type. The Sewer Enterprise Fund accounts for wastewater and sewage collection provided to City residents and businesses. The cost of this service, including depreciation, is recovered through user charges.

The City's internal service funds at June 30, 2018 are the Workers' Compensation Fund, General Liability Fund, and the Compensated Absences Fund. The Workers' Compensation Fund is used to cover known and unknown claims that may occur relating to worker injuries. The General Liability Fund is used to cover future general liability claims against the City. The Compensated Absences Fund is used to reserve funds required to pay off accrued liabilities for vacations, compensatory time and sick leave upon employees' retirement or other termination of employment.

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

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

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

B. Basis of Accounting/Measurement Focus (Continued)

***Fiduciary Fund Financial Statements***

Fiduciary Fund Financial Statements include a statement of net position and a statement of changes in net position. The City's fiduciary funds represent a Pension trust fund, Private-purpose trust fund, and agency funds. Pension Trust Funds are used to report resources that are required to be held in trust by the City for the members and beneficiaries of defined benefit pension plans and defined contribution pension plans, Private-purpose trust funds are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments, and Agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City includes in its Comprehensive Annual Financial Report (CAFR) the Police and Fire Pension Trust Fund, which accounts for the activities of the Police and Fire Relief or Pension Fund Trust. The Successor Agency Fund is reported as a Private-purpose trust fund.

Agency funds are used by the City to report activity relating to amounts collected and distributed by the City, which include fees, special assessments, and deposits for outside parties based on agreements. Agency fund transactions are presented in the statement of changes in fiduciary assets and liabilities on page 41.

C. Revenue Recognition for the Sewer Enterprise Fund

Sewer service charges are billed and collected by the Alameda County Tax Collector as part of the property tax bill. Semi-annual payments are due November 1 and February 1 of the fiscal year in which the service is provided. Any charges, of a material amount, billed but not received, as of the end of the fiscal year, are accrued.

D. Compensated Absences

City employees under state laws are entitled to payment of accrued and unused vacation leave hours. In addition the City bargaining agreements and personnel rules allow for those who retire with unused sick leave to receive payment of twenty-five percent of accrued and unused sick leave, at the time of retirement. The City has obligations for accrued vacation and sick leave in the amount \$1,297,863, which is recorded in the Compensated Absences Internal Service Fund. The current portion of the liability is \$288,964, and the noncurrent portion is \$1,008,899.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

E. Property Tax

Alameda County officials assess property, calculate and collect taxes due. The County distributes taxes, plus related interest and penalties, allocated to the City.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and become delinquent on August 31. The term “unsecured” refers to taxes on personal property other than real estate, land, and buildings, which are secured by liens on the property being taxed.

Property tax revenues are recognized by the City in the fiscal year they are assessed provided they become available as defined above.

F. Cash and Cash Equivalents, and Cash Flows

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

Proprietary fund types operating cash and investments have been used to prepare the statements of cash flows. Debt service reserves with trustees have original maturity terms of more than three months, and are not included as cash equivalent in the statement of cash flows. For the purpose of the statement of cash flows of the proprietary funds types, cash and cash equivalents include all investments, as the City operates an internal cash management pool which maintains the general characteristics of a demand deposit account.

G. Prepaid Items

Prepaid items represent amounts paid in advance for a benefit not yet received. This type of expenditure normally includes costs paid in one fiscal year (or period) that benefits a future year (or period). The City uses the consumption method of accounting for prepaid items under which purchases are debited to a prepaid asset account and are recorded as expenditures or expenses when used.

H. Capital Assets

Governmental activity capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair 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.

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

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

H. Capital Assets (Continued)

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 Capital 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.

Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and fixtures	5-10 years
Machinery and equipment	2-10 years
Vehicles	5 years
Sewer transmission lines	50 years
Infrastructure	20-70 years

I. Deferred Compensation Plan

City employees may defer a portion of their compensation under a City sponsored deferred compensation plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination of employment, retirement, death, or in an emergency as defined by the Plan. In accordance with GASB Statement No. 32, the funds have been placed in a trust administered by ICMA-Retirement Corporation and are not available to the City's general creditors. Accordingly, the City does not report the assets in the financial statements.

J. Net Position and Fund Balances

In the government-wide financial statements, net positions are classified in the following categories:

*Net Investment in Capital Assets:* This category groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of related debt reduce this category.

*Restricted Net Position:* This category represents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position:* This category represents the net position of the City that are not externally restricted for any project or other purpose.



**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

J. Net Position and Fund Balances (Continued)

In the fund financial statements, governmental funds are classified in the following categories in accordance with a policy adopted by the City Council:

*Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

*Restricted Fund Balance* – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

*Committed Fund Balance* – includes amounts that can only be used for the specific purposes established by the City Council. Commitments may be changed or lifted only by the City Council taking the same formal action that imposed the constraint originally (for example: resolution).

*Assigned Fund Balance* – includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by (a) City Council or (b) a body (a budget, finance committee, or management (City Wide Leadership team, which consists of City Manager and Executive Department Heads)) to which the assigned amounts are to be used for specific purposes. The City Council adopted Resolution No. 2012-2 that delegated this authority to the City Manager. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) other than the General Fund, that are not classified as nonspendable, restricted, or committed.

*Unassigned Fund Balance* – the residual classification for the General Fund and includes all not contained in the other classifications. Governmental funds report residual negative balances as unassigned fund balance.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

K. Use of Estimates

The preparation of the basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City’s California Public Employees’ Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. New Pronouncements

In fiscal year 2018, the City adopted the following Governmental Accounting Standards Board (GASB) Statements:

- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* – The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 85, *Omnibus 2017* – The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). There was no effect on net position as a result of implementation of this statement. Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the City for the current fiscal year.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

O. New Pronouncements (Continued)

- GASB Statement No. 86, *Certain Debt Extinguishment Issues* – The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement did not apply to the City for the current fiscal year.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 –Cash and Investments**

The City's dependence on property tax receipts and seasonal revenue sources requires it to maintain significant cash reserves to finance operations. Except debt service reserves with trustees, bond proceeds from special assessment districts, and bond proceeds from sewer revenue bonds, the City pools operating cash and investments from all sources and funds, so that these funds may be invested at the maximum yield, consistent with safety and liquidity, while allowing expenditures from individual funds at any time. Disclosure for the Police and Fire Relief Pension Fund investments can be found in Note 10.

The following is a summary of pooled cash and investments, including debt service reserves with trustees at June 30, 2018:

	Government-Wide Statement of Net Position		Fiduciary Funds	Total
	Governmental Activities	Business-Type Activities	Statement of Net Position	
Operating cash and investments	\$ 28,487,769	\$ 9,251,633	\$ 6,129,042	\$ 43,868,444
Debt service reserves held with trustee	346,516	-	479,824	826,340
<b>Total</b>	<b>\$ 28,834,285</b>	<b>\$ 9,251,633</b>	<b>\$ 6,608,866</b>	<b>\$ 44,694,784</b>

At June 30, 2018 the City's pooled cash and investments, including debt service reserves with trustees consisted of the following:

<b>City Treasury:</b>	
Deposits:	
Cash on hand	\$ 2,646
Deposits with financial institutions	8,849,548
Total Deposits	8,852,194
Investments:	
State investment pool	27,196,020
Mutual funds	5,378,821
CalTrust investment pool	2,378,836
Cash and money market funds	62,573
Total investments	35,016,250
<b>Total City Treasury</b>	<b>43,868,444</b>
<b>Debt service reserves held with trustee</b>	<b>826,340</b>
<b>Total City and trustee cash and investments</b>	<b>\$ 44,694,784</b>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – Operating Cash and Investments (Continued)**

A. Authorized Investments

The table below identifies the investment types that are authorized by the City’s Investment Policy. The table also identifies certain provisions of the City’s Investment Policy that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the City’s investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of *Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	N/A	N/A	N/A
U.S. Agency Securities	N/A	N/A	N/A
Banker's Acceptance	180 days	40%	10%
Commercial Paper	270 days	15%	10%
Medium-Term Notes	One year	15%	5%
Money Market Mutual Funds	N/A	N/A	N/A
Repurchase Agreements	7 days	N/A	N/A
Local Agency Investment Fund (LAIF)	N/A	N/A	N/A
Investment Trust of California (CalTrust)	N/A	25%	N/A
Negotiable Certificates of Deposits	One year	15%	N/A

\*Excluding amounts held by bond trustee that are not subject to California Government Code restrictions.

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

B. Risk Disclosures

*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 City 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 City 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 City 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.

**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 – Operating Cash and Investments (Continued)**

B. Risk Disclosures (Continued)

At June 30, 2017 all of the City's investments had remaining maturities of twelve months or less.

Investment Type	Fair Value	Maturity: 12 Months Or Less
State investment pool	\$ 27,196,020	\$ 27,196,020
Mutual funds	5,378,821	5,378,821
CalTrust investment pool	2,378,836	2,378,836
Cash and money market funds	62,573	62,573
Total	<u>\$ 35,016,250</u>	<u>\$ 35,016,250</u>

*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 City's investment facilities listed above were not assigned ratings by a nationally recognized credit rating organization.

The City's general policy is to apply the prudent-investor rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. As of June 30, 2018 there are no investments in any one issuer that represent 5% or more of total City investments.

*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 fair 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 City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2018, bank balances were \$8,831,197 at one institution. The Federal Deposit Insurance Corporation fully insures up to \$250,000. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 3 – Operating Cash and Investments (Continued)**

C. 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 \$27,196,020 whose pro-rata share of fair value was estimated by the state Treasurer to be \$27,196,020. The fair value change in this investment for the year came to an amount that was not material for presentation in the financial statements.

The City's investments with LAIF at June 30, 2018 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 2018, the State Treasurer had invested 2.81% of the pool's funds in structured notes and asset-backed securities.

D. Fair Value of Investments

Investments (except for money market accounts included in investments classified as restricted cash and investments) are measured at fair value on a recurring basis. Recurring fair value measurements, are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment fair value measurements at June 30, 2018 are described on the following page.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – Operating Cash and Investments (Continued)**

D. Fair Value of Investments (Continued)

Investment Type	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Mutual Funds-Bond Funds				
DODGE & COX INCOME FUND	\$ 1,801,505	\$ 1,801,505	\$ -	\$ -
PIMCO INVESTMENT GRADE	691,185	691,185	-	-
Mutual Funds-Equity Funds				
DODGE & COX STOCK FUND	2,009,162	2,009,162	-	-
IVA INTL FD CL I	347,995	347,995	-	-
MAINSTAY EPOCH GLOBAL	411,875	411,875	-	-
NEUBERGER BERMAN EQTY	117,099	117,099	-	-
Subtotal Mutual Funds	<u>5,378,821</u>	<u>5,378,821</u>	<u>-</u>	<u>-</u>
Total investments subject to levelling	<u>\$ 5,378,821</u>	<u>\$ 5,378,821</u>	<u>\$ -</u>	<u>\$ -</u>

The City's investments in bond and equity mutual funds are based on direct quotes from active markets for similar investments.

E. Albany Police and Fire Relief Pension Fund

The following information pertains to the Albany Police and Fire Relief Pension Fund only.

*Cash*

At June 30, 2018, the Fund's cash balance was a \$19,148. The Fund's bank balance of \$16,422 (inclusive of outstanding checks) was held at one institution, which was fully covered by depository insurance.

*Method Used to Value Investments*

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

*Investment Management*

Fund investments are managed by an investment manager (Atlantic Trust) under an agreement which authorizes the Manager to purchase and sell securities, within the guidelines of the Fund's governing board, which meets with the investment manager quarterly.

At June 30, 2018, the Fund's assets were invested in the Schwab Money Market Fund (SWMXX); Dodge & Cox Income Fund (DODIX); PIMCO Investment Grade (PIGIX); Dodge & Cox Stock Fund (DODGX); IVA Intl Fund CL I (IVIQX); Mainstay Epoch Global (EPSYX); and Neuberger Berman Equity (NBHIX).



**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – Operating Cash and Investments (Continued)**

E. Albany Police and Fire Relief Pension Fund (Continued)

The Fund's Investment Policy allows the Fund to invest in domestic equity, international equity, and debt securities. Each type of investment is subject to a target allocation and includes maximum and minimum general guidelines as a percentage of the overall portfolio.

<u>Authorized Investment Type</u>	<u>Target Allocation</u>	<u>Minimum Percentage of Portfolio</u>	<u>Maximum Percentage of Portfolio</u>
Large Cap Equity	40%	25%	55%
International Equity	10%	5%	15%
Fixed Income	50%	40%	60%
Cash	5%	N/A	10%

As of June 30, 2018, the Fund's allocations reflected the general guidelines set by the Fund's policy as described above.

Investments at June 30, 2018 are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
Money market funds	\$ 62,573
State investment pool (LAIF)	264,263
Mutual funds:	
Bond Funds	2,492,690
Equity Funds	2,886,131
Total	<u>\$ 5,705,657</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of fund investments. Unrealized gains and losses on investments that had been held for more than one year were included in net appreciation (depreciation) reported in prior years.

The net increase in fair value of investments for the year ended June 30, 2018 was \$42,773.

*Risk Disclosures*

*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 Fund 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 Fund monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 3 – Operating Cash and Investments (Continued)**

E. Albany Police and Fire Relief Pension Fund (Continued)

*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 Fund'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, 2018, there are no investments in any one issuer that represent 5% or more of total Fund investments.

*Investment in State Investment Pool*

The Fund 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 Fund is required to disclose its methods and assumptions used to estimate the fair value of its holdings in LAIF. The Fund relied upon information provided by the State Treasurer in estimating the Fund's fair value position of its holding in LAIF. The Fund had a contractual withdrawal value of \$307,059. The fair value change of assets invested in the LAIF was not material for presentation in the financial statements for the year ended June 30, 2018.

The Fund's investments with LAIF at June 30, 2018 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 2018, the State Treasurer had invested 2.81% of the pool's funds in structured notes and asset-backed securities.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – Capital Assets**

The following is a summary of capital assets as of June 30, 2018:

	Governmental Activities	Business-Type Activities	Total
Nondepreciable assets:			
Land	\$ 9,443,728	\$ -	\$ 9,443,728
Construction in progress	818,903	1,670,682	2,489,585
Total nondepreciable assets	<u>10,262,631</u>	<u>1,670,682</u>	<u>11,933,313</u>
Depreciable assets:			
Buildings	21,230,005	-	21,230,005
Improvements other than buildings	8,657,334	-	8,657,334
Furniture and fixtures	772,879	-	772,879
Machinery and equipment	2,365,327	-	2,365,327
Vehicles	3,513,728	-	3,513,728
Sewer lines	-	21,204,274	21,204,274
Infrastructure	21,878,771	56,928	21,935,699
Total depreciable assets	<u>58,418,044</u>	<u>21,261,202</u>	<u>79,679,246</u>
Less accumulated depreciation:	<u>(25,108,338)</u>	<u>(7,377,067)</u>	<u>(32,485,405)</u>
Depreciable capital assets, net	<u>33,309,706</u>	<u>13,884,135</u>	<u>47,193,841</u>
Total capital assets, net	<u>\$ 43,572,337</u>	<u>\$ 15,554,817</u>	<u>\$ 59,127,154</u>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – Capital Assets (Continued)**

Transactions and balances of capital assets were as follows:

	Balance June 30, 2017	Additions	Transfers/ Retirements	Balance June 30, 2018
<b>Governmental Activities:</b>				
Nondepreciable assets:				
Land	\$ 9,443,728	\$ -	\$ -	\$ 9,443,728
Construction in progress	818,903	-	-	818,903
Total nondepreciable assets	<u>10,262,631</u>	<u>-</u>	<u>-</u>	<u>10,262,631</u>
Depreciable assets:				
Buildings	21,230,005	-	-	21,230,005
Improvements other than buildings	8,657,334	-	-	8,657,334
Furniture and fixtures	648,457	124,422	-	772,879
Machinery and equipment	2,365,327	-	-	2,365,327
Vehicles	3,513,728	-	-	3,513,728
Infrastructure	21,878,771	-	-	21,878,771
Total depreciable assets	<u>58,293,622</u>	<u>124,422</u>	<u>-</u>	<u>58,418,044</u>
Less accumulated depreciation for:				
Buildings	6,250,268	407,706	-	6,657,974
Improvements other than buildings	4,279,189	389,684	-	4,668,873
Furniture and fixtures	547,627	52,137	-	599,764
Machinery and equipment	1,835,454	86,281	-	1,921,735
Vehicles	2,980,114	216,762	-	3,196,876
Infrastructure	7,139,330	923,786	-	8,063,116
Total accumulated depreciation	<u>23,031,982</u>	<u>2,076,356</u>	<u>-</u>	<u>25,108,338</u>
Total depreciable assets, net	<u>35,261,640</u>	<u>(1,951,934)</u>	<u>-</u>	<u>33,309,706</u>
Total governmental activities capital assets:	<u>\$ 45,524,271</u>	<u>\$ (1,951,934)</u>	<u>\$ -</u>	<u>\$ 43,572,337</u>

Depreciation was charged to governmental functions as follows:

Governmental activities:

General government	\$ 22,479
Police	101,848
Fire and emergency medical services	72,329
Community development and environmental resources	1,668,085
Recreation and community services	211,615
Total governmental activities depreciation expense	<u>\$ 2,076,356</u>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – Capital Assets (Continued)**

	Balance June 30, 2017	Additions	Transfers/ Retirements	Balance June 30, 2018
<b>Business-Type Activities:</b>				
Non-Depreciable assets:				
Construction in progress	\$ 1,670,682	\$ -	\$ -	\$ 1,670,682
Total non-depreciable assets	<u>1,670,682</u>	<u>-</u>	<u>-</u>	<u>1,670,682</u>
Depreciable assets:				
Sewer lines	\$ 21,204,274	\$ -	\$ -	\$ 21,204,274
Machinery and equipment	56,928	-	-	56,928
Total depreciable assets	<u>21,261,202</u>	<u>-</u>	<u>-</u>	<u>21,261,202</u>
Less accumulated depreciation for:				
Sewer lines	6,862,640	457,499	-	7,320,139
Machinery and equipment	56,928	-	-	56,928
Total accumulated depreciation	<u>6,919,568</u>	<u>457,499</u>	<u>-</u>	<u>7,377,067</u>
Total depreciable assets, net	<u>14,341,634</u>	<u>(457,499)</u>	<u>-</u>	<u>13,884,135</u>
Total business-type activities capital assets	<u>\$ 16,012,316</u>	<u>\$ (457,499)</u>	<u>\$ -</u>	<u>\$ 15,554,817</u>

**NOTE 5 – Governmental Activities Debt**

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

Governmental Activities	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
2016 GO Refunding Bonds 2.00-5.00%, 8/1/37	15,874,519	-	755,000	15,119,519	515,000
2009 Street & Storm Drain Parcel tax note, 4.60%, 8/1/21	1,574,658	-	322,618	1,252,040	337,629
Lease purchase agreement 4.52%, 9/3/18	88,809	-	43,423	45,386	45,386
2011 California Energy Commission 1.0%, 6/2025	171,973	-	20,754	151,219	20,962
Total long-term debt	<u>\$ 17,709,959</u>	<u>\$ -</u>	<u>\$ 1,141,795</u>	<u>\$ 16,568,164</u>	<u>\$ 918,977</u>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 5 – Governmental Activities Debt (Continued)**

A. 2016 General Obligation Refunding Bonds I

In September 2016, the City issued the 2016 General Obligation Refunding Bonds in the amount of \$14,750,000. The proceeds were used to refinance the City's outstanding General Obligation Bonds, Election of 2002, Series 2003, General Obligation Bonds, Election of 2002, Series 2007, and General Obligation Bonds, Election of 2006, Series 2007. Interest payments are due February 1<sup>st</sup> and August 1<sup>st</sup> and principal payments are due August 1<sup>st</sup> of each year, with the final payment due August 1, 2037. The refunding resulting in a difference in aggregate future debt service cash payments in the amount of \$3,687,396 and an economic gain (net present value savings) of \$2,898,165. The unamortized balance of the original issuance premium as of June 30, 2018 was \$1,124,519.

B. 2009 Street & Storm Drain Parcel Tax Note

In June 2006, voters passed a ballot measure (Measure F) authorizing a street paving and storm drain parcel tax to finance citywide street paving and storm drain facility repairs and improvements. In April 2009, the City entered into a parcel tax note agreement with Capital One Public Financing, LLC in the amount of \$3,465,156. The financing provided funding to advance storm drain improvements. Interest payments are due August 1st and February 1st and beginning in 2010 principal payments are due August 1st and February 1st of each year, with the final payment due August 2, 2021.

C. Lease Purchase Agreement

On September 3, 2008, the City entered into a lease purchase agreement with Sun Trust Equipment Finance & Leasing Corp in the amount of \$374,990 to finance the purchase of a fire engine. Ownership of the fire engine passes to the City at the end of the lease. The cost of the fire engine has been included in the City's financial statements.

F. California Energy Commission Note

In March 2010 the City entered into an agreement with the California Energy Commission to replace existing high pressure sodium vapor street lights with energy efficient light-emitting diode lights. As part of this agreement, the City issued a note of \$290,805 with an interest rate of 1% and a term of 14 years.

G. Arbitrage

As of June 30, 2017, it is not anticipated that any bond funds will incur arbitrage liabilities within the next year. Management does not anticipate that any potential arbitrage liability would have material effect on the bond funds to which they were assessed.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – Governmental Activities Debt (Continued)**

H. Future Governmental Activities Debt Service

Debt service schedules for the COP's, general obligation bonds, and lease purchases are as follows at June 30, 2016:

Year Ending June 30:	Total Principal	Total Interest
2019	\$ 918,977	\$ 523,254
2020	914,508	478,912
2021	961,164	434,506
2022	812,892	387,836
2023	651,816	352,470
2024-2028	3,724,288	1,262,569
2029-2033	4,285,000	698,313
2034-2038	3,175,000	217,225
Subtotal	\$ 15,443,645	\$ 4,355,085
Original issuance premium	1,124,519	
	\$ 16,568,164	

**PRINCIPAL**

Year Ending June 30	2016 GO Refunding Bonds	2009 Street & Storm Drain Parcel Tax Note	Lease Purchase Agreement	California Energy Commission	Total
2019	\$ 515,000	\$ 337,629	\$ 45,386	\$ 20,962	\$ 918,977
2020	540,000	353,339	-	21,169	914,508
2021	570,000	369,779	-	21,385	961,164
2022	600,000	191,293	-	21,599	812,892
2023	630,000			21,816	651,816
2024-2028	3,680,000	-	-	44,288	3,724,288
2029-2033	4,285,000	-	-	-	4,285,000
2034-2038	3,175,000	-	-	-	3,175,000
Subtotal	13,995,000	1,252,040	45,386	151,219	15,443,645
Original Issuance Premium	1,124,519	-	-	-	1,124,519
<b>Total</b>	<b>\$ 15,119,519</b>	<b>\$ 1,252,040</b>	<b>\$ 45,386</b>	<b>\$ 151,219</b>	<b>\$ 16,568,164</b>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – Governmental Activities Debt (Continued)**

H. Future Governmental Activities Debt Service (Continued)

<b>INTEREST</b>						
Year Ending June 30	GO Bonds II	2009 Street & Storm Drain Parcel Tax Note	Lease Purchase Agreement	California Energy Commission	Total	
2019	\$ 465,988	\$ 53,755	\$ 2,051	\$ 1,460	\$ 523,254	
2020	439,613	38,046	-	1,253	478,912	
2021	411,863	21,605	-	1,038	434,506	
2022	382,613	4,400	-	823	387,836	
2023	351,863			607	352,470	
2024-2028	1,262,013	-	-	556	1,262,569	
2029-2033	698,313	-	-	-	698,313	
2034-2038	217,225	-	-	-	217,225	
<b>Totals</b>	<b>\$ 4,229,491</b>	<b>\$ 117,806</b>	<b>\$ 2,051</b>	<b>\$ 5,737</b>	<b>\$ 4,355,085</b>	

The City is required to maintain amounts of restricted cash and investments with trustees or fiscal agents under the terms of the above debt issues. These funds are pledged as reserves to be used if the City fails to meet its obligations under debt issues. These reserves total \$346,516 at June 30, 2018. The California Government Code requires these funds to be invested in accordance with the City ordinance, bond indentures or State statute. All funds have been invested as permitted under the Code.

**NOTE 6 – Special Assessment District Debt**

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

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

The outstanding balance of the bonds as of June 30, 2018 is \$890,000.



**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 – Business-Type Activities Debt**

During fiscal year 2016, the City issued \$4,810,000 in Sewer Revenue Bonds, which were used to refund the City's 2004 Sewer Revenue Bonds in the amount of \$5,100,000 as of the issue date. The reacquisition price exceeded the net carrying amount of the old debt by \$68,985. The bonds mature serially, each September 1st, and semi-annual interest payments are due each August 1st and February 1st.

The Bonds are special obligations of the City and are secured by and payable solely from operating revenue of the Sewer Enterprise Fund. The interest rate on the bonds is 2.17%.

The City has pledged future sewer service charges, net of specified operating expenses, to repay the debt. Annual principal and interest payments on the debt are payable solely from net revenues through 2024. The total principal and interest remaining to be paid on the bonds is \$4,476,025. Principal and interest paid for the current year was \$801,608 and sewer revenue net of operating expenses (excluding depreciation expense) was \$910,478.

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

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within in One Year
2016 Sewer revenue bonds	\$ 4,110,000	\$ -	\$ 505,000	\$ 3,605,000	\$ 515,000
Total long-term debt	<u>\$ 4,110,000</u>	<u>-</u>	<u>505,000</u>	<u>\$ 3,605,000</u>	<u>\$ 515,000</u>

Annual debt service repayment requirements to repay the Sewer Revenue Bonds and amortization of bond issuance costs and refunding discount at June 30, 2018 are:

June 30	Principal	Interest	Total
2019	\$ 515,000	\$ 75,136	\$ 590,136
2020	530,000	63,852	593,852
2021	540,000	52,297	592,297
2022	555,000	40,525	595,525
2023	565,000	28,427	593,427
2024-2025	900,000	19,638	919,638
<b>Totals</b>	<u>\$ 3,605,000</u>	<u>\$ 279,875</u>	<u>\$ 3,884,875</u>

**Internal Service Fund Debt**

The liability related to compensated absences at June 30, 2018 is summarized below:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Estimated Payments in One Year
Compensated Absences	<u>\$ 1,297,863</u>	<u>\$ 288,964</u>	<u>\$ 288,964</u>	<u>\$ 1,297,863</u>	<u>\$ 288,964</u>

All liabilities for compensated absences are liquidated by charges to the General Fund.

**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 – Interfund Transactions**

Due To / From

During the normal course of business the General Fund may make a temporary inter-fund transfer to cover deficit cash balances caused by expenditures for reimbursement type grants and other reimbursements or timing differences between when revenue is received.

<u>Due from other funds</u>	<i>Due to other funds</i>		<u>Total Due to other funds</u>
	CITY CAPITAL PROJECT	NON MAJOR GOVERNMENTAL FUNDS	
<b>MAJOR GOVERNMENTAL FUNDS</b>			
General Fund	\$ 860,971	\$ 95,683	\$ 956,654
<b>Total Due from other funds</b>	\$ 860,971	\$ 95,683	\$ 956,654

Interfund Transfers (Transfers In / Out)

A summary of all Interfund Transfers for the year ended June 30, 2018 were as follows:

<u>Transfers in</u>	<u>Transfers out</u>		<u>Total</u>
	<u>Street &amp; Storm Drain</u>	<u>Non-Major Govt Funds</u>	
Major Funds			
General Fund	\$ -	\$ 1,262,885	\$ 1,262,885
Non-major Govtl Funds	21,000	451,698	472,698
Total	\$ 21,000	\$ 1,714,583	\$ 1,714,583

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 9 – Net Position and Fund Balances**

The format of the Government Wide Financial Statements use the term “Net position” to describe what had been previously referred to as “net assets” in previous Comprehensive Annual Financial Reports (CAFR’s). The Net Position is further categorized as Restricted or Unrestricted. Restricted portions of net position include external restrictions as well as restrictions based on policies established by the City Council. Unrestricted portions of the net position reflect categories that are not restricted or net investment in capital assets.

The Governmental Accounting Standards Board (GASB) established fund balance classifications for governmental funds, which are also incorporated in an adopted City policy. The City Council has adopted a Resolution setting forth its policy using the GASB designations. In the Fund Financial Statements, in accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

**Non-spendable**

Fund balance amounts that cannot be spent because they are either (a) not expected to be converted to cash or (b) legally or contractually required to be maintained intact.

**Restricted**

Fund balance amounts that are subject to externally enforceable legal restrictions or constrained for a specific purpose by external parties, constitutional provisions or enabling legislation.

**Committed**

Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the City Council. The adopted policy the City Council must take action to allow for removal or change to the constraint.

**Assigned**

Fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. In accordance with the adopted City Policy (Resolution No. 2012-2) the City Council has authorized the City Manager to assign balances.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – Fund Balances and Net Position (Continued)**

Unassigned

Positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

Fund balances are classified in the above categories as follows:

Fund Balances	Major Governmental Funds			Non Major Government Funds	Total Government
	General	City Capital Projects	Street and Storm Fund		
<b>Nonspendable fund balance:</b>					
Prepaid items	\$ 60,834	\$ -	\$ -	\$ -	\$ 60,834
	60,834	-	-	-	60,834
<b>Restricted fund balance for:</b>					
Debt Service	-	-	-	2,952,999	2,952,999
Construction Projects	-	-	3,992,077	2,741,213	6,733,290
Police Retirement Funding	-	-	-	326,218	326,218
Other	-	-	-	5,036,562	5,036,562
	-	-	3,992,077	11,056,992	15,049,069
<b>Assigned fund balance for:</b>					
Capital Projects	-	-	-	1,988,593	1,988,593
	-	-	-	1,988,593	1,988,593
<b>Unassigned fund balance</b>	8,785,408	(2,478,738)	-	(3,184,281)	3,122,389
<b>Total Fund Balances</b>	<b>\$ 8,846,242</b>	<b>\$ (2,478,738)</b>	<b>\$ 3,992,077</b>	<b>\$ 9,861,304</b>	<b>\$ 20,220,885</b>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans**

A. Summary of Pension Plan Balances

Pension related balances presented on the Statement of Net Position as of June 30, 2017 by individual plan are described in the following table:

	Deferred Employer Contributions	Deferred Outflows - Pension	Net Pension Liability	Deferred Inflows - Pension	Pension Expense
Single Employer Plan - Police and Fire Relief Fund	218,723	499,536	6,391,925	-	(1,247,540)
CalPERS Cost Sharing Plan	1,814,405	5,881,044	27,744,343	3,173,345	2,633,968
<b>Total</b>	<b>2,033,128</b>	<b>6,380,580</b>	<b>34,136,268</b>	<b>3,173,345</b>	<b>1,386,428</b>

B. Single Employer Plan – Police and Fire Relief Fund

***I. General Information about the Pension Plan***

***Plan Description*** – The Police and Fire Relief or Pension Fund (Pension Fund) is governed by Section 9.01 of the Charter of the City of Albany (the City) and is a sole employer defined benefit pension plan for the City’s police and fire department employees hired before July 1, 1971. The Pension Fund is closed to new participants. Benefit provisions and other requirements are established by the City Charter.

***Benefits Provided*** - A summary of the plan benefits are presented below:

***Service Retirement***

Eligibility: Age 50 with 25 years of service, or 30 years of service regardless of age.

Amount: A percentage (based on years of service) applied to average yearly salary:

Years of Service	Percentage of Average Yearly Salary
25	50.00%
26	53.33%
27	56.67%
28	60.00%
29	63.33%
30	66.67%

Average yearly salary means the average yearly salary for the rank in the three years prior to retirement.

**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

B. Single Employer Plan – Police and Fire Relief Fund (Continued)

***I. General Information about the Pension Plan (Continued)***

*Death Benefit*

Eligibility: Death after retirement.

Amount: A percentage (based on marital status at retirement) of the member's retirement benefit to surviving spouse until death or remarriage.

Years Married At Retirement	Percentage of Average Yearly Salary
Less than five	16.67%
At least five	50.00%

Benefits are payable to eligible children if there is no spouse eligible for death benefits.

*Cost of Living*

A member's pension for service retirement or duty-related disability increases during the member's lifetime in conjunction with increases in salary for the rank used in the benefit determination.

***Employees Covered*** – At June 30, 2017, the following employees were covered by the benefit terms for each Plan:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	-
Active employees	-
Total	22

***Contributions*** – The City Charter requires an annual contribution to the Pension Fund equal to 18 percent of the gross wages of active members; however, there are no active members and the Pension Fund is closed to new participants.

The funding policy of the Board of Trustees is to make a minimum contribution upon completion of the actuarial valuation, as required to amortize any unfunded liability over the expected life of the Pension Fund. The unfunded Actuarial Liability is funded as a level dollar amount over a 15 year period from July 1, 2017.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

B. Single Employer Plan – Police and Fire Relief Fund (Continued)

***II. Net Pension Liability***

The City’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017. A summary of principal assumptions and methods used to determine the net pension liability is shown below:

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost
Actuarial Assumptions:	
Discount Rate	4.54%
Inflation	2.50%
Investment Rate of Return	6.75%
Death after Retirement	RP-2000 mortality table for annuitants with a 7-year projection, applied on a static basis using Scale AA, from valuation date.

**Discount Rate** – The discount rate used to measure the total pension liability was 4.54%.

The projection of cash flows used to determine the discount rate assumed that contributions will continue to follow the current funding policy. Based on those assumptions, the Pension Fund’s fiduciary net position was projected to be available to make projected future benefit payments of current members through 2027.

The discount rate was determined by blending the expected return on assets (6.75%) with the weighted average yield of S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2017 (3.13%).

Best estimates of arithmetic long-term expected rates of return for each major asset class included in the Pension Fund’s target asset allocation are summarized in the following table (note that the rates shown below include the inflation component):

Asset Class	Long-Term Expected Return
Equity	6.60%
Fixed Income	2.20%
Short Term and Receivables	1.60%

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

**B. Single Employer Plan – Police and Fire Relief Fund (Continued)**

**III. Changes in the Net Pension Liability**

The changes in the Net Pension Liability for the Plan follow:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
<b>Balance at June 30, 2016</b>	\$ 14,163,304	\$ 6,843,257	\$ 7,320,047
<b>Changes in the year:</b>			
Service cost	-	-	-
Interest on the total pension liability	556,000	-	556,000
Differences between actual and expected experience	-	-	-
Changes in assumptions	(377,454)	-	(377,454)
Changes in benefit terms	-	-	-
Contribution - employer	-	218,723	(218,723)
Contribution - employee	-	-	-
Investment income	-	887,945	(887,945)
Administrative expenses	-	-	-
Benefit payments , including refunds of employee contributions	(1,283,577)	(1,283,577)	-
<b>Net changes</b>	<b>(1,105,031)</b>	<b>(176,909)</b>	<b>(928,122)</b>
<b>Balance at June 30, 2017</b>	<b>\$ 13,058,273</b>	<b>\$ 6,666,348</b>	<b>\$ 6,391,925</b>

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate** – The following presents the net pension liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		3.54%
Net Pension Liability	\$	7,411,974
Current Discount Rate		4.54%
Net Pension Liability	\$	6,391,925
1% Increase		5.54%
Net Pension Liability	\$	5,501,881



**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

B. Single Employer Plan – Police and Fire Relief Fund (Continued)

**III. Changes in the Net Pension Liability, Continued**

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports available from the City of Albany.

**IV. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

For the year ended June 30, 2018, the City recognized pension expense of \$(1,247,540). At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 218,723	
Net differences between projected and actual earnings on plan investments	499,536	-
Total	\$ 718,259	\$ -

\$218,723 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized as pension expense as follows:

Fiscal Year	
Ending June 30:	
2019	79,541
2020	79,542
2021	216,915
2022	123,538

**V. Payable to Pension Plan**

As of June 30, 2018, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 10 – Employee Retirement Plans (Continued)**

C. Cost Sharing Plan – CalPERS

***I. Plan Description***

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors eleven rate plans (six miscellaneous and five safety). Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

***II. Benefits Provided***

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employee's Retirement Law.

The rate plan provisions and benefits in effect at June 30, 2018 are summarized on the following page.

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

**C. Cost Sharing Plan – CalPERS**

**II. *Benefits Provided***

	<u>City Miscellaneous</u>	<u>City Miscellaneous - 2nd Tier</u>
Hire Date	Prior to January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payment	Monthly for life	Monthly for life
Retirement age	55	60
Monthly benefits, as a % of annual salary	2.50%	2.00%
Required employee contribution rates	8.000%	7.000%
Required employer contribution rates	9.539%	7.200%
Required UAL Payment	\$ 257,821	\$ 502

	<u>City Miscellaneous-PEPRA</u>	<u>City Safety - Fire</u>
Hire Date	On or after January 1, 2013	Prior to January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	57	55
Monthly benefits, as a % of annual salary	2.70%	3.00%
Required employee contribution rates	6.250%	9.000%
Required employer contribution rates	6.533%	17.875%
Required UAL Payment	\$ 551	\$ 359,156

	<u>City Safety - Police</u>	<u>City Safety - Police PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits, as a % of annual salary	3.00%	2.70%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	17.875%	11.990%
Required UAL Payment	\$ 379,636	\$ 1,454

	<u>City Safety - Fire 2nd Tier</u>	<u>City Safety - Fire PEPRA</u>
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	57
Monthly benefits, as a % of annual salary	3.00%	2.70%
Required employee contribution rates	9.000%	11.500%
Required employer contribution rates	16.842%	11.990%
Required UAL Payment	\$ 1,786	\$ 1,755

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 10 – Employee Retirement Plans (Continued)**

C. Cost Sharing Plan – CalPERS

**II. Benefits Provided, Continued**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers are to be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The City’s contributions to the Plan for the year ended June 30, 2017 were \$1,570,862.

**III. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2018, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$27,744,343.

The City’s net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The City’s proportionate of the net pension liability was based on the City’s plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City’s proportionate share of the net pension liability for the Plan as of measurement dates June 30, 2016 and 2017 were as follows:

Proportion - June 30, 2016	0.27660%
Proportion - June 30, 2017	<u>0.27976%</u>
Change - Increase (Decrease)	<u>0.00316%</u>

**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

C. Cost Sharing Plan – CalPERS

**III. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued**

For the year ended June 30, 2018, the City recognized pension expense of \$2,633,968. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,814,405	\$ -
Changes of assumptions	4,536,084	347,388
Differences between expected and actual experience	68,987	50,144
Changes in employer's proportion	276,041	1,074,688
Differences between the employer's contribution and the employer's proportionate share of contributions	-	1,701,125
Net differences between projected and actual earnings on plan investments	999,932	-
Total	\$ 7,695,449	\$ 3,173,345

\$1,814,405 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	
2019	\$ (190,639)
2020	2,185,866
2021	1,300,172
2022	(587,700)

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 10 – Employee Retirement Plans (Continued)**

C. Cost Sharing Plan – CalPERS

**III. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued**

**Actuarial Assumptions** – The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return <sup>(1)</sup>	7.15%
Mortality	Derived by CalPERS membership data for all funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

**Discount Rate** – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 – Employee Retirement Plans (Continued)**

C. Cost Sharing Plan – CalPERS

**III. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued**

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

**Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease	6.15%
Net Pension Liability	\$ 42,719,897
Current Discount Rate	7.15%
Net Pension Liability	\$ 27,744,343
1% Increase	8.15%
Net Pension Liability	\$ 15,454,978

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 10 – Employee Retirement Plans (Continued)**

C. Cost Sharing Plan – CalPERS

***III. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions, Continued***

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2018 the City reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

**NOTE 11 – Other Postemployment Benefits**

A. Plan Description

The City of Albany Retiree Health Plan is a single-employer defined benefit healthcare plan administered by the California Public Employees’ Retirement System (CalPERS). The Plan provides medical insurance benefits to eligible retirees and their eligible dependents. In accordance with Public Employees’ Retirement Law (Article 2), the CalPERS Board of Administration has the responsibility to approve health benefit plans and may contract with carriers offering health benefit plans. The Board of Administration is responsible for adopting all rules and regulations, including the scope and content of basic health plans. The California Government Code also defines certain rules for contract agencies to purchase health insurance benefits

B. Benefits Provided

Eligibility for retiree health benefits requires retirement from the City on or after age 50 (age 52 for PEPRA New hires) with at least five years of CalPERS service. Eligible employees who were hired prior to July 1, 2005, receive 100% of medical premium to age 65, subject to the following age and service requirements. Employees who retire on or after age 63 with at least five years of service will receive 100% of the medical premium for employee only coverage. Employees who retire at on or after age 60 with at least 10 years of service will receive 100% of the medical premium for employee, spouse and dependent coverage. Eligible employees who were hired on or after July 1, 2005, but before January 1, 2016, receive 100% of medical premium to from age 55 to age 65, subject to the following age and service requirements. Employees who retire with at least 10 years of service will receive 100% of the medical premium for employee only coverage. Employees who retire with at least 15 years of service will receive 100% of the medical premium for employee and spouse coverage. Employees who retire with at least 20 years of service will receive 100% of the medical premium for employee, spouse and dependent coverage. City Council, City Manger and City Clerks receive who retire with at least four years of service receive four years of medical coverage for employee, spouse and dependent coverage. They will receive an additional six months for each year served beyond four. Eligible Employees hired after the dates listed above, or with less than 10 years of service will receive the PEMHCA minimum benefit.



**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 11 – Other Postemployment Benefits (Continued)**

C. Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms for the plan:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	-
Active employees	103
Total	146

D. Funding Policy

The City pays benefits as they come due.

E. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date..

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	3.50%
Mortality	Derived using CalPERS' Membership Data for all Funds
Healthcare cost trend rates:	6.5% in the first year, trending down to 3.84% over 58 years

**Discount Rate**

The discount rate used to measure the total OPEB liability was 3.50%. The City's OPEB Plan is an unfunded plan, therefore the discount rate was set to the rate of tax-exempt, high quality 20-year municipal bonds, as of the valuation date.

**CITY OF ALBANY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 11 – Other Postemployment Benefits (Continued)**

**F. Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balance at June 30, 2017</b>	<b>\$ 3,492,579</b>
<b>Changes in the year:</b>	
Service cost	260,164
Interest on the total pension liability	129,175
Differences between actual and expected experience	54
Changes in assumptions	10,072
Changes in benefit terms	-
Plan to Plan Resource Movement	-
Contribution - employer	(42,942)
Implicit rate subsidy fulfilled	(78,092)
<b>Net changes</b>	<b>278,431</b>
<b>Balance at June 30, 2018</b>	<b>\$ 3,771,010</b>

*Sensitivity of the Total OPEB liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the City for the Plan, calculated using the discount rate for the Plan, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease - 2.50%	
Total OPEB liability	\$ 3,931,655
Current Discount Rate - 3.50%	
Total OPEB liability	\$ 3,771,010
1% Increase - 4.50%	
Total OPEB liability	\$ 3,142,669

*Sensitivity of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate* – The following presents the total OPEB liability of the City for the Plan, calculated using the healthcare cost trend rate for the Plan, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease - 5.50% Decreasing to 2.84%	
Total OPEB liability	\$ 3,040,995
Current Discount Rate - 6.50% Decreasing to 3.84%	
Total OPEB liability	\$ 3,771,010
1% Increase - 7.50% Decreasing to 4.84%	
Total OPEB liability	\$ 4,075,326

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 – Other Postemployment Benefits (Continued)**

**OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the City recognized OPEB expense of \$390,589. . At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	8,829	-
Differences between expected and actual experience	47	-
Total	\$ 8,876	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30:	
2019	\$ 1,250
2020	1,250
2021	1,250
2022	1,250
2023	1,250
Thereafter	2,626

**NOTE 12 – Risk Management**

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

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

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – Risk Management (Continued)**

**A. Risk Pools**

The City participates in the Bay Cities Joint Powers Insurance Authority (BCJPIA) general liability risk pool, which in turn participates in the California Affiliated Risk Management Authorities (CARMA) risk pool. BCJPIA covers general liability claims in an amount up to \$1,000,000. The City has a deductible (or uninsured liability) of up to \$50,000 per claim. Once the City's deductible is met BCJPIA becomes responsible for payments of all claims up to \$1,000,000. CARMA covers claims from \$1,000,000 to \$28,000,000.

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

The City's contributions with each risk pool equal the ratio of the City's payroll to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

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

Financial statements for BCJPIA and LAWCX may be obtained from Bickmore Risk Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

**B. Liability for Uninsured Claims**

The City estimates its liability for the uninsured portion of claims, including a provision for claims incurred but not reported (IBNR), which is based on claims experience and estimates provided by BCJPIA. Changes in the balance of claim liabilities are as follows:

	Workers' Compensation	General Liability	Total
Balance July 1, 2016	\$ 906,000	\$ 141,698	\$ 1,047,698
Incurred claims and changes in estimates	274,906	81,868	356,774
Claim paid	(274,906)	(81,868)	(356,774)
Balance June 30, 2017	906,000	141,698	1,047,698
Incurred claims and changes in estimates	274,906	81,868	356,774
Claim paid	(274,906)	(81,868)	(356,774)
Balance June 30, 2018	<u>\$ 906,000</u>	<u>\$ 141,698</u>	<u>\$ 1,047,698</u>

**CITY OF ALBANY**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 13 – Commitments and Contingent Liabilities**

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

The City is currently in the process of resolving findings provided by CalPERS regarding treatment of earnings and calculations of required contributions. The resolutions of these findings may require additional amounts to be paid to CalPERS to resolve past funding requirements.

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

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# REQUIRED SUPPLEMENTARY INFORMATION

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# City of Albany

## Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

### General Fund

For the year ended June 30, 2018

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 6,591,012	\$ 6,951,012	\$ 7,176,748	\$ 225,736
Sales taxes	3,949,504	4,229,504	3,511,510	(717,994)
Franchise and other taxes	4,730,814	4,730,814	4,020,717	(710,097)
Licenses and permits	300,450	294,950	1,204,391	909,441
Fines and forfeitures	345,000	345,000	188,954	(156,046)
Earnings on investments	128,785	128,785	277,354	148,569
Revenues from other agencies	269,697	269,697	191,384	(78,313)
Current service charges	2,149,310	2,149,310	2,061,243	(88,067)
Other revenue	182,710	182,710	684,106	501,396
<b>Total revenues</b>	<b>18,647,282</b>	<b>19,281,782</b>	<b>19,316,407</b>	<b>34,625</b>
<b>EXPENDITURES:</b>				
Current:				
General government	4,769,688	4,910,824	4,412,073	498,751
Police	7,237,618	7,237,618	6,754,786	482,832
Fire and emergency medical services	2,664,602	2,664,602	2,756,394	(91,792)
Community development and environmental resources	1,575,327	1,631,465	2,490,140	(858,675)
Recreation and community services	2,509,922	2,577,370	2,519,910	57,460
Capital outlay	1,255,101	1,517,838	825,923	691,915
Debt service:				
Principal	-	-	43,423	(43,423)
Interest, and fiscal charges	-	-	4,134	(4,134)
<b>Total expenditures</b>	<b>20,012,258</b>	<b>20,539,717</b>	<b>19,806,783</b>	<b>732,934</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,364,976)</b>	<b>(1,257,935)</b>	<b>(490,376)</b>	<b>767,559</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	891,100	891,100	1,262,885	371,785
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>891,100</b>	<b>891,100</b>	<b>1,262,885</b>	<b>371,785</b>
<b>Net change in fund balance</b>	<b>\$ (473,876)</b>	<b>\$ (366,835)</b>	<b>772,509</b>	<b>\$ 1,139,344</b>
<b>FUND BALANCE:</b>				
Beginning of year			8,073,733	
End of year			<u>\$ 8,846,242</u>	

**CITY OF ALBANY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

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Budgetary Policies

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

1. By June 1, of even-numbered years, the City Manager submits to the City Council an operating budget and capital improvement budget for the two fiscal years commencing the following July 1. The operating budget includes proposed expenditures and the sources of financing.
2. Public hearings and work sessions are conducted to obtain comments from interested individuals and organizations.
3. The budget is formalized and legally enacted through City Council adoption.
4. All intrafund transfers above \$5,000 require the approval of the City Manager (or designee). All intrafund transfers below \$5,000 require the approval of the Finance and Administrative Services Director (or designee). Interfund transfer approval must be obtained from both the City Manager and Finance and Administrative Services Director. Such approval shall only be given provided the interfund transfer does not change the total initial appropriation for all funds requiring budgets. Changes in appropriations at the fund level must be approved by the City Council.
5. Formal budgetary integration, in the form of the annual budget, is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.
6. Budgets for General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles in the United States of America. Appropriations lapse at the end of the fiscal year.
7. As needed, budgeted amounts are subjected to amendments presented to the City Council for approval. Budgeted amounts appearing in these statements are as amended by the City Council though June 30, 2018.

**CITY OF ALBANY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**DEFINED PENSION PLAN – SINGLE EMPLOYER PLAN**

***Schedule of Changes in Net Pension Liability and Related Ratios During the Measurement Period***

Measurement Period (1)	2016-17	2015-16	2014-2015	2013-14
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ -	\$ -	\$ -	\$ -
Interest	556,000	689,200	667,737	774,708
Changes of Benefit Terms	-	-	-	-
Difference Between Expected and Actual Experience	-	-	1,348,531	-
Changes of Assumptions	(377,454)	1,228,156	499,219	945,018
Benefit Payments, Including Refunds of Employee Contributions	(1,283,577)	(1,351,708)	(1,411,164)	(1,384,481)
<b>Net Change in Total Pension Liability</b>	<b>(1,105,031)</b>	<b>565,648</b>	<b>1,104,323</b>	<b>335,245</b>
<b>Total Pension Liability - Beginning</b>	<b>14,163,305</b>	<b>13,597,657</b>	<b>12,493,334</b>	<b>12,158,089</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 13,058,274</b>	<b>\$ 14,163,305</b>	<b>\$ 13,597,657</b>	<b>\$ 12,493,334</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - Employer	\$ 218,723	\$ -	\$ -	\$ 82,401
Contributions - Employee	-	-	-	-
Net Investment Income (2)	887,945	(103,177)	131,946	1,287,597
Benefit Payments, Including Refunds of Employee Contributions	(1,283,577)	(1,351,708)	(1,411,164)	(1,384,481)
Other Changes in Fiduciary Net Position	-	-	-	-
<b>Net Change in Fiduciary Net Position</b>	<b>(176,909)</b>	<b>(1,454,885)</b>	<b>(1,279,218)</b>	<b>(14,483)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>6,843,258</b>	<b>8,298,143</b>	<b>9,577,361</b>	<b>9,591,844</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 6,666,349</b>	<b>\$ 6,843,258</b>	<b>\$ 8,298,143</b>	<b>\$ 9,577,361</b>
<b>Plan Net Position Liability/(Asset) - Ending (a) - (b)</b>	<b>\$ 6,391,925</b>	<b>\$ 7,320,047</b>	<b>\$ 5,299,514</b>	<b>\$ 2,915,973</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>51.05%</b>	<b>48.32%</b>	<b>61.03%</b>	<b>76.66%</b>

(1) – Prior information unavailable.

(2) – Net of administrative expenses.

Notes to Schedules

The plan is closed to new members and currently has no active members, hence covered payroll for the plan for all years presented is \$0.

Benefit Changes: None (other than cost of living adjustments under the terms of the Plan)

Changes of Assumptions: None other than change in discount rate from 5.66% to 5.33% in 2015, to 4.11% in 2016, and to 4.54% in 2017.

**CITY OF ALBANY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**DEFINED PENSION PLAN – SINGLE EMPLOYER PLAN (Continued)**

***Schedule of Plan Contributions***

	Fiscal Year 2016-17	Fiscal Year 2016-17	Fiscal Year 2015-16	Fiscal Year 2014-15
Actuarially determined contribution	\$ 218,723	\$ 218,723	\$ 218,723	\$ 82,401
Contribution in relation to the actuarially determined contributions	(218,723)	(218,723)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ 218,723	\$ 82,401

**DEFINED BENEFIT PENSION PLAN - COST SHARING PLAN**

**A. *Schedule of the City's Proportionate Share of the Net Pension Liability – Last 10 Years\****

Fiscal year:	2018	2017	2016	2015
Measurement date:	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.27976%	27.66000%	0.29008%	0.23892%
Proportionate share of the net pension liability	\$ 27,744,343	\$ 23,934,673	\$ 18,050,164	\$ 16,399,349
Covered payroll	\$ 9,649,389	\$ 9,368,339	\$ 8,831,933	\$ 8,553,930
Proportionate share of the net pension liability as a percentage of covered payroll	287.52%	255.48%	204.37%	191.72%
Plan's share of fiduciary net position as a percentage of total pension liability	73.31%	74.06%	78.40%	79.82%

\* Fiscal year 2015 was the 1st year of implementation.

**B. *Schedule of Contributions – Last 10 Years\****

	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contribution (actuarially determined)	\$ 1,814,405	\$ 1,570,862	\$ 1,498,446	\$ 1,231,831
Contribution in relation to the actuarially determined contributions	(1,814,405)	(1,570,862)	(1,498,446)	(1,231,831)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,938,871	\$ 9,649,389	\$ 9,368,339	\$ 8,831,933
Contributions as a percentage of covered payroll	18.26%	16.28%	15.99%	13.95%

\* Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown

**CITY OF ALBANY  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**Albany Employees Retiree Health Plan:**

	2018	2017
<b><u>Total OPEB liability</u></b>		
Service cost	\$ 260,164	\$ 244,341
Interest on the total pension liability	129,175	119,827
Differences between actual and expected experience	54	-
Changes in assumptions	10,072	
Changes in benefit terms	-	-
Plan to Plan Resource Movement	-	-
Contribution - employer	(42,942)	(28,742)
Contribution - employee	-	-
Net investment income	-	-
Administrative expenses	-	-
Implicit rate subsidy fulfilled	(78,092)	(72,983)
<b>Net changes</b>	278,431	262,443
<b>Total OPEB liability - beginning of year</b>	3,492,579	3,230,136
<b>Total OPEB liability - end of year</b>	\$ 3,771,010	\$ 3,492,579
<b>Covered-employee payroll</b>	\$ 11,735,894	\$ 11,421,795
<b>City's total OPEB liability as a percentage of covered-employee payroll</b>	32.13%	30.58%